

Purpose “WHY” Report

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

Purpose Macro Investment Team

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15 December 2025

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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.



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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

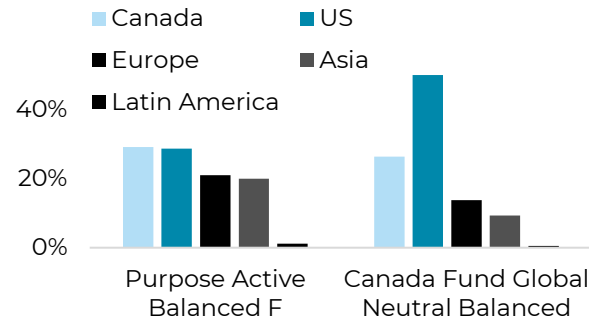
Purpose Active Suite

Why Report in Action

	Holding	Ticker	Weight
Cash	CAD Cash	Cad Cash	0.0%
	Purpose Cash Management ETF	MNY	4.7%
	Purpose USD Cash Management ETF	MNU.U	0.3%
Fixed Income	BMO Aggregate Bond ETF	ZAG	4.7%
	iShares Core Canadian Short Term Bd ETF	XSB	7.7%
	iShares Core Canadian Corporate Bd ETF	XCB	6.1%
	Mackenzie Unconstrained Bond ETF	MUB	3.9%
	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	12.5%
	Invesco S&P 500 Equal Weight ETF CAD H	EQL.F	8.7%
North American Equity	SPDR® S&P 500 ETF	SPY	2.1%
	Purpose International Dividend ETF	PID	5.4%
	iShares Core MSCI EAFE ETF	IEFA	5.4%
International Equity	iShares MSCI Japan ETF	EWJ	2.2%
	iShares MSCI EAFE Min Vol Factor ETF	EFAV	5.0%
	Vanguard FTSE Emerging Mkts All Cap ETF	VEE	3.2%
	Invesco S&P Emerging Markets Low Vol ETF	EELV	2.0%
	Purpose Gold Bullion	KILO	3.4%
Diversifiers	Purpose Premium Yield ETF	PYF	3.5%

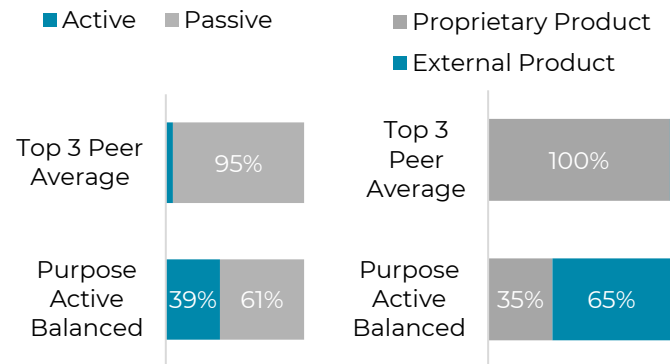
Source: Holdings & exposures are for the Purpose Active Balanced Fund/ETF (PABF)

Not your average Balanced Portfolio



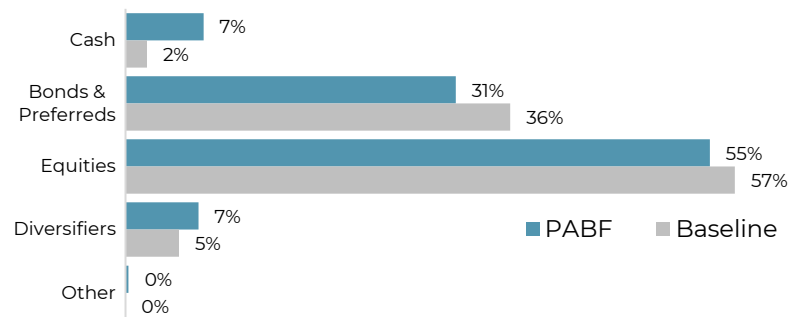
Source: Purpose Investments, Morningstar, as of December 8, 2025, Equity Exposure

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.

Active Balanced Positioning

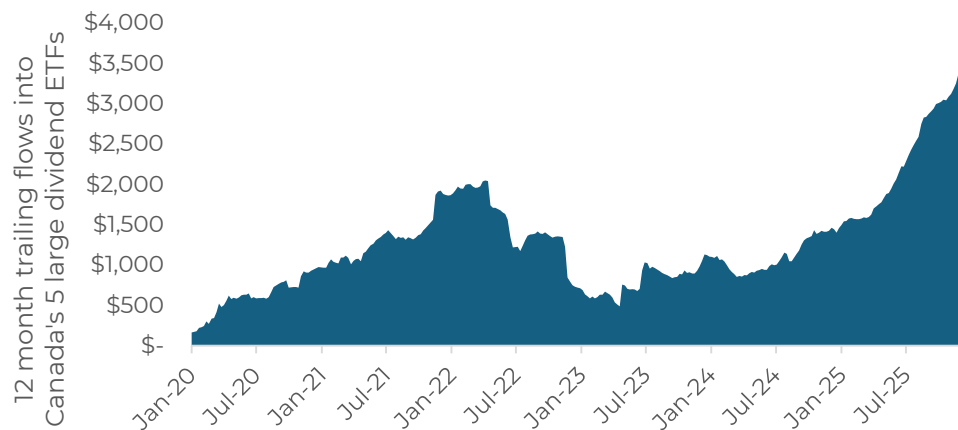


- One-ticket solutions aligned to three risk profiles, Conservative, Balanced, and Growth, with dynamic asset allocation, not static 60/40 mixes.
- TL – Full transparency into our holdings and trade activity is always available, so you can see what you own and why you own it.
- BL – Exposure goes beyond traditional stocks and bonds, with added diversifiers to improve portfolio resilience across market cycles. These allocations are active, well-thought-out tilts based on the outlook.
- TR – These active tilts have our multi-asset portfolio looking very differently from peers in the category. Most notably, our meaningfully reduced exposure to US equities compared to most solutions in the category.
- BR - 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.
- 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

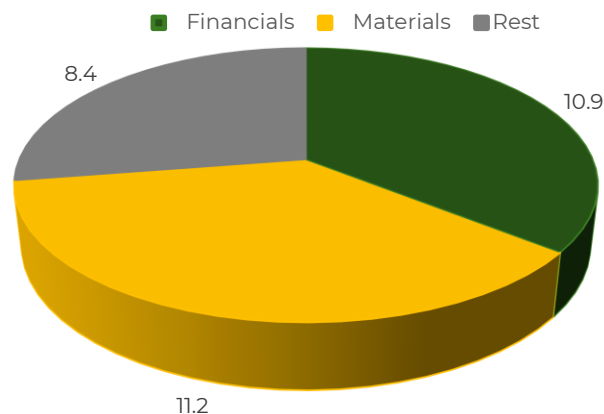
The dividend winter is over and it's getting hot!!



- TL – This is the rolling 1-year flows into the 5 biggest Canadian dividend ETFs. Money is flowing into the dividend space via ETFs, certainly lifting some valuations higher. With short term rates lower, money into cash vehicles has largely stopped with dividends apparently one of the new destinations.
- BL – What a year!!! 30% for the TSX, largely driven by golds and banks.
- BR – Everyone hated bonds in 2022, remember? Stocks down, bonds down, makes for unhappy investors. Bonds have been better in recent years but still nowhere near the stabilizing factor of previous decades. Still elevated inflation is likely partially to blame. But as a silver lining, bonds now carry a higher yield which improves its contribution.

