

## 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



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### MARKET OVERVIEW

September's anticipated market volatility did not materialize as expected. While markets experienced initial fluctuations, a mid-month Fed rate cut ignited a surge in risk appetite and optimism. This positive sentiment propelled both Canadian and U.S. markets to new all-time highs. As we move forward, economic data, Q3 earnings, and the U.S. election will be key factors influencing market direction. Despite the current optimism, uncertainties remain, and valuations, particularly in the U.S., appear moderately stretched.

The global economic landscape is evolving. After a strong first half of 2024, growth indicators are showing signs of deceleration. This shift has been reflected in bond yields, which initially declined but have since rebounded,

suggesting potential improvements in growth prospects. Commodities, buoyed by China's stimulus measures, have experienced a general uptrend, indicating increased demand expectations.

The Purpose U.S. Dividend portfolio's third-quarter performance of 9.8% outperformed the S&P 500's 5.9% gain. After a difficult first half for dividend stocks, falling bond yields boosted their appeal. The broadening out of performance withing the S&P 500 also helped, as the once unflappable Magnificent 7 started to show some cracks. For the first time in quite a while, Microsoft was one of the portfolio's leading detractors in the quarter. Energy stocks, particularly E&P names like Devon Energy also faced challenges due to declining oil prices.

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## PORTFOLIO ACTIVITY

Additionally, U.S. Healthcare holdings detracted from returns during the quarter, reversing some of their previous gains. On the positive side, gold prices reached record highs, with Newmont being one of the top contributors to portfolio performance.

Other top-performing investments included Starbucks and Xcel Energy. Starbucks surged following the announcement of a new CEO, while falling interest rates supported utilities like Xcel Energy, which also gained from the growing narrative that the AI boom could drive future growth for electric utility stocks. Although our defensive positioning provided stability in a volatile market environment, it didn't offset performance as strongly during this up-market rally. Nevertheless, we remain confident in our long-term strategy and believe patience will ultimately be rewarded.

During the third quarter, we made several strategic portfolio adjustments, focusing on locking in profits from extended positions and identifying new growth opportunities. We sold Lockheed Martin, as the stock's valuations became extended due to heightened geopolitical tensions in the Middle East. While the defense sector remains strong, Lockheed's share price has outperformed significantly, pushing valuations above historical averages. Given the elevated risks and stretched

valuations, we saw this as an opportunity to lock in gains and reallocate capital to areas with better risk-adjusted potential.

To increase our transportation exposure and capitalize on economic resilience, we initiated a position in CSX. Despite concerns about a potential slowdown, the economy has remained more robust than expected, which bodes well for rail companies like CSX. With attractive valuations relative to its peers, this addition strengthens our cyclical exposure, positioning the portfolio to benefit from continued economic momentum.

We also purchased Merck, a leading pharmaceutical company with a strong drug pipeline. After a recent 15% pullback, Merck is trading at a more appealing valuation compared to its peers. The company's diverse pipeline, including innovative therapies, positions it well for future growth, making it a compelling addition to the portfolio.

As we enter a historically volatile period for financial markets, we are maintaining a slightly defensive stance. This approach includes holding elevated cash levels and emphasizing defensive sectors such as Healthcare, Consumer Staples, Telecom, and Utilities. We believe this positioning equips the portfolio to weather potential market turbulence. Unlike many

