

Purpose “WHY” Report

Portfolio construction insights - Why we are tilted the way we are

Purpose Macro Investment Team

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14 January 2026

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Trailing Performance vs. Peers

Product	YTD	1 Year	3 Year	5 Year	Common Inception
Purpose Active Balanced ETF	15.4%	15.4%			16.5%
Vanguard Balanced ETF Portfolio	14.7%	14.7%	14.7%	8.1%	19.1%
Fidelity All-in-One Balanced ETF	13.0%	13.0%	15.5%		19.5%
iShares Core Balanced ETF Portfolio	13.3%	13.3%	14.1%	7.9%	18.1%
Global Neutral Balanced Category	9.6%	9.6%	11.0%	6.0%	14.7%

Common Inception Date: 2023-10-24
Source: Morningstar Direct, as of December 31, 2025

Multi-Asset Management Team

Team Credentials

Years of Combined Experience

- Deep understanding of asset management, built on decades of market cycles, innovation, and strong investment performance.

Certified Professionals

- Led by 2 CFAs and 1 CMT, ensuring top-tier analytical rigor and technical expertise in market analysis and strategy execution.

\$2 Billion AUM Across Mandates

- Managing diverse portfolios to cater to varying risk appetites, from balanced income to growth-focused strategies.

Multi-Asset Managers Since 2015

- Long track record in managing complex, multi-asset portfolios, helping clients achieve both short- and long-term financial objectives.



Craig Basinger, CFA
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Derek Benedet
Portfolio Manager



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Portfolio Strategy

Asset Allocation tilts - Why

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Active Asset Allocation Strategic Positioning

House View		Underweight	Neutral	Overweight
Overall	Equity		•	
	Bonds		•	
	Cash			•
	Diversifiers			•
Equities	Canada	•		
	U.S.		•	
	International			•
	Emerging Markets			•
	Style Allocation (Value <----> Growth)		•	
	Size (Small <----> Large cap)			•
Fixed Income	Duration (Low <----> High)		•	
	Government			•
	Credit		•	
	Credit - Investment Grade			•
	Credit - High Yield		•	
	Credit - Preferreds	•		
Diversifiers	Volatility Reduction Strategies			•
	Growth Strategies		•	
	Structured Product / Yield		•	
	Real Assets		•	
		Passive		Active
Act/Pass	Management Approach		•	

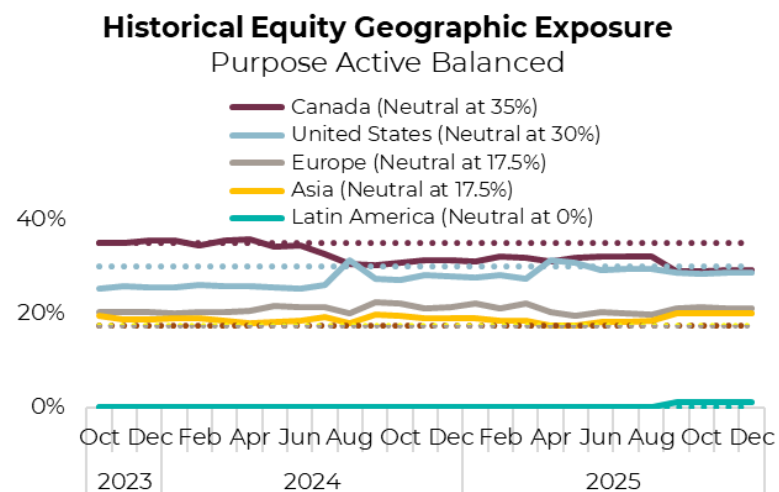
Source: Purpose Investments

Purpose Active Suite

Why Report in Action

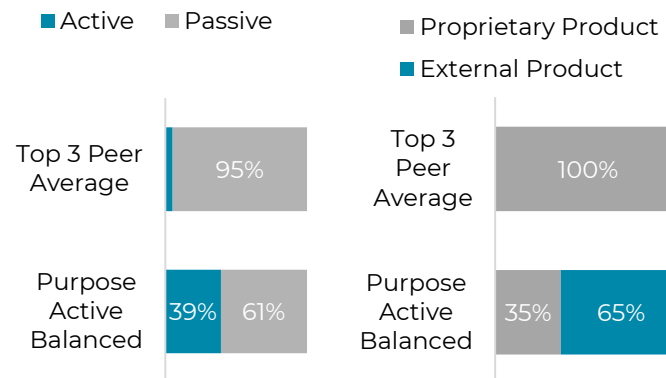
	Holding	Ticker	Weight
Cash	CAD Cash	Cad Cash	0.0%
	Purpose Cash Management ETF	MNY	5.0%
	Purpose USD Cash Management ETF	MNU.U	0.5%
Fixed Income	BMO Aggregate Bond ETF	ZAG	4.6%
	iShares Core Canadian Short Term Bd ETF	XSB	7.7%
	iShares Core Canadian Corporate Bd ETF	XCB	6.0%
	Mackenzie Unconstrained Bond ETF	MUB	3.8%
	Purpose Global Bond ETF	BND	4.1%
	BMO MT US IG Corp Bd Hdgd to CAD ETF	ZMU	3.7%
	Purpose Tactical Asset Allocation ETF	RTA	6.6%
Balanced	BMO S&P/TSX Capped Composite ETF	ZCN	5.1%
	Purpose Core Equity Income ETF	RDE	12.4%
	Invesco S&P 500 Equal Weight ETF CAD H	EQL.F	8.7%
North American Equity	SPDR® S&P 500 ETF	SPY	2.0%
	Purpose International Dividend ETF	PID	5.4%
	iShares Core MSCI EAFE ETF	IEFA	5.4%
International Equity	iShares MSCI Japan ETF	EWJ	2.1%
	iShares MSCI EAFE Min Vol Factor ETF	EFAV	4.9%
	Vanguard FTSE Emerging Mkts All Cap ETF	VEE	3.1%
	Invesco S&P Emerging Markets Low Vol ETF	EELV	2.0%
	Purpose Gold Bullion	KILO	3.4%
Diversifiers	Purpose Premium Yield ETF	PVF	3.5%

Source: Holdings & exposures are for the Purpose Active Balanced Fund/ETF (PABF)



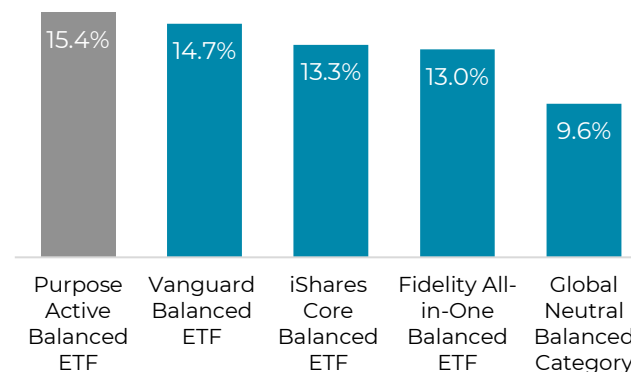
Source: Purpose Investments

Active Where it matters, Objective Throughout



Source: Purpose Investments, Morningstar, as of Most Recent Portfolio Date, For illustrative purposes only. Peer data based on publicly available information. Investment strategies, fees, and objectives may differ.

Calendar Performance 2025



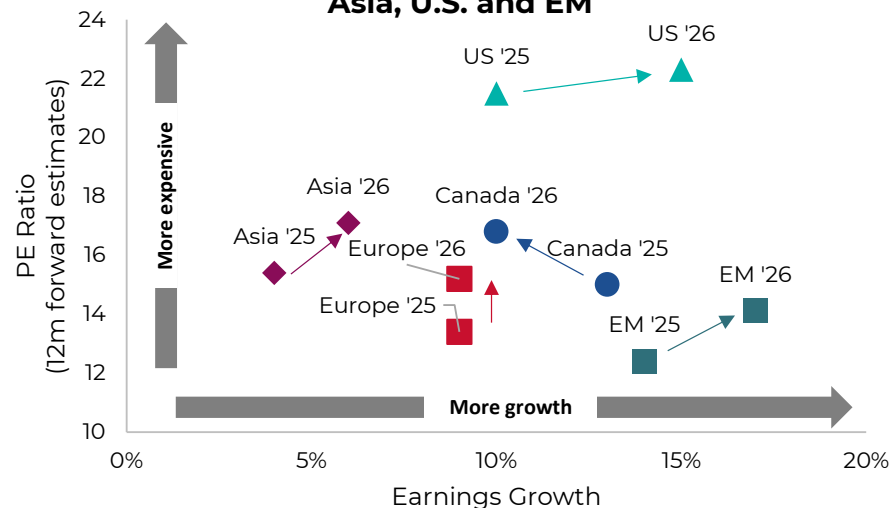
Source: Purpose Investments, Morningstar

- One-ticket solutions aligned to three risk profiles, Conservative, Balanced, and Growth, with dynamic asset allocation, not static 60/40 mixes.
- TL – Full transparency into our holdings and trade activity is always available, so you can see what you own and why you own it.
- BL – Equity exposures remain dynamic rather than fixed. Our macro framework guides shifts in regional positioning as fundamentals, policy, and sentiment develop over time.
- TR – We use active where markets are less efficient and passive where it keeps fees low. Purpose funds are capped at 40% because no firm is best at everything, and no model should be built with 100% allocation to one fund company.
- BR – Relative returns in 2025 were robust compared to peers. Key contributors were our international allocation and our gold exposure, both of which remain core differentiators.
- The Why Report provides insight into the current positioning and active tilts within the Purpose Active Portfolios.