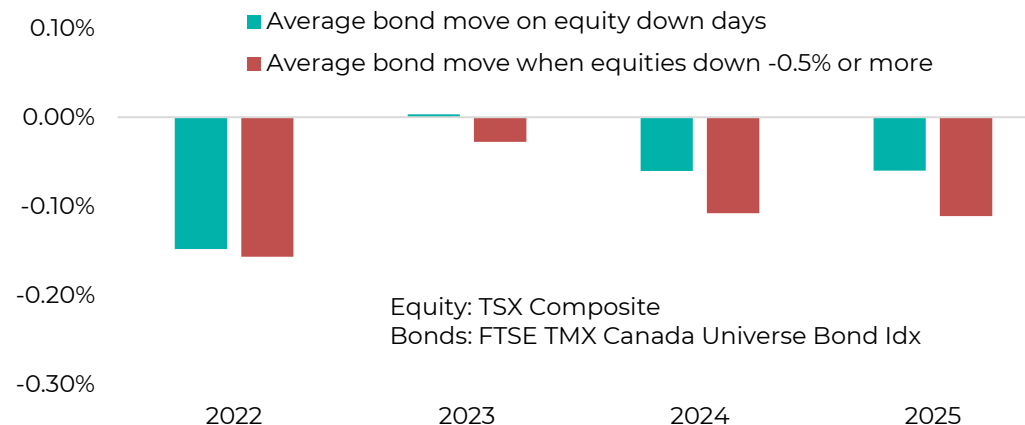
Source: Bloomberg, Purpose Investments, 5 of the larger Canadian dividend ETFs (VDY, XDIV, XEI, XDV, CDZ), constant pricing

TSX +30% YTD, driven mainly by Materials (golds) & Financials (banks)



Source: Bloomberg Purpose Investments

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



Source: Bloomberg, Purpose Investments



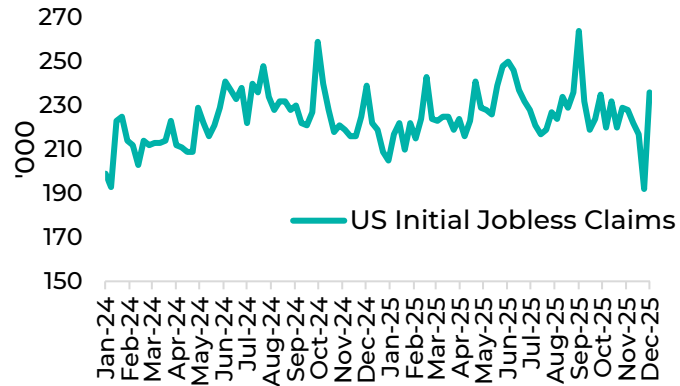
II. Fast Hard Data

Chart Referencing:

TL = Top Left, TR = Top Right

BL = Bottom Left, BR = Bottom Right

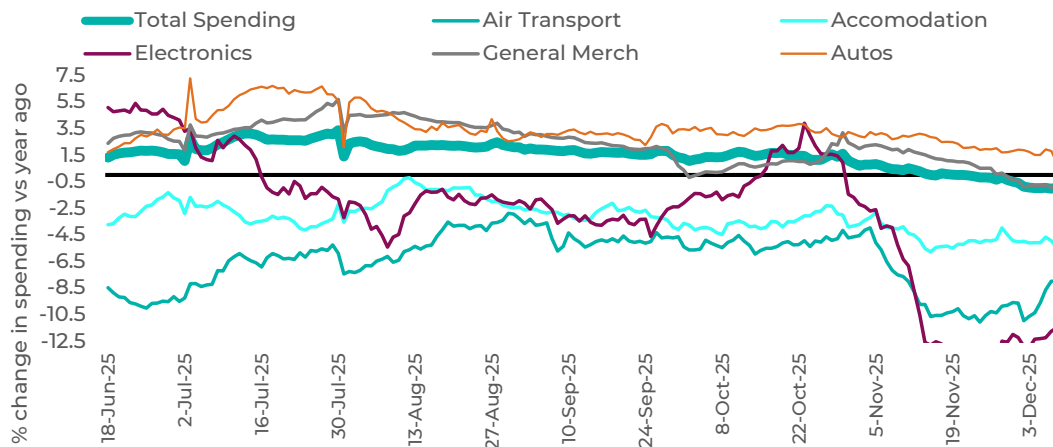
Labour market jumpy but still ok



Source: Bloomberg, Purpose Investments

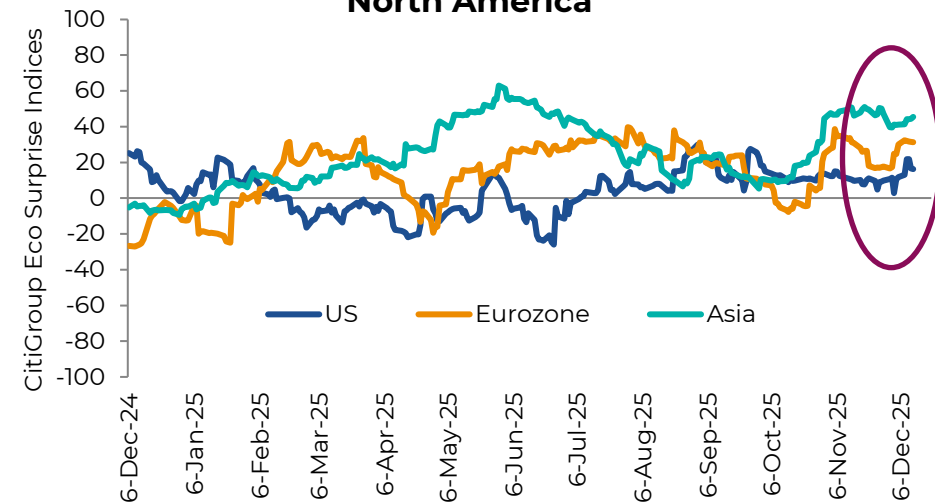
- TL – Finally the data providers are getting caught up after the US government shutdown. And for the most part, no real surprises. Atlanta GDP Now is running about 3.5%. Initial jobless claims are a little jumpy but overall stable. Indeed has seen an uptick in job postings.
- BL – Consumer spending is getting a bit softer though. The categories still holding up are more staple oriented while discretionary categories are significantly weaker. This data, based on credit/debit card transactions is pretty volatile. But the consumer is not very strong.
- BR – This is the Citigroup economic surprise indices, All are positive which is good news, implying data continues to generally come in above consensus economist expectations.
- Overall, no alarm bells as the resilient economy continues.

US Consumer spending faltering?



Source: Bloomberg, Purpose Investments

The economy is doing well, more so outside North America



Source: Bloomberg, Citigroup, Purpose Investments

III. Market Cycle

Reasonably Constructive

Market cycle indicators

Grouping	Metric			Better/ Worse	Grouping	Metric			Better/ Worse
Rates		🐘	🐘	0 / 3	Global Economy		🐘	🐘	4 / 4
	Net Cuts	✓		-		Global PMI	✓		-
	Yield Curve	✓		-		Copper (6m)	✓		+
	Yield Curve 3m		✓	-		DRAM (3m)	✓		+
US Economy		🐘	🐘	10 / 10		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		🐘	🐘	5 / 7
	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	✓		-
			✓	-		Int: 3m EPS Revision	✓		-
Housing		✓		-					
	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 even as compilers catch up on data following the U.S. shutdown pause. Nothing major has popped out, which is usually a good thing.
- A couple of signals softened this month, including U.S. Energy Demand and international earnings growth, though forward estimates and revisions are still solid.
- Canada continues to shine on the fundamentals side, with TSX earnings growth now outpacing the S&P thanks in part to strength in banks and gold.
- All in all, the backdrop still looks reasonably constructive with no material cracks emerging.

