Purpose WHY Report

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

Purpose Macro Investment Team

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9 August 2026

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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, combining 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.

Why In Action

Purpose Active Suite

Purpose Active Conservative	
ETF	PACF
Management Fee	0.20%
F Class	PFC22001
Management Fee	0.20%
A Class	PFC22000
Management Fee	1.20%

Purpose Active Balanced	
ETF	PABF
Management Fee	0.20%
F Class	PFC22101
Management Fee	0.20%
A Class	PFC22100
Management Fee	1.20%

Purpose Active Growth	
ETF	PAGF
Management Fee	0.20%
F Class	PFC22201
Management Fee	0.20%
A Class	PFC22200
Management Fee	1.20%

Holdings

Underlying Product	Conservative	Balanced	Growth
Cash	–	–	–
Purpose Cash Management ETF	4.6%	3.5%	5.0%
Purpose USD Cash Management ETF	0.5%	2.5%	3.8%
BMO Aggregate Bond ETF	7.2%	4.2%	4.5%
iShares Core Canadian Corporate Bd ETF	8.9%	5.4%	
Mackenzie Unconstrained Bond ETF	3.8%	3.4%	
iShares Core Canadian Short Term Bd ETF	9.5%	7.0%	
Purpose Global Bond ETF	8.5%	3.6%	3.0%
iShares Core US Aggregate Bond ETF	3.1%		
BMO MT US IG Corp Bd Hdgd to CAD ETF	4.4%	3.2%	1.8%
Purpose Tactical Asset Allocation ETF	4.1%	6.4%	5.2%
BMO S&P/TSX Capped Composite ETF	4.6%	5.2%	10.9%
Purpose Core Equity Income ETF	8.6%	13.1%	9.5%
Invesco S&P 500 Equal Weight ETF CAD H	5.8%	8.9%	6.7%
Invesco QQQ Trust			6.9%
iShares Russell 2000 ETF			3.1%
Stt Strt SPDR S&P 500 ETF		2.1%	
Purpose International Dividend ETF	7.8%	5.8%	6.3%
iShares Core MSCI EAFE ETF	6.7%	5.5%	11.6%
iShares MSCI Japan ETF		3.9%	5.2%
Vanguard FTSE Emerging Mkts All Cap ETF		3.2%	4.5%
Invesco S&P Emerging Markets Low Vol ETF	2.1%	2.0%	2.7%
Avantis International Equity ETF		5.2%	4.9%
iShares MSCI USA Min Vol Factor ETF	2.9%		
Purpose Gold Bullion	3.1%	2.9%	2.5%
Purpose Premium Yield ETF	3.8%	3.1%	2.0%
Total	**100.0%**	**100.0%**	**100.0%**

Source: Purpose Investments, as of July 31, 2026

Top of Mind

Source: Bloomberg, Purpose Investments, as of August 7 with 441 of 498 reported

Any way you cut it, this was a very good Q2 earnings season. With most reported, the positive surprise rate is the best since coming out of COVID.

Combination of just enough inflation, manufacturing cycle upturn, strong capex around AI infrastructure and a good consumer really helped. There is some cost inflation and wage pressures, but add it all up and margins were very healthy.

This isn't just an American story, this earnings season has been strong globally. A big helper in driving most markets back up to making new highs.

It is rare to have Canada, US, Europe, Asia and emerging markets all up over 20% on a 3-year annualized basis. Especially when not coming off a low trough.

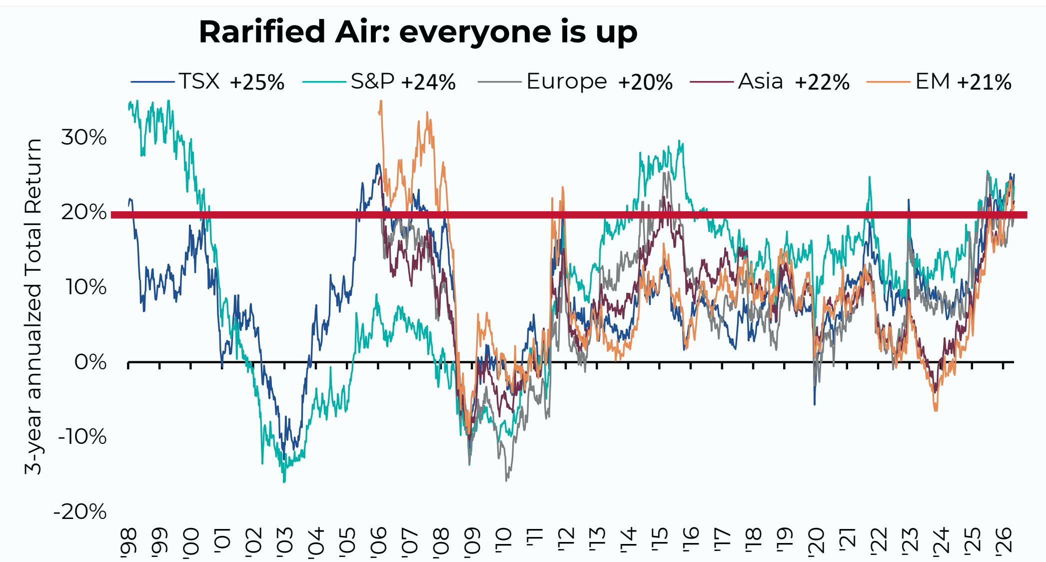
But bull market runs don't die of old age, nor do they die from high altitude. They die due to either external or internal factors.

External, or exogeneous shocks, could be a war, policy, pandemic. We would highlight this market has proven rather resilient to these external shocks over the past few years from tariffs to wars.

Internal, or endogenous, are more nuanced. A single internal factor doesn't end a cycle, it is usually a culmination. Making this more confusing, internal factors often have delayed impacts as it takes time to work through the economy or market.

Higher energy prices or real yields over 2% are good examples, having a delayed gradual impact. Fortunately, there are enough positives at the moment too.

The party keeps going but this is rare territory.



