

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

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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.

In a year with many balance strategies down 10-15%, there is some solace that the process has held up relatively well. The Purpose Diversified Income mandate is down -5.7% in the first half, handily outperforming its 60% TSX / 40% Bond benchmark decline of -10.7%. The one year return is slightly negative at -0.6% compared to -6.8% for the benchmark.

Trading – In early June, 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 Nova Scotia and Royal Bank. There were some positives including energy and defensive sectors. Health Care did well as did Consumer Staples.

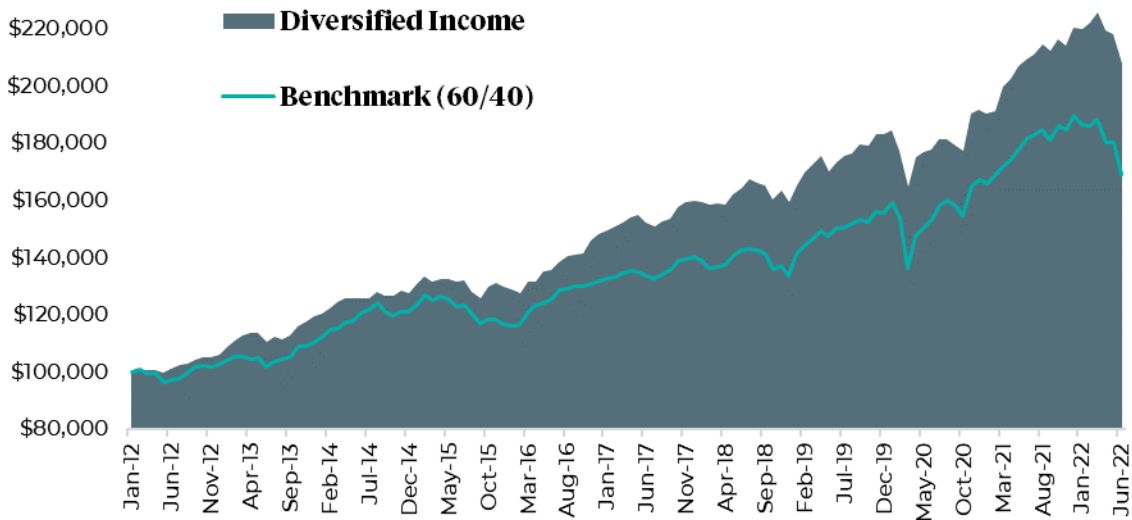
On the bond side of the portfolio, carrying a much lower duration of around 3.2 helped mitigate and our bonds were down just a little this past quarter. We are nearing the point to begin increasing duration as yields have become more appealing and recession risks are elevating.

The big overweights in the portfolio are Health Care and Real Estate. 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.

The 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.

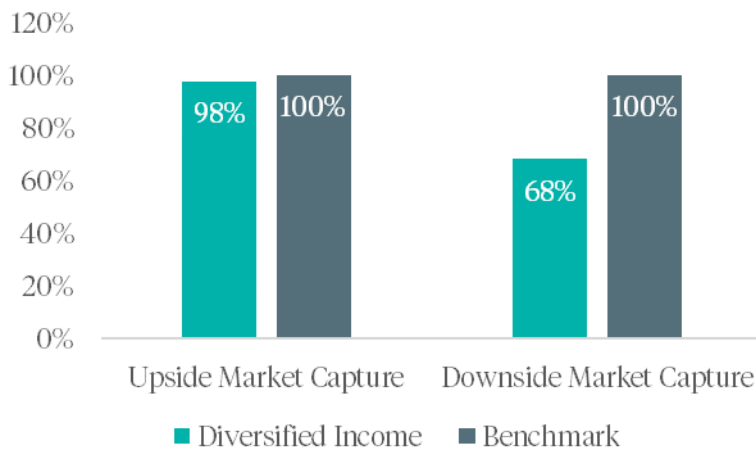
Performance (gross of fees)



	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	10-year	Inception
Diversified Income	-4.8%	-8.0%	-5.7%	-0.6%	-5.7%	6.3%	6.4%	6.9%	7.5%	7.3%
Benchmark (60/40)	-6.1%	-10.2%	-10.7%	-6.8%	-10.7%	4.0%	4.8%	5.2%	5.7%	5.2%
+/-	1.3%	2.2%	5.0%	6.2%	5.0%	2.2%	1.6%	1.7%	1.8%	2.1%
	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

Upside Vs. Downside Capture



	Diversified Income	Benchmark
Sharpe	0.99	0.62
Max Drawdown	-10.7%	-14.2%
SD	6.6%	7.6%
Downside Deviation	5.1%	7.0%
Beta	0.76	1.00

Composition

Sectors

Energy	10.5%
Materials	8%
Industrials	12%
Cons Disc	7%
Cons Staples	7%
Financials	21%
Health Care	7%
Info Tech	10%
Telecom	8%
Utilities	3%
Real Estate	7%

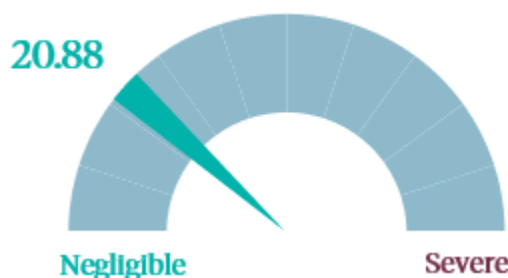
Portfolio Tilt

	Portfolio	Baseline
Equities	61.9%	60.0%
Bonds + Cash	38%	40%

Positions

Name	Industry	Weight
ENBRIDGE INC	Energy	2.6%
SUNCOR ENERGY INC	Energy	3.9%
NUTRIEN LTD	Materials	3.0%
BARRICK GOLD CORP	Materials	1.7%
WASTE MANAGEMENT INC	Industrials	2.3%
CANADIAN NATL RAILWAY CO	Industrials	2.9%
EMERSON ELECTRIC CO	Industrials	2.4%
CISCO SYSTEMS INC	Information Technolog	2.2%
MICROSOFT CORP	Information Technolog	2.1%
OPEN TEXT CORP	Information Technolog	1.8%
BANK OF NOVA SCOTIA	Financials	3.5%
ROYAL BANK OF CANADA	Financials	4.6%
JPMORGAN CHASE & CO	Financials	2.8%
MANULIFE FINANCIAL CORP	Financials	2.2%
MAGNA INTERNATIONAL INC	Cons Disc	1.8%
RESTAURANT BRANDS INTERN	Cons Disc	2.5%
ALGONQUIN POWER & UTILITIES	Utilities	1.6%
ROGERS COMMUNICATIONS INC-B	Communication Servic	2.0%
TELUS CORP	Communication Servic	2.7%
LOBLAW COMPANIES LTD	Cons Staples	4.5%
MEDTRONIC PLC	Health Care	1.6%
ASTRAZENECA PLC-SPONS ADR	Health Care	2.5%
ALLIED PROPERTIES REAL ESTAT	Real Estate	2.5%
AMERICAN TOWER CORP	Real Estate	2.1%
Type		
CANADA GOV	1% 1 Jun 2027	4.7%
ISHARES CORE CANADIAN SHORT	XSB	14.5%
ROYAL BANK OF CANADA	4.5% 24 Nov 80	5.0%
WELLS FARGO & COMPANY	3.874 21 May 25	4.3%
BC PROV 2.3%	18-Jun-26	5.4%

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.