

QUARTERLY SMA COMMENTARY

Diversified Income

CHARACTERISTICS

ASSET CLASS	BALANCED
GEOGRAPHIC	CANADA & US
FOCUS	INCOME
OBJECTIVE	ACTIVELY MANAGED TO PROVIDE INCOME AND CAPITAL PRESERVATION WITH SOME APPRECIATION
APPROX. # OF HOLDINGS	25-32
ESTIMATED ANNUAL TRADES	22-30
BENCHMARK	60% TSX TR/40% DEX UNIVERSE

Inception date: JANUARY 31, 2012

The fixed income ballast did its job, contributing steadily while muting the swings that ran through equity markets.

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.

quarter. As the name suggests, this mandate carries a substantial fixed income allocation alongside its equity sleeve, and that ballast did its job, contributing steadily while muting the swings that ran through equity markets over the period. On the equity side, Financials did the heavy lifting and were the dominant contributor as the Canadian banks continued their relentless run with momentum firmly on their side. Industrials and Information Technology added as well. The drags were narrow. Energy slipped as oil retreated from its conflict spike once the Strait of Hormuz disruption began to ease, and Materials gave back ground as gold cooled from its highs.

The Purpose Diversified Income SMA delivered a solid positive return in the second

PORTFOLIO ACTIVITY

Cisco, Bank of Montreal, Royal Bank, and Alphabet were our top contributors, collectively responsible for a significant portion of total returns. The irony is not lost on us that two of our strongest performers were the very banks we spent the quarter trimming. On the other side, Suncor, Accenture, Telus, and Rogers were the largest detractors, detracting notably from performance. Suncor gave back ground as oil retreated, Accenture struggled alongside the broader consulting group, and the telecom names remained pressured by heavy debt and stiff competition. Financials and Industrials carried the quarter, while Energy and Materials were the areas that worked against us.

We were active through the quarter, and the through line was reducing cyclicality and leaning more defensive as we moved deeper into what we view as a late cycle environment. We added to our fixed income position through ZAG, putting excess cash from trade proceeds to work and tilting the overall allocation more defensively. On the equity side we trimmed Cisco and Alphabet, two names we had added on attractive valuations that subsequently rallied well past our targets and now look expensive with only small yields. We pared back the Canadian banks, trimming both Royal Bank and Bank of Montreal on strength given record high valuations, and trimmed Suncor as we still saw downside to energy. The

proceeds were redeployed into better valued, more defensive holdings. 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 also initiated two new positions, adding JPMorgan to shift some banking exposure from Canada to the U.S., and 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.

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 fixed income and cash weighting as dry powder. We believe investors should focus more on protecting those gains than chasing them, and our positioning reflects this.

We are leaning more defensive as we move deeper into what we view as a late cycle environment.



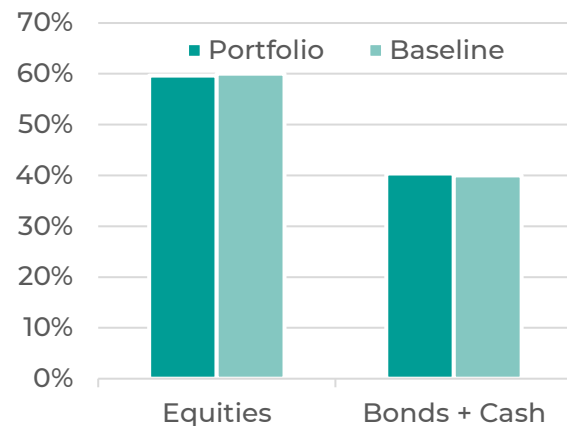
COMPOSITION

Name	Industry	Weight	Yield
PEMBINA PIPELINE CORP	Energy	2.1%	4.4%
SUNCOR ENERGY INC	Energy	1.3%	3.0%
ARC RESOURCES LTD	Energy	2.1%	2.7%
WHITECAP RESOURCES INC	Energy	1.6%	5.0%
NUTRIEN LTD	Materials	1.2%	3.4%
BARRICK MINING CORP	Materials	1.4%	1.8%
CANADIAN NATL RAILWAY CO	Industrials	2.4%	2.1%
TFI INTERNATIONAL INC	Industrials	1.7%	1.3%
FINNING INTERNATIONAL INC	Industrials	1.8%	1.4%
CISCO SYSTEMS INC	Information Techno	1.4%	1.5%
ACCENTURE PLC-CL A	Information Techno	0.7%	4.6%
MICROSOFT CORP	Information Techno	1.2%	0.9%
BANK OF NOVA SCOTIA	Financials	2.8%	3.7%
ROYAL BANK OF CANADA	Financials	2.8%	2.4%
BANK OF MONTREAL	Financials	2.6%	2.7%
TMX GROUP LTD	Financials	1.6%	2.0%
SUN LIFE FINANCIAL INC	Financials	2.7%	3.4%
INTACT FINANCIAL CORP	Financials	1.6%	1.9%
MANULIFE FINANCIAL CORP	Financials	2.3%	3.3%
LAZARD INC	Financials	1.4%	4.7%
JPMORGAN CHASE & CO	Financials	2.0%	1.8%
RESTAURANT BRANDS INTERN	Cons Disc	1.3%	3.5%
EMERA INC	Utilities	2.0%	3.9%
ROGERS COMMUNICATIONS INC-B	Communication Ser	1.4%	4.4%
TELUS CORP	Communication Ser	1.4%	11.2%
ALPHABET INC-CL A	Communication Ser	1.9%	0.2%
METRO INC/CN	Consumer Staples	2.0%	1.8%
PROCTER & GAMBLE CO/THE	Consumer Staples	1.6%	2.9%
COCA-COLA CO/THE	Consumer Staples	2.0%	2.5%
MEDTRONIC PLC	Health Care	1.4%	3.4%
MERCK & CO. INC.	Health Care	1.8%	2.6%
ASTRAZENECA PLC	Health Care	1.9%	1.7%
CHARTWELL RETIREMENT RESIDEN	Health Care	2.0%	2.7%
CANADA GOV	1% 1 Jun 2027	3.2%	2.52%
ISHARES CORE CANADIAN SHORT	XSB	10.5%	3.08%
BMO AGGREGATE BOND INDEX ETF	ZAG	14.6%	3.40%
PURPOSE HIGH INTEREST SAVING	PSA	6.0%	2.15%
BMO MID US IG CORP HG TO CAD	ZMU	3.8%	4.61%

97.7%

Diversified Income

Energy	11.8%
Materials	4.3%
Industrials	9.9%
Cons Disc	2.1%
Cons Staples	9.3%
Financials	33.3%
Health Care	11.7%
Info Tech	5.7%
Comm Svs	7.8%
Utilities	3.4%
Real Estate	0.0%



All data sourced from Bloomberg unless otherwise noted.

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