I. Top of Mind

Chart Referencing:
TL = Top Left, TR = Top Right
BL = Bottom Left, BR = Bottom Right

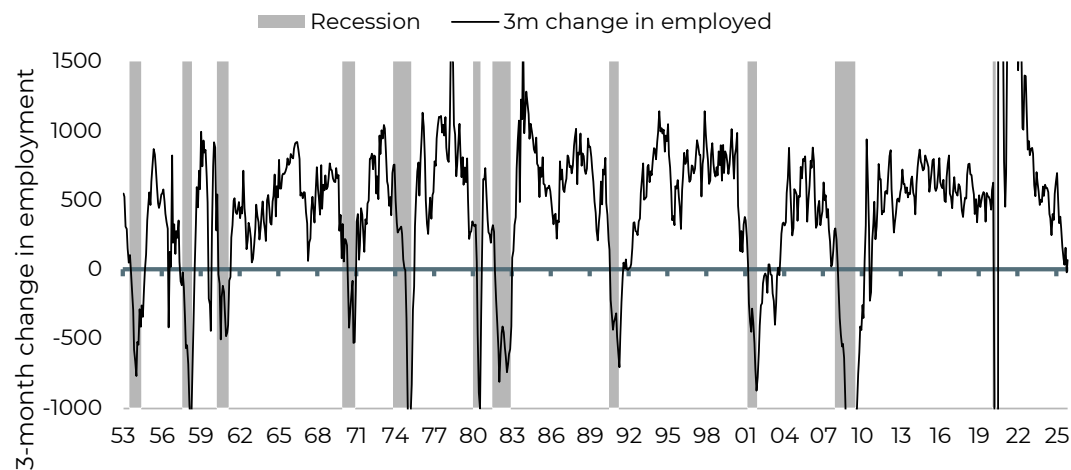
Valuations up, but earnings growth favours Asia, U.S. and EM



Source: Bloomberg, Purpose Investments

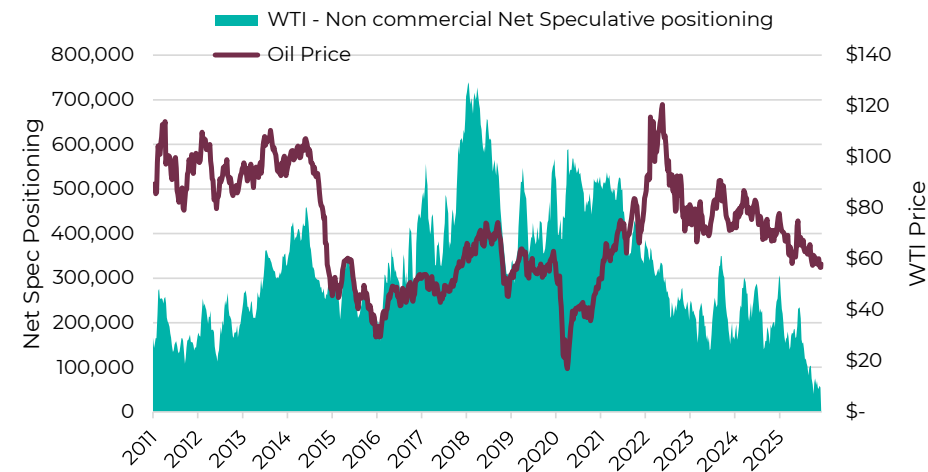
- TL – This is often where we put our favorite charts. Given it took me longer to build this one than usual (I'm a fast chart'ist), included it. Simply valuations & growth, farther right means more earnings growth and higher up on the chart means more expensive. For each market we included the levels in Jan 2025 and in Jan 2026. Most things have gotten a bit more expensive, but earnings growth has also improved for most major markets (not Canada).
- BL – Nobody is worried about the economy, meanwhile this chart has U.S. job growth at levels typically seen early or before a recession. Lots of excuses why not to be worried from changing participation levels, demographics, immigration.....still, worth noting.
- BR – The world is max bearish on oil. As a contrarian, that does look interesting.

Troubling trend in labour



Source: Bloomberg, Purpose Investments

WTI Speculators Have Capitulated: Net Length Near 15-Year Lows



Source: Bloomberg, Purpose Investments

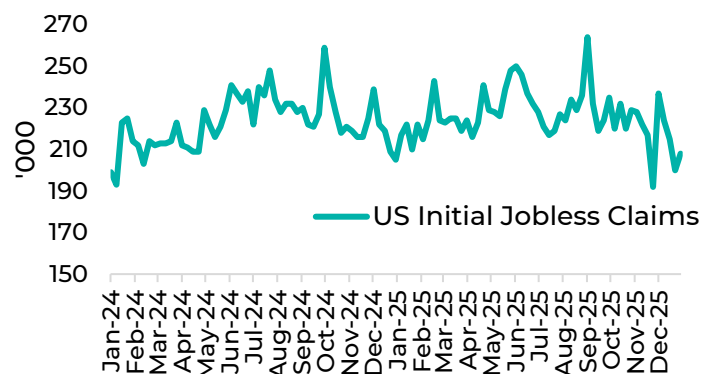
II. Fast Hard Data

Chart Referencing:

TL = Top Left, TR = Top Right

BL = Bottom Left, BR = Bottom Right

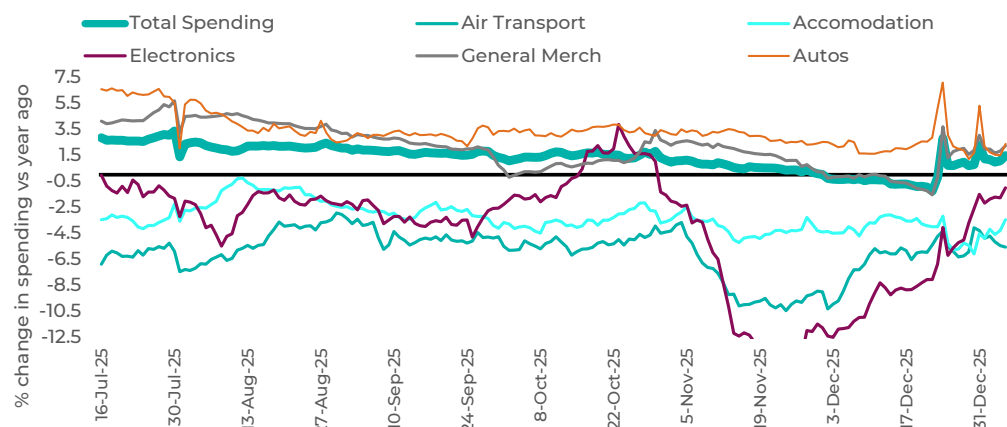
Labour market.....not great, not bad



Source: Bloomberg, Purpose Investments

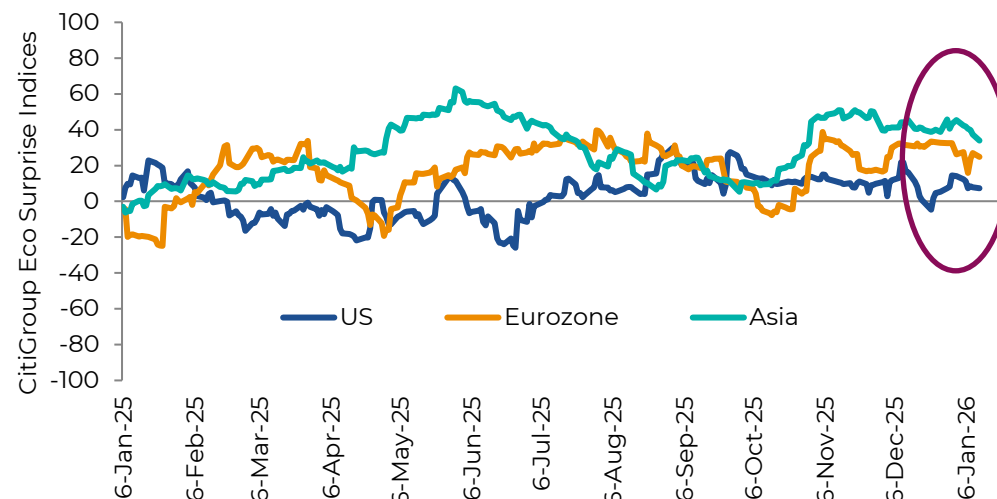
- TL – Initial jobless claims remain low. The current trend appears to be weak job growth but also very limited layoffs. Nothing alarming here at the moment.
- BL – Consumer spending had been steadily weakening but has firmed up a bit over the past few weeks. Maybe a good xmas, noting these are year-over-year trends. Bit better though. And while air travel looks weak, the TSA checkpoint data is rising. Decent.
- BR – Overall, decent data relative to consensus.
- Overall, no alarm bells as the resilient economy continues.

