

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

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SMA MANAGER



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MARKET OVERVIEW

Has this become the market that only goes up? The strong finish to 2023 has certainly carried into the first quarter of 2024. U.S. equity markets are up about 10%, Canada a little bit less, and international markets a little more. The resilience of the U.S. economy has remained and some signs of improvement in Europe and China have fostered a rather ‘glass half full’ market mindset.

The market doesn’t seem to mind the number and the timing of Fed rate cuts keeps getting pushed out farther and fewer. Or for that matter the fact that earnings expectations have remained flat or revised down a little as the indices march higher. It has made a rather expensive market, and not just in the U.S. The TSX was cheap in

October at 12.5x, not its 15x which is more normal than cheap.

In the first quarter, the Purpose U.S. Dividend portfolio returned 5.7%, showcasing strong performance amidst sometimes challenging market dynamics. While the S&P 500 enjoyed a strong quarter, the Dow Jones Select Dividend index lagged, rising 5.7%. Our mandate delivered consistent in-line returns while weathering an environment where dividend payers appeared completely off investor radar. Toward the end of the month, value and dividend factors had periods of dominance, with momentum and growth at the back of the pack. A shift in market leadership should prove to be very beneficial for divided-focused strategies.

## PORTFOLIO ACTIVITY

This performance, though lagging slightly, reflects a nuanced reality that dividends don't always outperform. It's imperative to note that outsized influences from the materials sector weighed down returns. Additionally, our overweight position in rate-sensitive sectors, particularly Telecom and Utilities, dragged on performance as did elevated cash levels. Stable, mature dividend-paying stocks often lag when market performance is exceptionally strong. Within our portfolio, outsized influence by some of the more rate-sensitive sectors weighed on our returns, as did not owning many high growth technology companies. In fact, underweight technology was the largest detractor from an allocation standpoint.

From a sector perspective, notable gains were observed in Financials, Health Care, and Industrials in the quarter. These three sectors were the primary contributors to performance in Q1. From an individual company standpoint, Waste Management, Merck, Citigroup and Goldman Sachs were the top contributors to returns. Holdings across Utilities, Materials and Staples, tempered overall performance. Xcel Energy was the largest portfolio detractor. Its stock fell following a one-two wildfire punch exposed potential liability risks.

In the first quarter, we completed a number of trades. We exited our position in Waste Management, taking profits on the position. Waste Management is an excellent company, but we sold due to valuations concerns after a very strong rally. As managers with a value tilt, take notice when a company with low single digit growth begins to trade at multiples rivaling many AI themed Tech companies, such as Microsoft. We used the proceeds to increase our Energy exposure, adding to Chevron as well as initiating a new position in Johnson Controls. The company was trading at an attractive level relative to other building product companies exposed to infrastructure spending.

Towards the end of March, we also added Cisco to the portfolio. Cisco has faced its share of challenges recently, particularly in the wake of chip shortages and excess inventory resulting from pandemic-induced customer over-ordering. These setbacks are well known and seem to be priced into the stock already, presenting an opportunity to add a top-tier Tech company that has deep, longstanding enterprise relationships and dominates the networking space. Despite these short-term hurdles that may take a quarter or two to work out, Cisco's current

valuation is attractive. It's well below its five-year average P/E, as well as peers suggesting room for appreciation once these headwinds dissipate.