Market cycle indicators: softening a bit

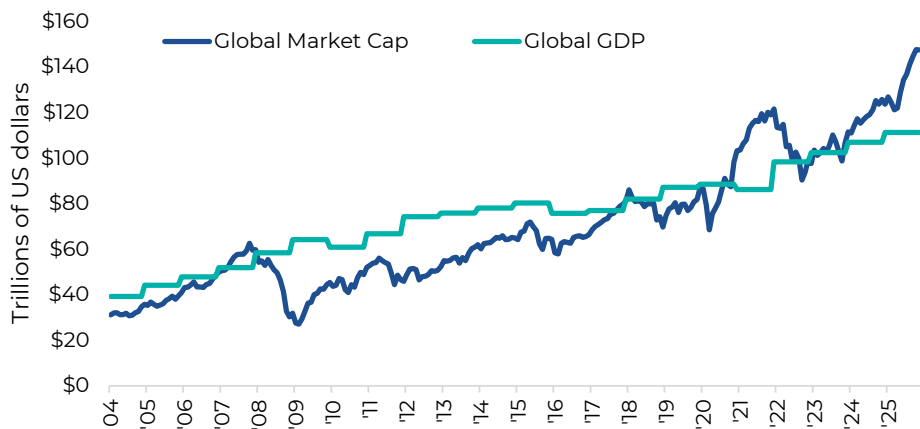


Source: Purpose Investments, Bloomberg

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

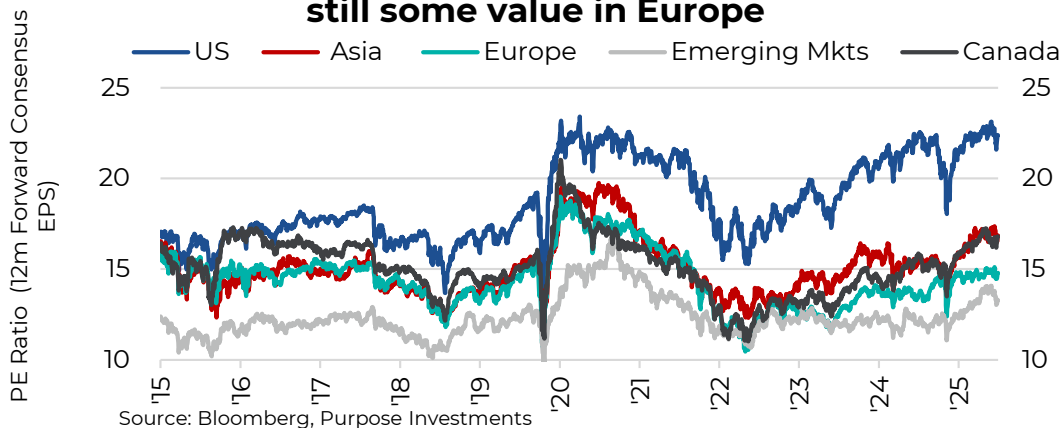
Rather precarious

Markets vs Economy - upward divergence rarely ends well



Source: Bloomberg, Purpose Investments

Valuations - US & Canada near valuation highs, still some value in Europe



Source: Bloomberg, Purpose Investments

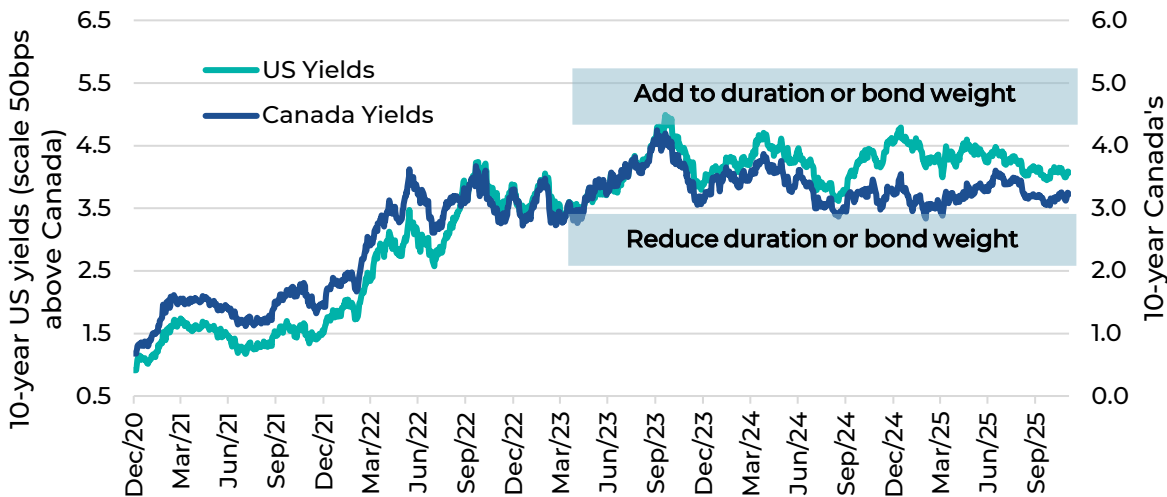
Purpose	Active	Balanced	Current Position	Baseline
Cash			7.3%	2%
Bonds			30.9%	36%
Equities			54.7%	57%
Diversifiers			6.8%	5%

Equities

- Mild underweight in equities
- TL – three years of outsized equity returns certainly has us preferring to be a bit more defensive. The value of markets vs the economy is somewhat apples and oranges, but really big divergences are noteworthy.
- BL – valuations have become a bit less compelling. US is still expensive based on its own history. But after strong gains internationally and for the TSX, valuations are just less appealing. Still value but just not as much as before.
- The challenge is just about everyone agrees this markets has probably gone too far, but few are hearing any big alarm bells ringing. Maybe inflation comes back, maybe AI stumbles, maybe tariffs start to bite into the economy/markets. Lot of ‘maybes’ with the data not flashing anything to worry about.
- We have a history of being early, perhaps this defensive tilt is a good example. Prefer to be early and patient.

