PUBLISHED: OCTOBER 2023

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, 2008

This could be the 'blow-off' top for yields. Could they move higher, thru 5% or some have even started bouncing around 6 and 7s? Anything is possible but we don't buy it.

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

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MARKET OVERVIEW

The upward move in yields, which accelerated in September, weighed heavily on equity markets as valuations were pushed lower. Stocks and bonds moving lower certainly brought back memories of 2022 but there is an important distinction. Last year it was all about inflation and the response from central banks, hiking to arrest rising prices. Over the past few months, inflation expectations have remained stable, as have market expectations of peak overnight bank lending rates. This rise in yields is more about economic resilience, causing higher yields to be priced in longer.

This could be the 'blow-off' top for yields. Could they move higher, thru 5% or some have even started bouncing around 6 and 7s? Anything is possible but we don't buy it. The cracks in the economic foundation continue to grow and we believe will become more prevalent in the coming months. In fact, softer economic data would likely result in a move higher in both equities and bonds for a spell.

The Purpose Diversified Income mandate fell -1.9% in the third quarter, outperforming its blended benchmark which fell -2.9%. Dividend yield as a factor remains challenged largely due to rising rates, outperforming only low volatility. Meanwhile, Growth as a factor has been top of the list. Considering the dividend universe tilts heavily towards value, 2023 in short has been a challenge.

Yield across the universe, however, continue to grow. 55 companies now yield over 5% in the S&P/TSX Composite, 10 yield more than 8%.

ALL PERFORMANCE DATA AS AT SEPTEMBER 30, 2023

PORTFOLIO ACTIVITY

These are not high-risk businesses on the verge of collapse. They are arguably high-quality, companies such as Enbridge, TC Energy, and many REITs. Even amongst the banks, the yields have crept up to very attractive levels. For instance, the Bank of Nova Scotia now yields 7.3%. Not bad for a bank that has never cut its dividend, even through the challenges of the great financial crisis. Though many of these yields are tempting, we continue to maintain an elevated cash balance, looking for opportunities to deploy on weakness.

In the third quarter, a healthy exposure to Energy was the largest contributor to performance. Cameco, Arc Resources, and Suncor all had a solid quarter, which helped buttress weakness across many other sectors. In particular, Utilities notably detracted from performance as both Algonquin and Emera came under pressure. Higher rates also affected gold prices, which pressured our lone gold producer Barrick.

We executed a number of trades within the quarter. Early in the summer we bought Arc Resources to materially in increase the portfolios Energy exposure. We also increased duration slightly by selling a Wells Fargo bond and using the proceeds to increase the weight in ZAG, the broad Canadian Bond Universe ETF. Other trades included reducing bank exposure in exiting JPMorgan. Proceeds were used to enter a new position in Lockheed Martin as well as increase the position size in TD Bank. Overall, we view these trades a further de-risking the portfolio's while retaining some cyclicality primarily through our energy positions.

Our overweight position in Health Care is a result of our view that the sector is trading at attractive relative valuations and has strong defensive characteristics. Pharmaceutical stocks in particular are less prone cyclical swings during times of slowing economic growth. As mentioned, we have increased exposure to Energy, particularly towards producers. Pipelines have also sold off recently, and the dividends are very attractive at these levels, but as of yet, we have not added to our positions. Rate sensitive stocks across the board have been under pressure, but for now we remain on the sidelines.

In addition to a higher cash weighting, the portfolio maintains an underweight equity position versus our baseline 60/40 benchmark with just 50.6% equity exposure. Stocks have outperformed bonds this year as rates have moved back up nearing cycle highs. Duration at 3.2 years remains tilted shorter than the benchmark. Though we increased duration slightly in Q3, we'd be inclined to increase duration even more should rates move much higher. At this point in the cycle, duration can be beneficial especially the likelihood of a recession increases

Heading into Q4, we'd prefer not to chase growth outperformance. The next few months will be pretty important from a market perspective. Cracks continue to grow in both the markets and the economy. Financial conditions have tightened considerably, and we remain committed to staying defensive. This mandate continues to maintain an elevated cash balance and is increasingly tilted to traditionally defensive sectors.

