aviso wealth

OnPoint Managed Portfolios

Fiera Balanced

Quick facts

Inception date:
November 30, 2018

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Fiera Capital

Investment manager assets under management:
$180B

Portfolio risk:

	Medium	

OnPoint Managed Portfolios are distributed by *Credential Qtrade Securities Inc.*

What does the Portfolio invest in?

The portfolio invests in a diversified portfolio of Canadian and foreign equity securities, fixed-income securities, exchange traded funds (ETFs), and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Target	Current	Max
Canadian equities	15%	30%	27%	45%
Non-Canadian equities	15%	30%	39%	45%
Fixed income	30%	37%	31%	50%
Cash & cash equivalents	1%	3%	3%	10%

- Equities: the minimum market capitalization will be $1 billion dollars (CAD and/or USD equivalent) at the time of purchase and invested in at least six out of 11 GICS (Global Industry Classification Standard Sectors)
  - Canadian equities: Target 5–15 securities
  - Non-Canadian equities: Target 15–20 securities
- Fixed income: Fiera Active Fixed Income pooled fund will be used

Suitable for investors whose objective is to achieve long-term capital growth, and is not intended for investors with a short-term investment horizon.

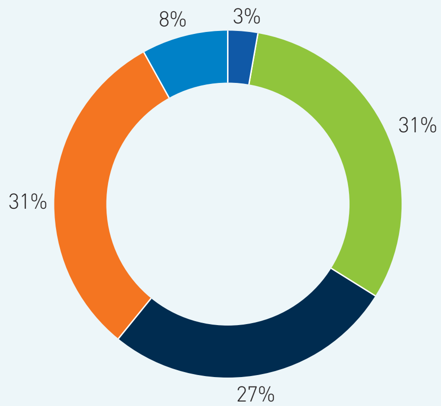
Top ten holdings (excluding cash and cash equivalents)

1.	Fiera Active Canadian Bonds Universe Fund	31.3%
2.	Toronto Dominion Bank	4.2%
3.	Microsoft Corp	4.1%
4.	Danaher Corp	3.9%
5.	Visa Inc	3.7%
6.	Franco Nevada Corp	3.5%
7.	Experian Plc	3.4%
8.	Cdn Natl Railway	3.4%
9.	Telus Corp	3.2%
10.	S&P Global Inc	3.1%

Performance

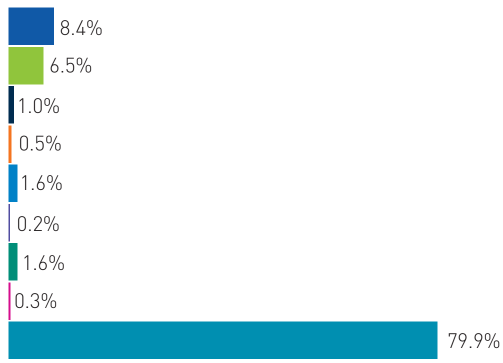
	QTD	YTD	1 yr	2 yr	3 yr	Since Inception (annualized)
Portfolio	5.5%	8.9%	8.9%	10.3%	12.4%	11.0%
Benchmark	5.2%	13.0%	13.0%	11.9%	12.8%	11.5%

Asset allocation[1]



- Cash
- Fixed income
- Canadian equities
- US equities
- International equities

Fixed income allocation

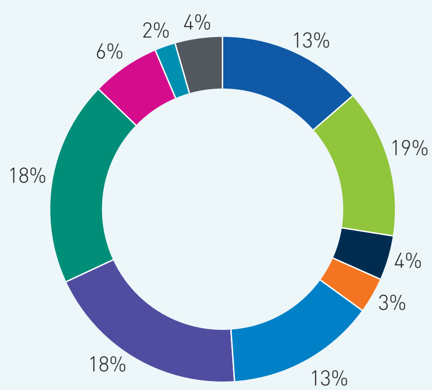


Credit quality	Portfolio (%)
AAA	38.9
AA	28.2
A	23.7
BBB	8.8
Non-rated securities	0.1
Cash and money market	0.3
	100.0

- Financials
- Energy
- Infrastructure
- Industrials
- Communication
- Securitization
- Real estate
- Cash & money market
- Government, foreign pay bonds

Current Yield: 2.30%

Equities sector allocation[1,2]



- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology
- Communication Services
- Real Estate
- Utilities

Average market cap. $332.0B

Repositioning for Q1 2022

Sold or reduced positions (-3.1%)

