PUBLISHED: JANUARY 2025

Purpose INVESTMENTS

QUARTERLY SMA COMMENTARY

Diversified Income

CHARACTERISTICS

ASSET CLASS	BALANCED
GEOGRAPHIC	CANADA & 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 TR/40% DEX UNIVERSE

Inception date: JANUARY 31, 2012

Likely one of the biggest challenges for markets in 2025 will be their recent success and current level of optimism.

SMA MANAGER

Craig Basinger, CFA
CHIEF MARKET STRATEGIST
T: 647.822.1406
craigb@purposeinvest.com

MARKET OVERVIEW

2024 went down as one of the stronger years for markets, led once again by the U.S. Tack that onto to 2023 and a very impressive multi-year run by markets. Could we have a three-peat? The backdrop is somewhat encouraging, economic growth is decent and in fact more robust than at the start of 2024. Inflation has continued to cool, allowing more and more central banks to cut rates.

Likely one of the biggest challenges for markets in 2025 will be their recent success and current level of optimism. Expectations for economic growth are optimistic, everyone seems convinced inflation will continue to fade and central banks have pulled off the 'smooth or no landing'. Markets often have an easier time climbing a wall of worry. Had to search for the opposite market proverb, which is 'bear markets slide down a slope of hope'. That sounds a bit extreme, 2025 will likely be a more normal year.

Throughout 2024, rising rates posed a challenge for dividend-paying stocks. Higher yields on fixed-income securities often make dividend-paying equities less attractive by comparison. The fourth quarter saw a dramatic rise in bond yields, along with a clear shift in risk sentiment that negatively impacted many dividend paying securities. Besides the banks and more cyclical yielding securities, rate sensitive securities had a difficult quarter experiencing modest price declines. One benefit with dividend stocks is that they continued to deliver consistent income, which remains an attractive feature in a more uncertain market environment.

PORTFOLIO ACTIVITY

Among the top contributors, Bank of Montreal (BMO) stood out with a total return of +15.74%, adding +0.32% to overall portfolio performance. The portfolio also benefited from its exposure to Cisco Systems (CSCO), which returned +19.30%. Other top performers were Arc Resources and TC Energy Corp. Pipelines continue to do quite well despite rising rates due to increasing growth expectations, in part to the datacenter buildout push in Alberta. On the other hand, detractors included Barrick Gold Corp, which dropped -16.7%, negatively impacting performance by -0.43%. Other detractors included many rate-sensitive names such as Northland Power and Rogers Communications falling -22.1% and -17.9%, respectively. The portfolio's exposure to U.S. Health Care names such as AstraZeneca and Merck also hindered performance amid the frenzied final quarter of the year. Both remain within the portfolio as we continue to like the growth opportunities, valuations and the non-cyclical nature of their earnings characteristics.

Despite the Bank of Canda cutting rates over the quarter, the long end of the curve moved higher. The 10-year Canadian bond yield began the quarter under 3% and finished the year at nearly 3.25%. Within the fixed income portion of the portfolio the duration is 3.8 years which aided relative performance as did the allocation to a preferred share ETF.

In November, we decided to lock in gains on Molson Coors (TAP) following strong price performance. While TAP's Q3 results were solid, the market's reaction appeared overly optimistic given the modest growth. The surge in TAP's stock price post-election and a lukewarm earnings announcement provided a timely opportunity to take profits. However, to maintain exposure to the consumer staples sector, we pivoted to Coca-Cola (KO).

Coca-Cola's recent pullback offers a defensive stability at an attractive valuation. The stock's yield has climbed above 3%, and analysts remain optimistic about KO's growth prospects for 2025. The selloff—driven by rising bond yields and speculation over RFK Jr.'s potential appointment to HHS—created a unique buying opportunity. The trade also further increased the defensive attributes of the portfolio, given Coca-Cola's lower market beta.