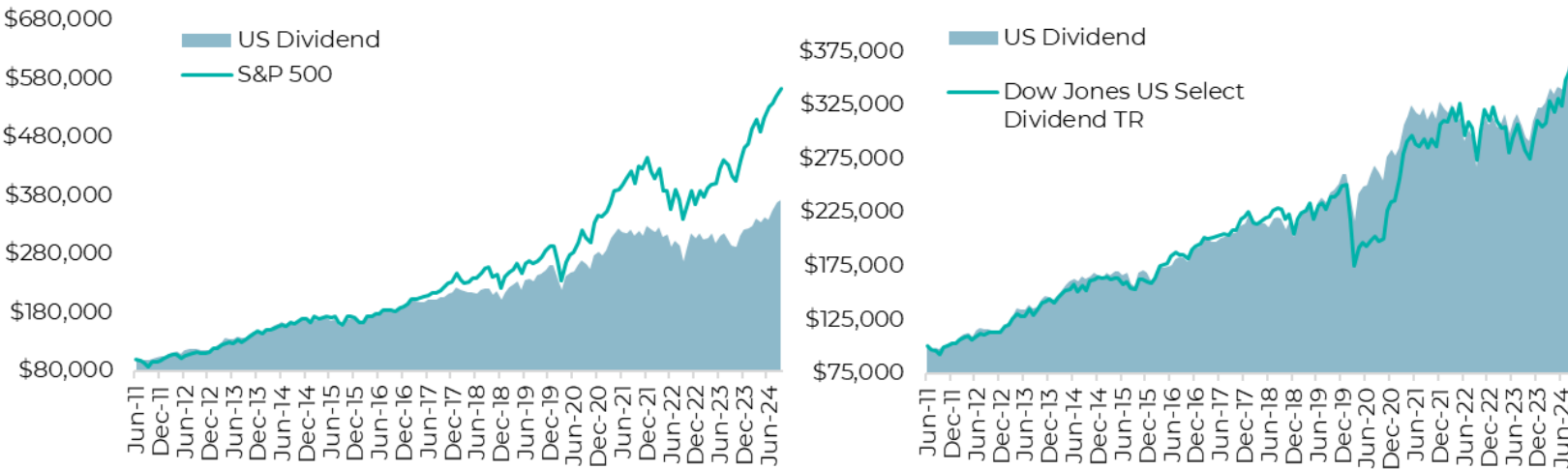
dividend-focused portfolios, we maintain a balanced exposure to cyclicals, which are well-positioned to outperform in a rising interest rate environment. While defensive stocks have recently outperformed, the recovery in cyclical performance is a trend we are closely monitoring.

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**Unlike many dividend focused portfolios, our portfolio maintains a balanced exposure to cyclicals, which can outperform during rising interest rate environments**



**PERFORMANCE (GROSS OF FEES)**



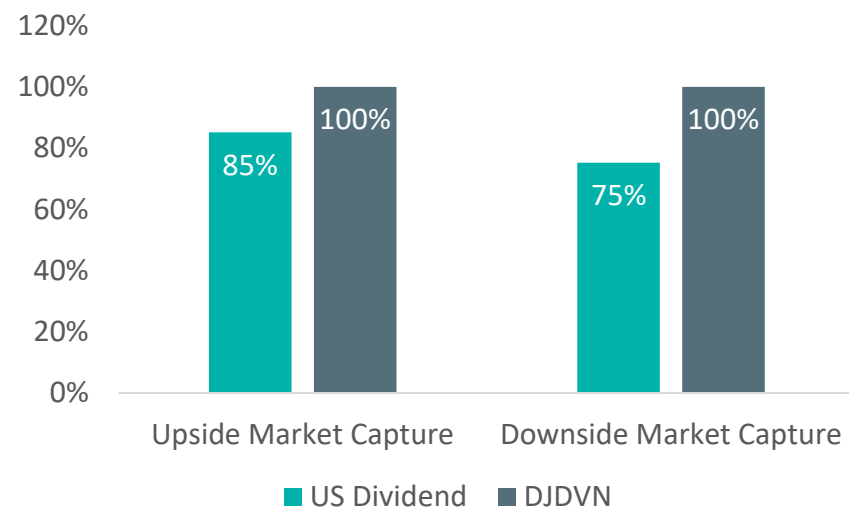
	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	Incep
<b>US Dividend</b>	1.3%	9.8%	9.2%	26.2%	15.4%	6.2%	8.9%	8.8%	10.5%
<b>S&amp;P 500</b>	2.1%	5.9%	10.4%	36.4%	22.1%	11.9%	16.0%	14.5%	14.0%
<b>DJDVN</b>	3.0%	8.3%	16.3%	21.7%	15.5%	6.9%	9.5%	8.5%	10.2%