- Trimmed Canadian National Railway
- Sold Philips
- Trimmed cash

Bought or increased positions (+3.1%)

- Initiated a new position in CBRE Group
- Initiated a new position in Thomson Reuters Corp
- Increased Fiera Active Universe Bond Fund

Rationale

- **Canadian National Railway:** Reducing the position on the uncertainty over who will be the new CEO.
- **Philips:** With the pull-back in Thomson, the manager likes the longer term risk/reward of adding to Thomson and CBRE better than continuing to hold Philips.
- **CBRE Group:** Adding the leading player in the real estate services business. The business is becoming more resilient due to a greater mixture of recurring revenue and greater diversification. Moreover, as investors are looking for alternatives to bonds, real estate has been getting an increasing amount of exposure in investor portfolios.
- **Thomson Reuters:** Thomson has large barriers to entry and high operating margins with the ability to invest in these attractive areas as it monetizes its stake in the London Stock Exchange.

Quarterly **commentary**

Market review

Volatility continued to grip the marketplace in the final months of the year as investors contemplated the implications of monetary policy tightening and the Omicron variant on the global economy. Equity investors took comfort in global central banks aiming their focus at combatting inflation, while looking past the temporary pandemic-induced economic risks.

Solid performance was widespread across sectors. With the exception of the Communication Services group (-0.5%), all others delivered positive returns. Materials was the best performing (+10.23%) sector, as gold stocks gained on the back of deteriorating risk appetite and mounting virus fears, which prompted investors to bid up the safe haven metal. Well established and profitable firms in the Technology space also out-performed (sector was up 9.83%). The prospect of higher interest rates helped the Financials (+6.66%) perform in line with the index. Finally, Energy stocks under-performed (+5.03%) the broader market as oil was basically flat over the quarter; traders grew more concerned about the demand impacts from the Omicron variant and tighter monetary policy.

For 2021, the Energy sector led the pack, delivering a 44.65% return on the back of a 55% recovery in the price of the commodity (WTI). Financials were not too far behind (+31.56%) on a favourable backdrop of rising rates and lower provision for credit losses. The Materials sector was the clear laggard (+8.31%), as the reflation trade turned investors away from the more defensive gold play.

During the fourth quarter of 2021, economic growth continued in North America. In Canada, the job market continued to grow at an accelerated pace and the number of jobs has returned to pre-pandemic levels. Recruitment problems persist in several sectors, however. The Bank of Canada estimates that the Canadian economy will have reached its full potential by mid-2022.

In financial markets, the significant rise in inflation around the world and the fight against the Delta and Omicron variants contributed to the volatility. Nevertheless, stock markets hit new highs. Note that despite the rise in inflation, central banks seem determined to step off the gas in the process of normalizing monetary policy. In the fourth quarter, bond rates ended lower as the rate on a 10-year Canada bond went from 1.52% to 1.42%.

Attribution Analysis

Microsoft was a strong contributor to performance (+19.10%) for Q4. Microsoft is a leading software company with a focus on personal, enterprise and cloud computing which benefits from durable secular growth driven by enterprise digital transformation. Its cloud business could double the company's revenues as Microsoft is not only a go-to strategic cloud partner, but also a leader in hybrid cloud. Core products like Office, Dynamics and Cloud provide attractive recurring revenues and profitability, making the company one of our highest conviction investments.

Dutch Koninklijke Philip (-16.39%) was the largest detractor this quarter. Philips is a health technology company focused on diagnostics, treatment and home care. As it sold its lighting business, the company was able to improve revenue growth by transforming into a healthcare company. Philips is focused on getting more of its sales towards solutions as opposed to capital equipment and is gaining a higher share of hospital spending from equipment, devices and services (its Azurion platform is ahead of competitors).

CAE was another detractor to performance (-15.67%). The company provides training solutions based on simulation technology and integrated training services for civil aviation and defense. The company is a world leader with high-quality products and services, a strong reputation and a high level of recurring revenue that should continue to support the durability of the business model. Despite the Omicron variant and airline industry fears that have recently affected sentiment on the stock, people need to fly and will want to travel again. And if pilots aren't flying, they still need to train.

During the quarter, we increased duration to widen our spread over the benchmark. This strategy had a positive contribution to performance.

We increased our overweight to bonds with 7-10 year maturities over the quarter, while maintaining an underweight to bonds with 5 years-to-maturity and less given our expectation was that shorter term rates would lead the yield rise. As this played out over the quarter, we took profits. The Government of Canada yield curve flattened over the quarter, with short term rates rising and longer-term rates falling over the 3-month period. Overall, rates peaked in early November as the market priced in a more aggressive monetary normalization cycle, only to give way to concerns around Omicron and its implications on growth resulting in yields falling across all tenures to end the quarter. As the dust settled, shorter term rates were higher, while longer term rates were lower.

