PUBLISHED: OCTOBER 2023

Purpose INVESTMENTS

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

This could be the 'blow-off' top for yields. Could they move higher, thru 5% or some have even started bouncing around 6 and 7s? Anything is possible but we don't buy it.

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

SMA MANAGER

Craig Basinger, CFA
CHIEF MARKET STRATEGIST
T: 647.822.1406
craigb@purposeinvest.com

MARKET OVERVIEW

The upward move in yields, which accelerated in September, weighed heavily on equity markets as valuations were pushed lower. Stocks and bonds moving lower certainly brought back memories of 2022 but there is an important distinction. Last year it was all about inflation and the response from central banks, hiking to arrest rising prices. Over the past few months, inflation expectations have remained stable, as have market expectations of peak overnight bank lending rates. This rise in yields is more about economic resilience, causing higher yields to be priced in longer.

This could be the 'blow-off' top for yields. Could they move higher, thru 5% or some have even started bouncing around 6 and 7s? Anything is possible but we don't buy it.

The cracks in the economic foundation continue to grow and we believe will become more prevalent in the coming months. In fact, softer economic data would likely result in a move higher in both equities and bonds for a spell.

The Purpose U.S. Dividend mandate fell -4.9% in the third quarter, slightly underperforming its benchmark the S&P 500 which fell -3.3%. Performance has been hindered recently as the dividend yield as a factor remains challenged largely due to rising rates, outperforming only low volatility. Meanwhile, Growth as a factor has been top of the list. Considering the dividend universe tilts heavily towards value, 2023 in short has been a challenge.

PORTFOLIO ACTIVITY

These are not high-risk businesses on the verge of collapse. They are arguably high-quality, companies such as Enbridge, TC Energy, and many REITs. Even amongst the banks, the yields have crept up to very attractive levels. For instance, the Bank of Nova Scotia now yields 7.3%. Not bad for a bank that has never cut its dividend, even through the challenges of the great financial crisis. Though many of these yields are tempting, we continue to maintain an elevated cash balance, looking for opportunities to deploy on weakness.

In the third quarter, a healthy exposure to Energy was the largest contributor to performance. Chevron rose nearly 10% which helped buttress weakness across many other sectors. The top performing stocks was CF Industries, which we added last quarter. It was up 24% in the third quarter, on positive pricing trends in the fertilizer space. Detracting from performance were most rate sensitive stocks. particular, Real Estate, Utilities and Telecom stocks all came under pressure due to rising interest rates. The pain wasn't contained to just these sectors. Consumer Staples were also weak, notably Conagra Brands struggled in the third quarter. Packaged food companies have all been under pressure recently due to a combination of concerns over pricing power as well as demand implications thanks to the rise of weight loss pills such as Ozempic.

We executed a number of trades within the quarter. Early in the summer we bought Devon Energy to materially in increase the portfolios Energy exposure. Other trades included buying Anheuser-Busch following the fallout of their pride can controversy as well as reducing bank exposure in exiting JPMorgan. Proceeds were used to enter a new position in Lockheed Martin Overall, we view these trades a further de-risking the portfolio's while retaining some cyclicality primarily through our energy positions.

Our healthy position in Health Care is a result of our view that the sector is trading at attractive relative valuations and has strong defensive characteristics. Pharmaceutical stocks in particular are less prone cyclical swings during times of slowing economic growth. As mentioned, we have increased exposure to Energy, particularly towards producers. Rate sensitive stocks across the board have been under pressure, but for now we remain on the sidelines, preferring to hold onto our additional cash.