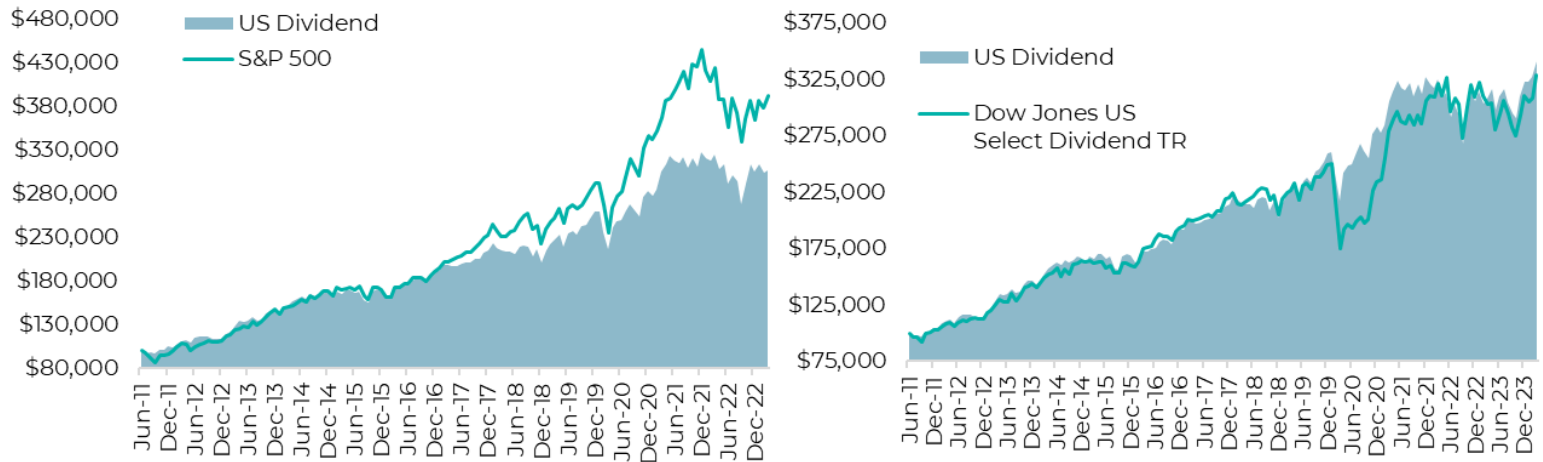
Maybe this market will keep going higher, despite all the arguments for weakness. The Purpose U.S. Dividend mandate is positioned to continue to benefit from the surge in cyclical areas of the market, but also play defence should markets begin to wobble. More importantly, if (or perhaps when) the euphoria ends, our tilts toward Telcos, Utilities, and Staples as well as elevated cash balance provide a good balance between offense and defence.

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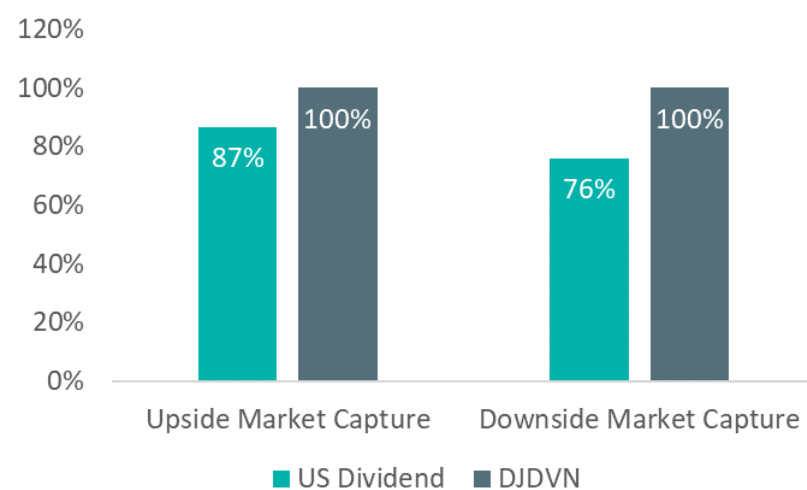
## PERFORMANCE (GROSS OF FEES)



	1-month	3-months	6-months	1-year	YTD	3-year	5-year	7-year	Incep
<b>US Dividend</b>	4.2%	5.7%	15.6%	10.9%	5.7%	3.7%	8.4%	8.0%	10.2%
<b>S&amp;P 500</b>	3.2%	10.6%	23.5%	29.9%	10.6%	11.5%	15.0%	14.1%	13.7%
<b>DJDVN</b>	6.5%	5.7%	16.1%	8.2%	5.7%	5.5%	7.7%	7.3%	9.8%

