PURPOSE
INVESTMENTS

PUBLISHED OCTOBER 2026
Data as at September 30, 2026

QUARTERLY SMA COMMENTARY

Core Income

CHARACTERISTICS

Asset class	Equity
Geographic	Canada & max 35% US
Focus	Dividend & dividend growth
Objective	Actively managed to provide income with some capital appreciation
Approx. # of holdings	25-35
Est. annual trades	22-30
Benchmark	TSX Total Return
Benchmark 2	80% DJ Select Canadian Div / 20% DJ Select US Div

Inception date: March 31, 2011

"Dig beneath the headline prints and there was much more pain."

SMA MANAGERS



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MARKET OVERVIEW

September is often a challenging month for markets, and that appears to have been the case again this year, capping a quarter that was anything but quiet. A few points lower on the major indices may not seem like a big deal, but dig beneath the headline prints and there was much more pain. By month end, only 23% of S&P 500 members and 26% of TSX members were trading above their 50-day moving average. The AI trade held up most of the megacap tech names, Energy and Materials helped prop up the TSX, and the rest was a mess. A move higher in bond yields was likely the biggest culprit, and a 10-year Treasury above 5% takes some getting used to.

There is still a decent amount of good news. Global growth remains strong, calendar-year earnings are on pace to grow roughly 32% globally, and manufacturing is in an upturn, all despite the Strait of Hormuz, higher yields and renewed tariffs. If Q3 earnings season is a repeat of a very strong Q2, it could lift markets out of this multi-month range. Or those high bond yields could continue to weigh. With the midterms a month away, there are a lot of twists and turns left in 2026.

Portfolio activity

PERFORMANCE, ATTRIBUTION & TRADES

The Purpose Core Income SMA mandate had a respectable result in the third quarter given the rate pressure that built late in the quarter. Rising yields created a massive divergence within the dividend space. Interest rate sensitives, the bond proxies like utilities, telecoms, pipelines and real estate, trade with yields and struggled, while our Cyclical Yield names, more tied to economic activity, held up far better. Information Technology, Materials and Energy were the engines of the quarter, with Consumer Staples also adding. Communication Services was the largest drag, led by Telus and its dividend cut, while Utilities, Financials, Industrials and Real Estate also gave back ground.

Microsoft, Suncor, Accenture and Whitecap were our top four contributors. The AI trade came roaring back for Microsoft and Accenture, a welcome turnaround for Accenture after it lagged last quarter, while Suncor and Whitecap delivered strong results with oil holding firm. TFI International, AstraZeneca, Intact Financial and Peyto were the largest detractors. A trucker, a pharma name, an insurer and a gas producer is a mixed list, and it says much of the selling was more about factors than company news.

We were active through the quarter, taking profits on names that had run and leaning into areas where sentiment had turned too negative. In July we sold ARC Resources after a strong run and added to Peyto, upgrading the yield on our natural gas exposure. We also put some cash to work adding to Barrick, building gold exposure while the miners traded at attractive valuations relative to their history.

In August, Jamieson Wellness became the second holding this year to receive a takeover offer, and we exited into the strength. We also trimmed Bank of Montreal and Sun Life, both near all-time highs and trading at multi-year valuation highs. Proceeds went into rate-sensitive names, initiating Enbridge and bringing Granite REIT to a full weight. With Canadian utilities yielding less than a Government of Canada 10-year bond for the first time in nearly a decade, the factor-driven selling of yield stands a good chance of creating company-level mispricings, and with pipelines and REITs yielding north of 4%, we get paid to wait. Contrarian buys into strong downtrends are habitually early, and September proved that point, but we like the setup.

OUTLOOK

> “Markets rarely move in a straight line, and bonds and equities can stumble together when yields rise.”

September was a reminder that markets rarely move in a straight line, and that bonds and equities can stumble together when yields rise. After strong returns, the question for investors is whether to keep riding this bull or tilt more defensive, the age-old trade-off between greed and fear. We still favour Cyclical Yield, but that view is moderating. Interest rate-sensitive names have historically traded at a slight premium to the TSX and are now roughly in line, while Cyclical Yield valuations have climbed. That is why we have been adding names like Enbridge and Granite on weakness. With our dividend and value bias and a modest cash weighting as dry powder, we are comfortable with that balance heading into year end.

