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:
$35B

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%	54%	70%
Non-Canadian equities	30%	48.5%	41%	70%
Cash & cash equivalents	10%	3%	5%	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.

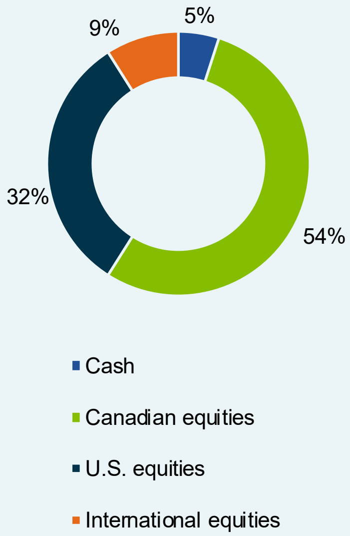
Top ten holdings (excluding cash and cash equivalents)

1.	Toronto-Dominion Bank	7.7%
2.	Bank Of Nova Scotia	5.4%
3.	UnitedHealth Group Inc	4.7%
4.	Canadian Natural Resources	4.6%
5.	Constellation Software Inc	4.3%
6.	Brookfield Asset Management	4.1%
7.	Dollarama Inc	4.1%
8.	Thermo Fisher Scientific Inc	4.0%
9.	Canadian Pacific Railway Ltd	3.9%
10.	Linde Plc	3.8%

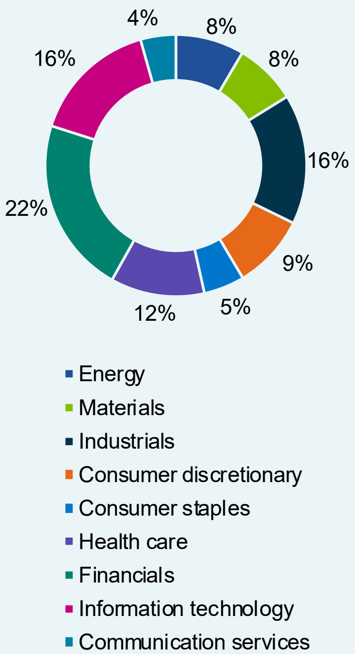
Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (annualized)
Portfolio	-10.3%	-12.6%	-2.4%	6.2%	8.1%	9.5%
Benchmark	-13.0%	-14.3%	-6.5%	7.8%	8.1%	9.9%

Asset allocation[1,2]



Equities sector allocation[1,3]



Average market cap. $180.6B (equities only)

Repositioning for Q3 2022

Sold or reduced positions (-2.1%)

- Trimmed Manulife
- Trimmed Franco Nevada

Bought or increased positions (+2.1%)

- Increased Canadian Natural Resources
- Increased TD Bank

Rationale

- It is quite possible that aggressive Central Bank tightening will push Canada and the US into recessions within our forecast period. Pent-up demand, excess savings and fiscal infrastructure spend will likely lessen the economic impact of higher rates and we expect many companies to weather a mild recession without lasting impact. However, it seems prudent to reduce risk in anticipation of market volatility continuing through the summer. For that reason, we continued to reduce Manulife as it has above market level risk and would suffer disproportionately if a recession were to take hold. In addition, Franco Nevada, Canadian Natural Resources and TD Bank were rebalanced as they have drifted from their target weights over time.

Quarterly **commentary**

The second quarter of 2022 proved to be quite challenging across a variety of asset classes, with all major equity and fixed income markets posting negative absolute returns. While faring much better on a relative basis than the U.S. and International markets, Canada was certainly not immune to the broad-based pull back in both stocks and bonds. The Bank of Canada twice hiked the overnight target rate by 0.50% during the second quarter (for a total of 1%). Similarly, the Federal Reserve tightened their target range by a total of 1.25%, while also signaling more to follow. Within bonds, interest rates rose across all maturity terms as the bond market moved to price in higher expectations for tightening of monetary policy this year. Corporate spreads continued to widen, driven by rising interest rates, weak equity markets, and a growing concern about slowing economic momentum in the future. Canadian stocks were negatively impacted by very weak returns from Information Technology and Materials, while the Energy and Utility sectors were the strongest relative performing sectors. Global equities delivered negative returns as non-North American markets continued to be hurt by uncertainty surrounding the Russian invasion of Ukraine, as well as China Covid related shutdowns and commodity supply shortages. Industrials, Information Technology and Materials were the most negative, while Energy was the best performing sector on a relative basis. The Canadian dollar depreciated versus its U.S. counterpart during the quarter by 2.8%. The relevant index returns for this Portfolio in the first quarter were: S&P/TSX 60 Index (-12.65%), and the MSCI World Index (CA$) (-13.44%).

The Portfolio declined -10.29% during the second quarter but was able to exceed its benchmark by 2.71%. Despite recent pullbacks, the Portfolio was able to provide strong downside market protection and outperformed the benchmark by over 4% over the past one-year period, returning -2.44%. Asset allocation decisions were positive due to the overweight to Canadian Equities at the expense of global equities, combined with the tactical excess cash position. Within the underlying components, the Canadian equity and global equity components both outperformed their respective benchmarks by over 2% over the quarter due to positive stock selection and sector allocation.

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. Global monetary policy evolves at different speeds as some central banks move to tighten while others maintain extraordinary easy policy. Above target price inflation will be the primary focus of central banks. Fiscal stimulus via direct consumer programs has mostly finished but infrastructure spending will continue to contribute positively to growth. In this environment, the Portfolio continues to favour Canadian Equities due their larger exposure to Energy and commodity related stocks.

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.

Investment manager overview

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 July 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, June 30, 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).