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Purpose INVESTMENTS

QUARTERLY SMA COMMENTARY

Core Income

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	25-35
ESTIMATED ANNUAL TRADES	22-30
BENCHMARK	TSX TOTAL RETURN
BENCHMARK 2	80% DJ SELECT CANADIAN DIV/20% DJ SELECT US DIV

Inception date: MARCH 31, 2011

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SMA MANAGER

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MARKET OVERVIEW

Has this become the market that only goes up? The strong finish to 2023 has certainly carried into the first quarter of 2024. U.S. equity markets are up about 10%, Canada a little bit less, and international markets a little more. The resilience of the U.S. economy has remained and some signs of improvement in Europe and China have fostered a rather 'glass half full' market mindset.

The market doesn't seem to mind the number and the timing of Fed rate cuts keeps getting pushed out farther and fewer. Or for that matter the fact that earnings expectations have remained flat or revised down a little as the indices march higher. It has made a rather expensive market, and not just in the U.S. The TSX was cheap in October at 12.5x, not its 15x which is more normal than cheap.

In the first quarter, the Purpose Core Income portfolio returned 6.1%, showcasing a strong performance amidst sometimes challenging market dynamics. While the TSX/S&P Composite enjoyed a strong quarter, up 6.6% overall, our mandate delivered consistent returns while weathering an environment where dividend payers appeared completely off investor radar. Toward the end of the month, value and dividend factors had periods of dominance, with momentum and growth at the back of the pack. A shift in market leadership should prove to be very beneficial for divided-focused strategies.

PORTFOLIO ACTIVITY

This performance, though lagging slightly, reflects a nuanced reality that dividends don't always outperform. It's imperative to note that outsized influences from the materials sector weighed down returns. Additionally, our overweight position in rate-sensitive sectors, particularly Telecom and Utilities, dragged on performance as did elevated cash levels. Stable, mature dividend-paying stocks often lag when market performance is exceptionally strong. Within our portfolio, outsized influence by some of the more rate-sensitive sectors weighed on our returns, as did not owning many high growth technology companies. In fact, underweight technology was one of the larger detractors from an allocation standpoint.

From a sector perspective, notable gains were observed in Energy, Health Care, and Financials in the quarter. These three sectors were the primary contributors to performance in Q1. From an individual company standpoint, Merck, Arc Resources and Manulife Financial were the top contributors to returns. Holdings across Telecom stocks, Staples, and Technology tempered overall performance. Telus and Rogers have both been under pressure this year. Reflecting on individual stock performance, certain selections faced challenges—particularly among smaller market cap names such as Jamison Wellness.

In the first quarter, we completed a number of trades. We exited our position in Waste Management, taking profits on the position. Waste Management is an excellent company, but we sold due to valuations concerns after a very strong rally. As managers with a value tilt, take notice when a company with low single digit growth begins to trade at multiples rivaling many AI themed Tech companies, such as Microsoft. We used the proceeds to increase our Energy exposure, adding Cenovus. The company was trading at a historically wide valuation disconnect to peers and we saw upside both from a mean reversion standpoint and in oil prices. One of the highlights of this quarter was the timely tactical shift into Energy, with Cenovus being one of our top names in March. Energy overall has been quite strong, and with nearly an 17% weight, the portfolio is well positioned to benefit from the ongoing tightness in crude markets.

Towards the end of March, we also added Cisco to the portfolio. Cisco has faced its share of challenges recently, particularly in the wake of chip shortages and excess inventory resulting from pandemic-induced customer over-ordering. These setbacks are well known and seem to be priced into the stock already, presenting an opportunity to add a top-tier Tech company that has deep, longstanding enterprise relationships and dominates the networking space. Despite these short-term hurdles that may take a quarter or two to work out, Cisco's current valuation is attractive. It's well below its five-year average P/E, as well as peers suggesting room for appreciation once these headwinds dissipate.