Source: Bloomberg, Purpose Investments, Europe, Asia and EM are Bloomberg indices

Market Cycle

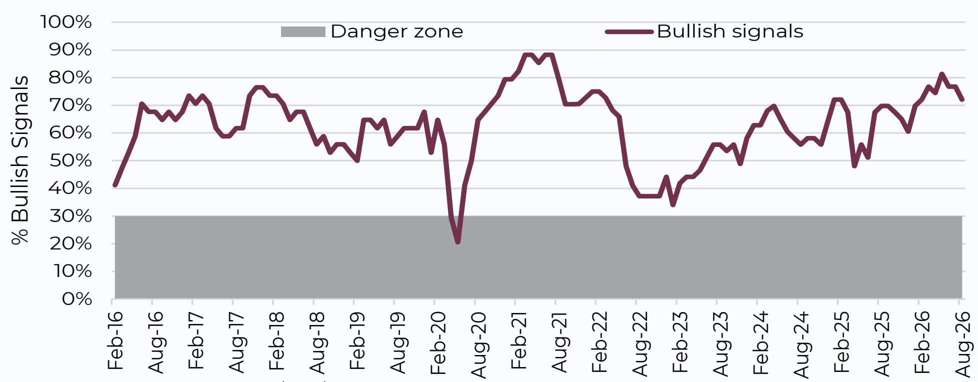
Market cycle indicators

Grouping	Metric	Bull	Bear	Better/ Worse
Rates				1 / 2
	Net Cuts		✓	-
	Yield Curve	✓		+
	Yield Curve 3m	✓		-
US Economy				14 / 6
	Leading Ind (3m)	✓		+
	Leading Ind (6m)		✓	-
	Phili Fed Coincident	✓		+
	Credit (3m)	✓		-
	Recession Prob (NY Fed)		✓	+
	Recession Prob (Clev Fed)	✓		+
	Citi Eco Surprise	✓		+
	GPD Now (Atlanta Fed)	✓		+
	US Unemployment	✓		+
	Consumer Sentiment (3m)	✓		+
Manufacturing	PMI	✓		+
	PMI New Orders	✓		+
	Energy Demand (YoY)	✓		+
	Truck Demand (YoY)	✓		-
	Rail (YoY)	✓		-
Housing	Starts (1yr)		✓	-
	Months Supply (6m)		✓	-
	Home Sales	✓		+
	New Home Sales	✓		+
	NAHB Mkt Activity	✓		+

Grouping	Metric	Bull	Bear	Better/ Worse
Global Economy				3 / 5
	Global PMI	✓		+
	Copper (6m)	✓		+
	DRAM (3m)	✓		-
	Oil (3m)		✓	+
	Commodities (3m)		✓	-
	Baltic Freight (3m)	✓		-
	Kospi (2m)		✓	-
	EM (2m)		✓	-
Fundamentals				5 / 7
	US: PE		✓	+
	US: EPS Growth	✓		+
	US: EPS 2FY v 1FY	✓		-
	US: 3m EPS Revision	✓		+
	Canada: PE		✓	-
	Canada: EPS Growth	✓		-
	Canada: EPS 2FY v 1FY	✓		+
	Canada: 3m EPS Revision	✓		-
	International: PE		✓	-
	Int: EPS Growth	✓		-
	Int: EPS 2FY v 1FY	✓		-
	Int: 3m EPS Revision	✓		+

Source: Purpose Investments, Bloomberg

Market cycle indicators - very healthy



Source: Purpose Investments, Bloomberg

Market cycle indicators remains pretty strong, even if they dipped a bit in early August.

The U.S. economic data has been good. Leading indicators have not really turned up but have not fallen over past 3-months. Employment is ok, sentiment turned up a bit, manufacturing is strong and housing is soft but ok.

Globally, not as strong. We may have to revisit using the KOSPI as an indicator. Historically, their index was super sensitive to changing global trade given export focus and shipbuilders were a big part of their equity market. Now they are memory....hmmm.

Fundamentals are good as this has been an awesome Q2 earnings season. That being said, the recent rise in markets has pushed valuations up again.

Overall, decent.

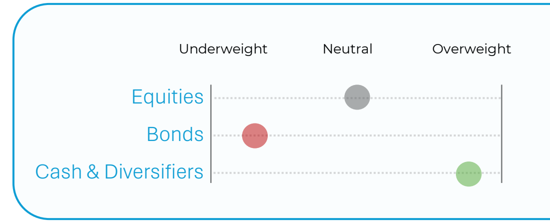
Overall Active Portfolio Tilts

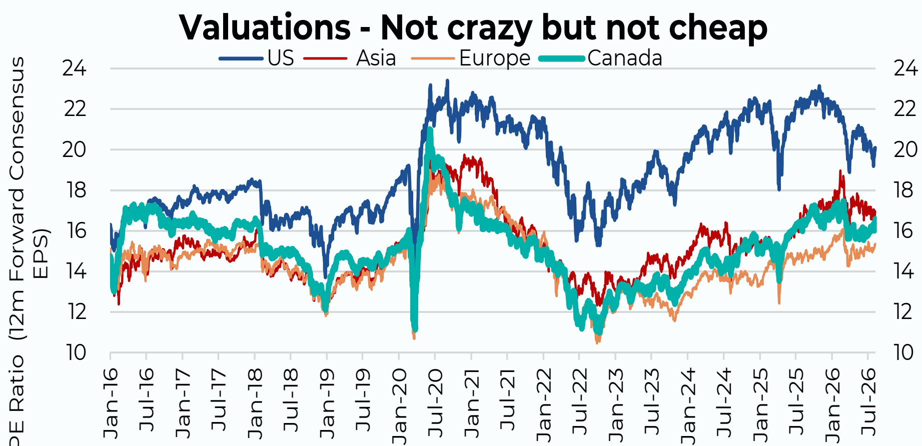
	Underweight		Neutral		Overweight	Positioning	
	--	-	=	+	++		
Overall						Current Weight	Baseline
Equity			●			58%	57%
Bonds		●				29%	36%
Cash				●		7%	2%
Diversifiers				●		6%	5%
Equities							
Canada		●				**29%**	35%
U.S.		●				28%	30%
International					●	**43%**	35%
Emerging Markets				●		**9%**	5%
Style (Value ←→ Growth)		●					
Size (Small Cap ←→Large Cap)				●			
Fixed Income							
Duration (Low ←→ High)			●			4.8yrs	5yrs
Government		●					
Credit			●				
Credit – Investment Grade				●		**89%**	70%
Credit – High Yield		●				7%	30%
Credit – Preferreds	●					0%	0%
Diversifiers							
Volatility Reduction Strategies				●			
Growth Strategies		●					
Structured Product/Yield			●				
Real Assets			●				

