

Characteristics

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

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Quarterly Commentary

It is halftime for 2022, and by any measure the year is not going well. The 1st half really had no place to hide, as both bonds and equities declined. Some markets breached the -20% threshold, commonly referred to as a bear market, while many others were down less but still materially. At the same time, bond yields have been rising, weighing heavily on bonds. And with recession risks rising, credit spreads have widened, providing another headwind for corporate bonds. There were a few bright spots; energy did well, along with a handful of commodities. But as economic growth has slowed, raising recession risks, those gains are disappearing quickly. The U.S. dollar was very strong. Beyond these pockets, the 1st half was largely in the red.

There is some solace that dividend focused strategies have held up relatively well. The Purpose Core Income mandate is down -4.7% in the first half, handily outperforming both the S&P 500 (C\$) and the S&P/TSX Composite. This brings the trailing 1-year return to +2.9%, compared to the -3.9% return of the TSX.

Trading – In early May we exited the rest of Lockheed Martin as the lift in share price was really pricing in aggressive defense spending for many years into the future. While possible, it just appeared too optimistic and quick. We added Chartwell Retirement Residences in early May on the back of compelling valuations. It has come down a bit from our entry with the overall sector but continues to offer a very attractive yield at 5.7%.

Back on the US side, we exited Virtu Financial as the share price has not been providing the defensiveness compared to previous periods of market weakness. The move into some crypto asset trading and retail investors broadly stepping back proved bigger headwinds. We sold in early June and used the proceeds to buy Microsoft on weakness.

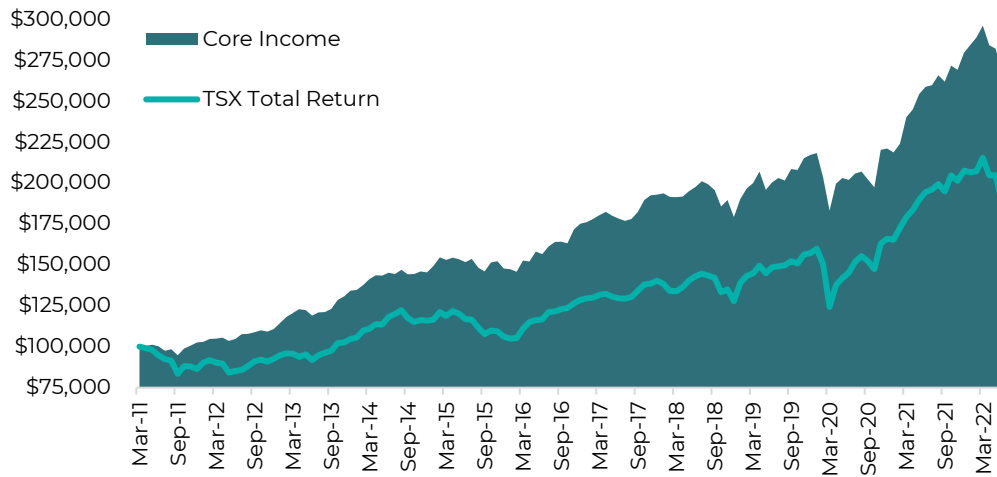
While the portfolio attribution was positive in the quarter, that offers little consolation given it was a down period. Some of the bigger drags on the portfolio were financials including Virtue, Bank of Montreal and Bank of Nova Scotia. There were some positives including Lifeworks which announced a plan to be purchased by Telus. Health care did well, as did Loblaws.

The three big overweights in the portfolio are Health Care, Real Estate and Information Technology. Health Care offers the defensive characteristics and we believe this overweight will remain for some time. Real Estate is a bit more opportunistic as we added in the quarter. It is not lost on us the yields are attractive and there is a wide spread between private and public valuations. Finally, the tech overweight is a bit opportunistic on a market recovery in the 2nd half.

Biggest underweights include Financials and Energy. Financials we continue to have concerns over the rate increases in Canada and the impact on housing and the heavily indebted consumer. We do like the long term dynamics for energy and if recent weakness continues we may be adding. Recession risk is real but may be getting a bit overblown.

The markets are now wrestling with slowing economic growth and rising recession risk. While not positive, this is healthier than inflation risks, which may be starting to recede. On a positive note, we do believe dividend focused investing should perform well in the 2nd half.