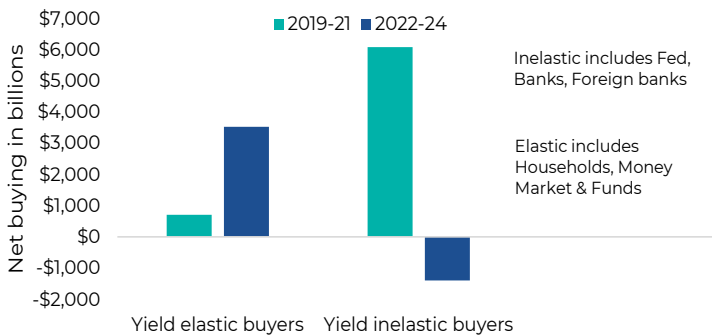
IV. Why mild underweight equities & bonds, overweight cash & diversifiers

Yields rangebound - But nearing lower end of range



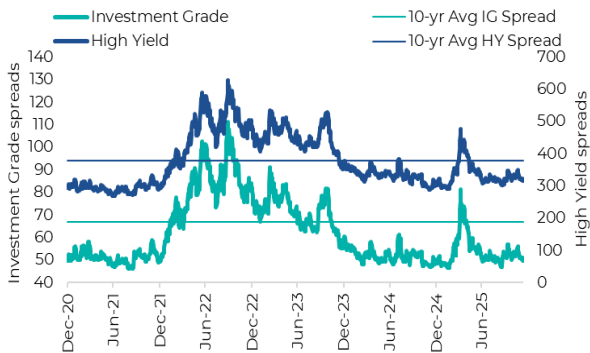
Source: Bloomberg, Purpose Investments

Yield Elastic buyers now dominate Treasury market



Source: Bloomberg, FRED, Purpose Investments

Credit spreads - still very low



Source: Bloomberg, Purpose Investments

Purpose	Active	Balanced	Current Position	Baseline
Cash			7.3%	2%
Bonds			30.9%	36%
Equities			54.7%	57%
Diversifiers			6.8%	5%

Bonds

- Remain underweight on bonds, relying more on cash & diversifiers for defense. Bonds are wrestling with a balance of some rising inflation fears (bearish), rising deficit funding concerns (bearish) and slowing economic momentum (bullish).
- Timing is tricky. Higher inflation remains a risk as we head into 2026. Fears of an economic slowdown have subsided somewhat and both the Fed and Boc will likely be on pause in the near-term. Good news is bond market now has decent real yields and even some term premium. Yields are at the low end of range, but not quite low enough for us to make any meaningful changes. Our bias would still be to trim bonds/duration.
- The economy is still the most impactful as can be seen in the recent yield drops on some softer data. Lower yields did have us lower our duration exposure in Canada during September.
- 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 to enable us to be more tactical should a second period of market weakness develop.

V. Why partial hedged USD

Canadian Dollar - do we hedge more USD?

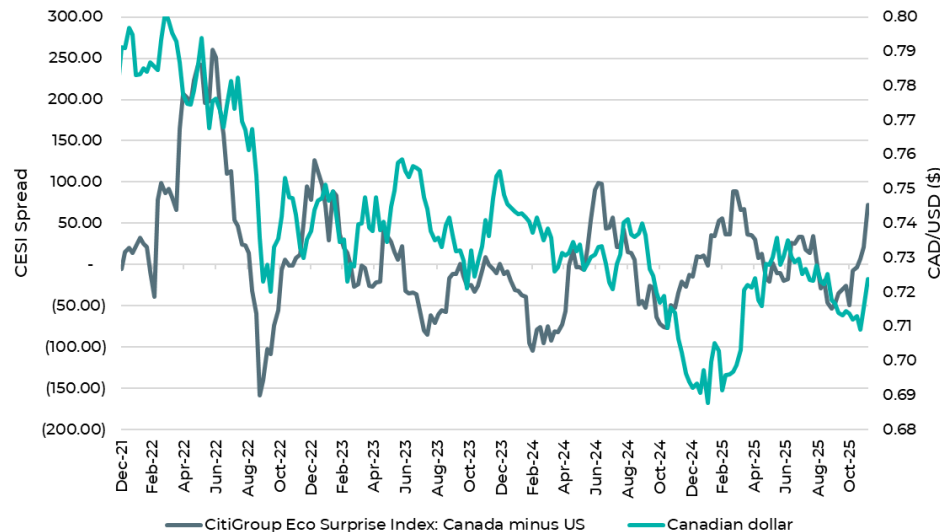


Source: Bloomberg, Purpose Investments

Purpose Active Balanced	Hedged
% of US Equity	55%
% of US Fixed Income	57%

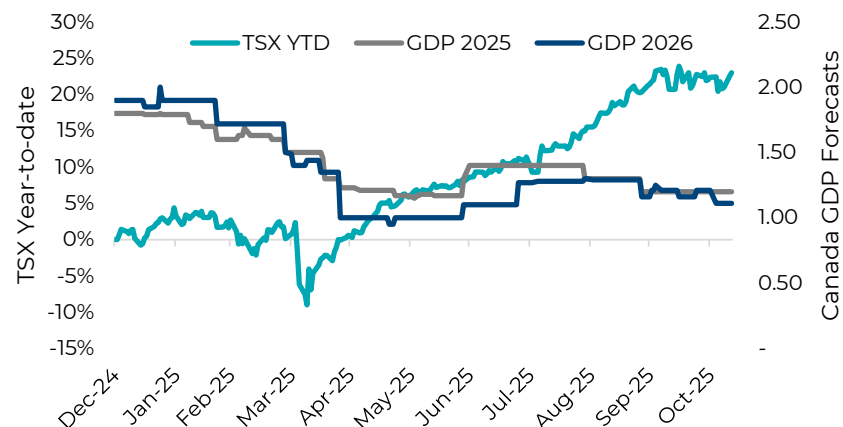
- Love it or hate it the USD, especially vs CAD, is a safe haven currency for portfolios. Generally this has us not wanting to hedge. The exception is when the move is too great and warrants some hedging, such as today.
- Top – CAD is certainly trading closer to the bottom end of its recent range. Recently 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.
- We are still partially hedged and likely remaining so around these levels. IF the CAD weakens further, we may increase our hedging activity, however the recent weakness did not last long enough for us to act.
- Bottom – The recent Canadian dollar strength is no accident. The spread between the Canadian and U.S. Citigroup Economic Surprise Indicator has appreciated materially. Canadian data has improved, yield have risen and the outlook for the Loonie is no longer as dire. Market expectations of a hike next year are certainly helping.

Canadian economic data improving relative to the U.S. This is helping the loonie



VI. Why equity exposure is: 1) underweight Canada

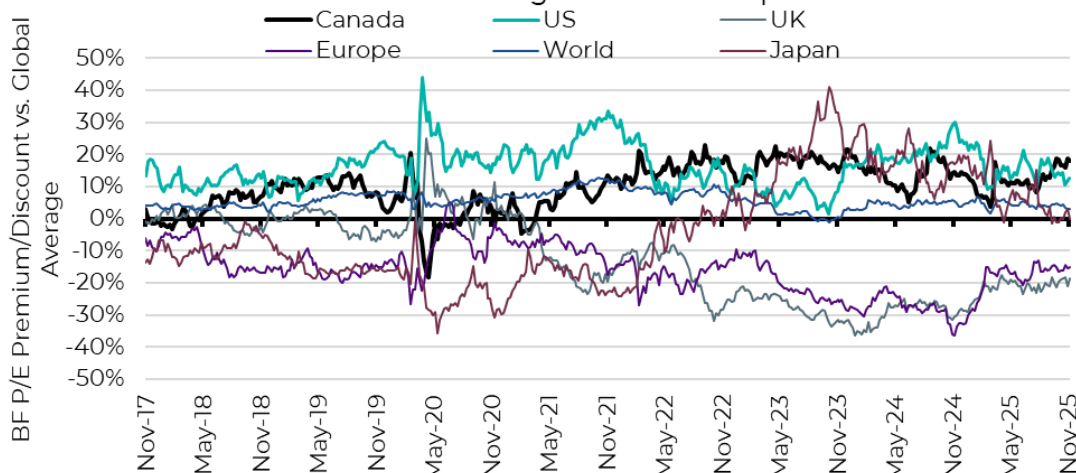
Slowing economy & rising TSX, tough combo



