

QUARTERLY SMA COMMENTARY

Canadian Dividend

CHARACTERISTICS

ASSET CLASS	EQUITY
GEOGRAPHIC	CANADA
FOCUS	DIVIDEND & DIVIDEND GROWTH
OBJECTIVE	ACTIVELY MANAGED TO PROVIDE INCOME WITH SOME CAPITAL APPRECIATION
APPROX. # OF HOLDINGS	20-28
ESTIMATED ANNUAL TRADES	16-24
BENCHMARK	TSX TOTAL RETURN
BENCHMARK 2	DJ SELECT CANADIAN DIVIDEND

Inception date: JULY 31, 2008

The irony is not lost on us that our best performers were the very banks we spent the quarter trimming.

SMA MANAGER

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MARKET OVERVIEW

After bottoming in the depths of the war induced selloff in early April, markets staged a powerful two month rebound before taking a pause in June. Pause may be the wrong word. U.S. markets finished June down a touch and Canada up a bit, but it was one wild ride to get there. The size of the daily moves increased dramatically, both up and down, the bulls and the bears fighting to see who dominates. Much of that volatility came from vacillating enthusiasm around the AI names. Even strong numbers from some of the biggest tech names failed to impress investors, with good results now being measured against very high expectations, which makes this coming earnings season an interesting one.

second quarter, riding the strong rebound off the April lows. Financials were the engine and by far the dominant contributor as the Canadian banks continued their relentless run with momentum firmly on their side. Industrials added meaningfully as well, led by our transport and rail exposure. The detractors were concentrated in two corners of the market. Communication Services weighed on returns as Rogers and Telus continued to struggle under the weight of heavy debt loads and intense wireless competition, and Materials gave back ground as gold cooled from its conflict driven highs. Energy finished modestly positive as oil retreated from its spike once the Strait of Hormuz disruption began to ease.

The Purpose Canadian Dividend SMA delivered a strong positive return in the

PORTFOLIO ACTIVITY

Bank of Montreal, Royal Bank, Bank of Nova Scotia, and Sun Life were our top contributors, collectively responsible for a significant portion of total returns. The irony is not lost on us that our best performers were the very banks we spent the quarter trimming. On the other side, Suncor, Rogers, Nutrien, and Telus were the largest detractors, detracting notably from performance. Suncor gave back ground as oil retreated and Nutrien slipped as fertilizer prices normalized, while the telecom names remained mired in the same structural headwinds. Financials and Industrials were the clear engines of the quarter, while Communication Services and Materials were the areas that worked against us.

We were active through the quarter, and the through line was reducing cyclicality and trimming names that had run to stretched levels. We pared back our energy exposure, trimming both Whitecap and Cenovus, where we still saw downside to oil after its conflict driven spike. We also trimmed Royal Bank on strength, as the Canadian banks are trading at record high valuations and we were content to book some of that gain rather than push our luck. The freed up capital went to work in more defensive, better valued places. We added Intact Financial on an attractive valuation, as the pullback across property and casualty insurers left it as one of the lone names in the financial sector trading at a

compelling level. We initiated a new position in Metro at a meaningful discount to its grocery peers, a defensive, inflation protected earnings stream with a long multi decade record of consecutive dividend increases, exactly the kind of low beta exposure we want with Canada now in technical recession. We also made a modest addition to Thomson Reuters and put idle cash to work over the quarter.

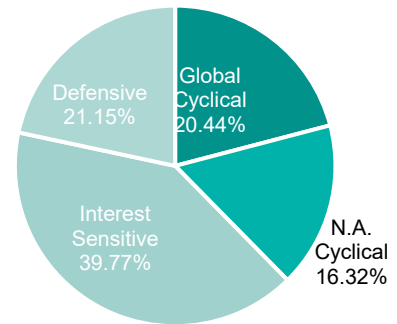
There is a lot of good news out there. The conflict around the Strait of Hormuz continues to improve, the economic data is good, the earnings data is good, and the excitement around AI is everywhere. The challenge may simply be price. Markets have already delivered multi year returns well above average and expectations are very high. Our read is that this is a late cycle stage with a great deal of good news already in the price, which is why we carry a slightly defensive tilt, lean on our dividend and value bias, and hold a healthy cash weighting as dry powder. We believe investors should focus more on protecting those gains than chasing them, and our positioning reflects this.

The Canadian banks are trading at record high valuations, and we were content to book some of that gain rather than push our luck.



COMPOSITION

Name	Industry	Weight	Yield		Cdn Dividend	TSX	+/-
TC ENERGY CORP	Energy	3.6%	3.6%	Industrials	14.6%	10.6%	4.0%
PEMBINA PIPELINE CORP	Energy	3.1%	4.4%	Utilities	7.2%	3.6%	3.6%
SUNCOR ENERGY INC	Energy	2.6%	3.0%	Health Care	3.5%	0.3%	3.1%
WHITECAP RESOURCES INC	Energy	2.1%	5.0%	Comm Svs	4.4%	1.6%	2.8%
ARC RESOURCES LTD	Energy	3.5%	2.7%	Real Estate	2.9%	1.4%	1.5%
LUNDIN MINING CORP	Materials	3.3%	0.3%	Cons Staples	2.9%	3.2%	-0.4%
BARRICK MINING CORP	Materials	2.2%	1.8%	Cons Disc	2.7%	3.1%	-0.4%
NUTRIEN LTD	Materials	2.3%	3.4%	Energy	14.9%	16.3%	-1.4%
FINNING INTERNATIONAL INC	Industrials	2.9%	1.4%	Financials	30.7%	36.3%	-5.6%
TFI INTERNATIONAL INC	Industrials	3.1%	1.3%	Info Tech	1.7%	7.5%	-5.8%
CARGOJET INC	Industrials	2.9%	1.8%	Materials	7.8%	16.0%	-8.2%
THOMSON REUTERS CORP	Industrials	2.0%	2.8%	Cash	3.0%		3.0%
CANADIAN NATL RAILWAY CO	Industrials	3.7%	2.1%				
OPEN TEXT CORP	Info Tech	1.7%	4.6%				
ROYAL BANK OF CANADA	Financials	5.5%	2.4%				
BANK OF NOVA SCOTIA	Financials	4.7%	3.7%				
BANK OF MONTREAL	Financials	6.2%	2.7%				
SUN LIFE FINANCIAL INC	Financials	4.2%	3.4%				
MANULIFE FINANCIAL CORP	Financials	4.5%	3.3%				
INTACT FINANCIAL CORP	Financials	3.2%	1.9%				
TMX GROUP LTD	Financials	2.4%	2.0%				
RESTAURANT BRANDS INTERN	Cons Disc	2.7%	3.5%				
CHARTWELL RETIREMENT RESIDEN	Health Care	3.5%	2.7%				
DREAM INDUSTRIAL REAL ESTATE	Real Estate	2.9%	4.9%				
ROGERS COMMUNICATIONS INC-B	Comm Svs	2.5%	4.4%				
TELUS CORP	Comm Svs	1.9%	11.2%				
METRO INC/CN	Consumer Stapl	3.8%	1.8%				
EMERA INC	Utilities	3.8%	3.9%				
HYDRO ONE LTD	Utilities	3.4%	2.4%				
JAMIESON WELLNESS INC	Cons Staples	2.9%	2.2%				
PURPOSE CASH MANAGEMENT FUND	Cash	0.5%	2.3%				
	Cash	2.5%	2.9%				



All data sourced from Bloomberg unless otherwise noted.

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