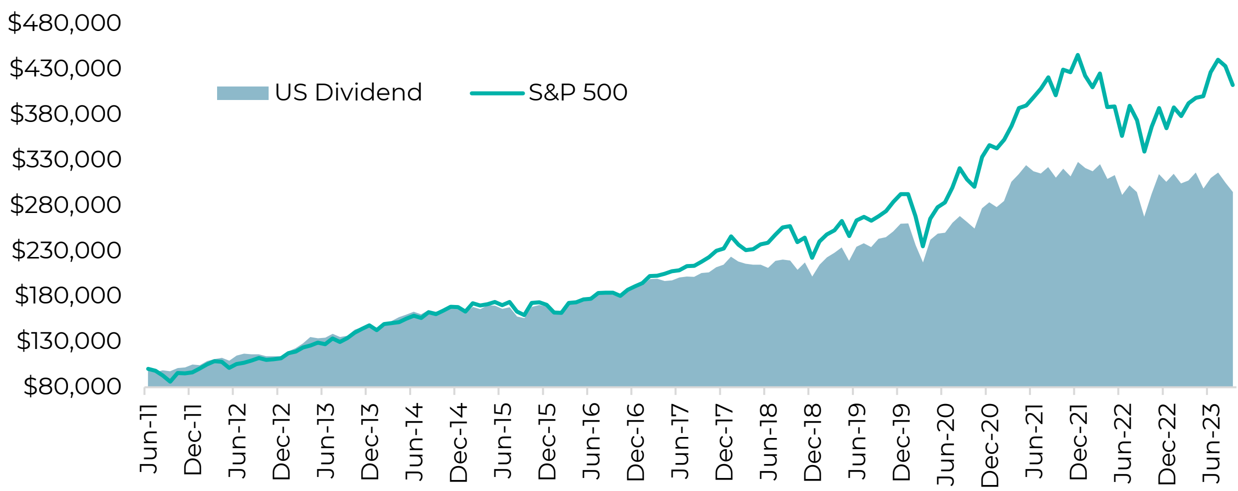
Heading into Q4, we'd prefer not to chase growth outperformance. The next few months will be pretty important from a market perspective. Cracks continue to grow in both the markets and the economy. Financial conditions have tightened considerably, and we remain committed to staying defensive. This mandate continues to maintain an elevated cash balance and is increasingly tilted to traditionally defensive sectors.

Confusion across various markets, becomes prevalent near key turning points. The turning point could be the start of a new bull, or perhaps a next leg higher for equity markets but we remain in the camp that it is a potential turn towards an economic or earnings recession.

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

ALL PERFORMANCE DATA AS AT OCTOBER 30, 2023

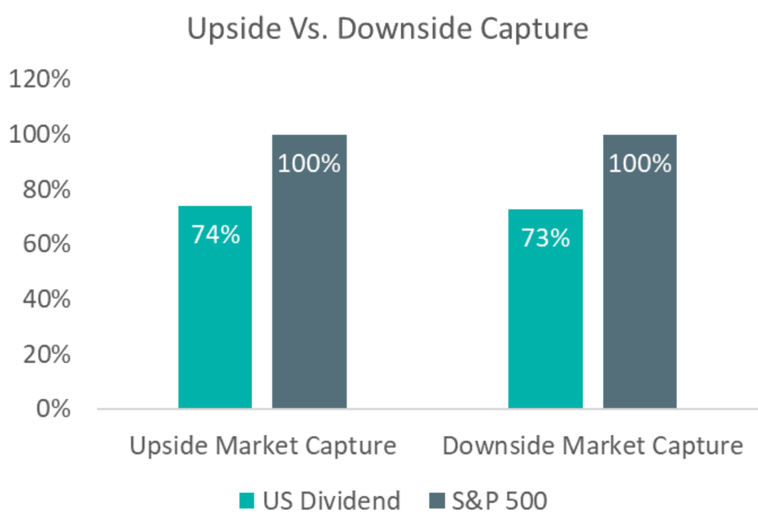
PERFORMANCE (GROSS OF FEES)



	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	Incep
US Dividend	-3.3%	-4.9%	-4.1%	10.2%	-3.6%	4.0%	6.1%	7.2%	9.2%
S&P 500	-4.8%	-3.3%	5.2%	21.6%	13.1%	10.2%	9.9%	12.2%	12.3%
+/-	1.5%	-1.7%	-9.3%	-11.4%	-16.7%	-6.1%	-3.8%	-5.1%	-3.0%

