

## Characteristics

Asset class	Tactical Balanced
Geographic	North American
Focus	Equity & Bond ETF's
Objective	Risk Reducing Side Care Strategy
Approx. # of holdings	3-8
Estimated annual trades	High Turnover
Benchmark	40% TSX/20% S&P 500/ 40% FTSE Dex

## SMA Manager

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## Quarterly Commentary

How do we even attempt to unpack what happened in 2022...on the surface very little sounds good. Russia invaded Ukraine: a travesty that also caused increased global political polarization, an energy crisis, and higher food prices. Global inflation got out of control, not from the war but more from the knock-on effects of the pandemic-altered behaviours. Plus, there was the impact of global monetary/fiscal stimulus that was left on too long. Inflation triggered an abrupt reversal in stimulus from accommodation to restriction as just about all central banks tightened financial conditions, some materially.

The silver lining is 2022 appears to have reset markets as the prices of everything fell together. Now, we are not saying the reset is over, or that the bottom of the bear is in, or even that bond yields are done going up, but things are much more balanced now. Bonds carry an attractive yield now after not doing so for many years. And equities, while not cheap and perhaps earnings estimates will continue to fall, are not expensive.

Don't take this as optimism for 2023. While inflation may be fading as the biggest angst for the market, recession risk is on the rise along with earnings growth deceleration. Still, those are more normal market issues compared to inflation. A move back to more normal should help soften the strong positive correlation between equities and bonds experienced in 2022.

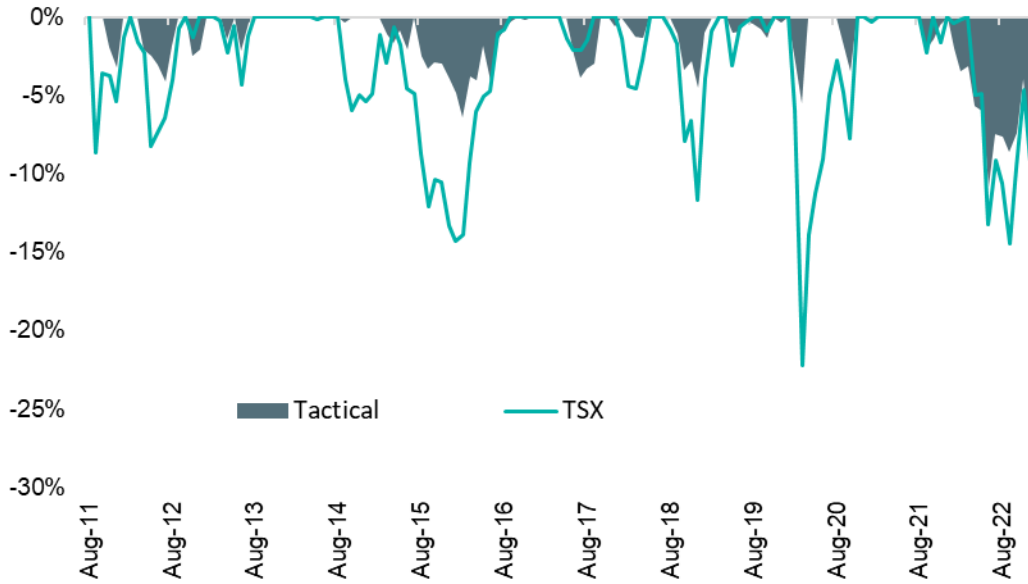
Tactical ETF gave most of its gains from October and November back in December, finishing the quarter up +0.7%. Starting the quarter at 26% equity, this moved higher through October into November reaching a high of 81%. As markets sold off in December, the fund quickly moved lower throughout the month down to 28% equity to close out the year. Tactical ETF finished the year down -7.4%, slightly beating the benchmark return of -9.4%. Better than the average balance fund, but still not our kind of year.

Over the past seventy years, the correlation between Canadian equities and Canadian bonds was roughly 0.2 with periods that it was higher and periods lower. In 2022, it was roughly 0.54, on the high side which hurt just about all multi-asset portfolios, including Tactical. So, will this high correlation persist? Likely not. Historically, as economic growth slows, the correlation between equities and bonds falls. And if economic growth goes negative, aka some sort of recession, correlations fall even more.

