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OnPoint Managed Portfolios

Total Equity

Quick facts

Inception date:
February 29, 2016

Asset class:
Equity

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Addenda Capital

Investment manager assets under management:
$36B

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 non-Canadian equity securities, exchange traded funds (ETFs), and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Target	Current	Max
Canadian equities	30%	48.5%	55%	70%
Non-Canadian equities	30%	48.5%	41%	70%
Cash & cash equivalents	1%	3%	4%	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 10–15 securities
  - Non-Canadian equities: Target 10–15 securities

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

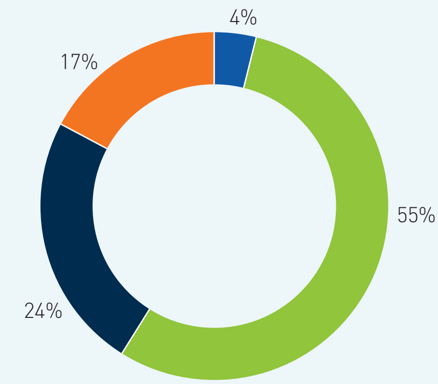
Top ten holdings (excluding cash and cash equivalents) %

1. Toronto Dominion Bank 7.2
2. Bank of Nova Scotia 5.6
3. Brookfield Asset Management 4.5
4. UnitedHealth Group 4.3
5. Constellation Software Inc 4.3
6. Canadian Natural Resources 3.9
7. Linde PLC 3.9
8. Thermo Fisher Scientific Inc 3.7
9. Canadian Pacific Railway Ltd 3.6
10. Dollarama Inc 3.6

Performance

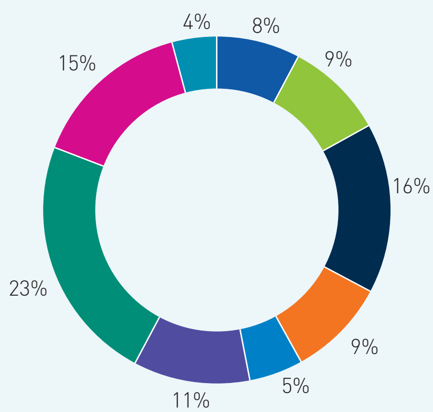
	QTD	YTD	1 yr	3 yr	5 yr	Since Inception (annualized)
Portfolio	-2.5%	-2.5%	15.8%	12.3%	10.9%	11.9%
Benchmark	-1.4%	-1.4%	15.6%	13.8%	11.2%	12.9%

Asset allocation[1,2]



- Cash
- Canadian equities
- US equities
- International equities

Equities sector allocation[1,3]



- Energy
- Materials
- Industrials
- Consumer discretionary
- Consumer staples
- Health care
- Financials
- Information technology
- Communication services

Average market cap. $187.7B (equities only)

Repositioning for Q2 2022

Sold or reduced positions (-1.6%)

- Sold Reckitt Benckiser Group
- Trimmed cash

Bought or increased positions (+1.6%)

- Increased Alphabet Inc.
- Increased PepsiCo

Rationale

- The manager's asset mix committee has elected not to make any asset mix shifts as the portfolio is in line with the manager's tactical asset mix positioning. Some adjustments were made in the global equity component. Specifically, Reckitt Benckiser Group was liquidated. Despite doing very well early in COVID on the back of its disinfectant products (Lysol, Dettol) Reckitt has struggled to bring its infant nutrition business (Enfa) back to growth and faces ongoing challenges in the lucrative Chinese market. The stock has not performed up to expectations, and the manager sees more compelling risk reward in other areas.
- The proceeds from this liquidation were used to add to existing positions in Alphabet and PepsiCo. The former is a smaller position in which the manager has higher conviction in the risk/reward. The recent pullback in the stock provides an attractive entry point. Addition to PepsiCo was to help maintain the weight in more stable areas like Consumer Staples which helps manage risk. With significant exposure to restaurants and foodservice, PepsiCo, also stands to be more resilient in the event of an economic slowdown.