US Consumer spending firming up a little



Source: Bloomberg, Purpose Investments































































































The economy is doing well, decent data of late



Source: Bloomberg, Citigroup, Purpose Investments

III. Market Cycle

Reasonably Constructive

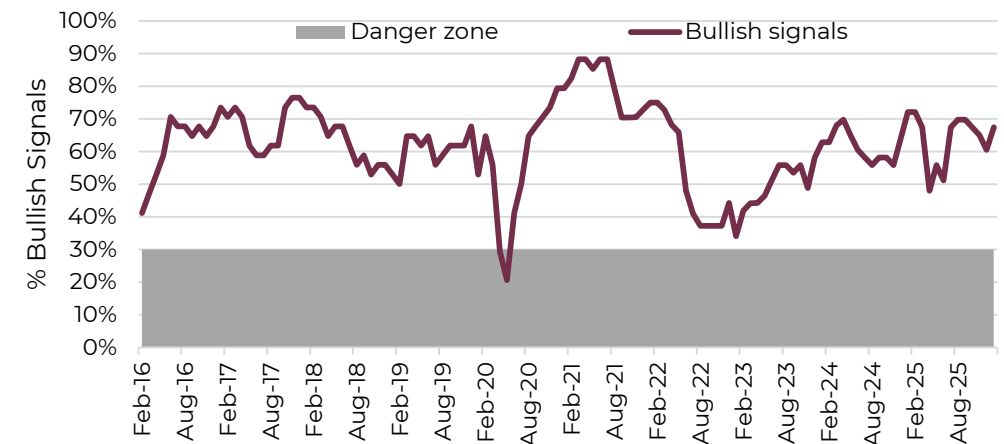
Market cycle indicators				Better/		Better/			
Grouping	Metric			Worse	Grouping	Metric			Worse
Rates				2 / 1	Global Economy				6 / 2
	Net Cuts			-		Global PMI			-
	Yield Curve			+		Copper (6m)			+
	Yield Curve 3m			+		DRAM (3m)			+
US Economy				13 / 7		Oil (3m)			+
	Leading Ind (3m)			-		Commodities (3m)			+
	Leading Ind (6m)			+		Baltic Freight (3m)			-
	Phili Fed Coincident			-		Kospi (2m)			+
	Credit (3m)			+		EM (2m)			+
	Recession Prob (NY Fed)			+	Fundamentals				7 / 5
	Recession Prob (Clev Fed)			+		US: PE			-
	Citi Eco Surprise			+		US: EPS Growth			+
	GPD Now (Atlanta Fed)			+		US: EPS 2FY v 1FY			+
	US Unemployment			+		US: 3m EPS Revision			+
	Consumer Sentiment (3m)			+		Canada: PE			-
Manufacturing						Canada: EPS Growth			+
	PMI			-		Canada: EPS 2FY v 1FY			+
	PMI New Orders			+		Canada: 3m EPS Revision			-
	Energy Demand (YoY)			-		International: PE			-
	Truck Demand (YoY)			-		Int: EPS Growth			+
	Rail (YoY)			+		Int: EPS 2FY v 1FY			-
Housing						Int: 3m EPS Revision			+
	Starts (1yr)			-					
	Months Supply (6m)			+					
	Home Sales			-					
	New Home Sales			+					
	NAHB Mkt Activity			+					

Source: Purpose Investments, Bloomberg

*Market Cycle indicators are comprised of over 40 indicators that have in the past proven to be a good forward-looking signal for the broader economy.

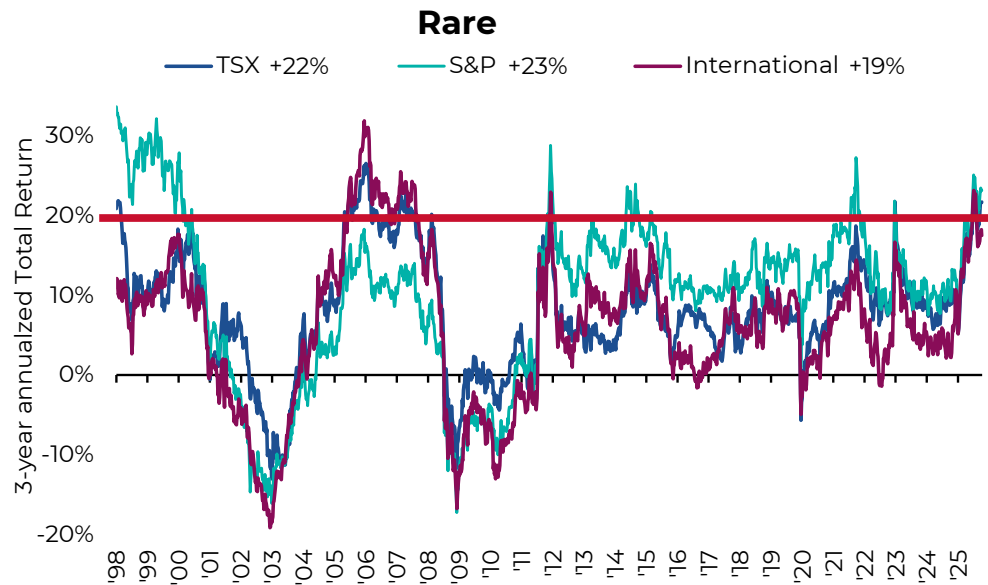
- Market cycle indicators remain broadly supportive.
- Yield curve steepened a bit, largely thanks to a rate cut moving short end a bit lower.
- U.S. economy was stable. U.S. consumer sentiment improved but housing starts dropped.
- Global economy signals netted one improvement with the price of oil rising. This could be the year for energy....maybe.
- All in all, the backdrop still looks reasonably constructive with no material cracks emerging.

