

## Characteristics

|                            |                                                                                  |
|----------------------------|----------------------------------------------------------------------------------|
| Asset class                | Equity                                                                           |
| Geographic                 | Canada &<br>Max 35% US                                                           |
| Focus                      | Dividend &<br>Dividend<br>Growth                                                 |
| Objective                  | Actively<br>managed to<br>provide<br>income with<br>some capital<br>appreciation |
| Approx.<br># of holdings   | 25-30                                                                            |
| Estimated<br>annual trades | 22-30                                                                            |
| Benchmark                  | TSX Total<br>Return                                                              |
| Benchmark 2                | 80% DJ Select<br>Canadian Div/<br>20% Dow<br>Jones Select<br>Div                 |

## SMA Manager

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## Quarterly Commentary

How do we even attempt to unpack what happened in 2022...on the surface very little sounds good. Russia invaded Ukraine: a travesty that also caused increased global political polarization, an energy crisis, and higher food prices. Global inflation got out of control, not from the war but more from the knock-on effects of the pandemic-altered behaviours. Plus, there was the impact of global monetary/fiscal stimulus that was left on too long. Inflation triggered an abrupt reversal in stimulus from accommodation to restriction as just about all central banks tightened financial conditions, some materially.

The silver lining is 2022 appears to have reset markets. Now, we are not saying the reset is over, or that the bottom of the bear is in, or even that bond yields are done going up, but things are much more balanced now.

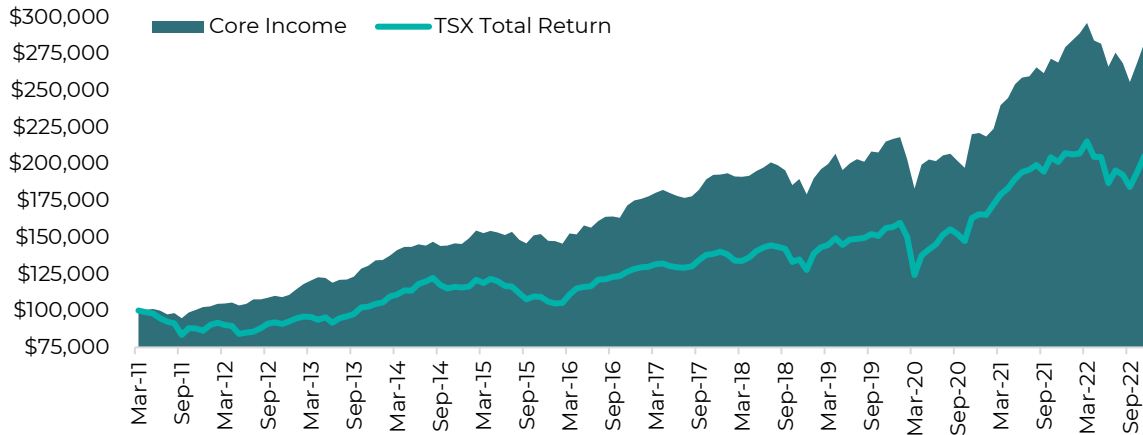
Through it all, Core Income declined -1.9% in 2022. This compares quite well to the -5.75% return for the S&P/TSX Composite and a -12.42% return for the S&P 500 thanks to factor tilts towards value and dividend stocks as well as a more defensive sector allocation. In the fourth quarter, the mandate outperformed both major indices rising 7.1%.

Recent outperformance has predominantly been attributed to security selection, particularly in the Health Care, Industrial, and Financial sectors. An elevated cash balance in December also helped. Top performers in this period include JPMorgan, Infineon, and Finning International. Top detractors include Algonquin Power, Nutrien, and Chartwell. We continue to believe that these names are undervalued and are comfortable continuing to hold. It's worth noting that we remain meaningfully overweight U.S. Health Care which provides additional defensive characteristics and underweight Energy, Financials.

Though December was a grim month to cap off a rather challenging year, we executed a number of trades early in the month. We've decided to exit our position in Open Text partly for tax loss reasons and losing faith in their overall growth through acquisition business model. Loblaw's has had a wonderful year, up over 20% while large parts of the market have struggled. Grocers, and in particular Loblaw's benefit from high levels of food inflation. Their ability to passthrough costs has helped their topline tremendously, posting strong same-store sales since the pandemic began. With inflationary pressure cooling, this will make it more difficult for Loblaw's to continue to increase revenues at the same pace, mindful of an already difficult year ahead in terms of tough comps. We added a new position in Jamieson Wellness, a leading health and wellness company and a vitamin manufacturer in Canada. It has a consistent history of organic revenue growth. Following a long consolidation, earnings growth continues along a stable path.

