

## QUARTERLY SMA COMMENTARY

# U.S. Dividend

### CHARACTERISTICS

ASSET CLASS	EQUITY
GEOGRAPHIC	US
FOCUS	DIVIDEND & DIVIDEND GROWTH
OBJECTIVE	ACTIVELY MANAGED TO PROVIDE INCOME WITH SOME CAPITAL APPRECIATION
APPROX. # OF HOLDINGS	25-30
ESTIMATED ANNUAL TRADES	16-24
BENCHMARK	S&P 500 TR
BENCHMARK 2	DJ SELECT DIVIDEND

Inception date: JUNE 30, 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.

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 dividend paying tech stocks, rate sensitive securities had a difficult quarter experiencing material price declines. Looking ahead, one benefit with dividend stocks is that they continue to deliver consistent income, which remains an attractive feature in a more uncertain market environment.

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## PORTFOLIO ACTIVITY

Among the top contributors, Goldman Sachs (GS) stood out with a total return of +16.23%, adding +1.04% to overall portfolio performance. U.S. Financials surged following the election, which benefited the portfolio considering the sector is the largest at 19%. Other banks such as JPMorgan (+14.35%), and Citigroup (+13.45%) also did quite well. The portfolio also benefited from its exposure to Cisco Systems (CSCO), which returned +19.30%. On the other hand, detractors included Newmont, which dropped – 29.95%, negatively impacting performance by -0.99%. Other detractors included many rate-sensitive names such as American Tower Corp falling - 19.85% and Avient Corp and Anheuser-Busch falling – 18.34% and -24.47% respectively. The portfolio's exposure to 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.

The year ended on a rather sour note, with the portfolio falling over 5% in December. Granted the market as a whole had a difficult month, but dividend stocks fared far worse than the broad market. The S&P 500 fell by -2.4%, while the Dow Jones U.S. Select Dividend index fell by -7.7%. Looking ahead, one point of solace is the fact that rates are nearly back to cycle highs which should offer a degree of

downside protection should the advance seen over the past quarter begin to reverse.

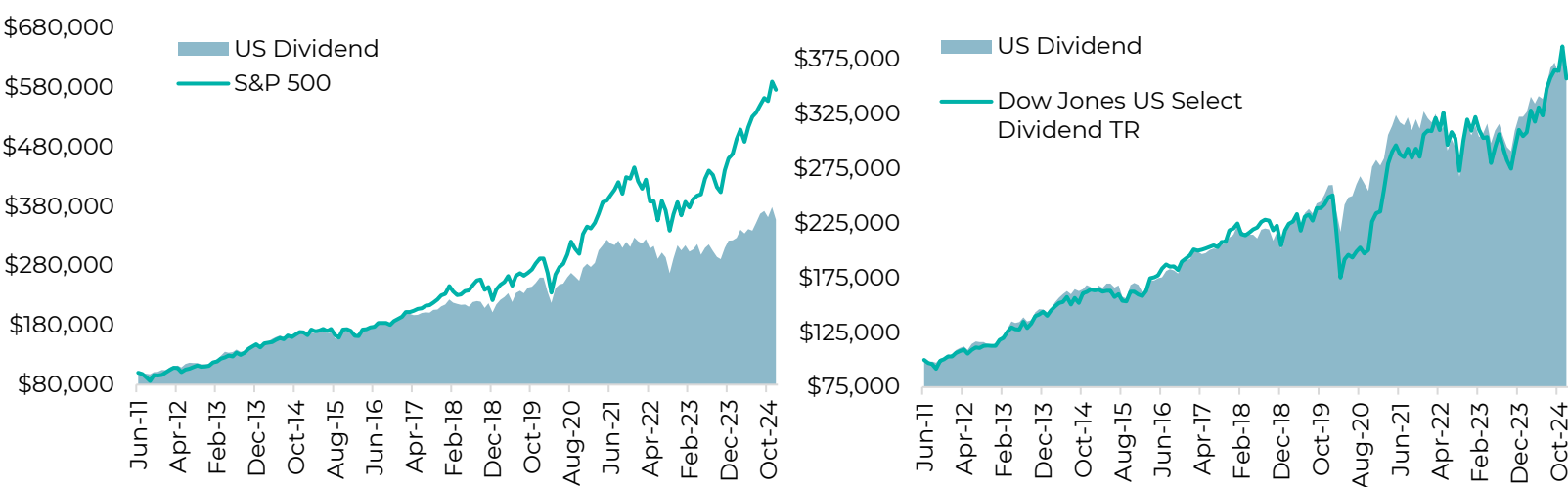
Maybe the economy will continue to remain resilient, maybe inflation will continue to cool, and maybe government leaders will implement policy that is supportive of markets. Or maybe excitement around AI will mask any other issues facing the market. This could all happen and help markets enjoy 3rd consecutive 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.