Market cycle indicators - stable

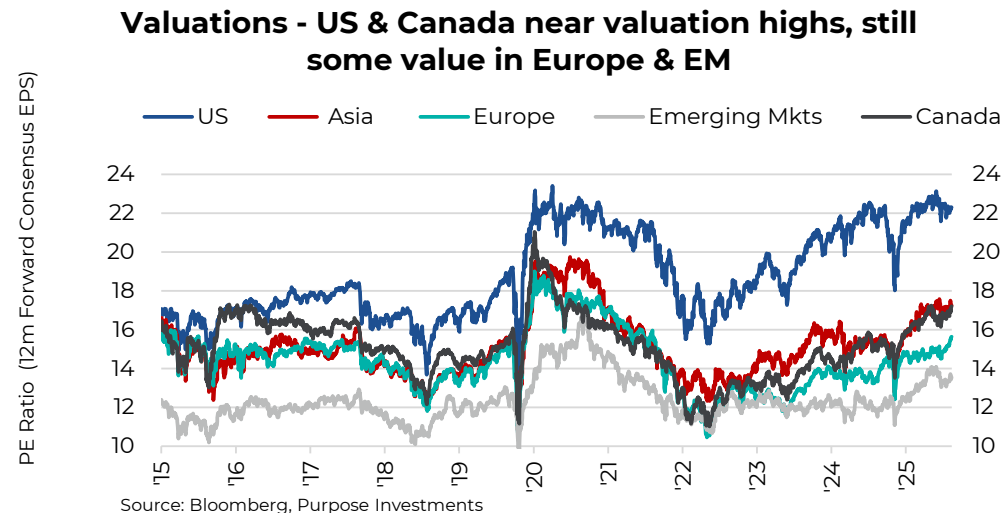


Source: Purpose Investments, Bloomberg

IV. Why mild underweight equities & bonds, overweight cash & diversifiers



Source: Bloomberg, International is MSCI EAFE, Purpose Investments

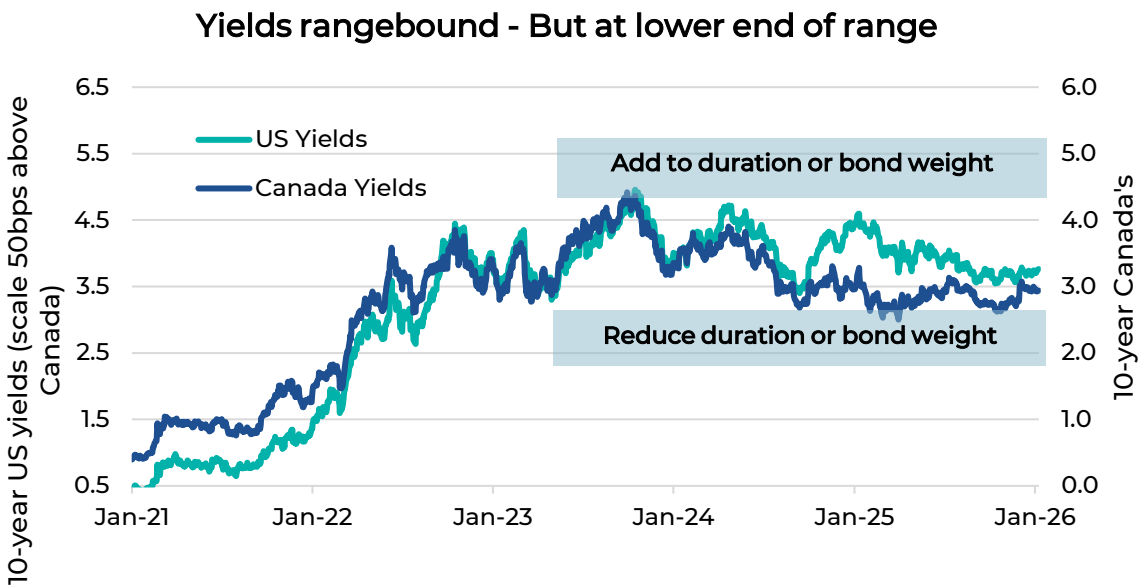


Purpose	Active	Balanced	Current Position	Baseline
Cash			7.2%	2%
Bonds			31.3%	36%
Equities			54.4%	57%
Diversifiers			6.9%	5%

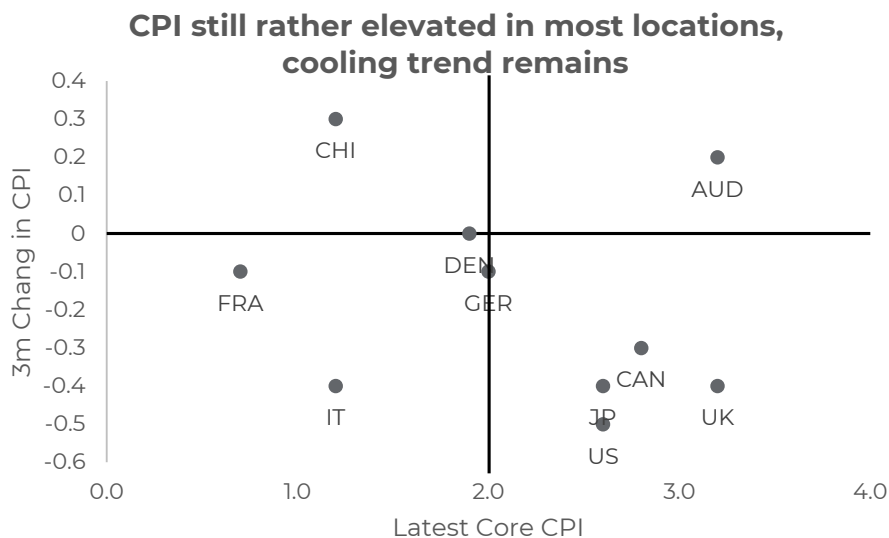
Equities

- Mild underweight in equities
- TL – Just because markets go up doesn't mean they will come back down, but three year annualized returns over 20% for most major markets is very rare. 2026 may be a year more about protecting what you already got vs chasing momentum.
- BL – Valuations are historically elevated for the U.S. and now Canada after its awesome run last year. Still decent value in Europe and emerging markets, but even these markets are not as cheap as a year ago.
- Nobody worried about recession, or inflation, or geopolitics. This is clearly a market without any worries, perhaps fearless. We don't pretend to know what could upset this market, but given the gains we have an increasingly cautious stance. This provides nice optionality should a period of weakness develop.
- And while minor underweight equities, still enough to enjoy if this rally continues on its path.

IV. Why mild underweight equities & bonds, overweight cash & diversifiers



Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

Purpose	Active	Balanced	Current Position	Baseline
Cash			7.2%	2%
Bonds			31.3%	36%
Equities			54.4%	57%
Diversifiers			6.9%	5%

Bonds

- TL - Equities are a mild underweight, bonds a bit more of an underweight. We do believe bond yields will remain largely rangebound mainly due to more elastic demand for bonds (investor base is more yield sensitive).
- Unless a surprise economic soft patch develops, we do believe yields are more likely to rise. Economy appears to be gaining some momentum with AI and fiscal spending tailwinds. Plus impact of tariffs is SLOWLY starting to work into pricing. This has us more cautious.
- BL- Inflation globally has improved but it is not uniform. Many countries are still well over the 2% magic level and there are a few countries starting to see rising inflation again.
- Credit is less exciting. While spreads blew out slightly earlier this year, they are right back near historical lows. Little economic risk is being priced despite PMIs that are anything but exciting.

Cash & Diversifiers

- Overweight both cash and diversifiers to enable us to be more tactical should a second period of market weakness develop.

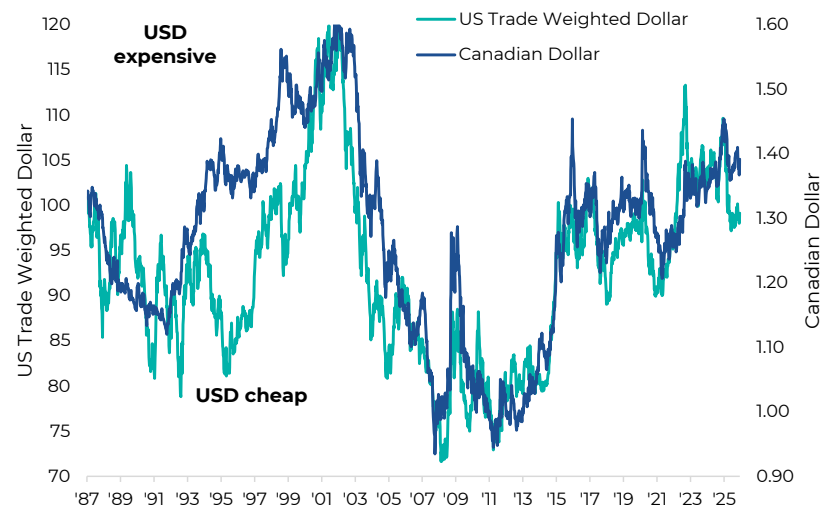
V. Why partial hedged USD

Canadian Dollar - it is cheap



Source: Bloomberg, Purpose Investments

USD is still on the expensive side



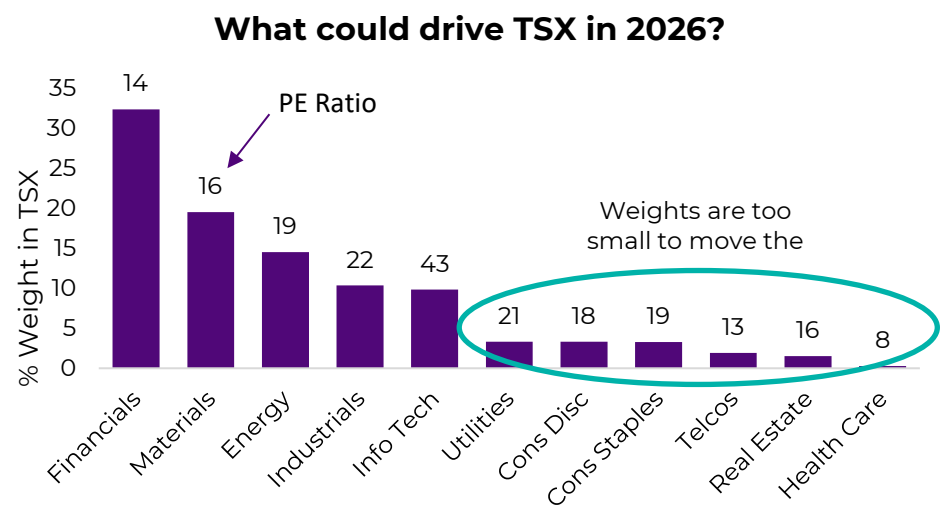
Source: Bloomberg, Purpose Investments, 10 Nov 2025

Purpose Active Balanced	Hedged
% of US Equity	55%
% of US Fixed Income	58%

- Love it or hate it the USD, especially vs CAD, is a safe haven currency for portfolios. Generally this has us not wanting to hedge. However with less Fed independence and some erosion of U.S. exceptionalism, this may not be as strong a characteristic.
- Top – CAD is certainly trading closer to the bottom end of its recent range. Recently the Canadian dollar has broken out of its recent breakdown out of the range. Longer term we are mildly bearish USD as it remains historically expensive versus most major currencies.
- Could see some additional weakness in CAD if USMCA negotiations go poorly. That could create an opportunity to hedge a bit more.
- Bottom – Overall though, the USD is still expensive against its trade weighted peers and the CAD. This supports our mild bearish vs on USD, even against the CAD.