Source: Bloomberg, Purpose Investments

Bank valuations around the world

Canada's banks trading close to a 20% premium

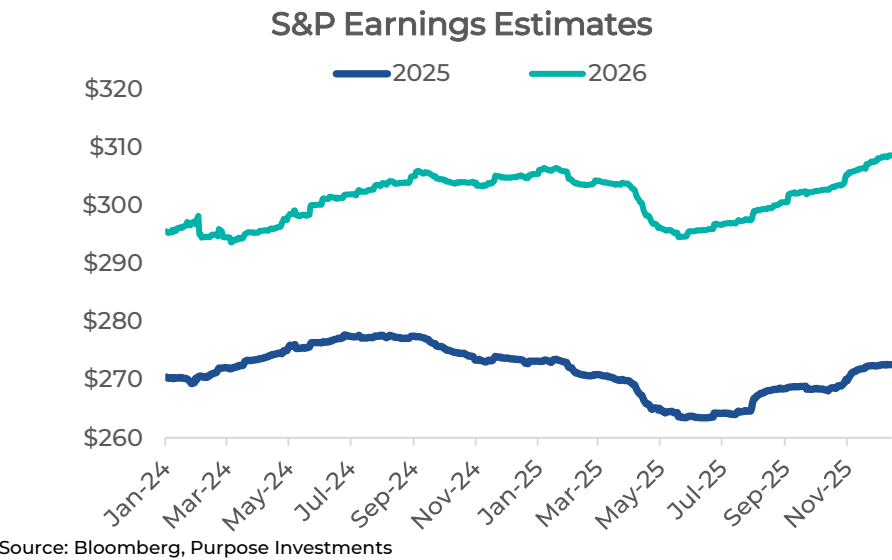


Source: Bloomberg, Purpose Investments

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

- **We reduced Canadian equity in early September, cashing in on strong gains year-to-date. Elevated valuations at both the aggregate index level as well as the banks specifically has given us pause.**
- Even though we are an underweight, our baseline is higher than most peers. This greater baseline is a function of after-tax return considerations in which Canadian dividends carry an advantage. So an underweight does have us probably closer to peers, not that we pay much attention to what others are doing but we are aware.
- The TSX has enjoyed a great year, driven by materials (led by golds) and financials (banks). Roughly 2/3rds of the TSX's near 30% year-to-date gain is from these two sectors. Banks have had a strong year, but they are historically expensive relative to banks around the world as well as to their own recent history .
- Top – Golds don't care about the Canadian economy, but banks should. Bank valuations are very high and the economy has slowed. Further multiple expansion will prove challenging.
- TSX valuations at 16.8x is expensive, rarely seeing these levels outside periods when the more cyclical earnings drop materially (drop in earnings can lead to higher multiple).
- One big benefit has been international flows. It would seem, at the margin, flows appear to be going a bit more global, outside the U.S. Canada is getting its fair share of this and given our less liquid market, a few billion dollars can move prices higher. This trend is likely to continue, which is a positive.
- Taken all together – flows are good, valuations are not and a softening economy isn't either. Hence, underweight.

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



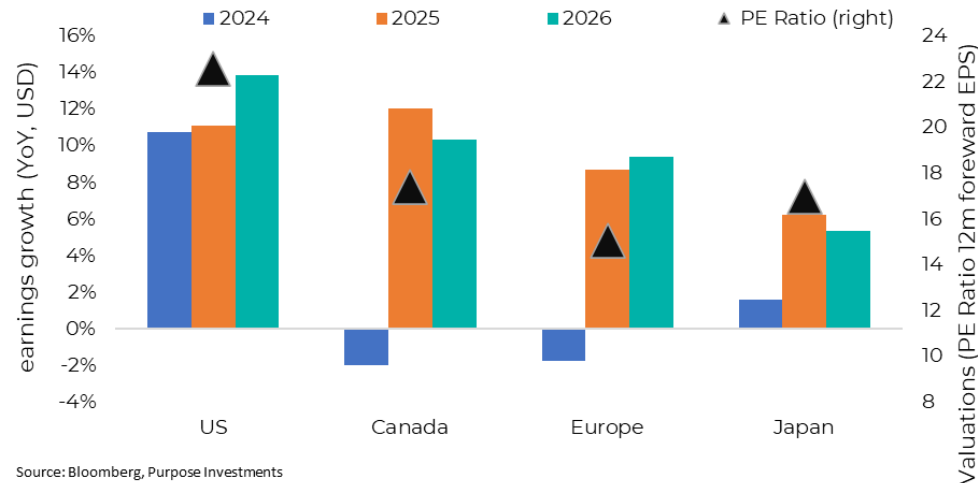
Purpose	Active	Balanced	Current Position	Baseline
Canada			29%	35%
United States			29%	30%
International			42%	35%

- 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 fell after tariff announcements earlier this year and have since been recovering. Companies have proven very skilled at managing the impact, and analysts proven wrong have been gradually revising estimates back up. The weaker US dollar has helped as well. In fact 2026 estimates are now back making new all-time highs.
- While very encouraging, we do wonder if the impact is just slower and more gradual, likely becoming noticeable next year. Or is margin pain being masked by the megacaps....more work on this likely in out 2026 outlook.
- We are not negative on U.S. equities, just believe there is more upside elsewhere, on both an absolute and risk-adjusted basis.

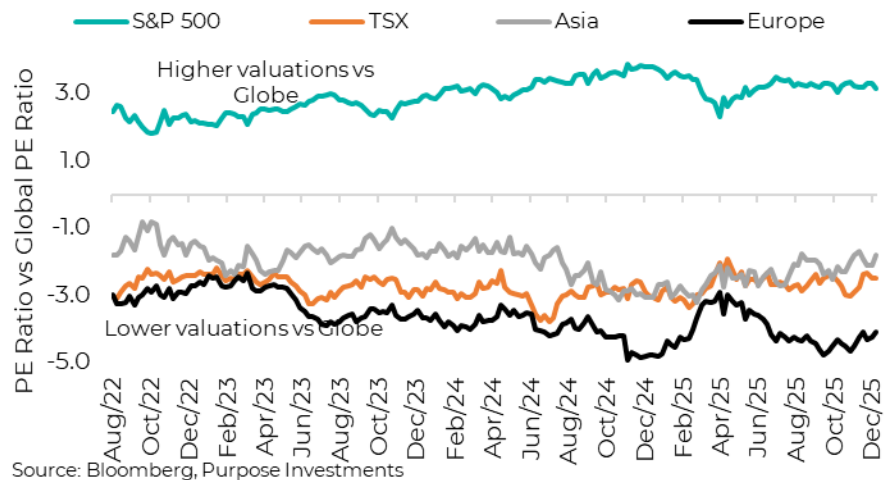


VIII. Why equity exposure is: 3) overweight International

Earnings growth explains so much



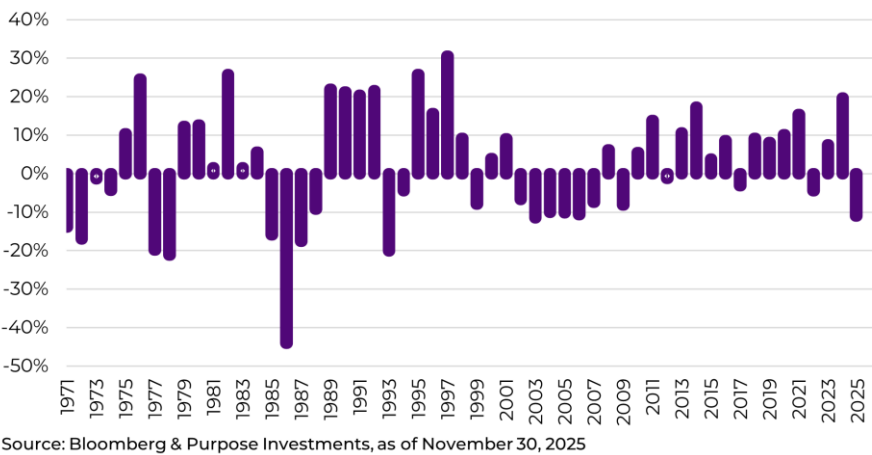
PE Ratios compared to the PE Ratio of the globe