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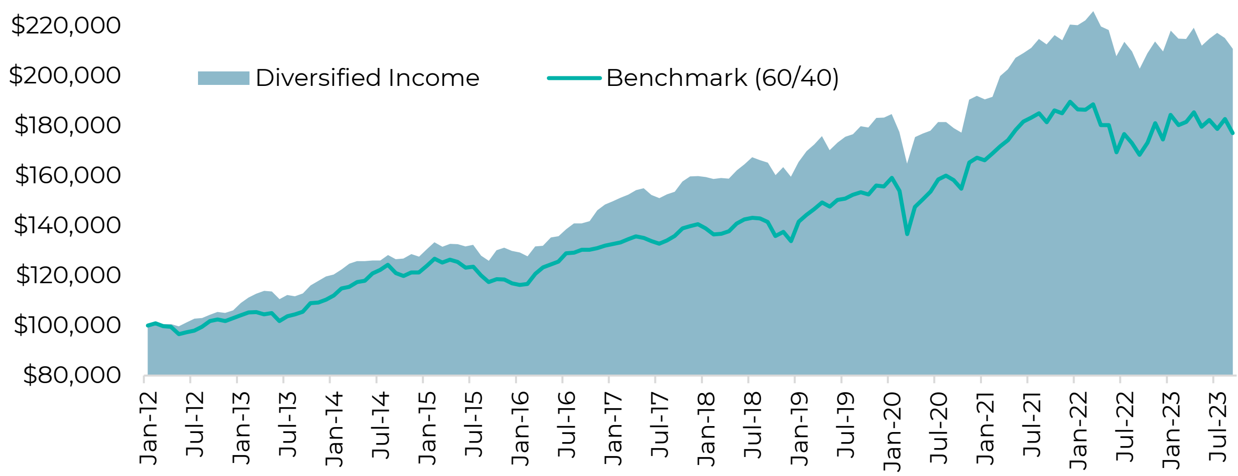
ALL PERFORMANCE DATA AS AT SEPTEMBER 30, 2023

PERFORMANCE (GROSS OF FEES)

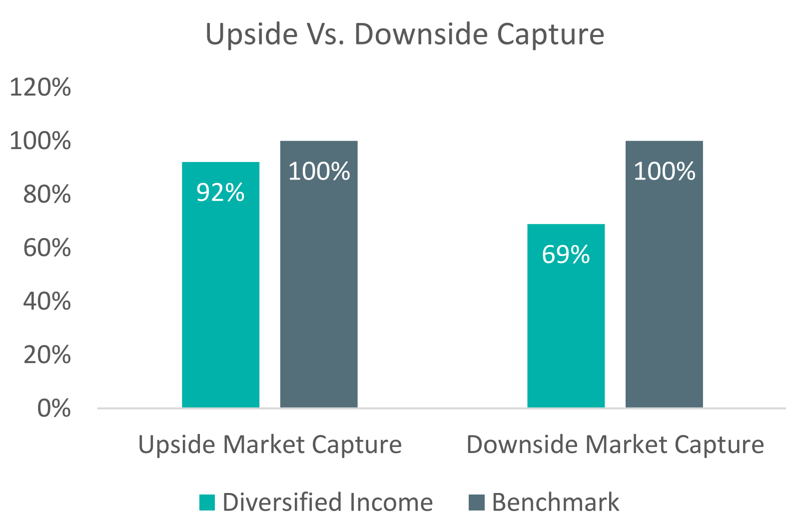


Souce: Purpose Investments, gross of fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	10-year	Inception
Diversified Income	-2.0%	-1.9%	-1.9%	3.9%	0.5%	5.6%	5.0%	5.9%	6.4%	6.6%
Benchmark (60/40)	-3.0%	-2.9%	-2.5%	5.2%	1.5%	3.8%	4.6%	4.5%	5.3%	5.0%
+/-	1.0%	1.0%	0.6%	-1.3%	-1.0%	1.8%	0.4%	1.4%	1.1%	1.6%