Active/Passive	**Passive**				**Active**		
Management Approach		●					

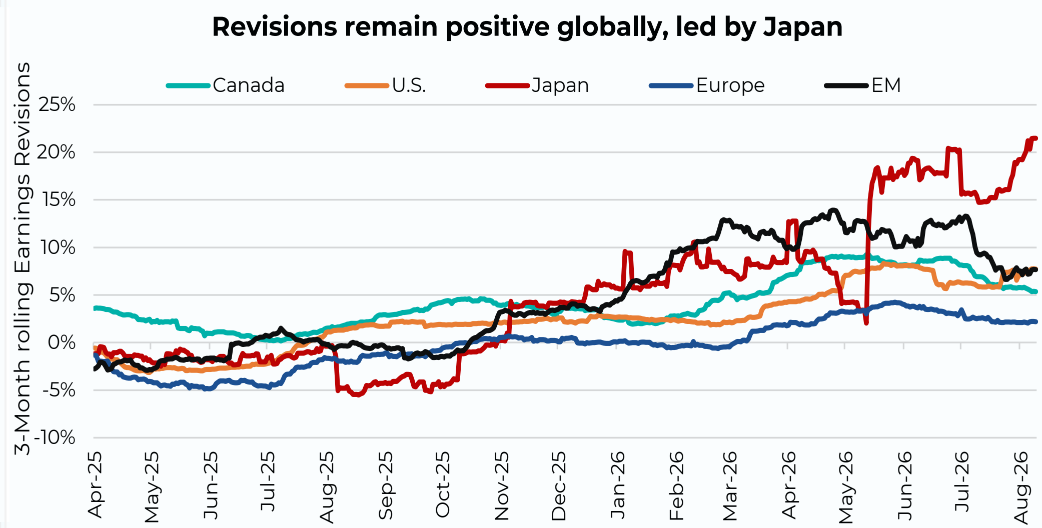
Strategic Tilts

We are roughly neutral on equities. The economic and earnings backdrop remains positive. Add an AI bubble that is likely still in the inflation phase, this market bull could easily continue. Tempering this view is the already strong returns generated and our view this is late cycle given inflation, a number of economic factors and outsized returns.





Source: Bloomberg, Purpose Investments
US=S&P 500, Asia=Bloomberg APAC Developed, Europe=Bloomberg Europe 600, Canada=S&P/TSX Comp



Source: Bloomberg, Purpose Investments

Valuations are not stretched but not cheap either. Justified given strong economic backdrop.

Sill more value internationally but the spread is less than previous years.

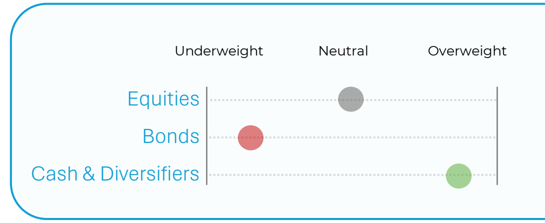
Earnings revisions remain very strong led by Japan, with Europe lagging.

Overall earnings revisions remain encouraging for equities.

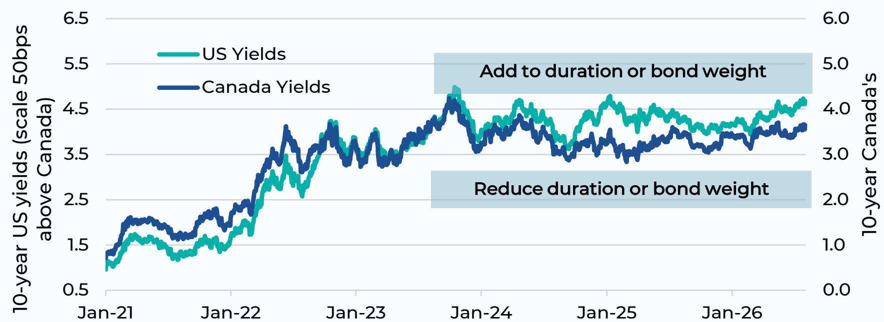
Strategic Tilts

We remain underweight bonds but have a reasonable duration in the high 4s. Bond returns remain muted as yields are stuck in a range. We believe this is the new normal range and will persist, unless there is a big inflation spike or a recession. Neither is our base case scenario.

With less bonds we lean on cash and diversifiers for portfolio defense. Plus this does give us optionality should weakness present some opportunities.



Yields remain rangebound, albeit nearing upper boundry



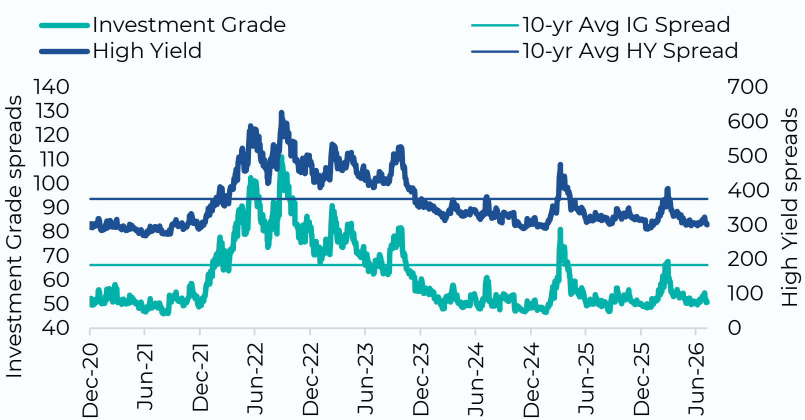
Source: Bloomberg, Purpose Investments

Bond yields have ticked higher on a bit higher inflation, likely to continue as previously high energy prices work their way through the global economy. Relatively tight economies is also putting some upward pressure on inflation.

As more bond buyers are yield sensitive, we believe this is why yield remain rangebound.

The real yield on U.S. Treasuries is over 2%, which we view as fair value. Our underweight is more predicated on a smaller performance uptick from longer duration. And the muted defensiveness of bonds given higher equity/bond correlations.