Maybe this market will keep going higher, despite all the arguments for weakness. The Purpose Core Income mandate is positioned to continue to benefit from the surge in cyclical areas of the market, but also play defence should markets begin to wobble. More importantly, if (or perhaps when) the euphoria ends, our tilts toward Telcos, Utilities, and Staples as well as elevated cash balance provide a good balance between offense and defence.

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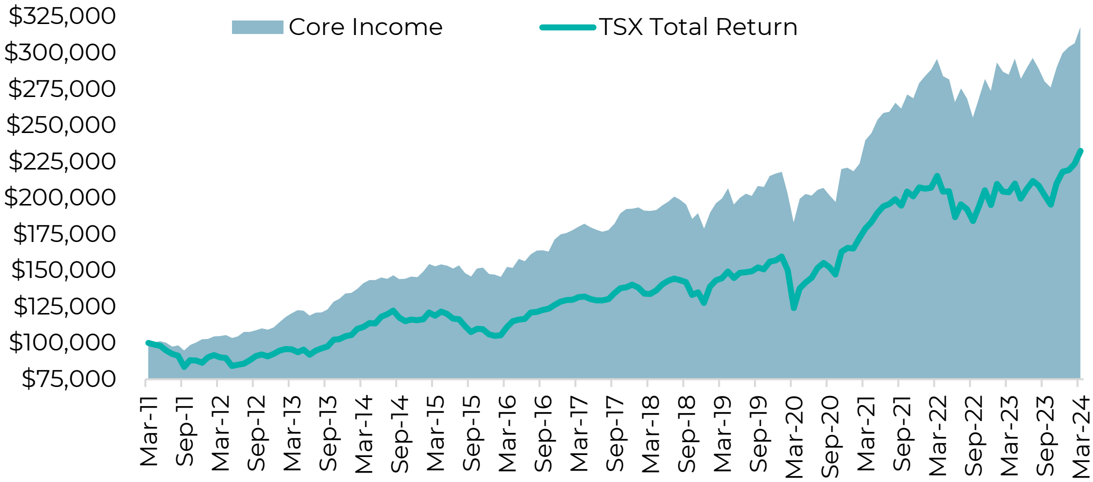
SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

PERFORMANCE (GROSS OF FEES)

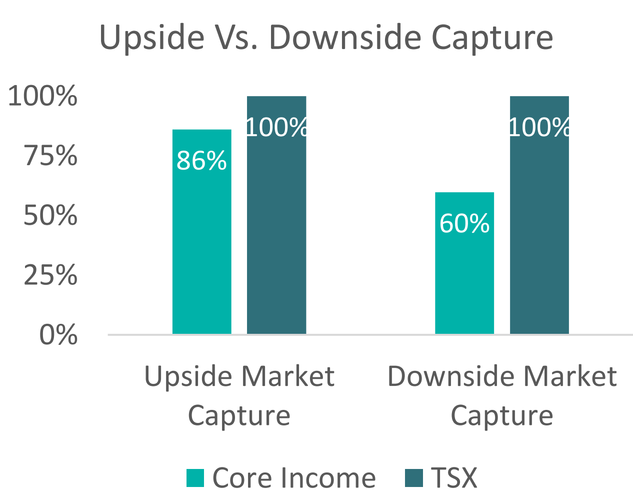


Gross of fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	10-year	Inception*
Core Income	3.7%	6.1%	13.4%	11.5%	6.1%	9.8%	9.8%	8.4%	8.5%	9.3%
Benchmark	4.1%	6.6%	15.3%	14.0%	6.6%	9.1%	10.0%	8.5%	7.7%	6.7%
Relative	-0.4%	-0.5%	-1.8%	-2.4%	-0.5%	0.7%	-0.2%	0.0%	0.8%	2.6%

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Core Income	8.3%	1.6%	18.6%	10.1%	-7.1%	21.1%	1.9%	26.4%	-1.9%	9.5%
Benchmark	10.6%	-8.3%	21.1%	9.1%	-8.9%	22.9%	5.6%	25.1%	-5.8%	11.8%
Relative	-2.3%	9.9%	-2.5%	1.0%	1.8%	-1.7%	-3.7%	1.3%	3.9%	-2.3%

