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Purpose INVESTMENTS

QUARTERLY SMA COMMENTARY

Tactical ETF

CHARACTERISTICS

ASSET CLASS	TACTICAL BALANCED
GEOGRAPHIC	NORTH AMERICAN
FOCUS	EQUITY & BOND ETF'S
OBJECTIVE	RISK REDUCING SIDE CAR STRATEGY
APPROX. # OF HOLDINGS	3-8
ESTIMATED ANNUAL TRADES	HIGH TURNOVER
BENCHMARK	40% TSX/20% S&P 500/40% FTSE DEX

Inception date: AUGUST 31, 2011

SMA MANAGER

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MARKET OVERVIEW

2023 certainly finished off in good fashion with a strong rally in both bonds and equities to cap off a rather turbulent year. More evidence that inflation is gradually fading as a market or economic concern has emboldened central banks to largely hit the pause button on rate hikes. We are all aware they started raising rates late in response to inflation that was supposed to be transitory. Now in 2024, we will learn if they waited too long to stop raising rates. The track record is not good, but time will tell.

Before we jump into 2024 thoughts, let's look back at 2023. A year that saw a mini-banking crisis, the rise of AI, a resilient U.S. economy paired with a global economy steadily losing momentum, and lots of movement in yields. The bellwether U.S. 10-year yield may have started and finished the year at 3.9%, but what a ride along the way. From the lows of 3.25% to the highs of 5.0%, bond volatility is back.

Of course, the big question is whether or not the strong rally in markets during November and December has stolen performance from 2024. This may be the case given investor sentiment is very bullish, valuations elevated and market risk metrics such as the VIX are historically low. Add to this, the resilient U.S. economy is starting to show signs of weakness. Our belief is the risk of recession hasn't disappeared but has been pushed into 2024. The impact of rates on the market and economy tends to be long and variable, clearly longer than most expected.

PORTFOLIO ACTIVITY

The Purpose Tactical Asset Allocation strategy has a long history of being defensive in times of trouble and capturing a reasonable amount of market upswings. As such, it was on point for 2023, rising 10.4%. A little over half of the attribution came from the U.S. equity exposure, tamed a tad due to the rise of the Canadian dollar. The remainder of the positive performance was about evenly split between Canadian equity and bond exposure. In the fourth quarter alone, Tactical rose 6.3%. The mandate benefited from falling bond yields as well as averaging nearly 80% equity since the middle of November. Within a two-week period, the model pivoted from a low of 21% equity at the end of October to over 80%. This is the benefit of a rules based approach, it can quickly change direction adapting changes in market momentum.

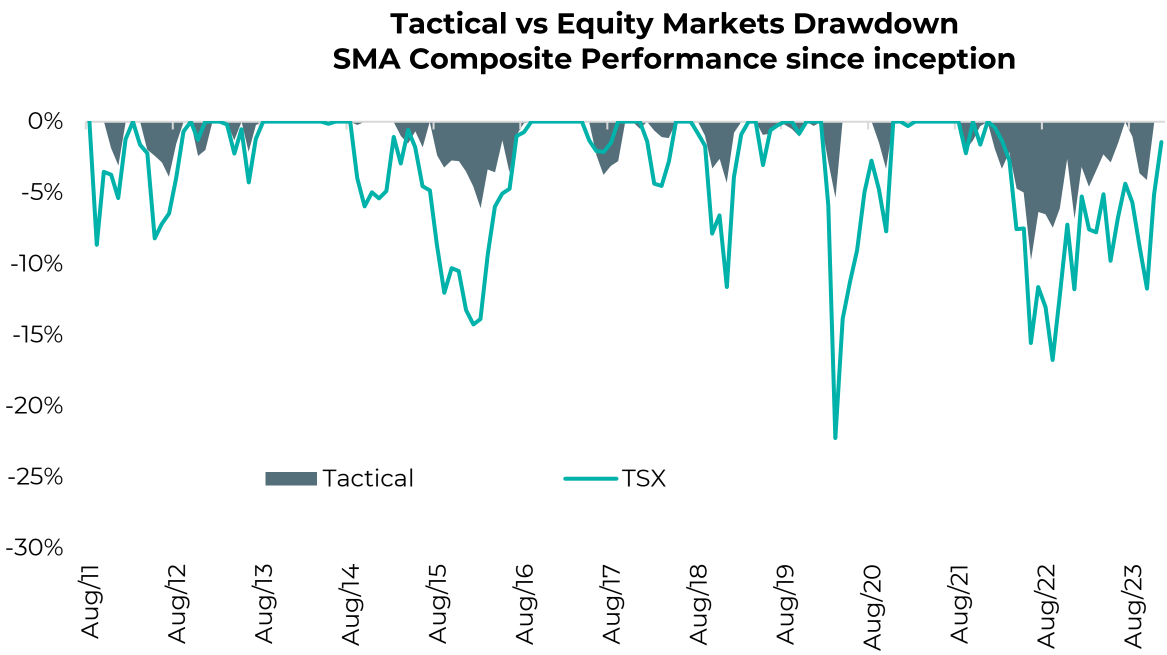
We continue to believe recession risk is rising and investors should remain more defensive. Timing is always the challenge when it comes to the economy given there are so many moving parts and there is always data that point in the opposite direction. The warning signs remain aplenty and in our opinion, prudence argues for defense.