Credit spreads - so loooooooow



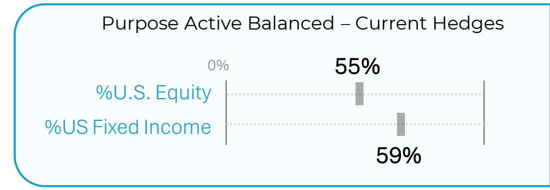
Source: Bloomberg, Purpose Investments

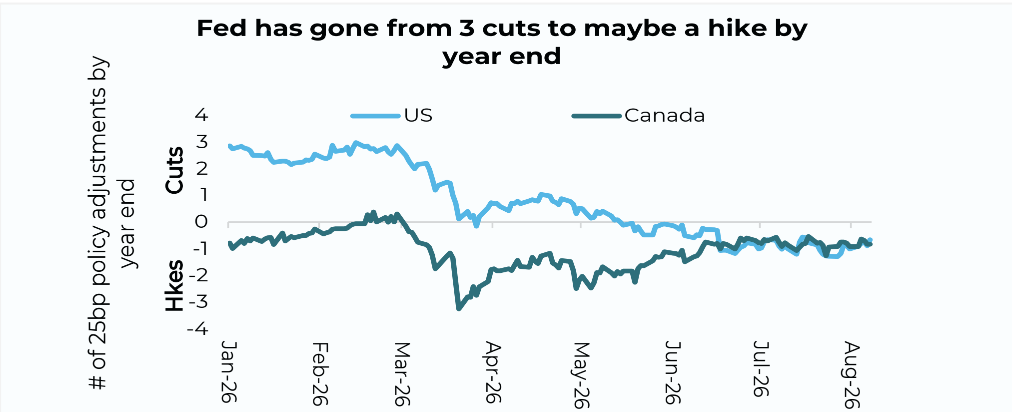
On the credit side, spreads are very low. While nominal yields are attractive, this limits how much credit exposure we want to take at this time.

With an underweight in bonds we have an overweight in cash and diversifiers. Bond / equity correlations remain elevated and we desire to find defense from other sources.

Currency Hedges

We generally like U.S. dollar exposure (aka unhedged U.S. positions) because of the safe-haven characteristics of the global reserve currency and repatriation flows during times of trouble. BUT, this view has softened because 1) risk deficits/sovereign debt could upset markets, 2) policy flip floppery has eroded global confidence on the margins and 3) it is expensive still. This has us mildly bearish on USD.

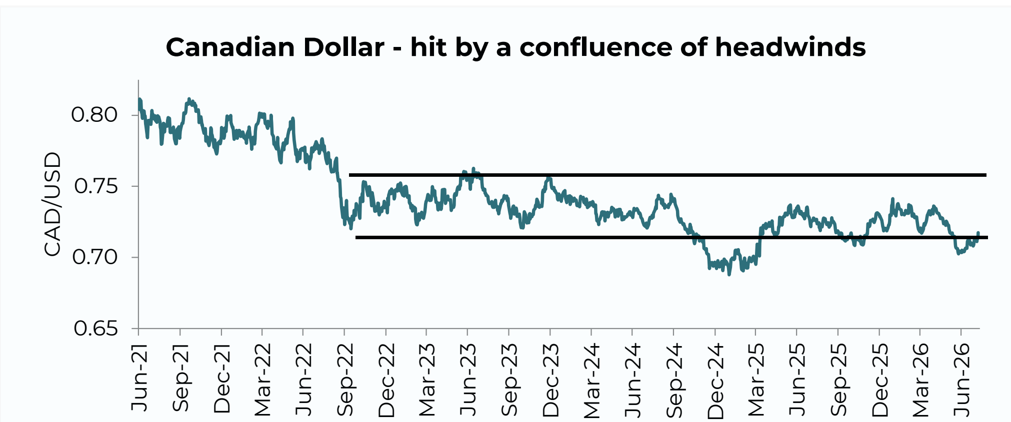




Source: Bloomberg, Implied central bank rates, Purpose Investments

Unfortunately, our partial hedge has not been helpful of late. The USD has strengthen against all currencies over the past few months. Primarily as the market gained confidence the new Fed Chair will be data driven vs politically influenced. Time will tell if this holds when economic data softens, but for now that is the case.

This, plus stronger economic and inflation data, has pushed the market from expecting 3 cuts this year to possibly a hike. That is a big swing that lifted the USD.



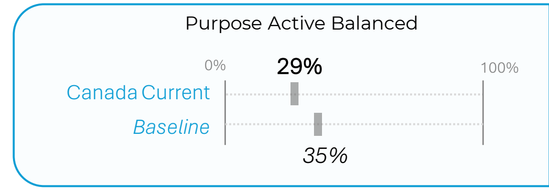
Source: Bloomberg, Purpose Investments

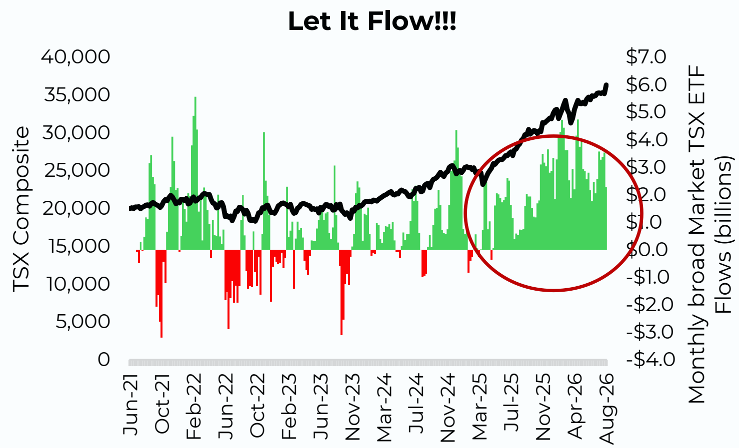
There are additional headwinds for the CAD. Softer economic data in Canada (2 Qs of mildly negative GDP), USMCA risk, oil prices volatile with on/off opening of Hormuz, all weigh on CAD.

We had contemplated additional hedging but with CAD recovering somewhat, back into holding steady with current hedges.

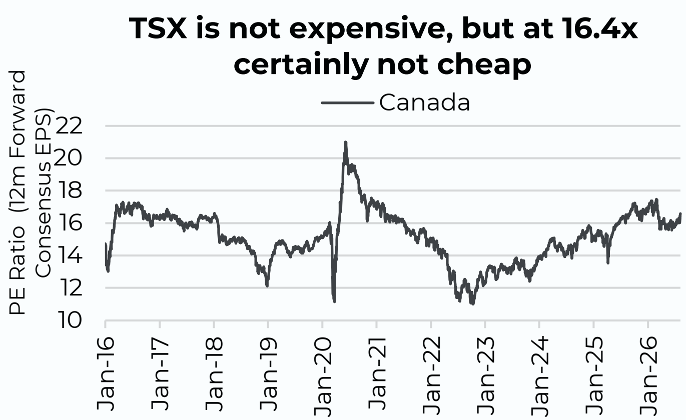
Canada Exposure

We are a bit lighter on Canadian equity, after taking some profits late in 2025 (clearly early, whoops). Valuations are a bit stretched especially given most earnings growth is coming from the more cycle parts of the market, namely energy and materials.