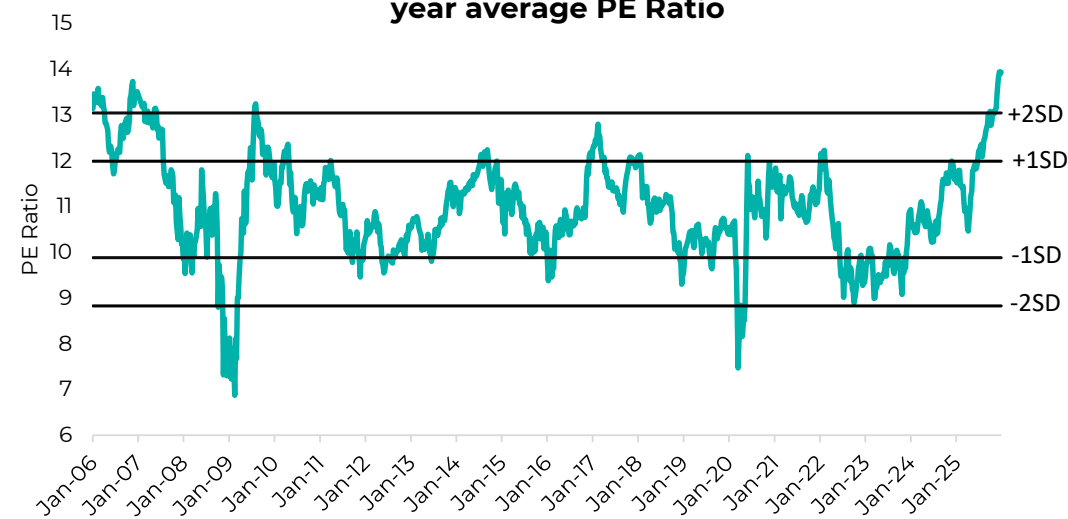


VI. Why equity exposure is: 1) underweight Canada



Source: Bloomberg, Purpose Investments

Canadian banks now over +2 standard deviations above 20 year average PE Ratio



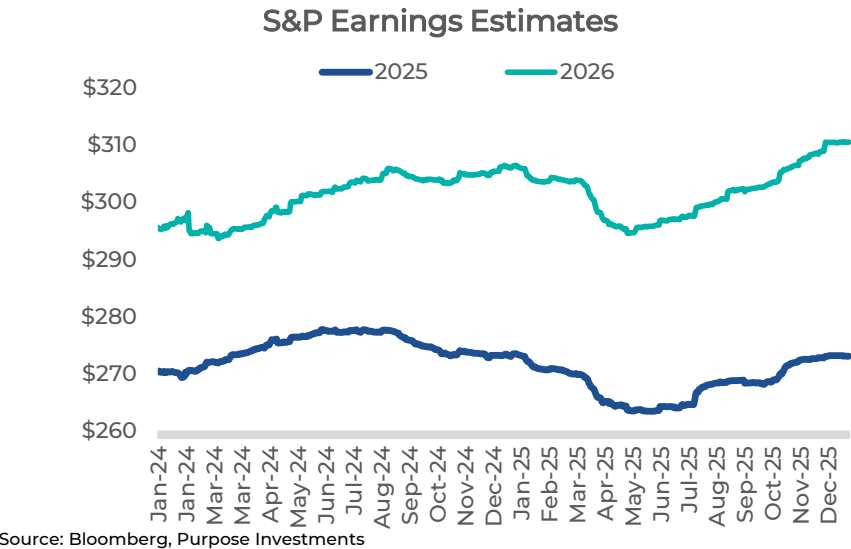
Source: Bloomberg, Purpose Investments

Purpose Active Balanced	Current Position	Baseline
Canada	29%	35%
United States	29%	30%
International	42%	35%

- We have an underweight in Canada after taking profits late last year on strong gains. Canada has some really great long-term prospects from an equity market perspective, this is more of a shorter-term tactical shift.
- Financials and materials drove performance in 2025. Could gold continue to drive the materials sector? Maybe but could also reverse quickly. Meanwhile banks are trading very expensive after their 2025 run. This does make it hard to see where returns could be sourced in 2026.
- Six sectors have such small weights they really don't matter from an overall index performance perspective. Info Tech at 43x is pricey and it is mainly one or two names. So that leaves Energy and Industrials, which we are more constructive on. However we do believe there could be a pullback in these sectors in the coming months to offer a better entry.
- Energy – the biggest headwind for energy is the global supply glut which may garner more headlines in Q1 which is historically a weak period for global demand.
- Industrials – USMCA renegotiations may create a dip which would make the sector more attractive.
- While underweight, at 29% it is still a healthy Canadian equity weight.

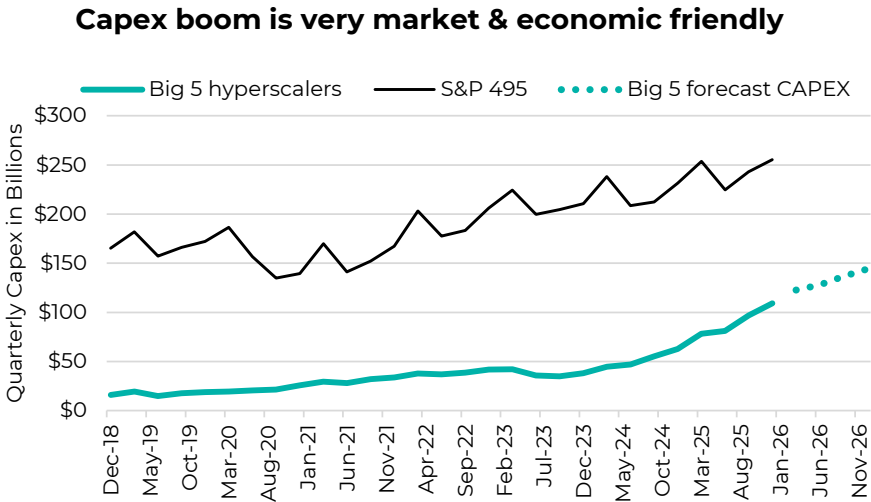


VII. Why equity exposure is: 2) equal weight US

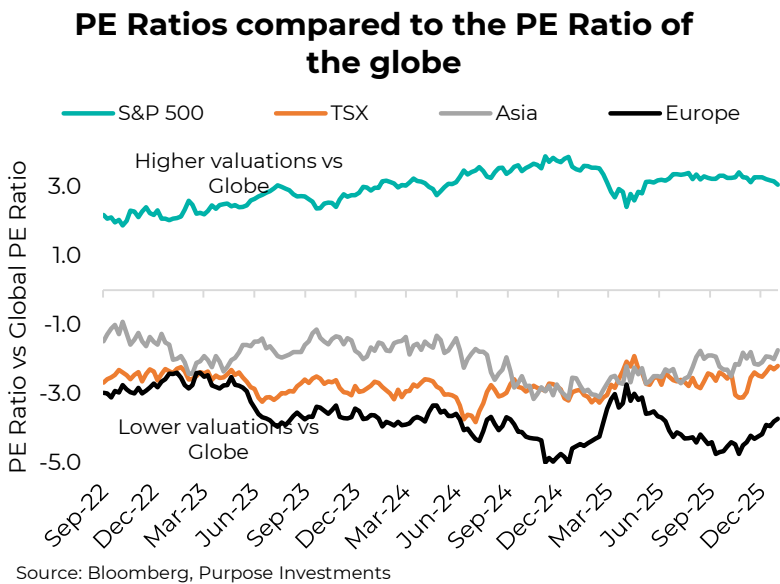


Purpose Active Balanced	Current Position	Baseline
Canada	29%	35%
United States	29%	30%
International	42%	35%

- We are roughly equal weight U.S., which is less than many peers. Again, don't care about peers but worth noting.
- U.S. is trading just under 23x forward estimates, which isn't too crazy. Although that has proven to be the valuation ceiling on a number of occasions going back many years. This does have the U.S. trading at premium vs other markets, not anything new.
- Top – Earnings estimates have been steadily been revised higher since the summer, putting S&P back into low double digit earnings growth. That does help a bit with the high valuation as we expect returns to be more earnings growth driven as multiple expansion from here is a stretch.
- Bottom – Capex spending around AI infrastructure is a boon for U.S. corporate earnings, for now. Given these budgets are allocated, this does continue to support earnings growth for S&P even as consumer softens a bit.
- We are pretty neutral on U.S. equities and believe there is more upside elsewhere, on both an absolute and risk-adjusted basis.

