Purpose
INVESTMENTS

Tactical ETF

October 2022

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

Craig Basinger
Chief Market Strategist
T: 647.822.1406
craigb@purposeinvest.com

Derek Benedet
Portfolio Manager
T: 416.726.1269
DerekB@purposeinvest.com

Brett Gustafson
Portfolio Analyst
T: 403.689.0012
Brettg@purposeinvest.com

Quarterly Commentary

Clearly, this bear is not over yet. The bear market rally that petered out in mid-August accelerated to the downside in September. A disappointing U.S. inflation print for August certainly contributed to the market decline, but it was also the rising concern over how fast the global economy is slowing.

Tactical, as a rules-based strategy, doesn't really care why the market goes up or down and is designed to adapt the strategy's asset mix of equities and bonds/cash quickly to the prevailing trend. Over the quarter Tactical had an average equity weight of 45%. It peaked at 78% in mid-August but quickly sold off along with the market averaging only 26% equity throughout September, with the remainder in short-term bond ETFs and cash. Acting as designed, a stabilizer for a portfolio during difficult market conditions.

The first half of 2022 appears to have been dominated by inflation fears and of course the response to inflation in the bond market (higher yields) and among central bankers (higher overnight rates). This led to equities and bonds moving in the same direction (down) which hurt one of the key components of portfolio construction, the combination of equities and bonds. It hurt Tactical too, given those are the tools in our portfolio toolbox. The algos certainly helped as the fund outperformed equities and bonds during this period, but not our kind of market.

In June of this year, something changed in the market. Inflation is still probably the biggest risk, but much is priced into the path of central bankers. And recession risk is on the rise. This is evident in the divergence of yields between Canada and the U.S., given our economies are on different paths. It is also evident in the correlation between equities and bonds. Still positive but much weaker than the first half of the year. Recession risk isn't good news, but it is for many portfolios that combine equities and bonds, and asset class diversification is starting to work again.

The U.S. dollar has been on a tear (up) of late. This has pushed the CAD/USD from 78 cents in mid-August down to 73 cents. U.S. dollar exposure is a great diversifier for Canadians and in Tactical. The strategy typically has about 35% U.S. dollar exposure which we almost always leave unhedged. The basis for this is if the market goes risk-off, the U.S. dollar tends to rise (like these days). When the market goes risk-on this reverses but markets do better, a reasonable trade-off. We did hedge ½ our U.S. currency exposure coming out of the pandemic bear, as the currency had gone parabolic. We did the same with ¼ of the U.S. currency exposure at the start of October. Still want U.S. dollar exposure in case there is some sort of capitulation event coming, but with that rapid rise, the desire was to take some of it off.

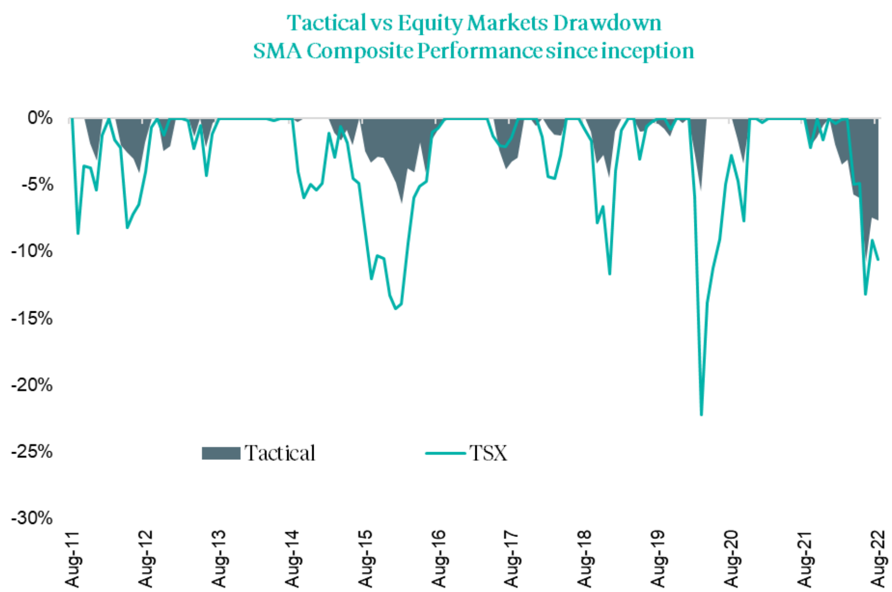
The months ahead will be challenging and the divergence in potential paths for this market is high. We could get improved U.S. inflation data, which would likely lead to a strong advance in both equity and bond prices (this is a good road). However, the timing of improvement in inflation remains challenging as I expense hotels on a recent business trip that feels a tad outrageous. In the