Source: Bloomberg, Purpose Investments, flows based on 20 largest ETFs tracking broad Canadian market



Source: Bloomberg, Purpose Investments

The TSX is a bit expensive at 16.4x, with the supporting argument strong earnings growth easily justifies the valuation. But the majority of earnings growth comes from Energy & Materials. These are real earnings but we just don't want to pay a high multiple for highly cyclical earnings.

Financials, driven by banks, are making the TSX pricey. Historically valuations for Canadian banks sit 11-13x, now much higher. Higher than U.S. banks in some cases. This has us a bit more cautious on Canadian Banks, preferring insurance and other financials.

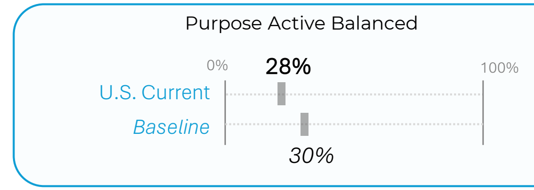
We have no reason to believe the large inflows for Canada will end anytime soon. But we also believe much of the recent gains have come from these flows pushing up the most liquid names. This creates a large risk should those flows slow.

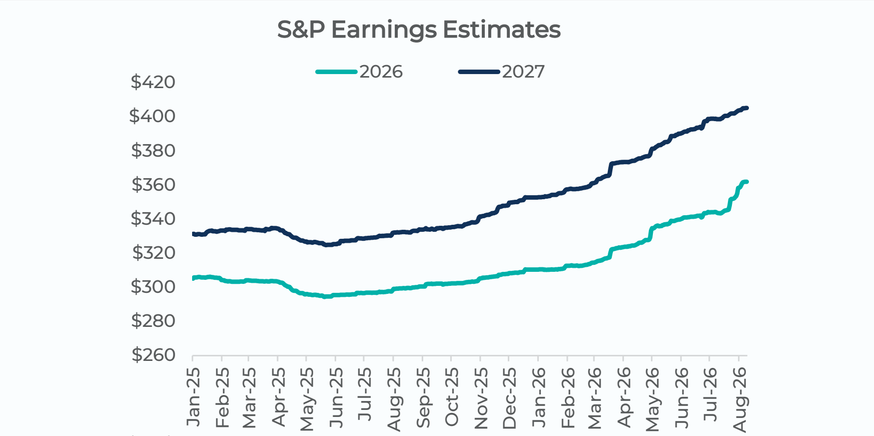
Given liquidity drops so quickly in Canada, when flows come in the dollars go into the more liquid names. Breaking the TSX 60 into the top and bottom quartile based on market cap, the big quartile is up 15% (price only) and the smallest quartile is up only 1%.

While underweight, at 29% it is still a healthy Canadian equity weight.

U.S. Exposure

We are roughly neutral weight for U.S. equities. Encouraged by a strong earnings season and good economic backdrop, our view is tempered by concentration and degree of AI exposure. With our mindset to avoid chasing, with S&P at 7,700 we are likely more harvesters than chasers. To mitigate some of the risk we do have a tilt towards using more equal weight exposure.

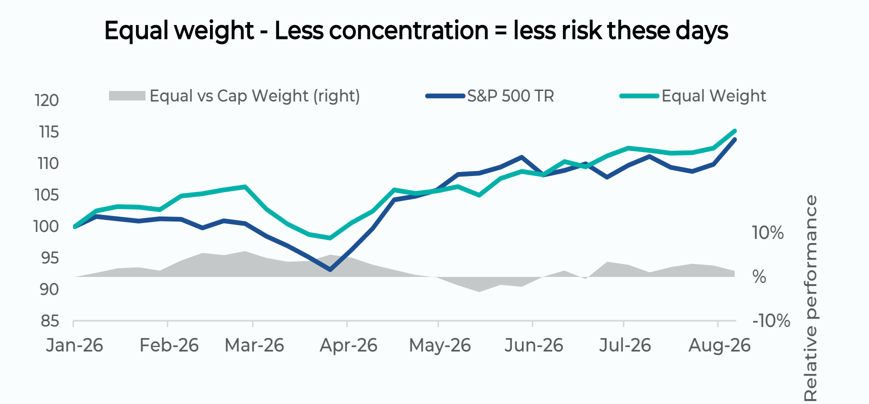




Source: Bloomberg, Purpose Investments

U.S. is trading around 20x forward estimates, this has come down as earnings continue to march higher. No denying Q2 earnings season was a good one. The market has moved past the conflict over Hormuz and enduring a brief stumble of the AI theme.

As the fundamental tailwind fades once earning season is over, there may be some digesting of previous gains. Nobody is really afraid of anything, other than the strong gains already experienced. But that is the same everywhere.



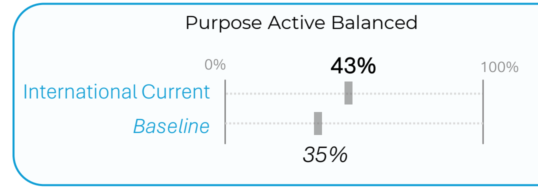
Source: Bloomberg, Purpose Investments

While we do have market cap exposure and some active ownership of a few of the megacap tech names, a good amount of our U.S. exposure is equal weight. The valuation discount remains, about 3 points, with about the same earnings growth forecast over the next twelve months.