Quarterly **commentary**

Equity market price volatility increased in the first quarter due to rising interest rates driven by inflation concerns, the Russian invasion of Ukraine and expectation for future monetary policy tightening. The Federal Reserve and Bank of Canada both raised overnight interest rate targets by 0.25% in March and suggested more to come. Within bonds, short term rates rose more than longer term, as Central Banks started to tighten policy and discuss tapering of QE programs. Corporate spreads widened in the quarter as record supply came to the market amid volatile equity markets. Canadian equities' positive performance was supported by very strong returns from Energy and Materials, offset by negative results from the Information Technology and Consumer Discretionary sectors. Global equities delivered negative returns as non-North American markets were hurt by uncertainty surrounding the Russian invasion of Ukraine. Consumer Discretionary, Telecom and Information Technology were the most negative, while Energy was the best performing sector. The CA$ was stronger versus its US counterpart during the quarter, appreciating 1.1%. The relevant index returns for this Portfolio in the first quarter were: S&P/TSX 60 Index (3.5%) and the MSCI World Index (CA$) (-6.21%).

The Portfolio declined -2.5% during the first quarter and trailed its benchmark by 1.11%. Despite the first quarter pullback, one-year performance continues to be strong with the Portfolio returning 15.8% and exceeding the benchmark by 0.20%. Underperformance during the quarter was attributable to relative weakness from the global equity component which underperformed due an underweight in Energy and Materials, combined with weak security selection. This was partially offset by relative strength from the Canadian equity component.

Global growth slows but remains above longer-term trends supported by fiscal stimulus and a historically high savings rate. The manager expects that growth will be primarily driven by the consumer and government sectors, although supported by positive business investment. Unemployment will continue to fall and dislocations in the labour force should work their way out as the participation rate rises. Inflation pressure should peak in 2022 but remain above central bank targets due to supply chain issues, elevated commodity prices, and increasing labour costs. Significant dislocations in the labour markets with more job openings than available workers put upward pressure on wages. Structural forces (aging demographics, technology advancements, and a growing debt overhang) will continue as headwinds to long term inflation. 2022 will be a transition year as central banks raise administered monetary policy rates and start to reverse bond purchase programs. As such, the manager will continue to position the asset mix to be cautiously optimistic with a modest overweight to Canadian equities at the expense of global equity.

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

ADDENDA CAPITAL

Addenda Capital is an investment management firm providing solutions for institutional and high net worth clients. They offer clients expert services in a broad range of asset classes. Addenda's mission is to add value through innovation, discipline and integrity, and to nurture genuine partnerships with their clients.

Management style

Canadian equities (Value) Global equities (GARP[4])

Investment philosophy

Addenda provides a Total Equity strategy that employs two separate portfolio management teams that abide to investment styles that are suitable given their landscape to create high conviction, concentrated portfolios. The Canadian equity component is managed with a value tilt and consists of companies with diversified business models and attractive price-intrinsic value relationships. The companies invested in have the potential to generate strong relative and absolute returns over time. Global equities are managed with a Growth At a Reasonable Price (GARP) investment style and include companies with solid and repeatable competitive advantages, a history of innovative capabilities, seasoned management, non-commoditized business models, consistent earnings and free cash flow.

Investment process and risk controls

For Canadian equities, Addenda's analysis and research is focused on various elements to decipher whether a company remains able to generate strong free cash flow over time. Subsequently, Addenda looks for the company to be priced in the market at a discount to its estimated intrinsic value. When managing a dividend approach, the focus is equally placed on the company's ability and willingness to continue to distribute and/or increase its future dividend payments.

For global equities, Addenda believes that added value stems from sustainable and repeatable earnings growth. Addenda's approach is driven by fundamental research, focused on obtaining a deep understanding of secular growth themes. Once an understanding of the key growth drivers behind a theme is determined, Addenda's research focus shifts to finding companies well positioned to leverage those themes. Addenda seeks global or regional leaders with the ability to outpace its peers and end markets through its capacity to sell value-added products and/or services.

Key strengths

- Adding value through innovation and discipline
- Strong team work, rich insights
- Leveraging extensive fundamental research capabilities
- Guided by strong governance and sound judgement
- A culture based on integrity
- Environmental, social and governance (ESG) criteria inherent in the investment philosophy[5]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

[1] As of April 11, 2022 after quarterly rebalancing unless otherwise stated.

[2] Includes Ishares S&P/TSX 60 Index ETF & SPDR S&P 500 ETF

[3] Excludes Ishares S&P/TSX 60 Index ETF & SPDR S&P 500 ETF

[4] GARP (Growth at a reasonable price)

[5] 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, March 31, 2022, 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: 50% S&P/TSX 60/50% MSCI World Net (CAD).

Please be advised that the information contained herein does not constitute investment advice and it should not be relied on as such. Past performance is no guarantee of future results. The information contained in this report was obtained from sources believed to be reliable; however, we cannot guarantee that it is accurate or complete.

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