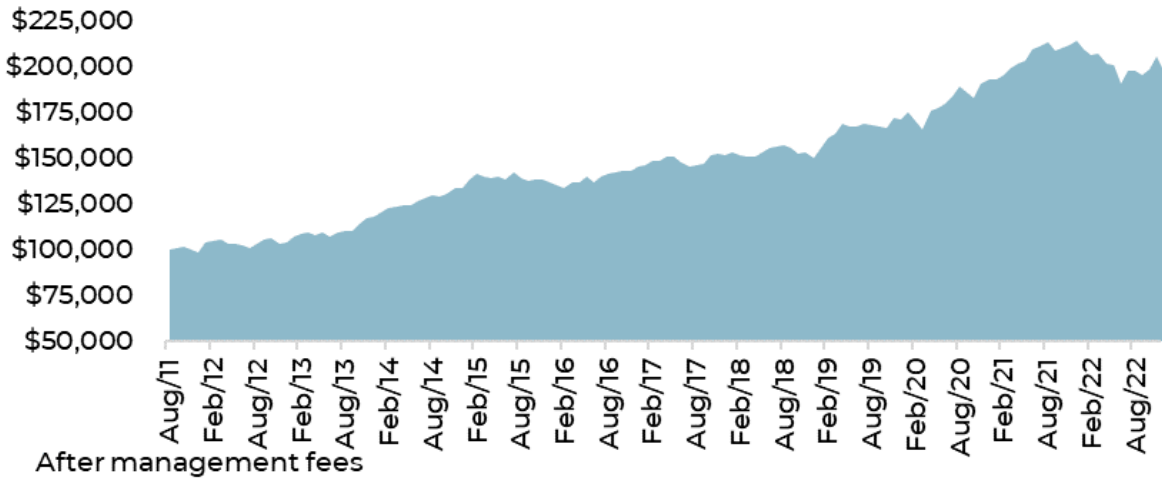
We believe the market swings, both up and down, will remain prevalent in 2023. The good news is inflation will likely slow more which both stock and bond markets will like. However, as slowing economic growth and slowing earnings growth likely mount, these will weigh on markets. Probably more so for the stock market compared to the bond market. This does not look like smooth sailing winds.

Performance

Tactical vs Equity Markets Drawdown  
SMA Composite Performance since inception



Tactical - Since Launch on SMA



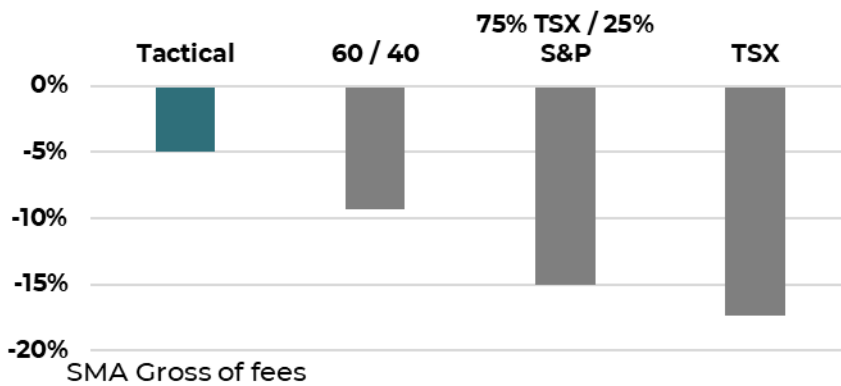
**Risk Management**

	1-month	3-months	6-months	1-year	YTD	3-year	5-year	Inception
Tactical ETF	-4.3%	0.7%	3.4%	-7.4%	-7.4%	5.6%	6.2%	7.0%
Benchmark	-3.6%	3.5%	3.7%	-9.4%	-9.4%	4.2%	5.3%	6.8%
+/-	-0.7%	-2.8%	-0.3%	2.0%	2.0%	1.5%	0.9%	0.3%

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tactical ETF	6.1%	14.4%	14.2%	3.7%	6.8%	5.5%	-0.2%	14.7%	14.0%	11.7%
Benchmark	6.5%	12.2%	12.6%	1.6%	10.7%	7.4%	-2.2%	16.9%	9.4%	13.9%
+/-	-0.3%	2.2%	1.6%	2.1%	-3.9%	-1.8%	2.0%	-2.2%	4.5%	-2.3%

**Worst Single Month**



	Tactical	Benchmark
Sharpe Ratio	0.94	0.78
Max Drawdown	-10.4%	-12.6%
Standard Deviation	6.4%	7.4%
Downside Deviation	3.7%	6.3%
Beta	0.70	1.00
Up Market Capture	88%	100%
Down Market Capture	74%	100%

**Composition**

**Positions**

Model Driven Positions	Focus	Weight
HORIZONS S&P/TSX 60 INDEX ET	Cdn Equity	28.15%
ISHARES CORE CANADIAN SHORT	Cdn Bond	27.49%
VANGUARD SHORT-TERM BOND ETF	US Bond	24.82%
VANGUARD S&P 500 INDEX ETF C	US Equity	4.54%
INVESCO NASDAQ 100 INDEX ETF	US Tech	5.56%
PURPOSE HIGH INTEREST SAVING	Cdn Bond	7.07%

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.