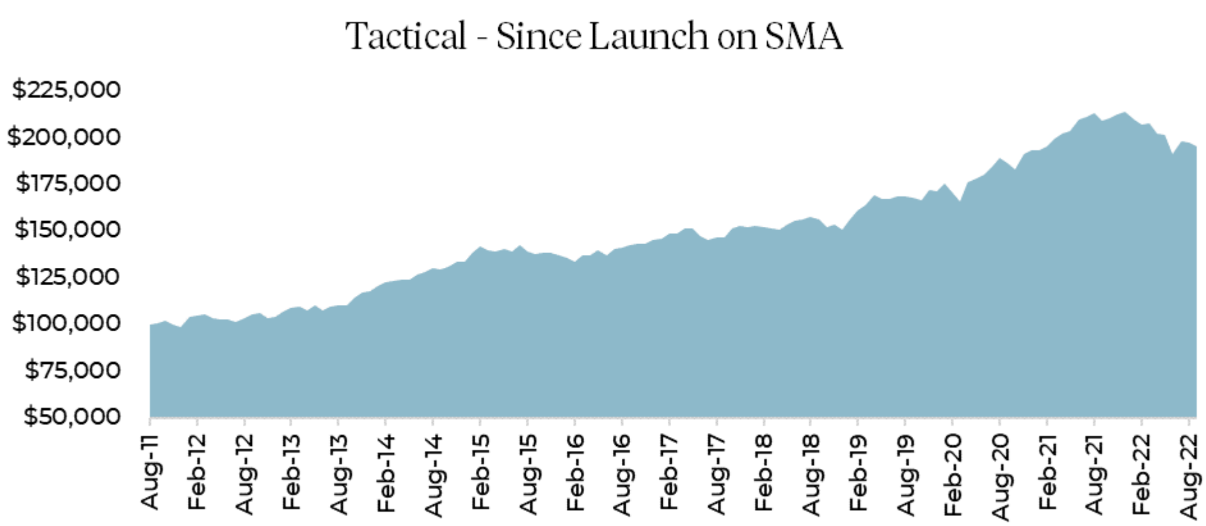
Source: Purpose Investments & Bloomberg

meantime, economic data continues to raise the prospects of a recession ahead and some big stresses in the market could lead to some sort of event.

We are closer to the start of the next bull cycle, but this bear isn't over yet.

Performance



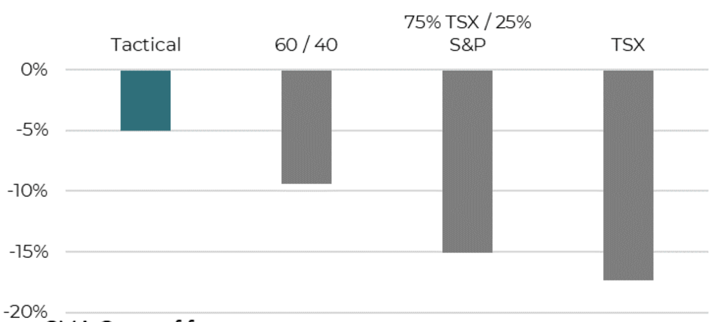


	1-month	3-months	6-months	1-year	YTD	3-year	5-year	Inception
Tactical ETF	-1.0%	2.6%	-5.3%	-5.6%	-8.0%	6.1%	6.8%	7.1%
Benchmark	-2.7%	0.3%	-10.0%	-7.7%	-12.3%	3.8%	5.4%	6.6%
+/-	1.7%	2.3%	4.7%	2.0%	4.3%	2.3%	1.4%	0.5%

	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%

Risk Management

Worst Single Month



SMA Gross of fees

	Tactical	Benchmark
Sharpe Ratio	0.98	0.76
Max Drawdown	-10.4%	-12.6%
Standard Deviation	6.3%	7.4%
Downside Deviation	3.5%	6.3%
Beta	0.70	1.00

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%