Source: Purpose Investments & Bloomberg

Composition

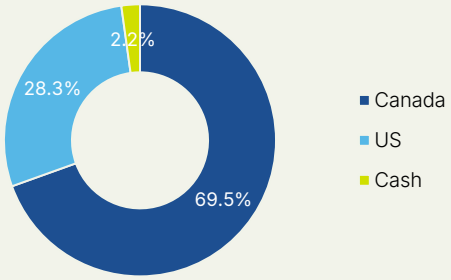
HOLDINGS

Name	Sector	Weight	Yield
SUNCOR ENERGY	Energy	2.6%	2.5%
PEYTO EXPL & DEV	Energy	2.7%	6.1%
WHITECAP RESOURC	Energy	2.8%	4.0%
ENBRIDGE INC	Energy	2.9%	5.9%
PEMBINA PIPELINE	Energy	3.5%	4.4%
BARRICK MINING C	Materials	4.4%	1.7%
NUTRIEN LTD	Materials	2.4%	3.1%
FINNING INTL INC	Industrials	3.4%	1.1%
CAN NATL RAILWAY	Industrials	3.6%	2.2%
TFI INTERNATIONA	Industrials	2.2%	1.6%
CISCO SYSTEMS	Info Tech	2.0%	1.5%
ACCENTURE PLC-A	Info Tech	1.5%	3.5%
MICROSOFT CORP	Info Tech	2.6%	0.7%
BANK OF NOVA SCO	Financials	4.5%	3.5%
ROYAL BANK OF CA	Financials	4.6%	2.5%
BANK OF MONTREAL	Financials	4.1%	2.9%
TMX GROUP LTD	Financials	3.0%	1.9%
SUN LIFE FINANCI	Financials	2.9%	3.4%
INTACT FINANCIAL	Financials	2.1%	2.5%
MANULIFE FIN	Financials	3.5%	3.1%
LAZARD INC	Financials	1.9%	5.4%
JPMORGAN CHASE	Financials	3.3%	2.0%
RESTAURANT BRAND	Cons Disc	1.8%	3.6%
EMERA INC	Utilities	2.4%	4.4%
GRANITE REAL EST	Real Estate	2.4%	4.2%
CHARTWELL RETIRE	Health Care	2.5%	3.1%
ROGERS COMMUNI-B	Comm Svs	1.7%	4.6%
TELUS CORP	Comm Svs	1.3%	6.7%
ALPHABET INC-A	Comm Svs	2.2%	0.3%
METRO INC/CN	Cons Staples	2.5%	1.8%
PROCTER & GAMBLE	Cons Staples	2.8%	2.9%
COCA-COLA CO/THE	Cons Staples	3.0%	2.4%
ASTRAZENECA PLC	Health Care	2.5%	2.0%
MEDTRONIC PLC	Health Care	3.3%	3.3%
MERCK & CO	Health Care	3.1%	2.4%
PUR CASH MGMT	Cash	0.0%	2.4%

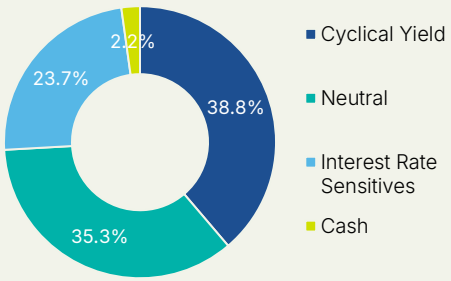
SECTOR WEIGHTS VS. TSX

Sector	Core Income	Benchmark	+/-
Health Care	11.4%	0.3%	11.1%
Cons Staples	8.3%	2.9%	5.4%
Comm Svs	5.2%	1.4%	3.7%
Real Estate	2.4%	1.2%	1.2%
Industrials	9.2%	10.0%	-0.8%
Utilities	2.4%	3.3%	-0.9%
Cons Disc	1.8%	2.9%	-1.1%
Energy	14.5%	16.5%	-2.0%
Info Tech	6.0%	9.1%	-3.1%
Financials	29.8%	34.1%	-4.3%
Materials	6.8%	18.3%	-11.5%
Cash	2.2%	-	2.2%

GEOGRAPHY



STYLE



Source: Purpose Investments & Bloomberg

Disclaimer

All data sourced from Bloomberg unless otherwise noted.

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