RISK METRICS



	Core Income	TSX
Sharpe	0.78	0.43
Max Drawdown	-16.0%	-22.3%
Standard Deviation	10.0%	12.1%
Downside Deviation	6.9%	9.8%
Beta	0.72	1.00

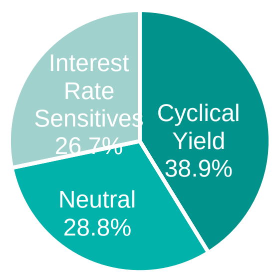
SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

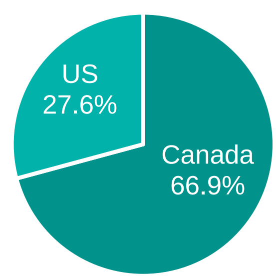
ALL PERFORMANCE DATA AS AT MARCH 31, 2024

COMPOSITION

Name	Industry	Weight	Yield
SUNCOR ENERGY	Energy	3.1%	4.2%
ARC RESOURCES LT	Energy	3.6%	2.8%
CENOVUS ENERGY	Energy	3.1%	2.0%
ENBRIDGE INC	Energy	1.3%	7.5%
TC ENERGY CORP	Energy	3.2%	7.1%
CAMECO CORP	Energy	2.4%	0.2%
BARRICK GOLD CRP	Materials	3.4%	2.3%
LUNDIN MINING CO	Materials	2.4%	2.5%
NUTRIEN LTD	Materials	2.7%	4.0%
FINNING INTL INC	Industrials	3.2%	2.4%
LOCKHEED MARTIN	Industrials	3.1%	2.8%
CISCO SYSTEMS	Info Tech	2.73%	3.2%
MICROSOFT CORP	Info Tech	4.5%	0.7%
BANK OF NOVA SCO	Financials	3.8%	6.3%
ROYAL BANK OF CA	Financials	3.6%	4.1%
BANK OF MONTREAL	Financials	4.3%	4.6%
MANULIFE FIN	Financials	4.4%	4.8%
MAGNA INTL	Cons Discretionary	2.8%	3.6%
PET VALU HOLDING	Cons Discretionary	2.7%	1.4%
STARBUCKS CORP	Cons Discretionary	2.7%	2.6%
NORTHLAND POWER	Utilities	2.0%	5.3%
EMERA INC	Utilities	3.6%	6.1%
ALLIED PROP REIT	Real Estate	1.1%	10.7%
CHARTWELL RETIRE	Health Care	2.4%	5.1%
ROGERS COMMUNI-B	Telecom	2.9%	3.7%
TELUS CORP	Telecom	3.1%	7.0%
JAMIESON WELLNES	Cons Staples	1.7%	2.9%
PROCTER & GAMBLE	Cons Staples	3.3%	2.3%
ASTRAZENECA-ADR	Health Care	3.3%	2.9%
MEDTRONIC PLC	Health Care	3.5%	3.2%
MERCK & CO	Health Care	4.40%	2.4%
PURPOSE HIGH INT		3.2%	4.5%

	Core Income	TSX	+/-
Health Care	13.6%	0.3%	13.3%
Cons Disc	8.3%	3.5%	4.8%
Comm Svs	6.0%	3.1%	2.9%
Utilities	5.7%	3.7%	2.0%
Cons Staples	5.1%	4.0%	1.1%
Real Estate	1.1%	2.2%	-1.2%
Info Tech	7.3%	8.6%	-1.3%
Energy	16.7%	18.4%	-1.7%
Materials	8.5%	11.3%	-2.8%
Industrials	6.3%	14.3%	-8.0%
Financials	16.0%	30.5%	-14.5%
Cash	5.5%		5.5%





All data sourced from Bloomberg unless otherwise noted.

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.