

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



**Craig Basinger, CFA**

CHIEF MARKET STRATEGIST

T: 647.822.1406

[craigb@purposeinvest.com](mailto: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.

Normal means more volatility, which could easily be caused by the new U.S. President. It will certainly be elevating the headline or noise impacting markets. It is already much noisier and the term has not even begun. Add onto that the political uncertainty in Canada as well as a bond market that appears willing to test the limits of what the equity market can handle, and volatility has certainly been elevated.

## PORTFOLIO ACTIVITY

The Purpose Tactical Asset Allocation Fund (Tactical) has been designed to help a portfolio more so during times of trouble. But it has also been designed to capture a reasonable share of up markets, after all, markets go up more often than down. Tactical did well in the fourth quarter, outperforming its benchmark. It finished the year at just 24% equity, poised to weather the volatility gripping the markets.

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 a 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.

Our Tactical strategy, which dates back to 2011, has a long history of helping protect portfolios during periods of market stress. While, capturing a reasonable amount of the upside when markets are behaving better. Given how far the market has moved over

the past few years, we believe leaning towards more defense is prudent. Everyone loves double-digit gains, and everyone would hate giving back those gains should 2025 prove more challenging.

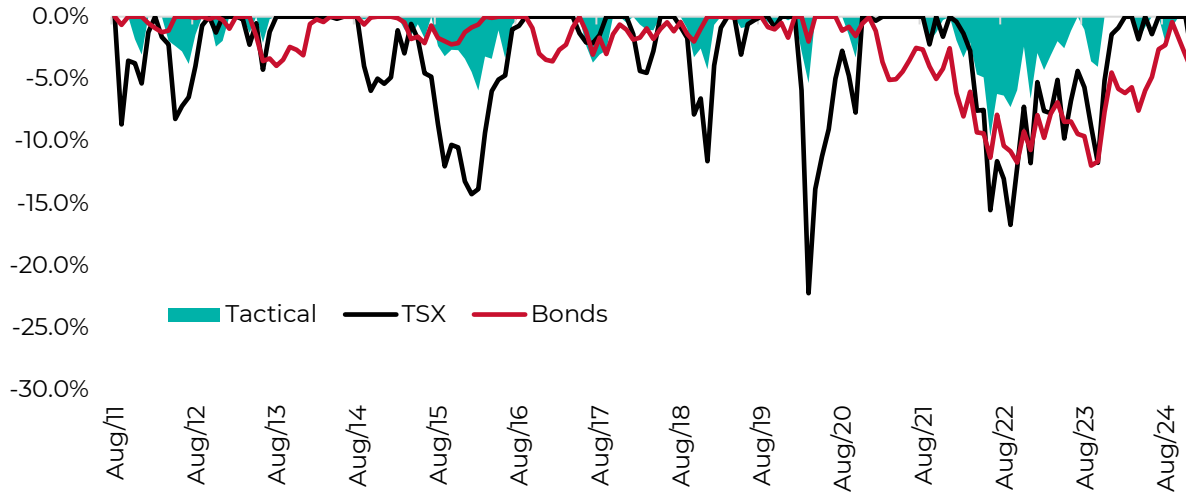
---

**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.**



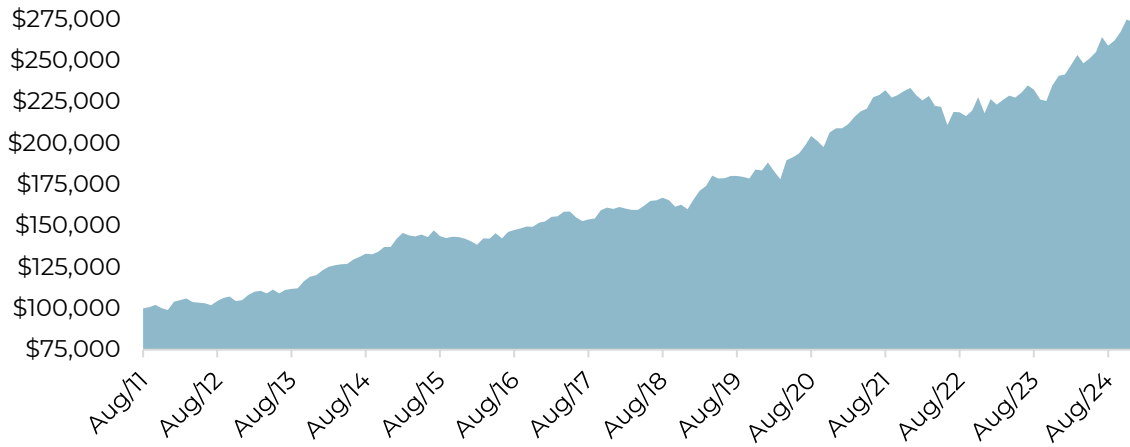
**PERFORMANCE (GROSS OF FEES)**

**Tactical vs Equity & Bond Market Historic Drawdowns**



Source: Purpose Investments, Bloomberg, SMA performance gross of management fees, Bonds are Canadian Bond universe