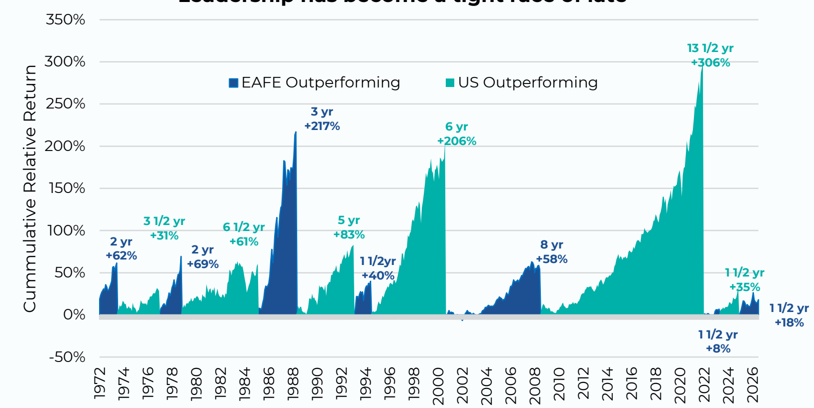
However the biggest motivation for this tilt is defense. Equal weight is simply less concentrated and less risky.

International Exposure

After adding a bit to our international developed exposure in March, we still remain overweight. Broadly speaking this overweight does have a more Asian market tilt compared to EAFE which is more European tilted. We do like Europe for a number of reasons, but see more upside in Asia.



Leadership has become a tight race of late



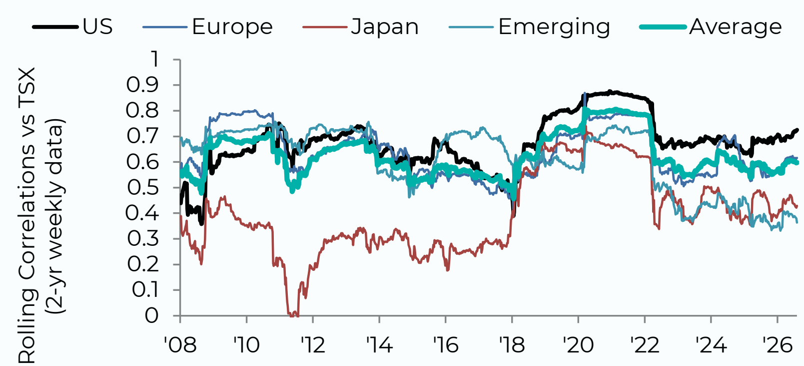
Source: Bloomberg, Purpose Investments, price returns 1970-94, 1994+ total return, USD, Jul-2026

If leadership has changed, this could go on for a long time if history is any guide. Especially since the US had dominated for such an extended period.

In 2025 this was an easier call given big valuation discount and converging earnings growth. Today, the valuation spread is still there but a bit more narrow. And the U.S. has the lead in earnings growth for 2026, 2027 estimates have this narrowing again.

2026 has been a closer race but international is still winning, albeit more volatile given sensitivities to the conflict in Iran. As we believe this is cooling, international should outperform on any movement towards stability.

Japan, Europe & EM have become good diversifiers for TSX



Source: Bloomberg, Purpose Investments

For many years most international markets moved together (ignore Japan as it has always been rather different). More recently, the correlation of international markets with the TSX has softened. We believe as the world becomes more divergent, from politics to economics, markets will become more independent.

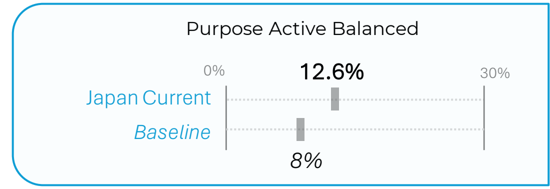
This should increase the diversification benefits of being more international. We would also add, while we don't love Europe (policy wise, demographics, etc) it does offer a good diversifier from the AI trade.

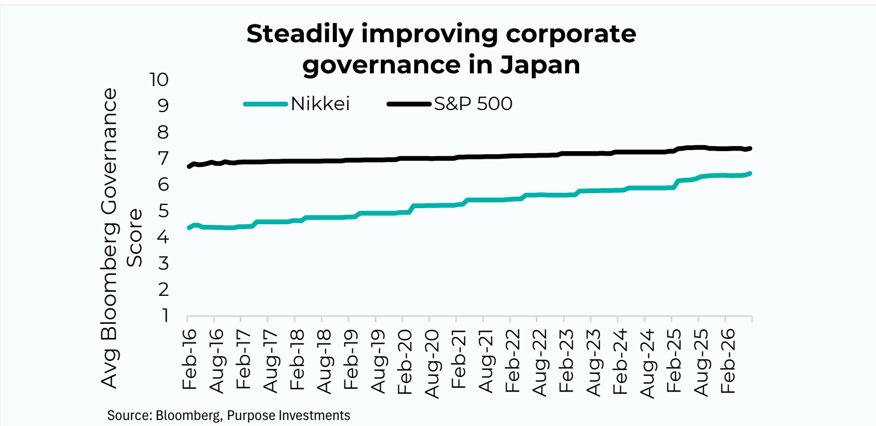
Still like our overweight international tilt.

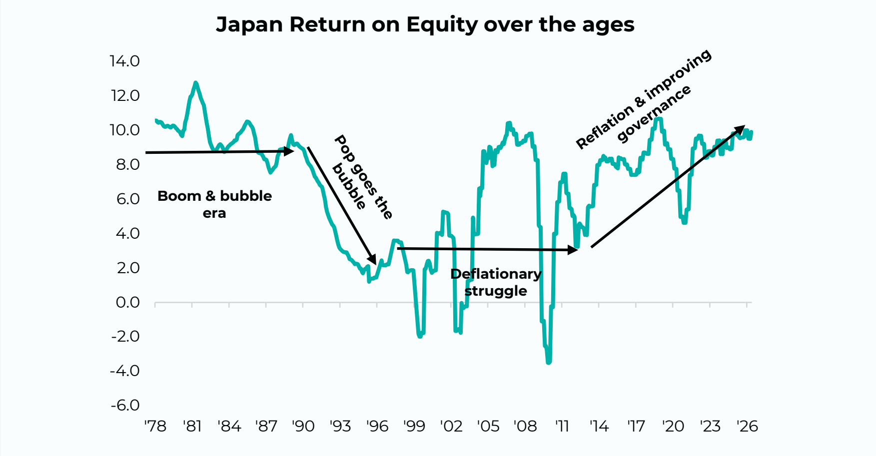
Japan Exposure

We have more Japan exposure than most peers, and added a bit more in March. Our current positions that have some Japanese equity exposure include ADVE (20%), IEFA (25%), PID (16%) & EWJ (100%) totaling out to 12.6% of our overall equity exposure.

It has worked out well, we constantly revisit our rationales and here is our current thinking below.