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

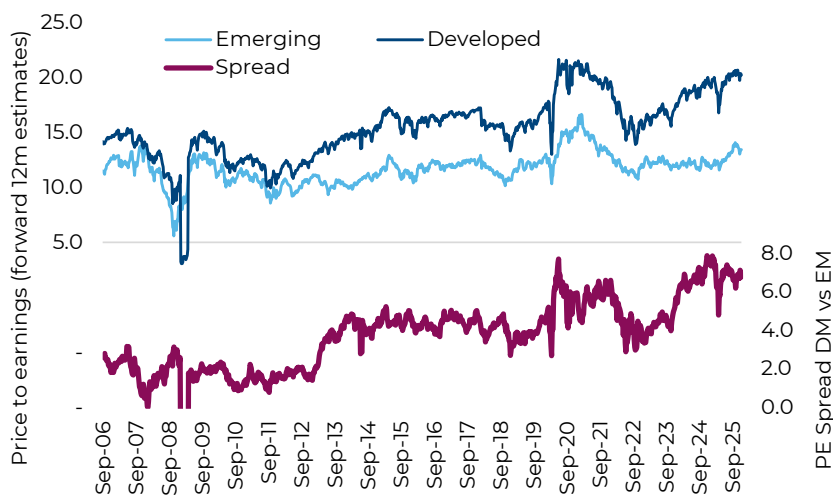
- Top – This chart may explain more about markets over the past few years than anything else. In 2024, US was the only market growing earnings and it crushed other markets, feeding a wider and wider valuation spread. In 2025, earnings growth was everywhere, leading to international (& Canada) closing that valuation gap by outperforming the U.S. We don't think that process is over and still prefer international.
- 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 – we don't expect the valuation metrics to match, but do believe that gap will continue to narrow somewhat. The U.S. is still considerably more expensive despite this years outperformance of Canada and International markets. Given less earnings growth divergence and a wide valuations gap we do not believe this years outperformance is a one off.

Yearly S&P 500 TR Vs. MSCI World Ex-US



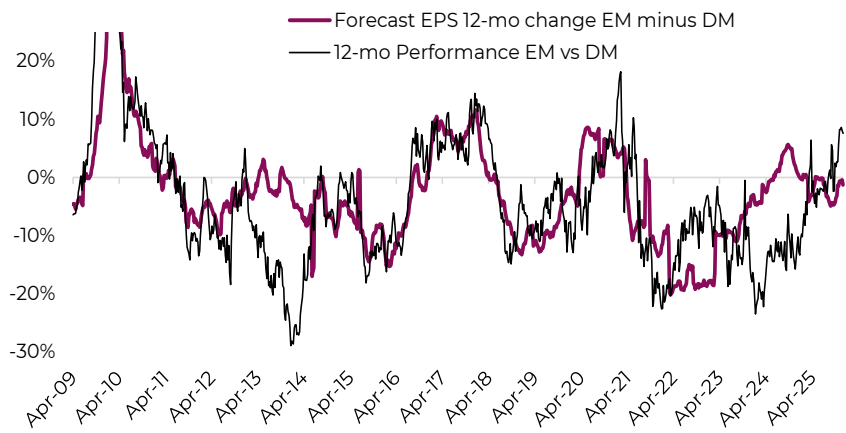
IX. Why overweight emerging markets

Valuation spread lots of narrowing to come



Source: Bloomberg, Purpose Investments

Earnings growth in EM vs DM starting to improve again

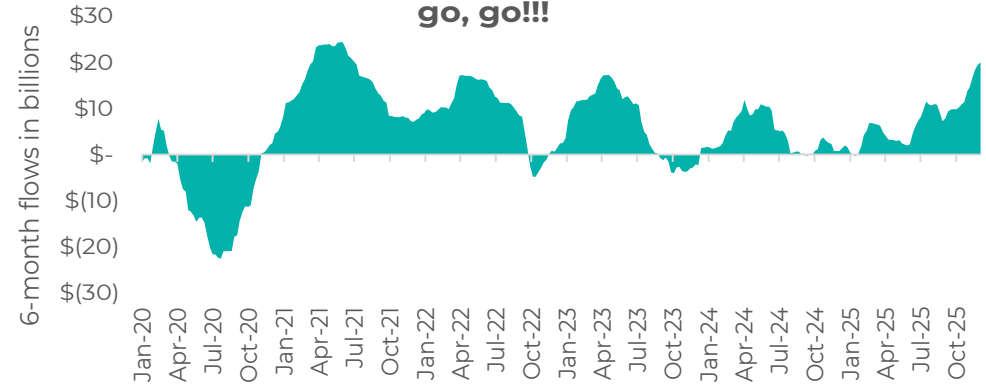


Source: Bloomberg, Purpose Investments

Purpose Active Balanced	Current Position	Baseline
Emerging Markets	9.5%	5%
Developed Markets	90.5%	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 between 6-7 points. This provides a great buffer.
- BL – relative earnings growth between EM vs DM 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.

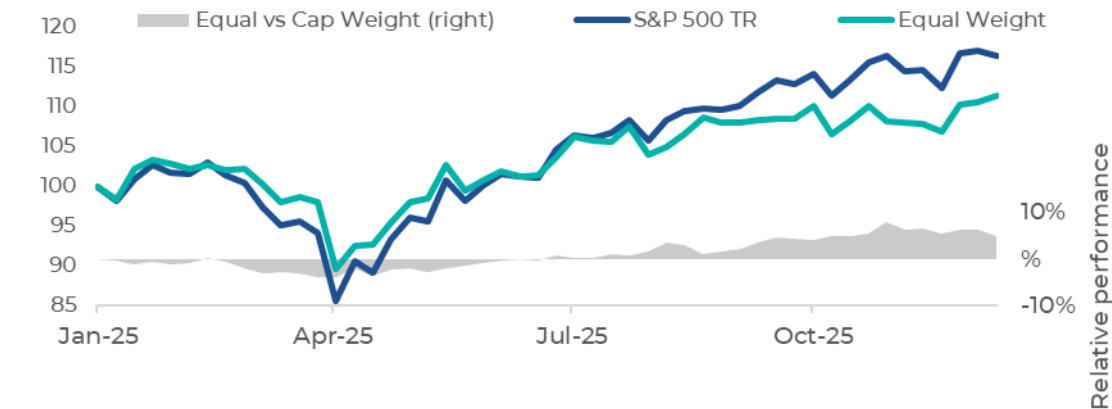
Flows have increased more since last month....go, go, go!!!