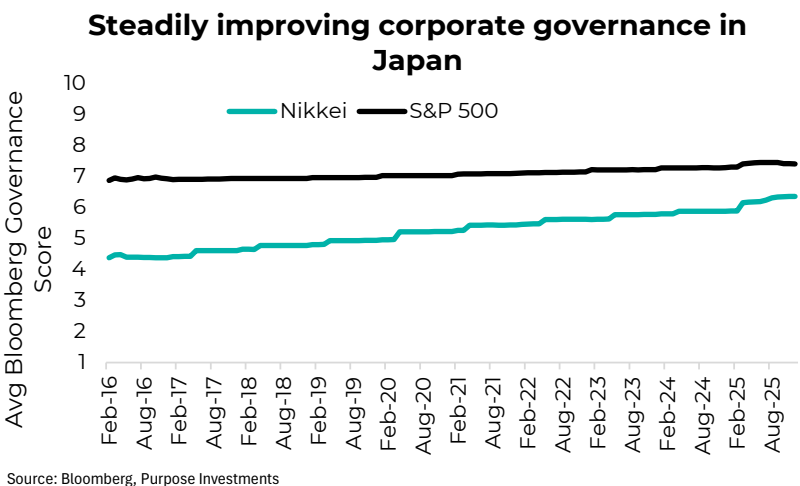
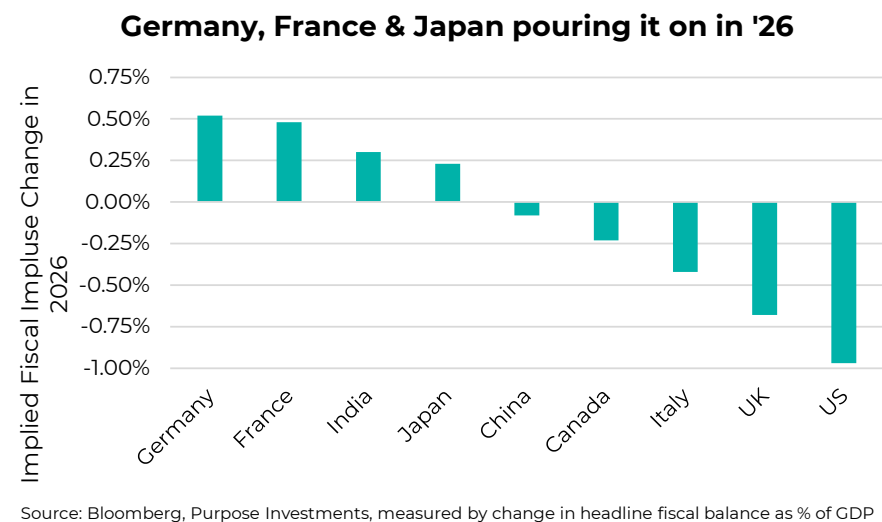


VIII. Why equity exposure is: 3) overweight International

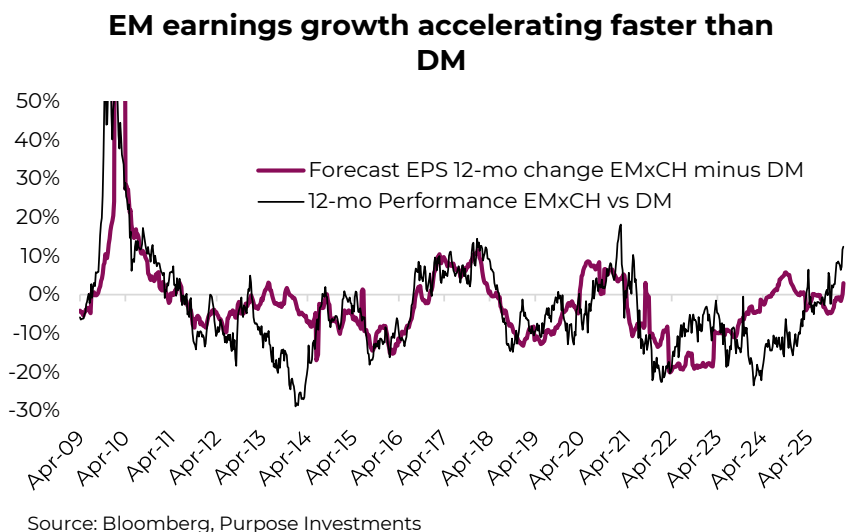
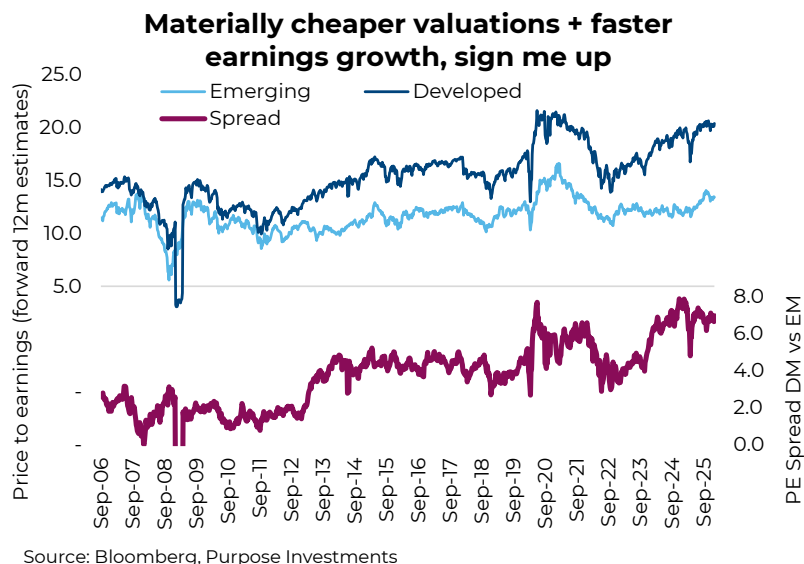


Purpose Active Balanced	Current Position	Baseline
Canada	29%	35%
United States	29%	30%
International	42%	35%

- Top – Valuations have risen in Asia and Europe, but they remain well below global valuations. This spread has narrowed thanks to improving earnings growth internationally compared to years past.
- The US outperformed for the past 14 years, for the most part. If this leadership has changed, or is more balanced, good reason to have more international. These countries are sort of fixer uppers, starting to deal with investor unfriendly regulations, increase growth focused fiscal spending, etc.
- Bottom – More international governments are ramping up fiscal spending focused on growth, tilted a bit more towards infrastructure and defense. This should help overall growth. Plus corporate governance is improving, notably in Japan.

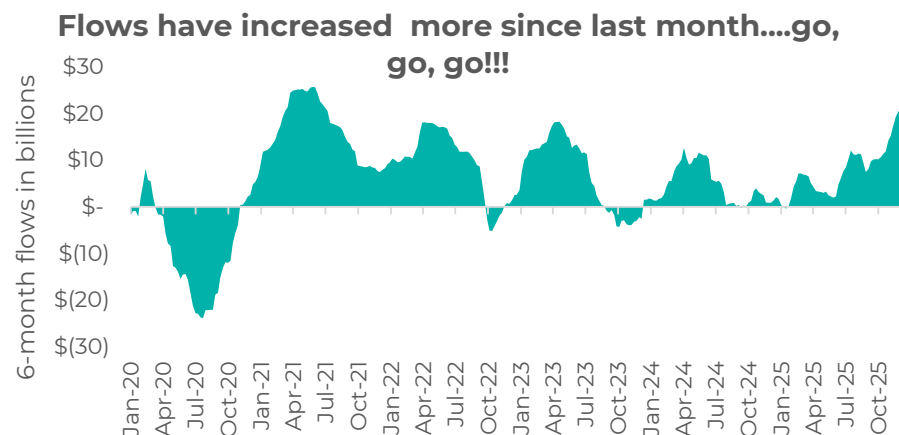


IX. Why overweight emerging markets



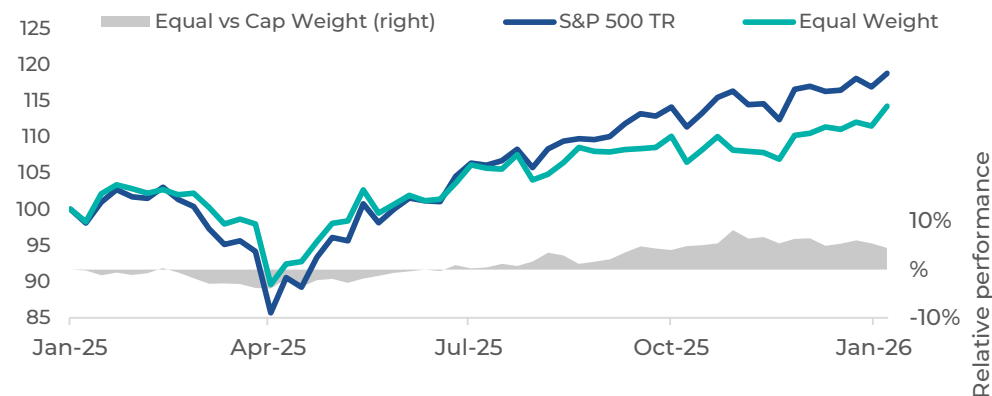
Purpose Active Balanced	Current Position	Baseline
Emerging Markets	9.4%	5%
Developed Markets	90.6%	95%

- We initially became more positive on emerging markets in May '24, with adding to exposure in Sep '25. While risks remain, including trade war / tariff impacts and ongoing economic issues in China, there are a number of positive factors that help assuage the risks.
- TL – The valuation gap between emerging and developed markets remains historically high, almost 7 points. This provides a great buffer.
- BL – Cheap valuations isn't new but add higher relative earnings growth between EM vs DM, this historically correlates well with relative performance. Note our initial foray into EM occurred in May of '24, as the gap between relative earnings growth and relative performance diverged. Love it when our models work well. The gap closed which does have us a bit less excited, however flows matter here.
- BR – EM went through a decade long winter, nobody wanted to own, investors underweight. Now that is starting to reverse and inflows are accelerating. But still a very under owned asset class.
- All together, still risks and the recent trend in earnings revisions is a concern but more optimistic than years past and we're comfortable with larger allocation.