At present, equity markets appear to be a bit glass half full, and not completely pricing in what the Fed and other assets are telling us. Markets continue to price in a peak in rates mid-year with some easing towards year-end. In our view, this may be optimistic and given what has happened over the past 12 months, we should not be surprised by any surprises with inflation or Fed Policy. On top of that, there is the added risk to corporate profits, which could be revised sharply lower in the months ahead as higher rates and prolonged inflation bite into margins and a cooling economy dims growth prospects. We remain defensively tilted, awaiting an opportune time to make tactical shifts when warranted.

**Performance (gross of fees)**

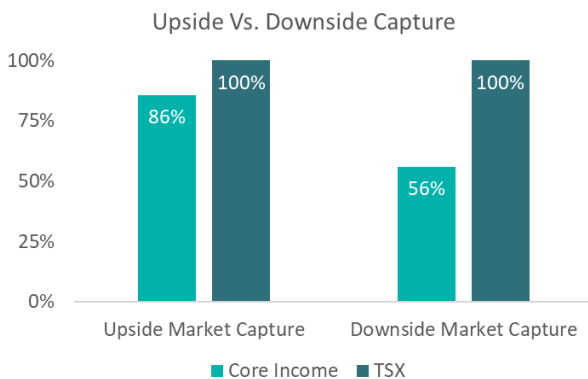


Gross of fees

|                    | <b>1-month</b> | <b>3-months</b> | <b>6-months</b> | <b>1-year</b> | <b>YTD</b> | <b>3-year</b> | <b>5-year</b> | <b>7-year</b> | <b>10-year</b> | <b>Inception*</b> |
|--------------------|----------------|-----------------|-----------------|---------------|------------|---------------|---------------|---------------|----------------|-------------------|
| <b>Core Income</b> | -2.9%          | 7.1%            | 2.9%            | -1.9%         | -1.9%      | 8.1%          | 7.3%          | 9.2%          | 9.5%           | 9.0%              |
| <b>Benchmark</b>   | -4.9%          | 6.0%            | 4.5%            | -5.8%         | -5.8%      | 7.5%          | 6.8%          | 9.1%          | 7.7%           | 5.9%              |
| <b>Relative</b>    | 2.0%           | 1.2%            | -1.6%           | 3.9%          | 3.9%       | 0.5%          | 0.4%          | 0.1%          | 1.7%           | 3.1%              |

|                    | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Core Income</b> | 8.0%        | 21.2%       | 8.3%        | 1.6%        | 18.6%       | 10.1%       | -7.1%       | 21.1%       | 1.9%        | 26.4%       |
| <b>Benchmark</b>   | 7.2%        | 13.0%       | 10.6%       | -8.3%       | 21.1%       | 9.1%        | -8.9%       | 22.9%       | 5.6%        | 25.1%       |
| <b>Relative</b>    | 0.8%        | 8.3%        | -2.3%       | 9.9%        | -2.5%       | 1.0%        | 1.8%        | -1.7%       | -3.7%       | 1.3%        |

**Risk Metrics**



|                           | <b>Core Income</b> | <b>TSX</b> |
|---------------------------|--------------------|------------|
| <b>Sharpe</b>             | 0.78               | 0.38       |
| <b>Max Drawdown</b>       | -16.0%             | -22.3%     |
| <b>Standard Deviation</b> | 9.7%               | 11.9%      |
| <b>Downside Deviation</b> | 7.2%               | 10.3%      |
| <b>Beta</b>               | 0.70               | 1.00       |

Composition

Sectors

|              | Core Income | TSX   | +/-   |
|--------------|-------------|-------|-------|
| Real Estate  | 4.5%        | 2.7%  | 1.9%  |
| Health Care  | 11.2%       | 0.4%  | 10.8% |
| Cons Staples | 2.7%        | 4.2%  | -1.5% |
| Comm Svs     | 7.0%        | 4.9%  | 2.1%  |
| Industrials  | 9.4%        | 13.3% | -3.9% |
| Info Tech    | 5.9%        | 5.7%  | 0.2%  |
| Energy       | 11.2%       | 17.4% | -6.2% |
| Cons Disc    | 5.5%        | 3.7%  | 1.8%  |
| Materials    | 11.0%       | 12.4% | -1.4% |
| Utilities    | 5.0%        | 4.5%  | 0.5%  |
| Financials   | 21.5%       | 30.9% | -9.4% |
| Cash         | 5.0%        |       | 5.0%  |