We must start with the yen, after touching 164 there was a coordinated intervention from Japan and the U.S. First time in decades. This has pushed the yen down to 159 (btw down is up with the yen). Unsure how this will go but we do like to see a line in the sand for yen weakness.

Currency volatility, rising yields and energy risk (big net importer) are the primary concerns. Countering this is very nice earnings momentum, improving governance and rising return on equity. Valuations are a bit higher now, based on PE, but if you look at other valuation metrics from sales to book, there is a lot of upside.

As the top performing major market this year, our view is a bit tempered. Fortunately, the long term thesis remains.

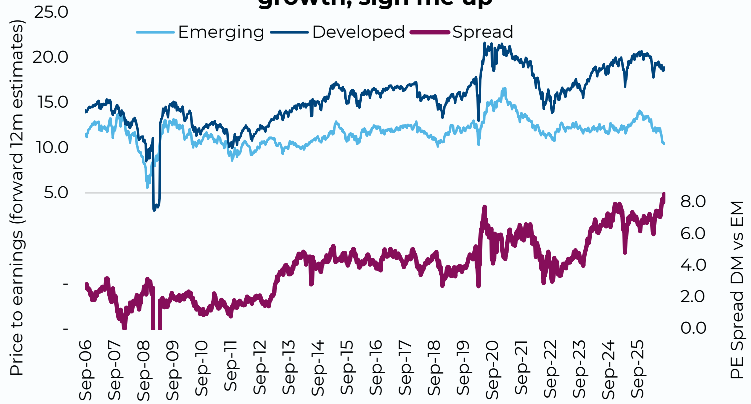
Sticking with this overweight.

Emerging Markets Exposure

This is pretty much our max Emerging Markets weight. Not your father's emerging markets as there is a good amount of tech and AI trade exposure. We are constructive but do not have as much AI exposure as the broad EM market based on our manager selection.

Purpose Active Balanced

Materially cheaper valuations + faster earnings growth, sign me up



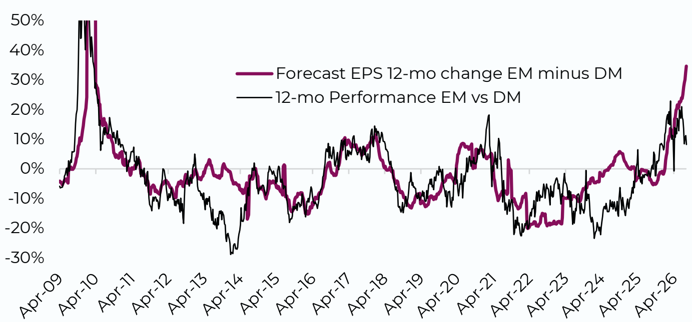
Source: Bloomberg, Purpose Investments

Valuations for Emerging Markets (EM) are pretty much always cheaper than more developed markets (DM). But we are now looking at a spread of over 8 points which has been the max over many years. One could argue the earnings are super cyclical but that is one BIG spread.

Added positives include global trade accelerated of late, above the key 4% threshold. Historically, when global trade growth exceed 4%, EM outperformed DM. When below DM won. Trade is currently growing at 5%.

Technology is the big driver, now carrying a 38% weight. But financials, energy, industrials are also doing well.

EM earnings growth accelerating MUCH faster than DM



Source: Bloomberg, Purpose Investments

Cheap valuations isn't new but add higher relative earnings growth between EM vs DM, this historically correlates well with relative performance. In fact, look at how well it fits with earnings growth accelerating recently for EM. Earnings growth in EM is going ballistic. There is lots of room for the share prices to follow.

One negative has been slowing inflows to key ETFs. Certainly worth watching but overall we remain optimistic.

Duration

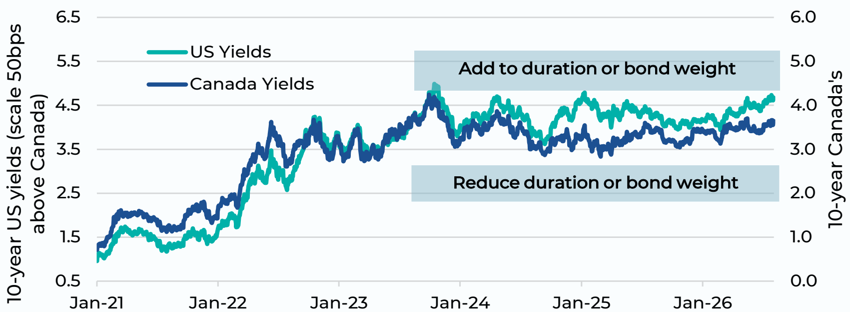
We believe the current market, with higher inflation and yields than years past, is more challenging for the bond portion of portfolio. While still the cornerstone of defense, a more active duration management is needed.

Given underweight and moderate duration, we feel comfortable.

Purpose Active Balanced

	0yr	4.8yr	10+yr
Current Duration			
Baseline		*5.0yr*	

Yields remain rangebound, albeit nearing upper boundry



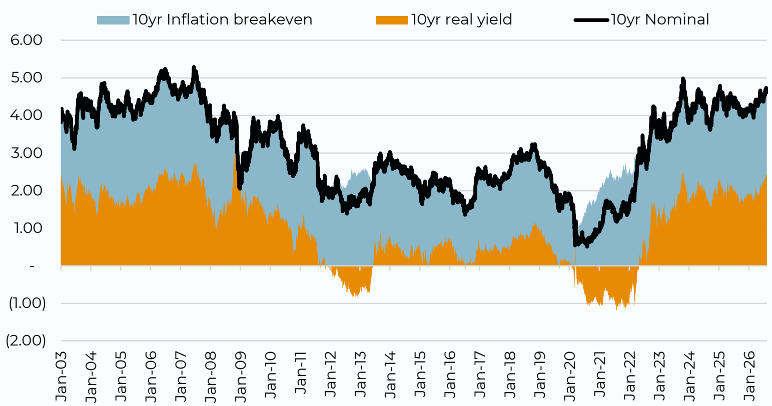
Source: Bloomberg, Purpose Investments

We are underweight bonds and reduced duration last September as bond yields had come down. Now they are starting to rise a bit, nearing the top of the recent multi-year range.

Outside a BIG inflation surprise, or roll over in economic growth, we see yields remaining rangebound. The buyer/seller is now more yield sensitive than years past, which reduces volatility. Credit quality is high, with a good allocation to government and investment grade. Yields have moved higher on the potential inflation impact of elevated oil prices due to the conflict.