## RISK METRICS

### Upside Vs. Downside Capture



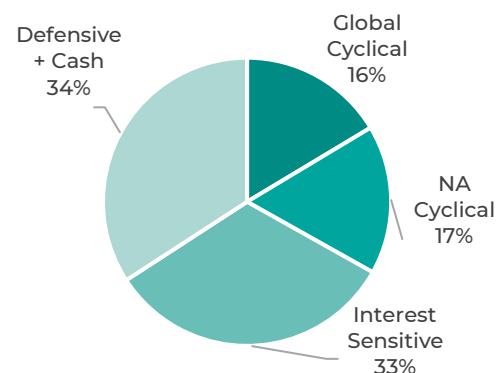
	U.S. Dividend	DJDVN
<b>Sharpe</b>	0.83	0.68
<b>Max Drawdown</b>	-17%	-30%
<b>SD</b>	12.2%	14.5%
<b>Downside Deviation</b>	7.9%	12.2%
<b>Beta</b>	0.74	1.00



## COMPOSITION

<u>Name</u>	<u>Sector</u>	<u>Weight</u>	<u>Yield</u>
CHEVRON CORP	Energy	4.1%	4.1%
DEVON ENERGY CORP	Energy	3.1%	3.3%
AVIENT CORP	Materials	3.4%	2.4%
NEWMONT CORP	Materials	2.6%	2.7%
CF INDUSTRIES HOLDINGS INC	Materials	3.1%	2.4%
JOHNSON CONTROLS INTERNATIONAL	Industrials	3.3%	2.3%
LOCKHEED MARTIN CORP	Industrials	2.6%	2.8%
INTL BUSINESS MACHINES CORP	Info Tech	2.5%	3.5%
CISCO SYSTEMS INC	Info Tech	3.9%	3.3%
MICROSOFT CORP	Info Tech	4.4%	0.7%
BLACKROCK INC	Financials	4.2%	2.5%
METLIFE INC	Financials	3.0%	2.8%
JPMORGAN CHASE & CO	Financials	2.8%	2.3%
GOLDMAN SACHS GROUP INC	Financials	5.9%	2.7%
CITIGROUP INC	Financials	3.0%	3.4%
AMERICAN TOWER CORP	Real Estate	2.9%	3.4%
MCDONALD'S CORP	Cons Disc	3.2%	2.4%
STARBUCKS CORP	Cons Disc	4.4%	2.6%
KIMBERLY-CLARK CORP	Cons Staples	3.0%	3.9%
PROCTER & GAMBLE CO/THE	Cons Staples	4.3%	2.4%
CONAGRA BRANDS INC	Cons Staples	2.8%	4.8%
ANHEUSER-BUSCH INBEV-SPN ADR	Cons Staples	3.3%	1.4%
ASTRAZENECA PLC-SPONS ADR	Health Care	3.3%	2.9%
MERCK & CO. INC.	Health Care	3.4%	2.4%
JOHNSON & JOHNSON	Health Care	2.6%	3.1%
MEDTRONIC PLC	Health Care	3.8%	3.2%
XCEL ENERGY INC	Utilities	3.2%	4.0%
VERIZON COMMUNICATIONS INC	Comm Services	3.6%	6.2%
HORIZONS USD CASH MAXIMIZER	Cash	2.0%	5.4%
	Cash	2.11%	2.9%

	US		
	<u>Dividend</u>	<u>S&amp;P 500</u>	<u>+/-</u>
<b>Energy</b>	7%	4%	3.2%
<b>Materials</b>	9%	2%	6.7%
<b>Industrials</b>	6%	9%	-2.9%
<b>Info Tech</b>	11%	30%	-18.8%
<b>Financials</b>	19%	13%	5.9%
<b>Cons Disc</b>	8%	10%	-2.6%
<b>Cons Staples</b>	13%	6%	7.5%
<b>Comm Services</b>	4%	9%	-5.6%
<b>Utilities</b>	3%	2%	1.0%
<b>Health Care</b>	13%	12%	0.9%
<b>Real Estate</b>	3%	2%	0.7%
<b>Cash</b>	4%		4.1%



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.