**Tactical - Since Launch on SMA**



Source: Purpose Investments, Gross of management fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	10-year	Inception
<b>Tactical</b>	-0.5%	4.2%	7.1%	13.5%	13.5%	5.4%	8.3%	7.1%	7.8%
<b>Benchmark</b>	-1.6%	3.2%	10.5%	17.0%	17.0%	5.5%	7.9%	7.3%	7.8%
<b>+/-</b>	1.0%	1.0%	-3.3%	-3.5%	-3.5%	-0.1%	0.4%	-0.1%	0.0%
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Tactical</b>	6.1%	14.4%	14.2%	3.7%	6.8%	5.5%	-0.2%	14.7%	14.0%
<b>Benchmark</b>	6.5%	12.2%	12.6%	1.6%	10.7%	7.4%	-2.2%	16.9%	9.4%
<b>+/-</b>	-0.3%	2.2%	1.6%	2.1%	-3.9%	-1.8%	2.0%	-2.2%	4.5%
	<b>2021</b>	<b>2022</b>	<b>2023</b>						
	11.7%	-6.6%	10.4%						
	13.9%	-10.6%	12.1%						
	-2.3%	4.0%	-1.7%						

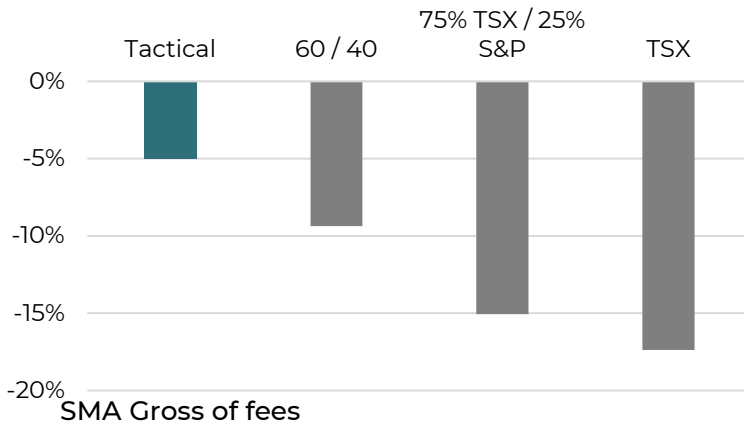
SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

[www.purposeinvest.com](http://www.purposeinvest.com) | [info@purposeinvest.com](mailto:info@purposeinvest.com)

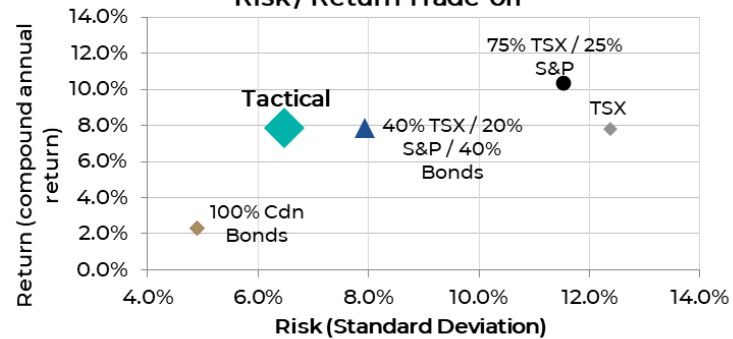


## RISK METRICS

### Worst Single Month



### Risk / Return Trade-off



Source: Purpose Investments, Bloomberg, SMA performance Sep '11 - Dec '24

	Tactical	Benchmark
Sharpe Ratio	0.98	0.79
Max Drawdown	-9.6%	-13.7%
Standard Deviation	6.5%	8.0%
Downside Deviation	3.6%	6.2%
Beta	0.68	1.00
Up Market Capture	85%	100%
Down Market Capture	69%	100%

## COMPOSITION (January 10, 2025)

### Model Driven Positions

Model Driven Positions	Focus	Weight
ISHARES CORE CANADIAN SHORT	Cdn Short Bond	33.8%
VANGUARD SHORT-TERM BOND ETF	US Short Bond	18.5%
ISHARES CORE CAN UNIV BOND	Cdn Bond	16.0%
INVESCO QQQ TRUST SERIES 1	US Tech	10.7%
GLOBAL X S&P/TSX 60 INDEX CO	Cdn Equity	6.6%
VANGUARD TOTAL STOCK MKT ETF	US Equity	6.5%
VANGUARD TOTAL BOND MARKET	US Bond	5.6%



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.