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**PERFORMANCE (GROSS OF FEES)**



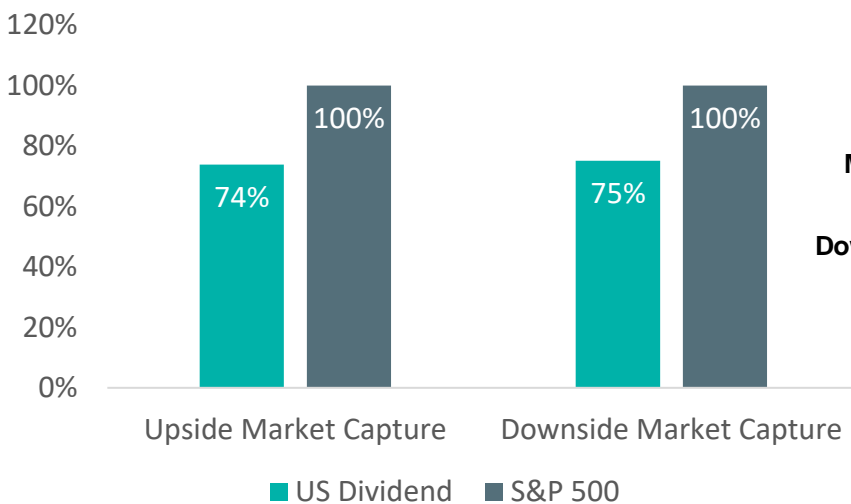
	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	Incep
<b>US Dividend</b>	-5.7%	-4.0%	5.4%	10.8%	10.8%	2.9%	6.6%	7.6%	9.9%
<b>S&amp;P 500</b>	-2.4%	2.4%	8.4%	25.0%	25.0%	8.9%	14.5%	13.8%	13.8%
<b>DJDVN</b>	-7.7%	-2.1%	10.4%	15.1%	15.1%	5.3%	7.5%	7.2%	9.9%

	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>US Dividend</b>	1.0%	13.6%	12.2%	-6.0%	28.8%	8.9%	15.7%	-6.7%	5.5%
<b>S&amp;P 500</b>	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%	-18.1%	26.3%
<b>DJDVN</b>	-2.8%	20.6%	14.2%	-7.0%	21.6%	-5.9%	30.7%	1.1%	0.2%

**RISK METRICS**

Upside Vs. Downside Capture



	U.S. Dividend	S&P 500
<b>Sharpe</b>	0.82	0.96
<b>Max Drawdown</b>	-17%	-20%
<b>SD</b>	12.1%	14.5%
<b>Downside Deviation</b>	7.8%	9.8%
<b>Beta</b>	0.72	1.00

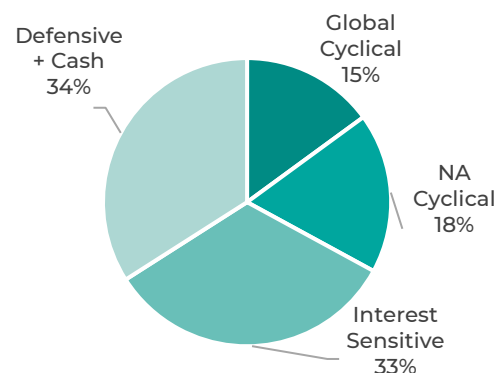


## COMPOSITION

<u>Name</u>	<u>Sector</u>	<u>Weight</u>	<u>Yield</u>
CHEVRON CORP	Energy	3.6%	4.3%
DEVON ENERGY CORP	Energy	2.7%	2.5%
AVIENT CORP	Materials	2.9%	2.8%
NEWMONT CORP	Materials	2.6%	2.5%
CF INDUSTRIES HOLDINGS INC	Materials	3.1%	2.3%
JOHNSON CONTROLS INTERNATION	Industrials	3.8%	1.8%
CSX CORP	Industrials	2.7%	1.5%
INTL BUSINESS MACHINES CORP	Info Tech	2.8%	3.0%
CISCO SYSTEMS INC	Info Tech	4.4%	2.7%
MICROSOFT CORP	Info Tech	4.2%	0.8%
BLACKROCK INC	Financials	4.8%	2.1%
JPMORGAN CHASE & CO	Financials	3.2%	2.1%
GOLDMAN SACHS GROUP INC	Financials	7.8%	2.1%
CITIGROUP INC	Financials	3.4%	3.1%
AMERICAN TOWER CORP	Real Estate	2.6%	3.6%
MCDONALD'S CORP	Cons Disc	3.2%	2.5%
STARBUCKS CORP	Cons Disc	4.3%	2.6%
KIMBERLY-CLARK CORP	Cons Staples	2.8%	3.8%
PROCTER & GAMBLE CO/THE	Cons Staples	4.2%	2.5%
CONAGRA BRANDS INC	Cons Staples	2.4%	5.3%
ANHEUSER-BUSCH INBEV-SPN ADR	Cons Staples	2.5%	1.8%
ASTRAZENECA PLC-SPONS ADR	Health Care	3.1%	1.5%
MERCK & CO. INC.	Health Care	3.3%	3.2%
JOHNSON & JOHNSON	Health Care	2.3%	3.5%
MEDTRONIC PLC	Health Care	3.5%	3.4%
XCEL ENERGY INC	Utilities	3.7%	3.3%
VERIZON COMMUNICATIONS INC	Comm Services	3.1%	7.0%
GLB X USD CASH MXMZ CORP ETF	Cash	3.8%	5.4%
	Cash	3.0%	2.79%

## US

	<u>Dividend</u>	<u>S&amp;P 500</u>	<u>+/-</u>
<b>Energy</b>	6%	3%	3.2%
<b>Materials</b>	9%	2%	6.7%
<b>Industrials</b>	7%	8%	-1.6%
<b>Info Tech</b>	11%	32%	-21.0%
<b>Financials</b>	19%	14%	5.7%
<b>Cons Disc</b>	8%	11%	-3.7%
<b>Cons Staples</b>	12%	5%	6.5%
<b>Comm Services</b>	3%	9%	-6.4%
<b>Utilities</b>	4%	2%	1.3%
<b>Health Care</b>	12%	10%	1.9%
<b>Real Estate</b>	3%	2%	0.5%
<b>Cash</b>	7%		6.8%



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, 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.

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