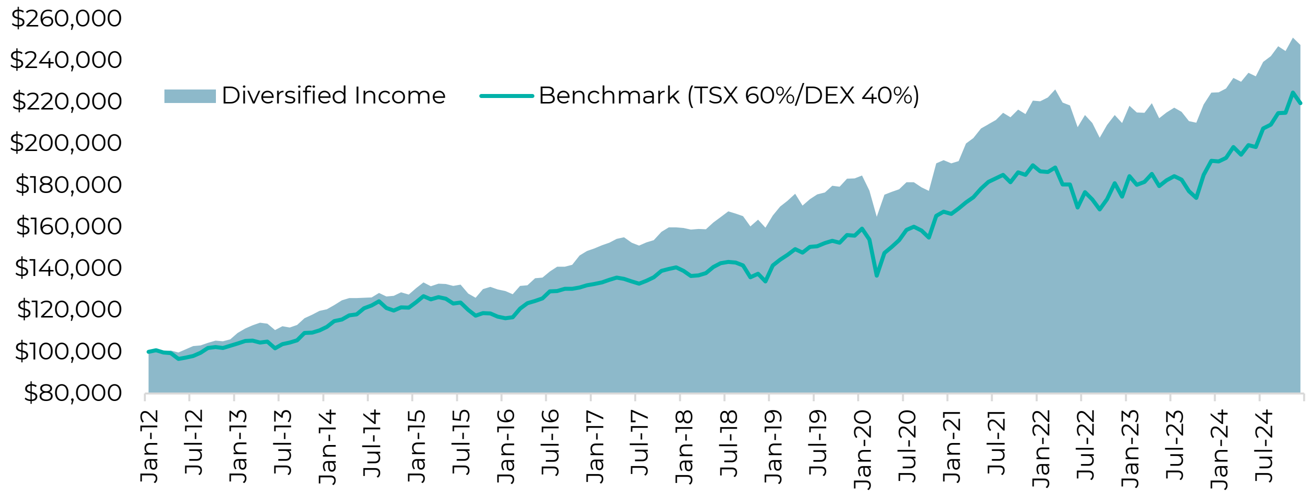
Maybe the economy will continue to remain resilient, maybe inflation will continue to cool, and maybe government leaders will implement policy that is supportive of markets. Or maybe excitement around AI will mask any other issues facing the market. This could all happen and help markets enjoy 3rd consecutive year of outsized gains. But after two strong consecutive years, markets have deviated well above their long-term trend line. We could enjoy a 3rd, but history is not supportive of this feat. Given how far the market has moved over the past few years, we believe the dividend space and its inherent defensive characteristics look quite attractive to start the year.

After two strong consecutive years, markets have deviated well above their long-term trend line. We could enjoy a 3rd, but history is not supportive of this feat.

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

ALL PERFORMANCE DATA AS AT DECEMBER 31, 2024

PERFORMANCE (GROSS OF FEES)

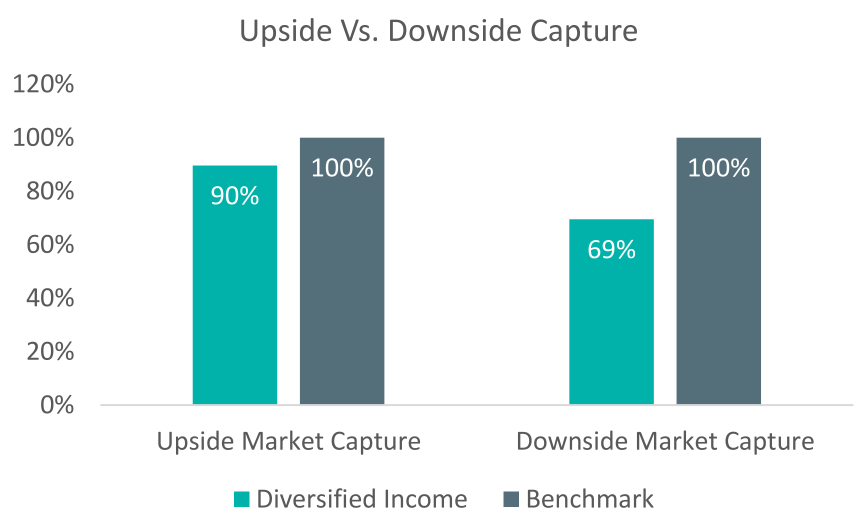


Source: Purpose Investments, gross of fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	10-year	Inception
Diversified Income	-1.4%	0.2%	6.4%	10.2%	10.2%	3.9%	6.2%	6.4%	6.8%	7.3%
Benchmark (60/40)	-2.3%	2.2%	10.6%	14.4%	14.4%	5.0%	7.1%	6.6%	6.1%	6.3%
+/-	0.8%	-2.0%	-4.2%	-4.2%	-4.2%	-1.1%	-0.9%	-0.1%	0.7%	1.0%

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Diversified Income	6.6%	1.8%	14.2%	7.7%	-0.1%	14.8%	4.8%	14.9%	-4.9%	7.0%
Benchmark (60/40)	9.9%	-3.6%	13.0%	6.5%	-4.8%	16.4%	7.4%	13.4%	-8.0%	9.9%
+/-	-3.4%	5.5%	1.3%	1.2%	4.6%	-1.5%	-2.6%	1.5%	3.1%	-3.0%