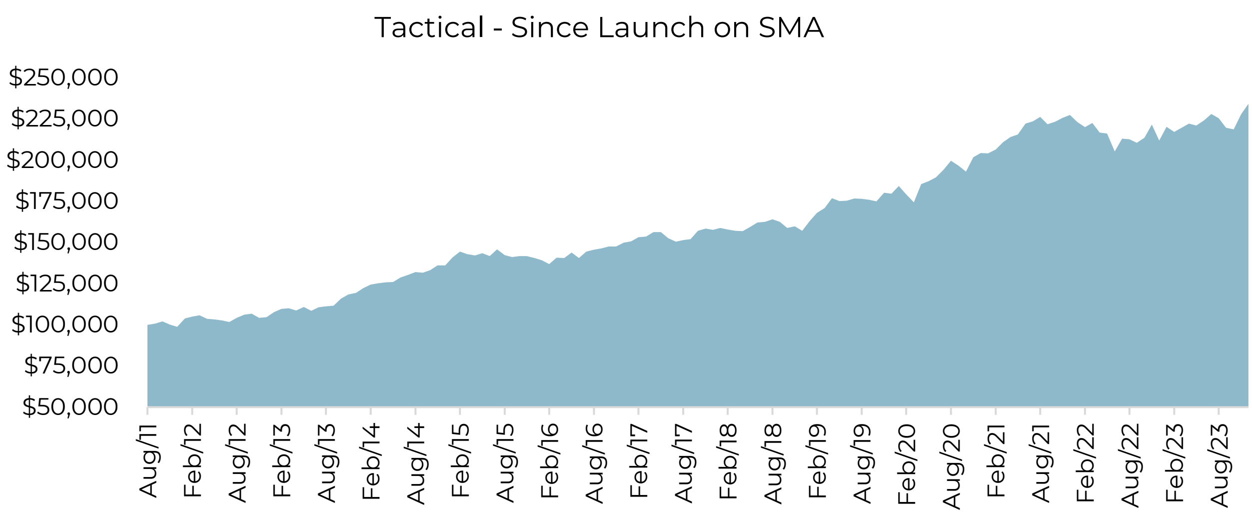
The Purpose Tactical Asset Allocation strategy is about 54% equity as of January 8th, becoming more defensive given the soft start of 2024. Plus, given the pullback in yields to below 4% for the U.S. 10-year and 3.2% for the Canadian 10-year, we have once again pivoted to using only short-duration bond ETFs for fixed-income exposure. Duration tilting of our bond exposure has helped a lot over the past couple of years and we believe yields will remain volatile.

The next few months will be pretty important from a market perspective. Cracks continue to grow in both the markets and the economy, and we are starting the year with higher valuations and lower yields. Best to stay defensive.

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

PERFORMANCE (GROSS OF FEES)





After management fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	Inception
Tactical ETF	2.5%	6.3%	4.3%	10.4%	10.4%	4.8%	8.5%	7.4%
Benchmark	3.4%	8.5%	5.7%	12.1%	12.1%	4.5%	7.9%	7.1%
+/-	-0.9%	-2.1%	-1.3%	-1.7%	-1.7%	0.3%	0.6%	0.3%

	2015	2016	2017	2018	2019	2020	2021	2022
Tactical ETF	3.7%	6.8%	5.5%	-0.2%	14.7%	14.0%	11.7%	-6.6%
Benchmark	1.6%	10.7%	7.4%	-2.2%	16.9%	9.4%	13.9%	-10.6%
+/-	2.1%	-3.9%	-1.8%	2.0%	-2.2%	4.5%	-2.3%	4.0%

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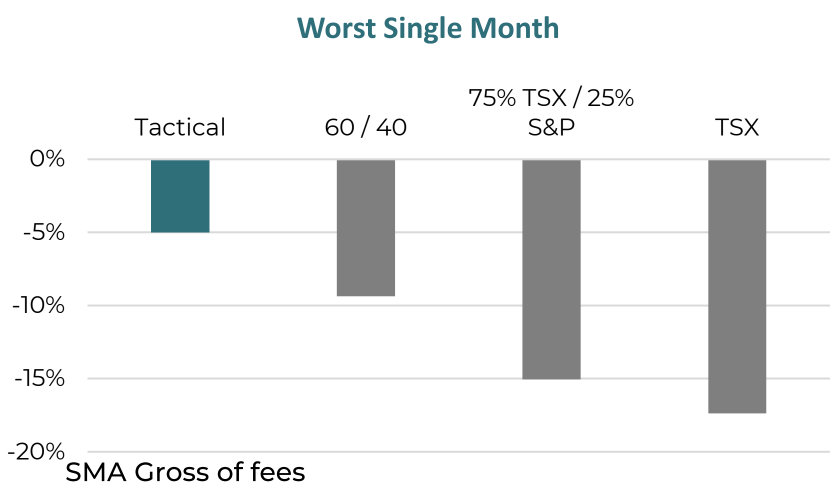
RISK METRICS



	Tactical	Benchmark
Sharpe Ratio	0.99	0.76
Max Drawdown	-9.6%	-13.7%
Standard Deviation	6.5%	8.0%
Downside Deviation	3.7%	6.3%
Beta	0.68	1.00
Up Market Capture	85%	100%
Down Market Capture	69%	100%

COMPOSITION (January 8, 2024)

Model Driven Positions	Focus	Weight
HORIZONS S&P/TSX 60 INDEX ET	Cdn Equity	42.1%
VANGUARD SHORT-TERM BOND ETF	US Short Bond	26.1%
VANGUARD CANADIAN ST BD ETF	Cdn Short Bonc	16.6%
VANGUARD TOTAL STOCK MKT ETF	US Equity	12.5%

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.