	2014	2015	2016	2017	2018	2019	2020	2021	2022
US Dividend	14.2%	1.0%	13.6%	12.2%	-6.0%	28.8%	8.9%	15.7%	-6.7%
S&P 500	13.7%	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%	-18.1%
+/-	0.5%	-0.3%	1.6%	-9.7%	-1.6%	-2.7%	-9.5%	-13.0%	11.4%

RISK METRICS



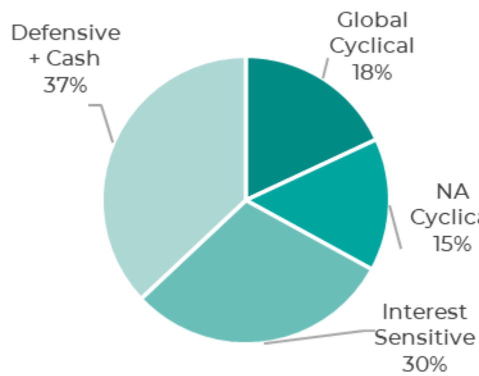
	U.S. Dividend	S&P 500
Sharpe	0.76	0.84
Max Drawdown	-17%	-20%
SD	12.1%	14.6%
Downside Deviation	8.0%	10.2%
Beta	0.72	1.00

SOURCE: PURPOSE INVESTMENTS & BLOOMBERG

COMPOSITION

Name	Sector	Weight	Yield
CHEVRON CORP	Energy	4.9%	3.7%
DEVON ENERGY CORP	Energy	3.3%	4.1%
AVIENT CORP	Materials	3.0%	3.1%
NEWMONT CORP	Materials	3.1%	4.1%
CF INDUSTRIES HOLDINGS INC	Materials	3.7%	1.9%
WASTE MANAGEMENT INC	Industrials	4.6%	1.8%
LOCKHEED MARTIN CORP	Industrials	3.0%	2.9%
INTL BUSINESS MACHINES CORP	Info Tech	2.1%	4.8%
ERICSSON (LM) TEL-SP ADR	Info Tech	1.3%	5.1%
MICROSOFT CORP	Info Tech	3.9%	0.9%
BLACKROCK INC	Financials	3.8%	3.2%
METLIFE INC	Financials	2.9%	3.4%
JPMORGAN CHASE & CO	Financials	2.4%	2.8%
GOLDMAN SACHS GROUP INC	Financials	5.1%	3.6%
CITIGROUP INC	Financials	2.3%	5.1%
AMERICAN TOWER CORP	Real Estate	2.0%	3.9%
MCDONALD'S CORP	Cons Disc	3.4%	2.7%
STARBUCKS CORP	Cons Disc	5.2%	2.5%
KIMBERLY-CLARK CORP	Cons Staples	3.3%	3.9%
PROCTER & GAMBLE CO/THE	Cons Staples	4.6%	2.6%
CONAGRA BRANDS INC	Cons Staples	3.0%	5.1%
ANHEUSER-BUSCH INBEV-SPN ADR	Cons Staples	3.4%	1.5%
ASTRAZENECA PLC-SPONS ADR	Health Care	3.8%	1.4%
BRISTOL-MYERS SQUIBB CO	Health Care	2.4%	4.0%
JOHNSON & JOHNSON	Health Care	3.1%	3.0%
MEDTRONIC PLC	Health Care	2.2%	3.8%
XCEL ENERGY INC	Utilities	2.9%	3.5%
VERIZON COMMUNICATIONS INC	Comm Services	3.0%	8.7%
HORIZONS USD CASH MAXIMIZER	Cash	5.5%	5.4%
	Cash	2.79%	

	US Dividend	S&P 500	+/-
Energy	8%	5%	3.6%
Materials	10%	2%	7.4%
Industrials	8%	8%	-0.7%
Info Tech	7%	28%	-20.7%
Financials	17%	13%	3.8%
Cons Disc	9%	10%	-1.9%
Cons Staples	14%	6%	8.0%
Comm Services	3%	9%	-6.1%
Utilities	3%	2%	0.5%
Health Care	12%	13%	-1.8%
Real Estate	2%	2%	-0.4%
Cash	8%		8.3%



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.