Corporate bond spreads weakened, widening by 13 and 16 bps for the 5- and 10-year maturities, respectively. Provincial and municipal bond spread changes were more muted; notably, 30-year Ontario and Quebec spreads were effectively unchanged. Over the quarter, we moved from a neutral to a defensive position in corporate bonds, as we believe the potential for spread tightening in the near term is limited; we while maintained a neutral position the higher quality provincial market. These strategies contributed positively to quarterly performance.

Quarterly **commentary**

Outlook

Your portfolio continues to be composed of high-quality businesses that can withstand tough times. Even after this strong year, the portfolio is currently trading at an attractive discount to its intrinsic value. Both of these should position the portfolio well for long-term compounding of returns.

Since the end of the central banks' bond buying programs, the market is waiting for the normalization of monetary policy. Policy rate hikes are expected to be moderate, however. Interest rates will reach lower levels than at the end of 2019. Economic growth in 2022 is expected to be lower than in 2021. High inflation will reduce the purchasing power of households, which could limit profit growth for companies. From this perspective, our strategy will be to maintain a longer duration than the index, a positioning in the middle of the yield curve and a defensive position with respect to credit risk.

About Aviso Wealth

Owned by credit unions, Aviso Wealth Inc. is one of Canada's largest independent wealth management firms, serving virtually all of Canada's credit unions and a range of independent financial organizations.

With over $100 billion of assets under administration and management, Aviso Wealth has the resources to bring compelling products and services to credit unions and their members, along with the scale, stability and financial strength of an established national wealth manager.

You can invest with confidence, with Aviso Wealth.

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Investment manager overview

FIERA CAPITAL

With more than $180 billion in assets under management, independent firm Fiera Capital is one of Canada's leading investment managers recognized for its excellence in portfolio management, innovative and personalized investment solutions, and its ability to surpass client expectations. Fiera offers a unique expertise in both traditional and absolute return investment strategies.

Management style

Canadian equities (GARP[3])	Global equities (GARP[3])	Fixed income (Core)

Investment philosophy

Fiera targets to deliver a superior portfolio by investing in a focused number of companies run by great management teams diversified across global regions and industries. In addition, the manager also believes in active bond management that adapts to changes in the economic, financial and political environments to deliver value.

Investment process and risk controls

Fiera conducts a thorough fundamental research to implement their equity strategy. They believe that focusing on a concentrated model of 25 equity companies enables them to become familiar with all critical aspects of a business. The manager follows 10 internally developed company criteria which consist of both qualitative and quantitative metrics.

The fixed income component employs four types of analysis (fundamental, technical, sentiment and seasonality) around a well disciplined and structured process that invests in high quality securities. Specific risk metrics are calculated periodically to minimize the default risk, and to maintain the calibration of each strategy within the overall risk budget of the portfolio.

Key strengths

- Disciplined investment approach based on in-depth fundamental analysis
- Rigorous research and risk management process
- Superior and consistent performance
- Committed to integrating environmental, social and governance (ESG) criteria into the firm's investment processes, and how they do business
- Fiera is a United Nations Principles for Responsible Investment (PRI) signatory[4]

[1] As of January 10, 2022 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.39%

[3] GARP (Growth at a reasonable price)

[4] Tobacco and weapons companies are screened-out of portfolios. Tobacco: Exclude tobacco companies and companies that derive a material portion of their revenue from tobacco-related products such as filters, rolling papers or packaging, or from the sale of tobacco or tobacco-related products. Applies to equity holdings only. Weapons: Exclude companies that derive revenue from military contracts that violate International Humanitarian Law (IHL), and nuclear weapons contracts; companies that derive a material portion of their revenue from the manufacture of legal weapons systems and/or tailor-made components for these weapons systems; and companies whose activities are connected with the manufacturing of automatic or semi-automatic weapons intended for civilian use, or derive a material portion of their revenue from the sale or distribution of such weapons. Applies to equity holdings only.

Indicated rates of return are calculated using the time-weighted rate of return methodology for the period ended, December 31, 2021, and do not take into account management expenses, custodial fees, account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns.

Benchmark Index: 40% FTSE TMX Canada Universe Bond/30% S&P/TSX 60/30% MSCI World Net (CAD).

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