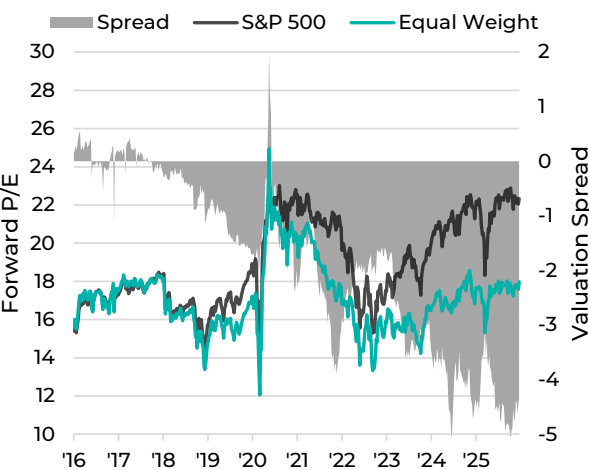
X. Why equal & market cap weight U.S. equity exposure

Equal weight - don't jinx it, starting to work



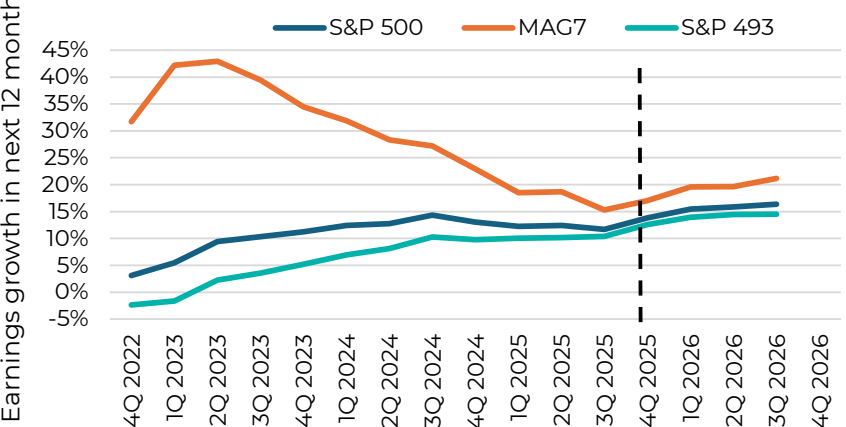
Source: Bloomberg, Purpose Investments

Valuation gap still strongly favours equal weight



Source: Bloomberg, Purpose Investments

MAG7 growing faster but is that enough to support \$21 trillion of market cap at 30x?



Source: Bloomberg, Purpose Investments

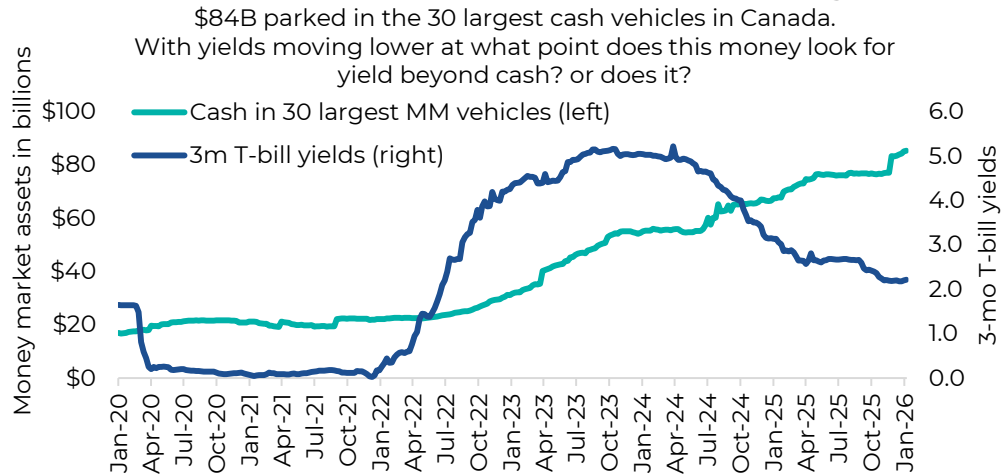
Purpose	Active	Balanced	Current Position	Baseline
US Equities			29%	30%
Equal Weight			9%	
Market Cap Weight			2%	
Indirect			18%	

- We are roughly market weight for U.S. but have a more defensive tilt, using more equal weight exposure. This is complimented with a small market cap weight position and indirect exposure via manager positions in U.S. equities. These positions do have a decent amount of large cap tech names.
- This equal weight still has not performed well last year but is starting to work.
- Top – Even earlier in 2025 equal weight did show its more defensive characteristics, which is why we have this tilt.
- BL – Valuations gap between cap weight and equal weight is back to pretty high levels.
- BR – Given slowing earnings among the megacaps compared to the S&P 493, we are surprised equal weight hasn't narrowed the performance gap.
- We are being more patient with this tilt, it is defensive motivated.



XI. Why dividends are awesome

Tsunami of Cash - Where will it go?

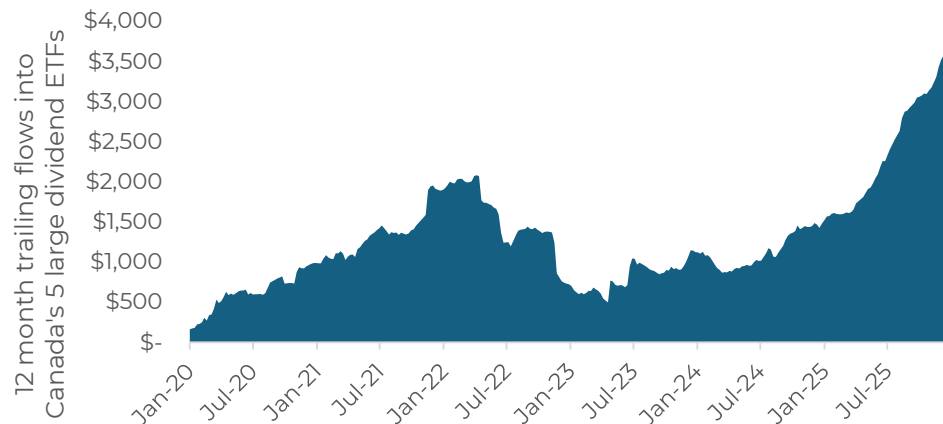


Source: Bloomberg, Purpose Investments, sample of largest 30 money market funds & ETFs & HISAs

Over 1/3 of equity allocation are dividend focused strategies

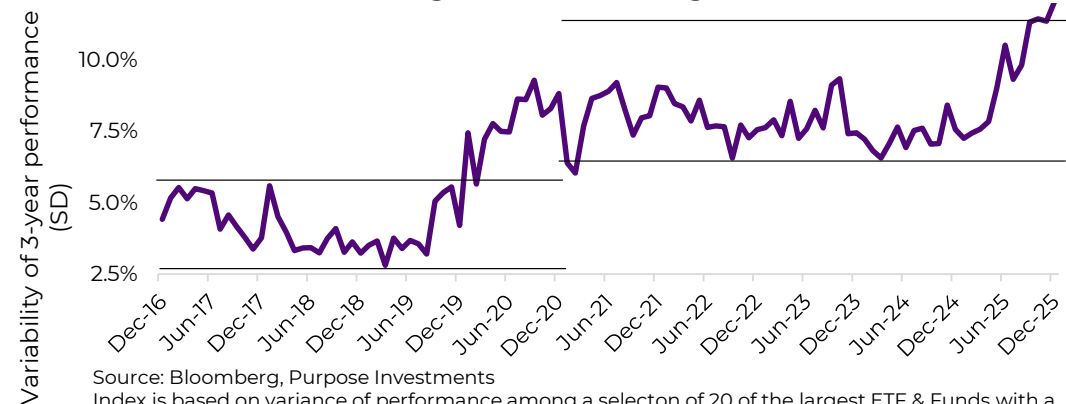
- TL- Cash vehicles, HISAs, money market funds, hoovered up cash in 2022 and 2023. Now with short yields coming down making cash less attractive, and inflows flatlined. Yet there was just a recent jump higher, perhaps investor defensiveness? We do think cash has become less compelling and dividend factor is likely a beneficiary.
- BL – This chart is crazy!!! Every month when updating this chart, it just keeps going up. Money is moving into the dividend space.
- BR – Yields simply went down for much of past 20+ years, this caused most dividend strategies to have closely clustered performance. Now that yields are normal, other factors are increasingly driving performance causing greater disparity in performance among dividend strategies.
- Look for better diversified strategies, that are more active given other variables beyond just yield appear to be driving performance.