Plus, some added concern over deficits. Yields are not high enough for us to lean in at this time.

Real yields of 2.4% is attractive



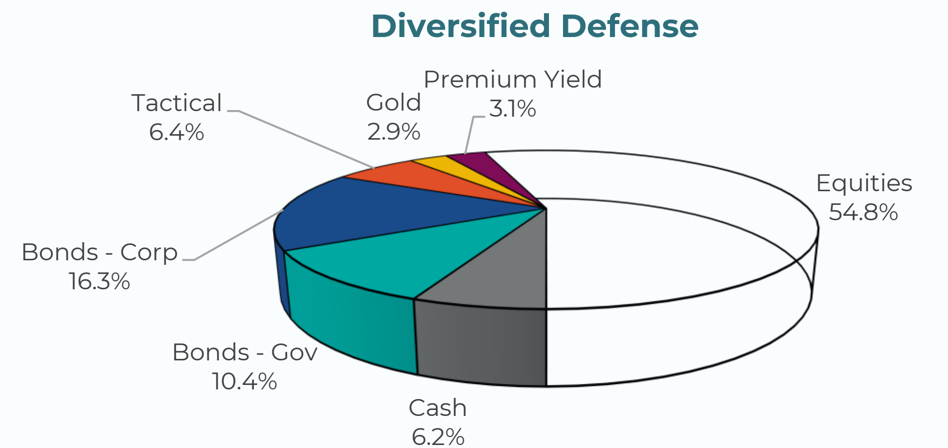
Source: Bloomberg, Purpose Investments

2%+ real yields is fair or even a bit attractive, in our view. If they go higher, we would be enticed to add. If lower maybe the opposite. The good news is a real yield of 2% is more normal and constructive.

Diversified Defense

Every correction is different, speed, magnitude, duration and the cause. The last 4 have been caused by an exogeneous shock from Covid (2020), Inflation (2022), trade policy (2025) and war (2026). Will the next one be an AI stumble, a growth scare/recession, or earnings failing to match elevated expectations.

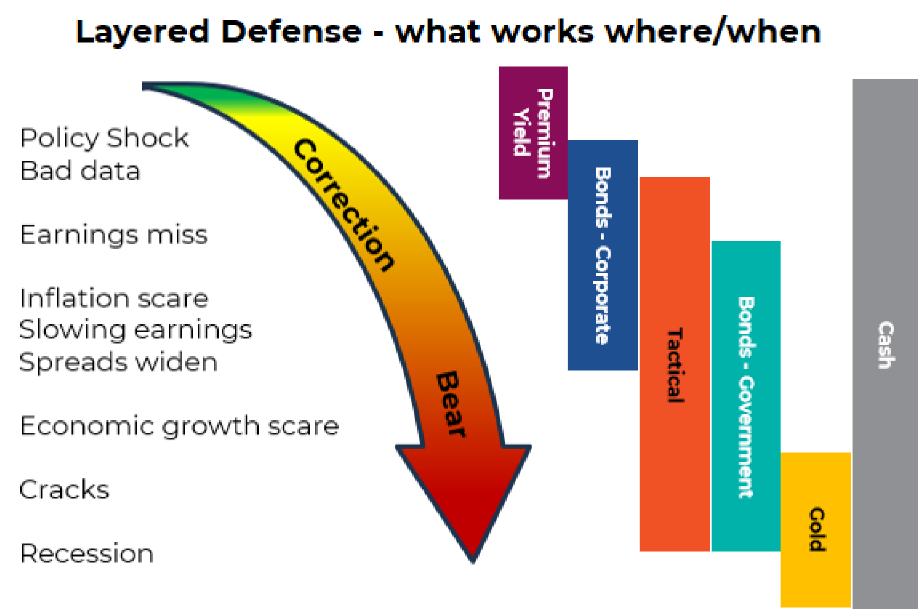
In different types of corrections, different types of portfolio defense work well or not as well. Having a layered defense is increasingly important.



Source: Purpose Investments PABF Allocations 10-Aug-2026

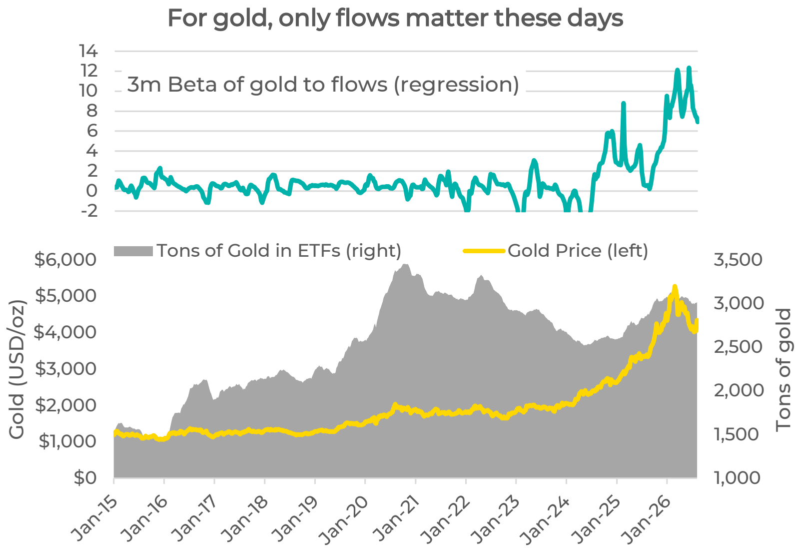
This is our current diversified defense stack. Bonds complemented with cash, gold, tactical (momentum) and option writing.

We think of defense in layers. Depending on the cause of weakness from a shock triggering a correction to an economic growth scare, or worse, to a recession, different pieces of our diversified defense work in various scenarios.



Source: Purpose Investments, illustrative purpose only

Gold – back to being gold again



Source: Bloomberg, Purpose Investments

For much of the past couple years gold has been mainly driven by flows. But that relationship appears to be softening. Furthermore, gold held at $4,000/oz despite a recent rise in the US dollar and a rise in real yields. In our view when headwinds build and the price does not go down, the path of least resistance is up.

We continue to own bullion in our multi-asset and believe it is regaining its role as crisis alpha. While we have not added, we did add in our Core Equity Income fund (a holding in the multi-asset).

Remain positive on gold as a diversifier in portfolios.