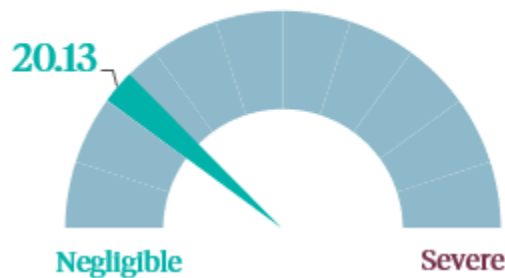
Equity Positions

| Name             | Industry     | Weight | Yield |
|------------------|--------------|--------|-------|
| SUNCOR ENERGY    | Energy       | 5.2%   | 5.0%  |
| ENBRIDGE INC     | Energy       | 3.7%   | 6.4%  |
| CAMECO CORP      | Energy       | 2.3%   | 0.4%  |
| BARRICK GOLD CRP | Materials    | 4.3%   | 3.2%  |
| LUNDIN MINING CO | Materials    | 3.7%   | 3.7%  |
| NUTRIEN LTD      | Materials    | 3.1%   | 2.6%  |
| FINNING INTL INC | Industrials  | 3.2%   | 2.5%  |
| EMERSON ELEC CO  | Industrials  | 2.8%   | 2.1%  |
| WASTE MANAGEMENT | Industrials  | 3.3%   | 1.7%  |
| INFINEON TEC-ADR | Info Tech    | 3.1%   | 1.0%  |
| MICROSOFT CORP   | Info Tech    | 2.8%   | 1.2%  |
| BANK OF NOVA SCO | Financials   | 4.3%   | 6.1%  |
| ROYAL BANK OF CA | Financials   | 5.0%   | 4.0%  |
| BANK OF MONTREAL | Financials   | 4.7%   | 4.4%  |
| JPMORGAN CHASE   | Financials   | 3.8%   | 2.9%  |
| MANULIFE FIN     | Financials   | 3.7%   | 5.2%  |
| MAGNA INTL       | Consumer Dis | 2.4%   | 2.9%  |
| RESTAURANT BRAND | Consumer Dis | 3.1%   | 3.3%  |
| ALGONQUIN POWER  | Utilities    | 1.6%   | 9.8%  |
| EMERA INC        | Utilities    | 3.4%   | 5.2%  |
| ALLIED PROP REIT | Real Estate  | 2.1%   | 6.2%  |
| DREAM INDUSTRIAL | Real Estate  | 2.5%   | 5.5%  |
| CHARTWELL RETIRE | Health Care  | 2.0%   | 6.9%  |
| ROGERS COMMUNI-B | Telecom      | 3.9%   | 3.1%  |
| TELUS CORP       | Telecom      | 3.1%   | 5.2%  |
| JAMIESON WELLNES | Cons Staples | 2.7%   | 1.9%  |
| ASTRAZENECA-ADR  | Health Care  | 3.8%   | 1.3%  |
| MEDTRONIC PLC    | Health Care  | 2.6%   | 3.4%  |
| BRISTOL-MYER SQB | Health Care  | 2.8%   | 3.2%  |
| PURPOSE HIGH INT |              | 3.1%   | 4.7%  |

Country Allocation & Cyclicity

|                          |       |
|--------------------------|-------|
| Canada                   | 69.9% |
| US                       | 25.1% |
| Cyclical Yield           | 34.8% |
| Neutral                  | 27.0% |
| Interest Rate Sensitives | 33.2% |

ESG Risk Rating Score



Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments and the use of an asset allocation service. Please read the prospectus(es) of the mutual funds in which investments may be made under the asset allocation service before investing. The indicated rates of return are the historical annual compounded total returns assuming the investment strategy recommended by the asset allocation service is used and after deduction of the fees and charges in respect of the service. The returns are based on the historical annual compounded total returns of the participating funds including changes in share/unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder in respect of a participating fund that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated. Note that the Manager of these asset allocation services changed from Richardson Wealth LTD. to Purpose Investments Inc. in September 2021.