Performance (gross of fees)

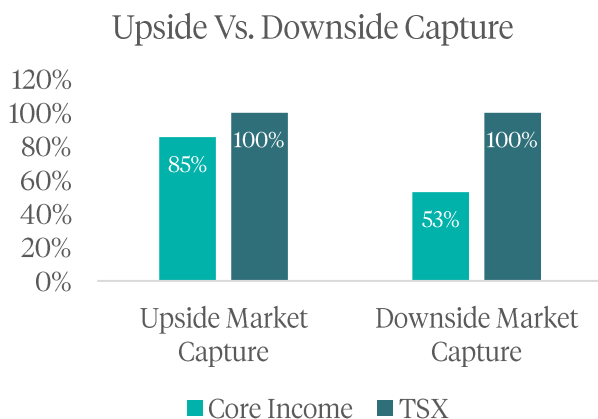


Gross of fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	10-year	Inception*
Core Income	-5.6%	-10.0%	-4.7%	2.9%	-4.7%	10.0%	8.4%	8.4%	9.8%	9.1%
Benchmark	-8.7%	-13.2%	-9.9%	-3.9%	-9.9%	8.0%	7.6%	6.9%	8.2%	5.7%
Relative	3.1%	3.1%	5.2%	6.8%	5.2%	2.0%	0.7%	1.4%	1.6%	3.4%

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

Risk Metrics



Sharpe
 Max Drawdown
 Standard Deviation
 Downside Deviation
 Beta

	Core Income	TSX
Sharpe	0.85	0.40
Max Drawdown	-16.0%	-22.3%
Standard Deviation	9.6%	11.8%
Downside Deviation	7.2%	10.4%
Beta	0.70	1.00

Composition

Sectors

	Core Income	TSX	+/-
Real Estate	7.2%	2.7%	4.5%
Health Care	11.4%	0.4%	11.0%
Cons Staples	3.2%	4.3%	-1.1%
Cash	2.8%		2.8%
Comm Svs	7.3%	5.3%	2.1%
Industrials	13.2%	12.5%	0.7%
Info Tech	11.1%	5.6%	5.6%
Energy	9.1%	17.8%	-8.7%
Cons Disc	4.8%	3.5%	1.3%
Materials	5.6%	11.0%	-5.5%
Utilities	3.0%	5.4%	-2.4%
Financials	21.2%	31.5%	-10.3%

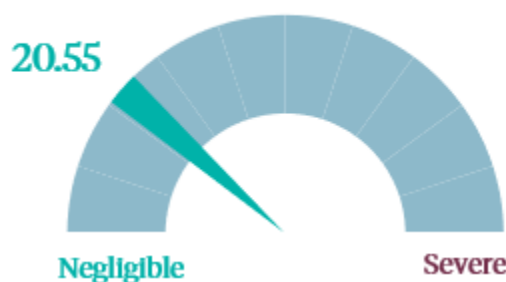
Equity Positions

Name	Industry	Weight	Yield
SUNCOR ENERGY	Energy	5.2%	4.8%
ENBRIDGE INC	Energy	3.9%	6.4%
BARRICK GOLD CRP	Materials	2.4%	5.1%
NUTRIEN LTD	Materials	3.1%	2.6%
CAN NATL RAILWAY	Industrials	3.6%	2.0%
LIFEWORKS INC	Industrials	3.8%	2.5%
EMERSON ELEC CO	Industrials	2.4%	2.6%
WASTE MANAGEMENT	Industrials	3.3%	1.7%
INFINEON TEC-ADR	Info Tech	1.3%	1.3%
CISCO SYSTEMS	Info Tech	2.8%	3.5%
MICROSOFT CORP	Info Tech	3.2%	1.0%
OPEN TEXT CORP	Info Tech	3.8%	2.2%
BANK OF NOVA SCO	Financials	4.9%	5.7%
ROYAL BANK OF CA	Financials	4.8%	4.3%
BANK OF MONTREAL	Financials	4.7%	4.6%
JPMORGAN CHASE	Financials	2.4%	3.5%
CITIGROUP INC	Financials	1.7%	4.1%
MANULIFE FIN	Financials	2.7%	6.0%
MAGNA INTL	Consumer D	2.2%	3.2%
RESTAURANT BRAND	Consumer D	2.6%	4.1%
ALGONQUIN POWER	Utilities	3.0%	5.4%
AMERICAN TOWER C	Real Estate	2.2%	2.2%
ALLIED PROP REIT	Real Estate	2.5%	5.5%
DREAM INDUSTRIAL	Real Estate	2.5%	5.9%
CHARTWELL RETIRE	Real Estate	2.7%	5.6%
ROGERS COMMUNI-B	Telecom	3.8%	3.4%
TELUS CORP	Telecom	3.5%	4.7%
LOBLAW COS LTD	Cons Staple	3.2%	1.3%
ASTRAZENECA-ADR	Health Care	3.8%	3.0%

Country Allocation & Cyclicity

Canada	69.0%
US	28.2%
Cyclical Yield	40.0%
Neutral	27.2%
Interest Rate Sensitives	29.9%

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.