	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	DJDVN
<b>Sharpe</b>	0.87	0.70
<b>Max Drawdown</b>	-17%	-30%
<b>SD</b>	12.0%	14.4%
<b>Downside Deviation</b>	7.8%	12.0%
<b>Beta</b>	0.71	1.00

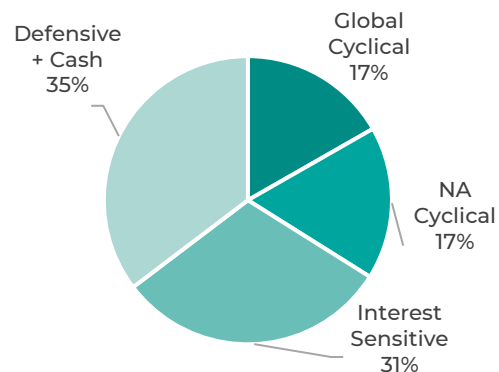


## COMPOSITION

<u>Name</u>	<u>Sector</u>	<u>Weight</u>	<u>Yield</u>
CHEVRON CORP	Energy	3.6%	4.3%
DEVON ENERGY CORP	Energy	3.3%	2.1%
AVIENT CORP	Materials	3.5%	2.3%
NEWMONT CORP	Materials	3.4%	1.8%
CF INDUSTRIES HOLDINGS INC	Materials	3.0%	2.3%
JOHNSON CONTROLS INTERNATIONAL	Industrials	3.6%	1.9%
CSX CORP	Industrials	2.9%	1.4%
INTL BUSINESS MACHINES CORP	Info Tech	2.9%	2.9%
CISCO SYSTEMS INC	Info Tech	3.9%	3.0%
MICROSOFT CORP	Info Tech	4.0%	0.8%
BLACKROCK INC	Financials	4.6%	2.1%
JPMORGAN CHASE & CO	Financials	2.7%	2.3%
GOLDMAN SACHS GROUP INC	Financials	6.6%	2.4%
CITIGROUP INC	Financials	2.8%	3.5%
AMERICAN TOWER CORP	Real Estate	3.1%	3.0%
MCDONALD'S CORP	Cons Disc	3.3%	2.3%
STARBUCKS CORP	Cons Disc	4.3%	2.4%
KIMBERLY-CLARK CORP	Cons Staples	3.0%	3.5%
PROCTER & GAMBLE CO/THE	Cons Staples	4.3%	2.4%
CONAGRA BRANDS INC	Cons Staples	2.6%	4.8%
ANHEUSER-BUSCH INBEV-SPN ADR	Cons Staples	3.2%	1.4%
ASTRAZENECA PLC-SPONS ADR	Health Care	3.5%	1.3%
MERCK & CO. INC.	Health Care	3.5%	2.8%
JOHNSON & JOHNSON	Health Care	2.5%	3.1%
MEDTRONIC PLC	Health Care	3.7%	3.1%
XCEL ENERGY INC	Utilities	3.3%	3.5%
VERIZON COMMUNICATIONS INC	Comm Services	3.3%	6.3%
GLB X USD CASH MXMZ CORP ETF	Cash	3.7%	5.4%

Cash	2.1%	2.7%
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	<u>US</u>		
	<u>Dividend</u>	<u>S&amp;P 500</u>	<u>+/-</u>
<b>Energy</b>	7%	3%	3.3%
<b>Materials</b>	10%	2%	7.7%
<b>Industrials</b>	6%	9%	-2.1%
<b>Info Tech</b>	11%	32%	-21.5%
<b>Financials</b>	17%	13%	3.8%
<b>Cons Disc</b>	8%	10%	-2.4%
<b>Cons Staples</b>	13%	6%	7.4%
<b>Comm Services</b>	3%	9%	-5.5%
<b>Utilities</b>	3%	2%	0.9%
<b>Health Care</b>	13%	11%	1.7%
<b>Real Estate</b>	3%	2%	0.8%
<b>Cash</b>	6%		5.8%



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.

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