Source: Bloomberg, Purpose Investments, 5 of the larger US listed Emerging Market equity ETFs (IEMG, VWO, EEM, SPEN, EMXC) constant pricing

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

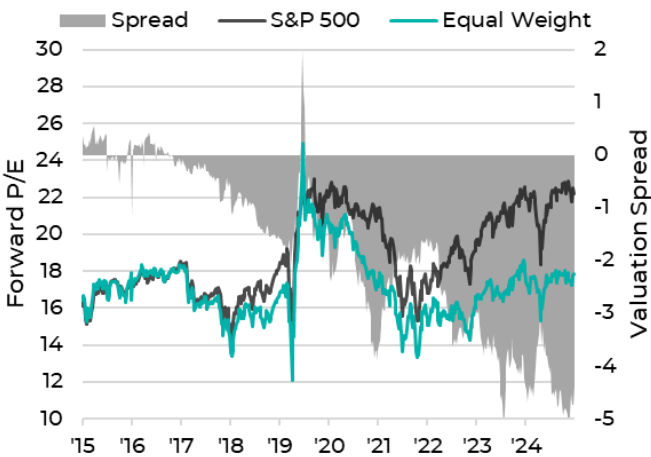
Equal weight is simply more defensive given high concentration in cap weight



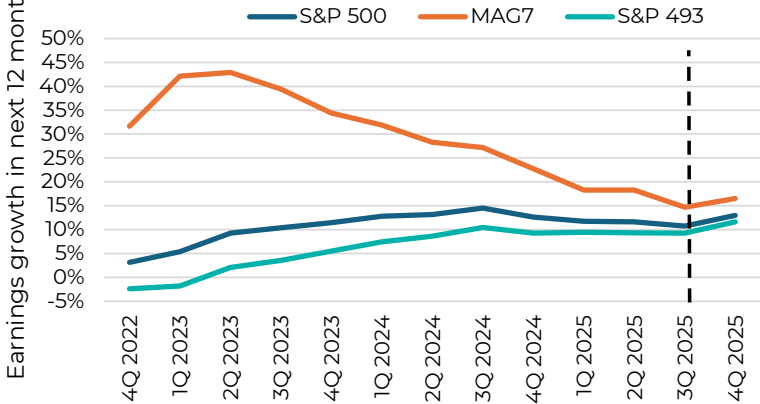
Purpose Active Balanced	Current Position	Baseline
US Equities	29%	30%
Equal Weight	9%	
Market Cap Weight	2%	
Indirect	18%	

- We are roughly market weight for U.S. but have a more defensive tilt, using some 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 this year given the U.S. market continues to be driven by megacap tech names. This trend has shifted the past month with equal weight starting to catch up.
- Top – Even earlier this year 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.

Valuation gap still strongly favours equal weight



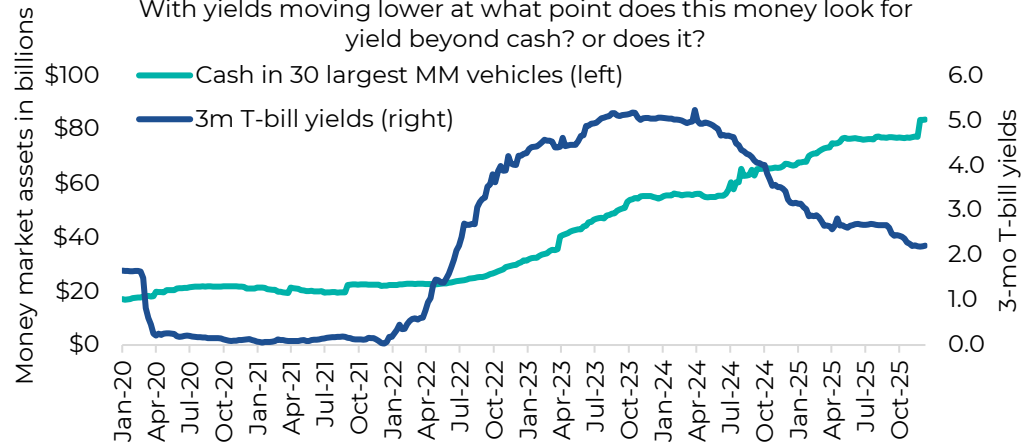
MAG7 growing faster but is that enough?



XI. Why dividends are awesome

Tsunami of Cash - Where will it go?

\$84B parked in the 30 largest cash vehicles in Canada.
With yields moving lower at what point does this money look for yield beyond cash? or does it?

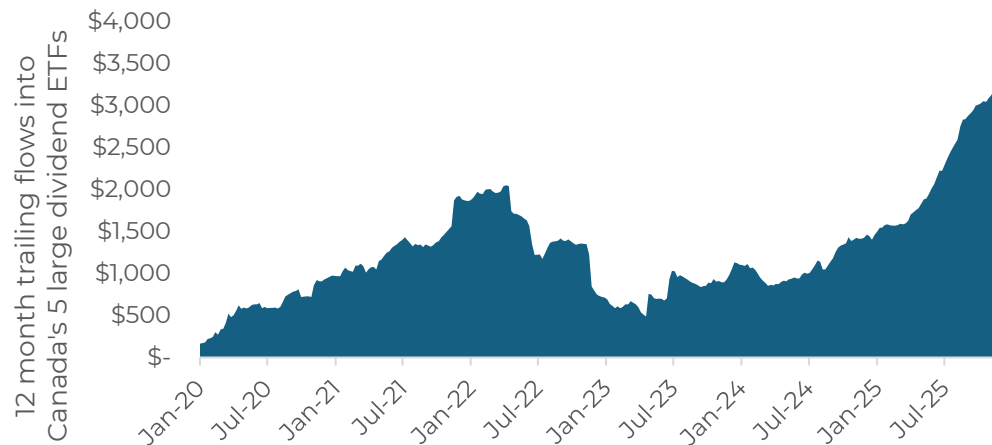


Source: Bloomberg, Purpose Investments, sample of largest 30 money market funds & ETFs & HISAs

Over 1/3 of equity allocation are dividend focused strategies

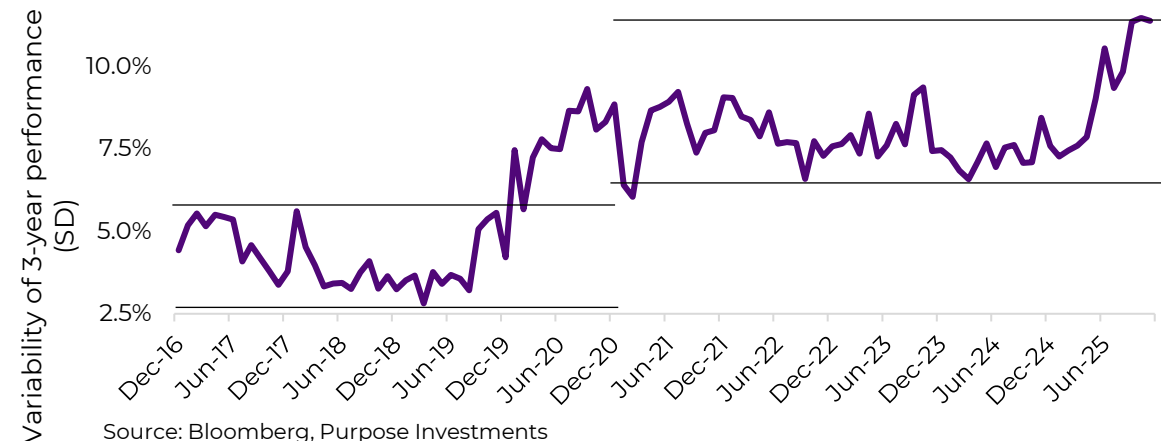
- TL- Cash vehicles, HISAs, money market funds, hoovered up cash in 2022 and 2023. Now with short yields coming down making cash less attractive, and inflows flatlined. Yet there was just a recent jump higher, perhaps investor defensiveness? We do think cash has become less compelling and dividend factor 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

