

## 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

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. The market doesn't seem to mind 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.

So if the world is such a great place, why is gold making recurring new all-time highs? Normally gold is a risk-off or crisis asset class. Does it know something, given the last leg higher for gold preceded a sudden rise in inflation? Or maybe the yellow metal is simply trying to keep up with its digital cousin.

Q2 is often a rougher period for equity markets, and given the rally of the past six months a step back is likely warranted. Monetary stimulus is likely to soften in Q2 with many moving parts. Seasonality is a bit of a headwind. And if earnings revisions don't pick up, this market is sitting on a bit of an air pocket. Then again, not sure many thought the market would advance 10% in just one quarter.

## PORTFOLIO ACTIVITY

The Purpose Tactical Asset Allocation strategy doesn't care about valuations, it doesn't care about economic data, it only cares about momentum. Given the positive momentum, not surprising the fund has been very heavily tilted toward equities. The model currently sits at roughly 89% equity, and has been since moving from 75% to 89% in early March. The fund has averaged 86% equity for March and has been 75% on average year-to-date (with 60% as our neutral or long-term average).

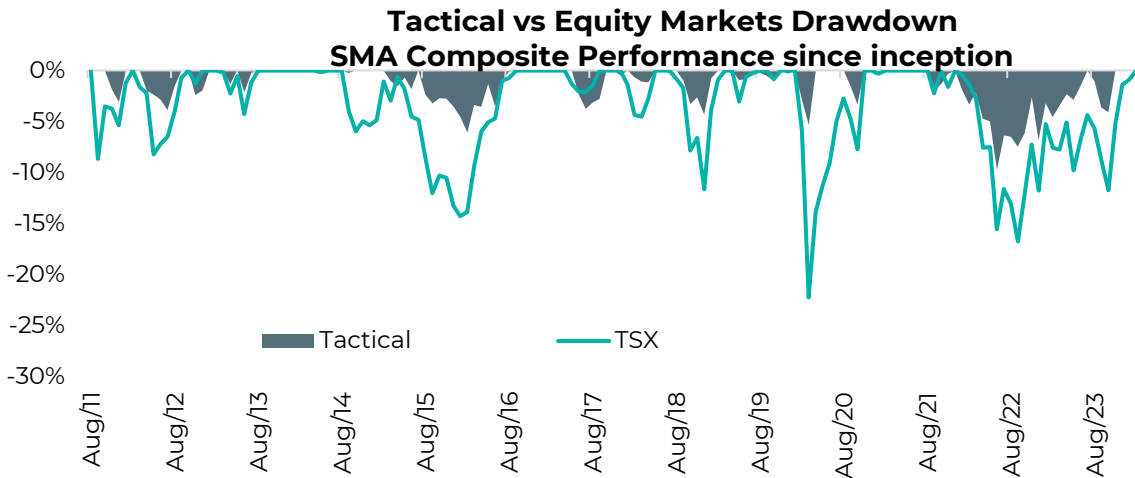
The Purpose Tactical ETF strategy rose +5.2% in the first quarter, bringing the 1-year trailing performance to +12.0%. The high tilt towards equities helped, mainly from the Canadian side in March balancing stronger gains from U.S. equities in previous months. More good news came from the bond side. Our decision to move back to only using short-duration bond ETFs provided a positive performance lift, albeit small. This would have been a headwind if using the full

universe, which is down 2% year-to-date. For the time being we'll likely continue to lean on shorter-duration fixed income ETFs, but should yields spike higher we will likely begin to hold longer duration ETFs.

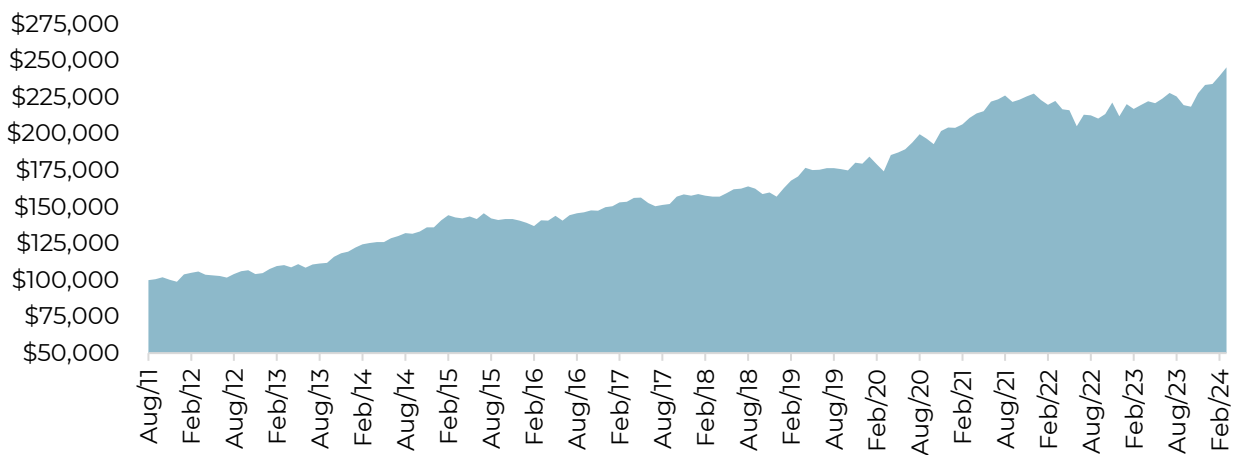
Maybe this market will keep going higher, despite all the arguments for weakness. If so Tactical will likely remain leaned into it. More importantly, if (or perhaps when) the euphoria ends, Tactical will move from offense to defense rather quickly. We can say this with confidence having managed this strategy for over 12 years which included a lot of ups and downs.