The dividend winter is over and it's getting hot!!



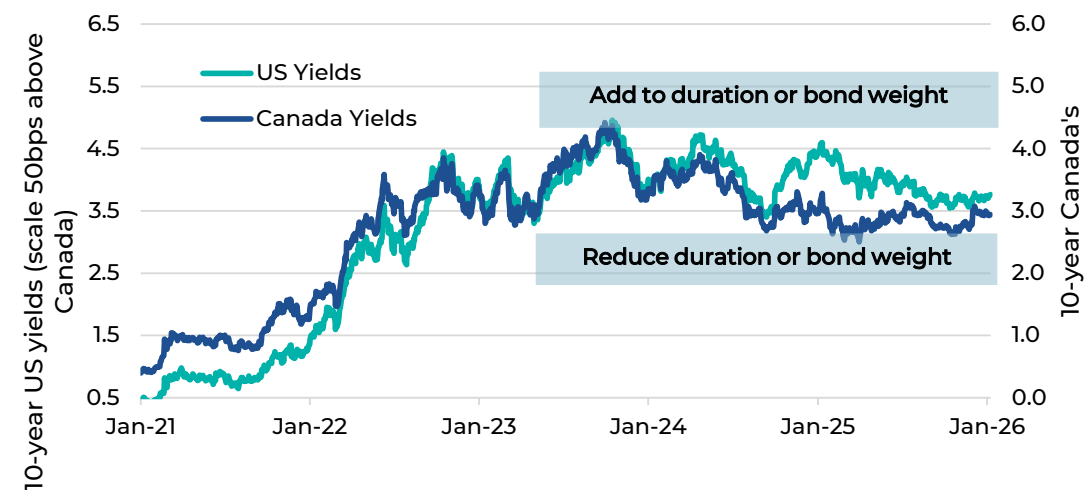
Source: Bloomberg, Purpose Investments, 5 of the larger Canadian dividend ETFs (VDY, XDIV, XEI, XDV, CDZ), constant pricing

Changing yield world is leading to greater divergence among dividend strategies



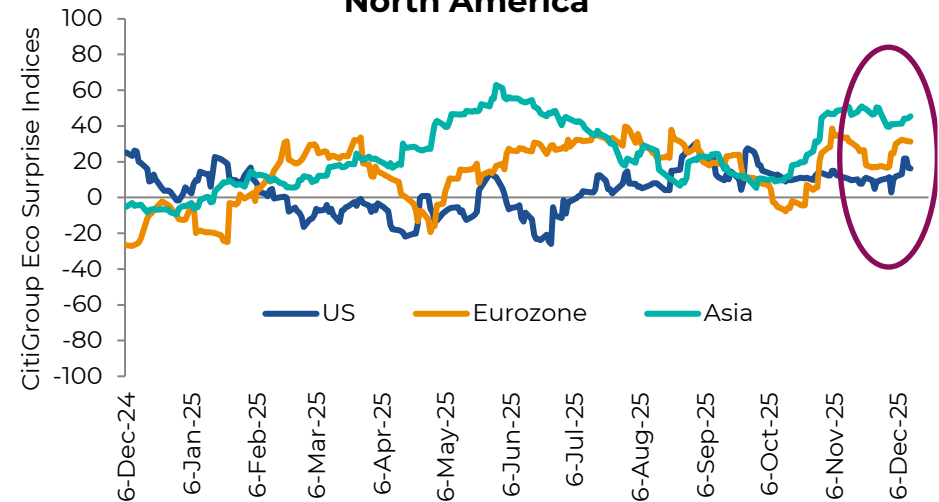
XII. Why duration of 4.6

Yields rangebound - But at lower end of range



Source: Bloomberg, Purpose Investments

The economy is doing well, more so outside North America



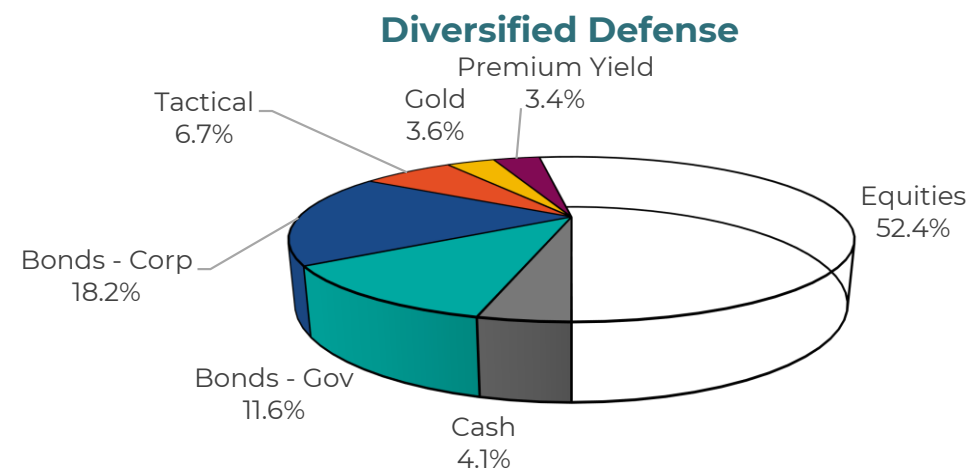
Source: Bloomberg, Citigroup, Purpose Investments

Purpose Active Balanced	Current Position	Baseline
Duration	4.6	5.0

- We believe the current market, with higher inflation and yields than years past, is more challenging for the bond portion of portfolio. While still the cornerstone of defense, a more active duration management is needed.
- TL - We are underweight bonds and reduced duration in early September as bond yields have come down. Credit quality is high, with a good allocation to government and investment grade.
- BL – The economic data remains resilient and if inflation picks up we could easily see yields moving back towards higher end of range.
- While not often talked about, bonds now have a real yield of about 2% (based on 10-year). This is decently healthy.

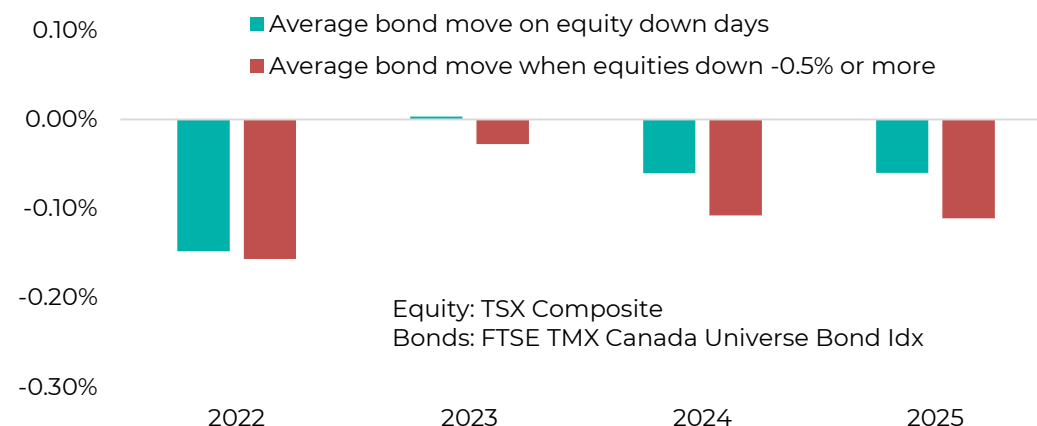


XIII. Why diversifying defense



Source: Purpose Investments PABF Allocations 14 Jan 2026

Bonds, much better than 2022 but still not a great portfolio stabilizer



Source: Bloomberg, Purpose Investments

Purpose Active Balanced	% of Portfolio
Bond positions	31%
Cash	7%
Tactical	7%
Premium Yield	3.5%
Gold	3.5%

- Every correction is different, speed, magnitude, duration and the cause. The last 3 have been caused by an exogenous shock from Covid (2020), Inflation (2022) and policy (2025).
- With more unique corrections rising in frequency, having a more diversified defensive has become more important.
- TL – We diversify our bond allocation (core defense best against economic slowdowns) with other strategies including momentum (tactical), real assets (gold) yield harvesting (premium yield) and of course cash.
- BR – Bonds are not broken, in fact they now carry a higher performance contribution than years past. But, the defensive reflexivity characteristic has been diminished in this higher inflationary environment. Use them, but also diversify your defense.