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Diversified Income	12.9%	6.6%	1.8%	14.2%	7.7%	-0.1%	14.8%	4.8%	14.9%	-4.9%
Benchmark (60/40)	7.1%	9.9%	-3.6%	13.0%	6.5%	-4.8%	16.4%	7.4%	13.4%	-8.0%
+/-	5.7%	-3.4%	5.5%	1.3%	1.2%	4.6%	-1.5%	-2.6%	1.5%	3.1%

RISK METRICS

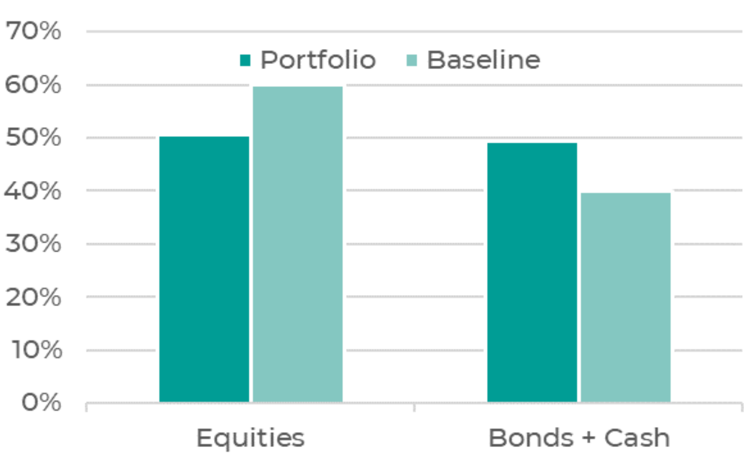


	Diversified Income	Benchmark
Sharpe	0.81	0.54
Max Drawdown	-10.7%	-14.2%
SD	6.8%	8.0%
Downside Deviation	4.9%	6.6%
Beta	0.74	1.00

COMPOSITION

Name	Industry	Weight	Yield
TC ENERGY CORP	Energy	2.3%	7.8%
SUNCOR ENERGY INC	Energy	4.5%	4.5%
ARC RESOURCES LTD	Energy	2.9%	3.1%
NUTRIEN LTD	Materials	2.5%	3.5%
BARRICK GOLD CORP	Materials	2.4%	2.5%
WASTE MANAGEMENT INC	Industrials	2.4%	1.8%
LOCKHEED MARTIN CORP	Industrials	2.6%	2.9%
MICROSOFT CORP	Information Techno	2.8%	0.9%
BANK OF NOVA SCOTIA	Financials	2.8%	7.1%
ROYAL BANK OF CANADA	Financials	4.2%	4.7%
TORONTO-DOMINION BANK	Financials	3.5%	4.8%
MANULIFE FINANCIAL CORP	Financials	2.5%	5.8%
MAGNA INTERNATIONAL INC	Cons Disc	1.7%	3.5%
ALGONQUIN POWER & UTILITIES	Utilities	1.5%	7.5%
ROGERS COMMUNICATIONS INC-B	Communication Ser	1.7%	3.8%
TELUS CORP	Communication Ser	2.1%	6.4%
MEDTRONIC PLC	Health Care	1.3%	3.8%
ASTRAZENECA PLC-SPONS ADR	Health Care	2.5%	1.4%
ALLIED PROPERTIES REAL ESTAT	Real Estate	1.3%	10.2%
CHARTWELL RETIREMENT RESIDEN	Health Care	3.1%	5.8%
CANADA GOV	1% 1 Jun 2027	4.5%	4.33%
ISHARES CORE CANADIAN SHORT	XSB	13.7%	2.79%
BMO AGGREGATE BOND INDEX ETF	ZAG	12.3%	3.70%
PURPOSE HIGH INTEREST SAVING	PSA	8.1%	5.05%
BMO LADDERED PREFERRED SHARE	ZPR	2.9%	6.35%
BC PROV 2.3%	18-Jun-26	5.1%	4.96%

	Diversified Income
Energy	19.2%
Materials	9.7%
Industrials	9.8%
Cons Disc	3.3%
Cons Staples	0.0%
Financials	25.6%
Health Care	13.8%
Info Tech	5.5%
Telecom	7.5%
Utilities	3.0%
Real Estate	2.6%



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 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.