**PERFORMANCE (GROSS OF FEES)**



**Tactical - Since Launch on SMA**

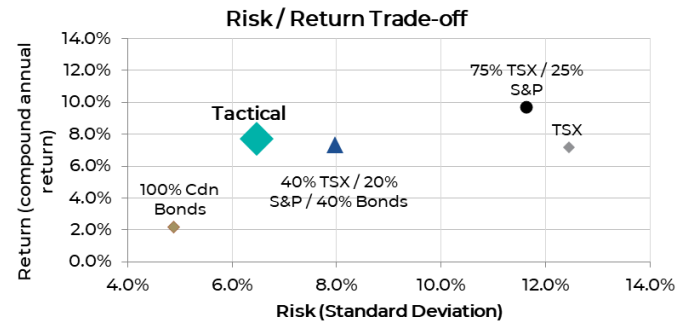
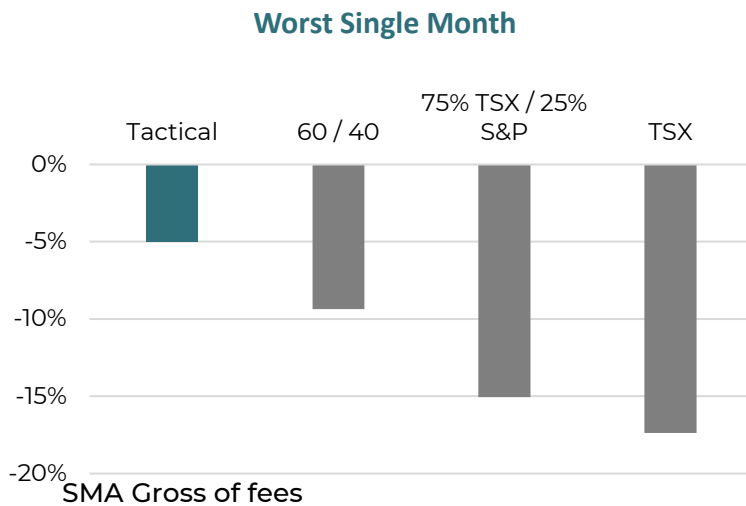


After management fees

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	Inception
<b>Tactical ETF</b>	2.5%	5.2%	11.8%	12.0%	5.2%	5.5%	7.8%	7.7%
<b>Benchmark</b>	2.4%	4.7%	13.5%	12.2%	4.7%	5.4%	7.0%	7.3%
<b>+/-</b>	0.0%	0.5%	-1.7%	-0.2%	0.5%	0.0%	0.8%	0.3%
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Tactical ETF</b>	3.7%	6.8%	5.5%	-0.2%	14.7%	14.0%	11.7%	-6.6%
<b>Benchmark</b>	1.6%	10.7%	7.4%	-2.2%	16.9%	9.4%	13.9%	-10.6%
<b>+/-</b>	2.1%	-3.9%	-1.8%	2.0%	-2.2%	4.5%	-2.3%	4.0%



## RISK METRICS



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

	Tactical	Benchmark
Sharpe Ratio	0.98	0.75
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	86%	100%
Down Market Capture	69%	100%

## COMPOSITION (April 4, 2024)

### Model Driven Positions

HORIZONS S&P/TSX 60 INDEX ET  
 VANGUARD TOTAL STOCK MKT ETF  
 INVESCO QQQ TRUST SERIES 1  
 VANGUARD SHORT-TERM BOND ETF  
 VANGUARD CANADIAN ST BD ETF

### Focus

Cdn Equity  
 US Equity  
 US Tech  
 US Short Bond  
 Cdn Short Bonc

### Weight

55.2%  
 23.2%  
 10.1%  
 6.5%  
 2.8%



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.