RISK METRICS

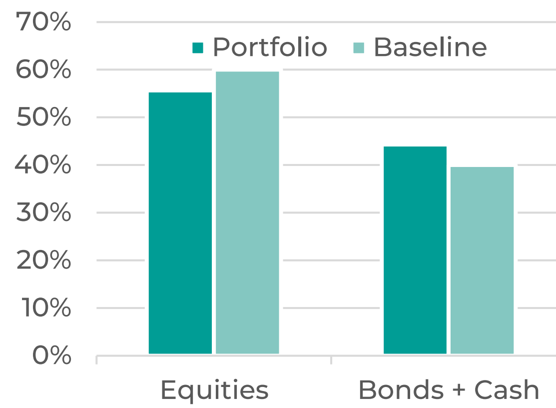


	Diversified Income	Benchmark
Sharpe	0.88	0.63
Max Drawdown	-10.7%	-14.2%
SD	6.7%	8.1%
Downside Deviation	4.7%	6.4%
Beta	0.74	1.00

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

COMPOSITION

Name	Industry	Weight	Yield
TC ENERGY CORP	Energy	2.2%	4.9%
SOUTH BOW CORP	Energy	0.2%	
SUNCOR ENERGY INC	Energy	3.3%	4.0%
ARC RESOURCES LTD	Energy	3.1%	2.8%
VEREN INC	Energy	1.1%	5.8%
CAMECO CORP	Energy	1.4%	0.2%
NUTRIEN LTD	Materials	1.8%	4.4%
BARRICK GOLD CORP	Materials	2.2%	2.5%
CANADIAN NATL RAILWAY CO	Industrials	1.7%	2.3%
FINNING INTERNATIONAL INC	Industrials	1.7%	2.9%
CISCO SYSTEMS INC	Information Techno	1.8%	2.7%
MICROSOFT CORP	Information Techno	2.5%	0.8%
BANK OF NOVA SCOTIA	Financials	3.0%	5.7%
ROYAL BANK OF CANADA	Financials	2.6%	3.5%
BANK OF MONTREAL	Financials	2.4%	4.5%
TORONTO-DOMINION BANK	Financials	2.0%	5.4%
SUN LIFE FINANCIAL INC	Financials	2.1%	4.1%
CANADIAN TIRE CORP-CLASS A	Cons Disc	1.9%	4.5%
NORTHLAND POWER INC	Utilities	1.1%	6.6%
EMERA INC	Utilities	2.3%	5.5%
ROGERS COMMUNICATIONS INC-B	Communication Ser	1.2%	4.8%
TELUS CORP	Communication Ser	1.6%	8.2%
PROCTER & GAMBLE CO/THE	Consumer Staples	2.3%	2.5%
COCA-COLA CO/THE	Consumer Staples	2.0%	3.2%
MEDTRONIC PLC	Health Care	1.8%	3.5%
MERCK & CO. INC.	Health Care	1.8%	3.3%
ASTRAZENECA PLC-SPONS ADR	Health Care	1.8%	1.5%
ALLIED PROPERTIES REAL ESTAT	Real Estate	1.1%	10.8%
CHARTWELL RETIREMENT RESIDEN	Health Care	1.7%	4.1%
CANADA GOV	1% 1 Jun 2027	4.1%	2.96%
ISHARES CORE CANADIAN SHORT	XSB	12.4%	3.28%
BMO AGGREGATE BOND INDEX ETF	ZAG	15.7%	3.50%
PURPOSE HIGH INTEREST SAVING	PSA	6.4%	3.71%
BMO LADDERED PREFERRED SHARE	ZPR	3.3%	4.88%
		97.5%	
	Cash	2.5%	3.6%



	Diversified Income
Energy	18.8%
Materials	6.6%
Industrials	5.7%
Cons Disc	3.1%
Cons Staples	7.1%
Financials	20.1%
Health Care	12.0%
Info Tech	7.2%
Telecom	4.5%
Utilities	5.8%
Real Estate	1.8%

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

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, gross of fees 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.

The content of this document is for informational purposes only and is not being provided in the context of an offering of any securities described herein, nor is it a recommendation or solicitation to buy, hold or sell any security. Information contained in this document is not, and under no circumstances is it to be construed as, an offering memorandum, prospectus, advertisement or public offering of securities. No securities commission or similar regulatory authority has reviewed this information and any representation to the contrary is an offence. Information contained in this document is believed to be accurate and reliable, however, we cannot guarantee that it is complete or current at all times. The information provided is subject to change without notice.

Certain statements presented are prepared as a general source of information and are not intended to provide any specific individual advice to purchase funds. The opinions and any forward-looking statements, are solely those of Purpose at the current date, are subject to change without notice and are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ.