Purpose INVESTMENTS

Diversified Income

January 2023

Characteristics

Asset class	Balanced
Geographic	Canada and US
Focus	Income
Objective	Actively managed to provide income and capital preservation with some appreciation
Approx. # of holdings	25-32
Estimated annual trades	22-30
Benchmark	60% TSX/40% Dex

SMA Manager

Craig Basinger
Chief Market Strategist
T: 647.822.1406
craigb@purposeinvest.com

Derek Benedet
Portfolio Manager
T: 416.726.1269
DerekB@purposeinvest.com

Brett Gustafson
Portfolio Analyst
T: 403.689.0012
Brettg@purposeinvest.com

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, Diversified declined -4.9% in 2022. This compares very positively to the –8.0% return for the blended benchmark. Shorter duration and factor tilts in the portfolio's equity portion towards value and dividend stocks helped mitigate downside returns in the mandate. In the fourth quarter, the mandate slightly underperformed the benchmark, rising +3.4%.

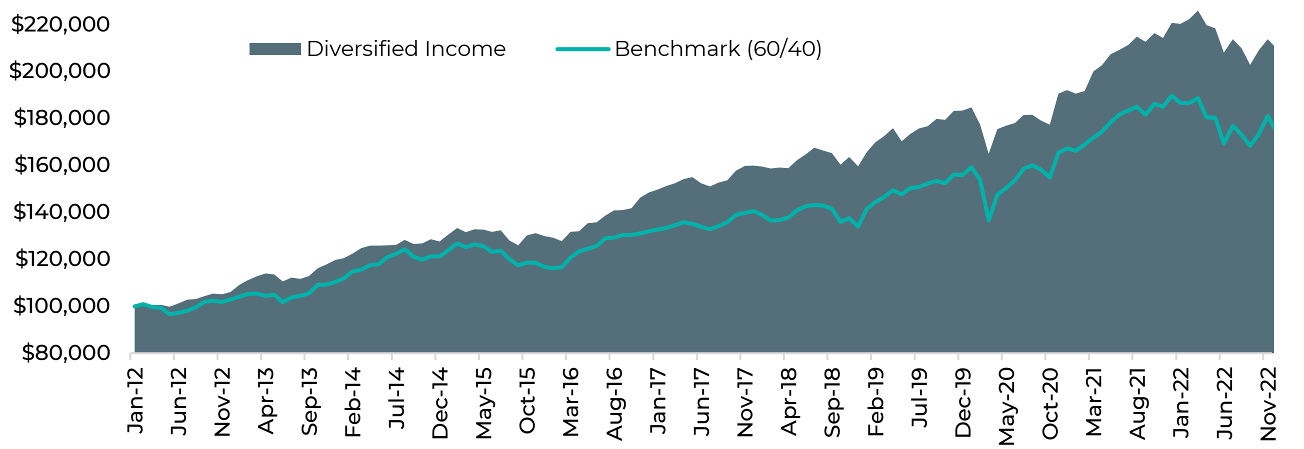
Recent performance has predominantly been attributed to security selection, particularly in the Consumer Discretionary, Industrials, and Financial sectors. An elevated cash balance in December also helped. Top performers during this period include JPMorgan, Emerson Electric, and Restaurant Brands International. Top detractors include Algonquin Power and Nutrien. We continue to believe that these names are undervalued and are comfortable continuing to hold. It's worth noting that we remain meaningfully overweight Consumer Discretionary and Telecom stocks, and underweight Financials, Industrials and Tech.

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. Loblaws has had a wonderful year, up over 20% while large parts of the market have struggled. Grocers, and in particular Loblaws 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 Loblaws to continue to increase revenues at the same pace, mindful of an already difficult year ahead in terms of tough comps. We also sold an individual bond for tax loss reasons and used the proceeds to add to the aggregate bond position. In addition, we used the proceeds from our equity sales to shift the portfolio to a more defensive stance, bringing fixed income and cash to nearly 6% over our baseline. Duration also ticked higher, and currently sits at 4.1 years.

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.

Source: Purpose Investments & Bloomberg

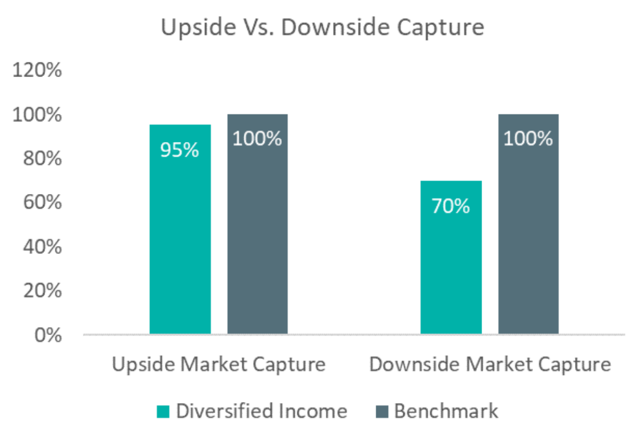
Performance (gross of fees)



	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	10-year	Inception
Diversified Income	-1.8%	3.4%	0.9%	-4.9%	-4.9%	4.6%	5.6%	7.1%	7.1%	7.0%
Benchmark (60/40)	-3.6%	3.7%	3.0%	-8.0%	-8.0%	3.9%	4.4%	5.9%	5.4%	5.2%
+/-	1.8%	-0.2%	-2.1%	3.1%	3.1%	0.7%	1.2%	1.2%	1.6%	1.8%

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Diversified Income	12.9%	6.6%	1.8%	14.2%	7.7%	-0.1%	14.8%	4.8%	14.9%
Benchmark (60/40)	7.1%	9.9%	-3.6%	13.0%	6.5%	-4.8%	16.4%	7.4%	13.4%
+/-	5.7%	-3.4%	5.5%	1.3%	1.2%	4.6%	-1.5%	-2.6%	1.5%

Risk Metrics



	Diversified Income	Benchmark
Sharpe	0.91	0.56
Max Drawdown	-10.7%	-14.2%
SD	6.7%	7.9%
Downside Deviation	5.1%	6.8%
Beta	0.75	1.00

Composition

Sectors

	Diversified Income
Energy	12.2%
Materials	10.9%
Industrials	9.6%
Cons Disc	9.5%
Cons Staples	0.0%
Financials	25.8%
Health Care	12.5%
Info Tech	3.6%
Telecom	8.4%
Utilities	3.5%
Real Estate	3.9%

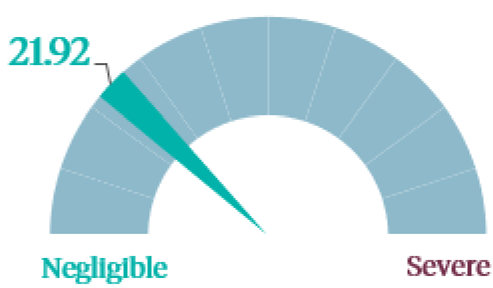
Positions

Name	Industry	Weight	Yield
ENBRIDGE INC	Energy	2.6%	6.4%
SUNCOR ENERGY INC	Energy	4.1%	5.0%
NUTRIEN LTD	Materials	3.0%	2.6%
BARRICK GOLD CORP	Materials	2.9%	3.2%
WASTE MANAGEMENT INC	Industrials	2.3%	1.7%
EMERSON ELECTRIC CO	Industrials	2.9%	2.1%
MICROSOFT CORP	Information Technolog	2.0%	1.2%
BANK OF NOVA SCOTIA	Financials	3.2%	6.1%
ROYAL BANK OF CANADA	Financials	4.9%	4.0%
JPMORGAN CHASE & CO	Financials	3.4%	2.9%
MANULIFE FINANCIAL CORP	Financials	2.5%	5.2%
MAGNA INTERNATIONAL INC	Cons Disc	2.0%	2.9%
RESTAURANT BRANDS INTERN	Cons Disc	3.2%	3.3%
ALGONQUIN POWER & UTILITIES	Utilities	1.9%	9.8%
ROGERS COMMUNICATIONS INC-B	Communication Servic	2.1%	3.1%
TELUS CORP	Communication Servic	2.5%	5.2%
MEDTRONIC PLC	Health Care	1.5%	3.4%
ASTRAZENECA PLC-SPONS ADR	Health Care	2.6%	1.3%
ALLIED PROPERTIES REAL ESTAT	Real Estate	2.1%	6.2%
CHARTWELL RETIREMENT RESIDEN	Health Care	2.7%	6.9%
	Type		
CANADA GOV	1% 1 Jun 2027	4.7%	2.99%
ISHARES CORE CANADIAN SHORT	XSB	14.0%	2.99%
BMO AGGREGATE BOND INDEX ETF	ZAG	8.9%	3.49%
PURPOSE HIGH INTEREST SAVING	PSA	6.9%	4.69%
WELLS FARGO & COMPANY	3.874 21 May 25	4.2%	5.19%
BC PROV 2.3%	18-Jun-26	5.2%	3.55%

Portfolio Allocation

	Portfolio	Baseline
Equities	54.2%	60.0%
Bonds + Cash	45.8%	40.0%

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.