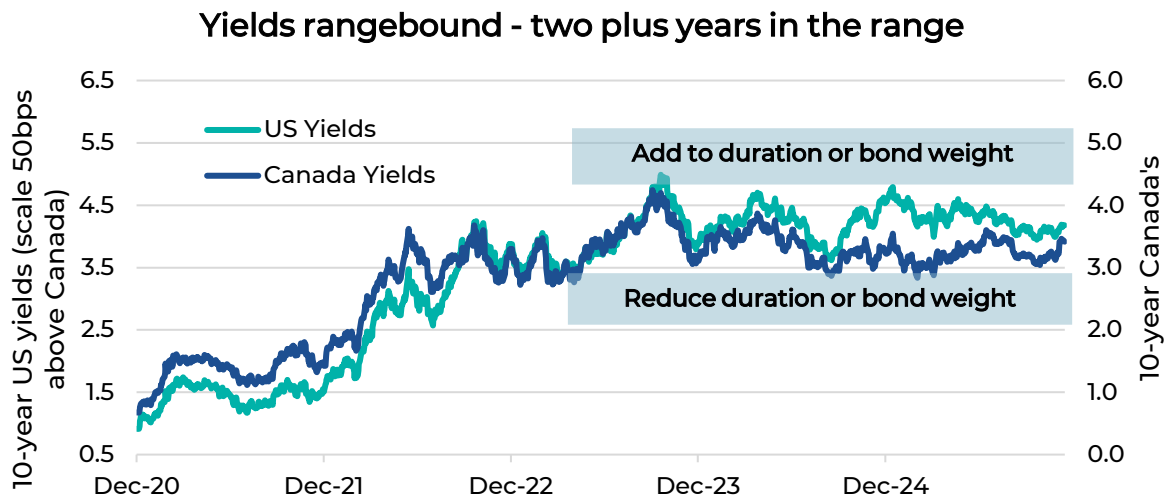


Source: Bloomberg, Purpose Investments

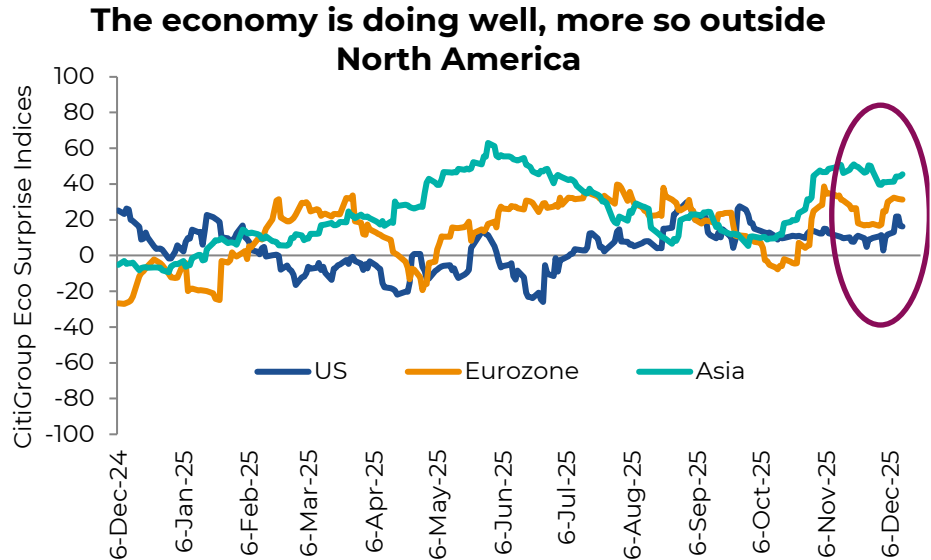
Index is based on variance of performance among a selection of 20 of the largest ETF & Funds with a dividend focus



XII. Why duration of 4.8



Source: Bloomberg, Purpose Investments

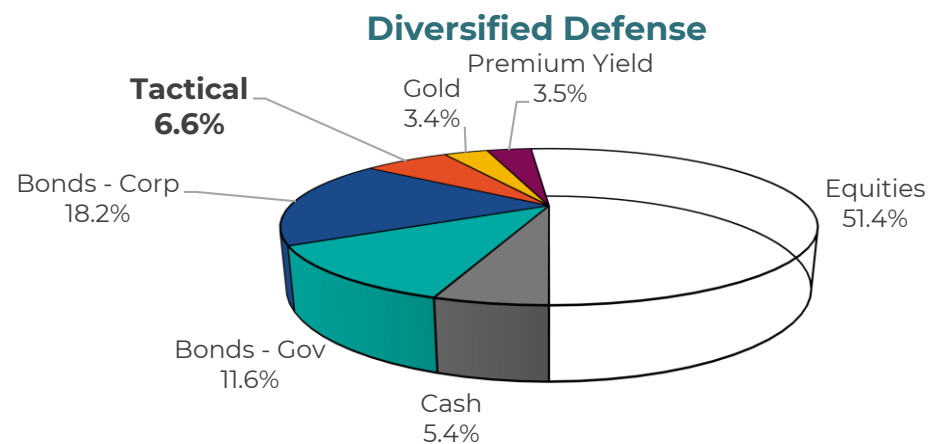


Source: Bloomberg, Citigroup, Purpose Investments

Purpose Active Balanced	Current Position	Baseline
Duration	4.8	5.0

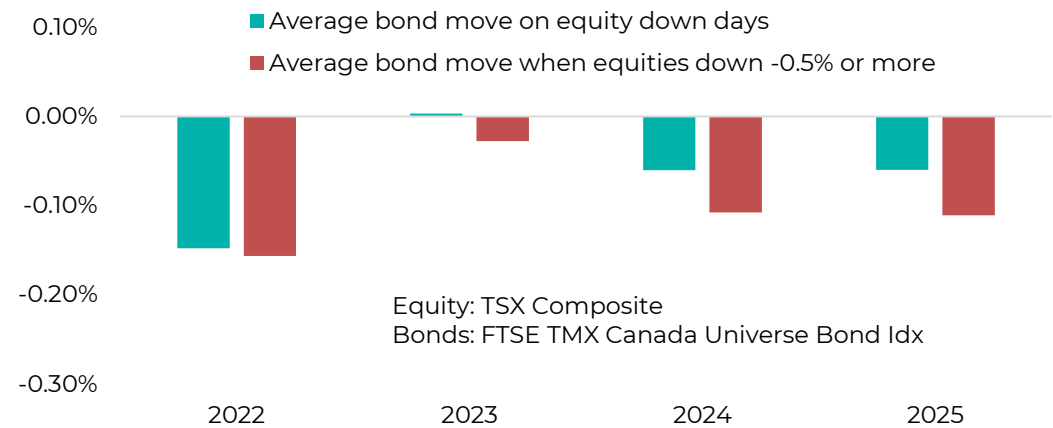
- We believe the current market, with higher inflation and yields than years past, is more challenging for the bond portion of portfolio. While still the cornerstone of defense, a more active duration management is needed.
- TL - We are underweight bonds and reduced duration in early September as bond 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 15 Dec 2025

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.

