Purpose INVESTMENTS

Purpose WHY Report

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

Purpose Macro Investment Team

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9 June 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, ensuring top-tier analytical rigor and technical expertise in market analysis and strategy execution.

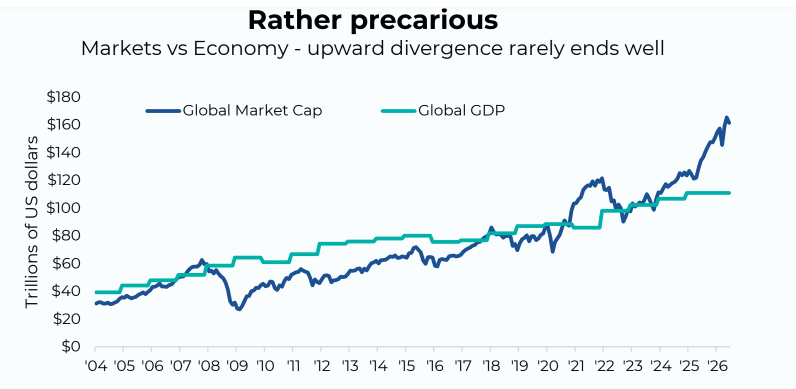
$2 Billion AUM Across Mandates

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.

Top of Mind



Source: Bloomberg, Purpose Investments

2021 was a bubble, led by non-profitable tech, MAG7, crypto, etc. It ended in 2022 but the damage didn't spread, perhaps because a 2nd bubble started to inflate in time, called AI.

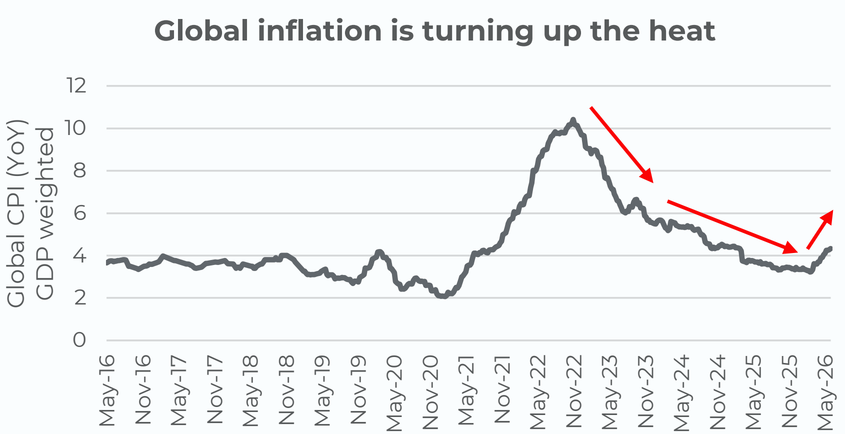
Global equity market cap and Global GDP certainly are not tethered very tightly. But this spread is getting pretty big.

Global markets are up about 60% over the past 3-years, that is +$60 trillion in wealth, totaling just over $160 trillion. These numbers are getting kind of insane, even if you inflation adjust.

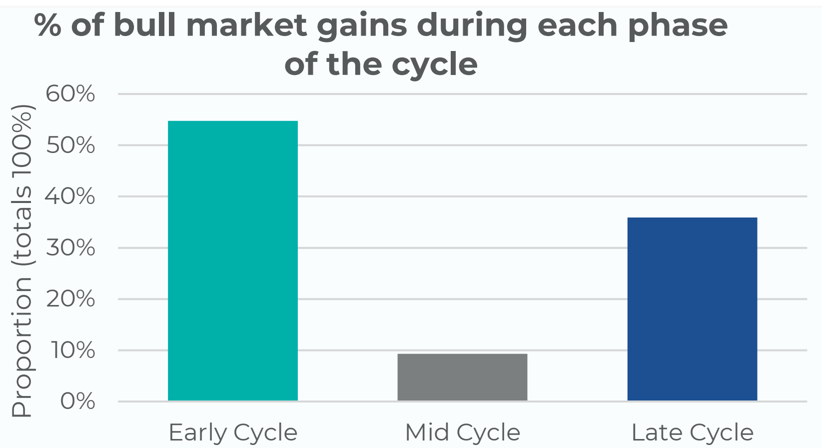
This is late cycle: inflation is rising, as are bond yields. Commodity prices are up and late cyclicals are performing very well. Unemployment is low but the consumer is starting to weaken. Output gap is just about closed in most countries. We have enjoyed outsized equity market returns. And there is a technology that is going to change the world. If that is not late cycle characteristics, please share what is missing.

There is good news, economy doing well, earnings up, nobody seems to care about Strait of Hormuz all that much.

We are not bearish, as this phase often enjoys some big gains (and bigger oscillations as bulls & bears fight it out). But we sure don't think this is the time to be overweight.



Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

Market Cycle

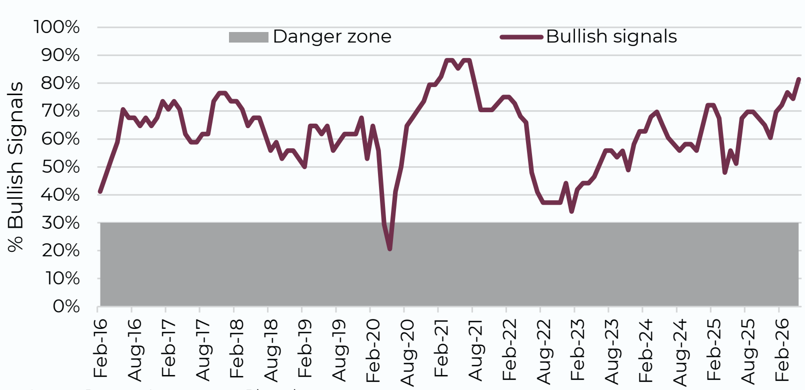
Market cycle indicators

Grouping	Metric	Bull	Bear	Better/ Worse
Rates				2 / 1
	Net Cuts	✓		-
	Yield Curve	✓		+
	Yield Curve 3m	✓		+
US Economy				15 / 4
	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 / 4
	Global PMI	✓		
	Copper (6m)	✓		-
	DRAM (3m)	✓		+
	Oil (3m)		✓	-
	Commodities (3m)	✓		-
	Baltic Freight (3m)	✓		-
	Kospi (2m)	✓		+
	EM (2m)	✓		+
Fundamentals				6 / 6
	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 - all good



Source: Purpose Investments, Bloomberg

Market cycle indicators remain supportive for markets.

The U.S. economic data has improved, mainly thanks to strong manufacturing data points.

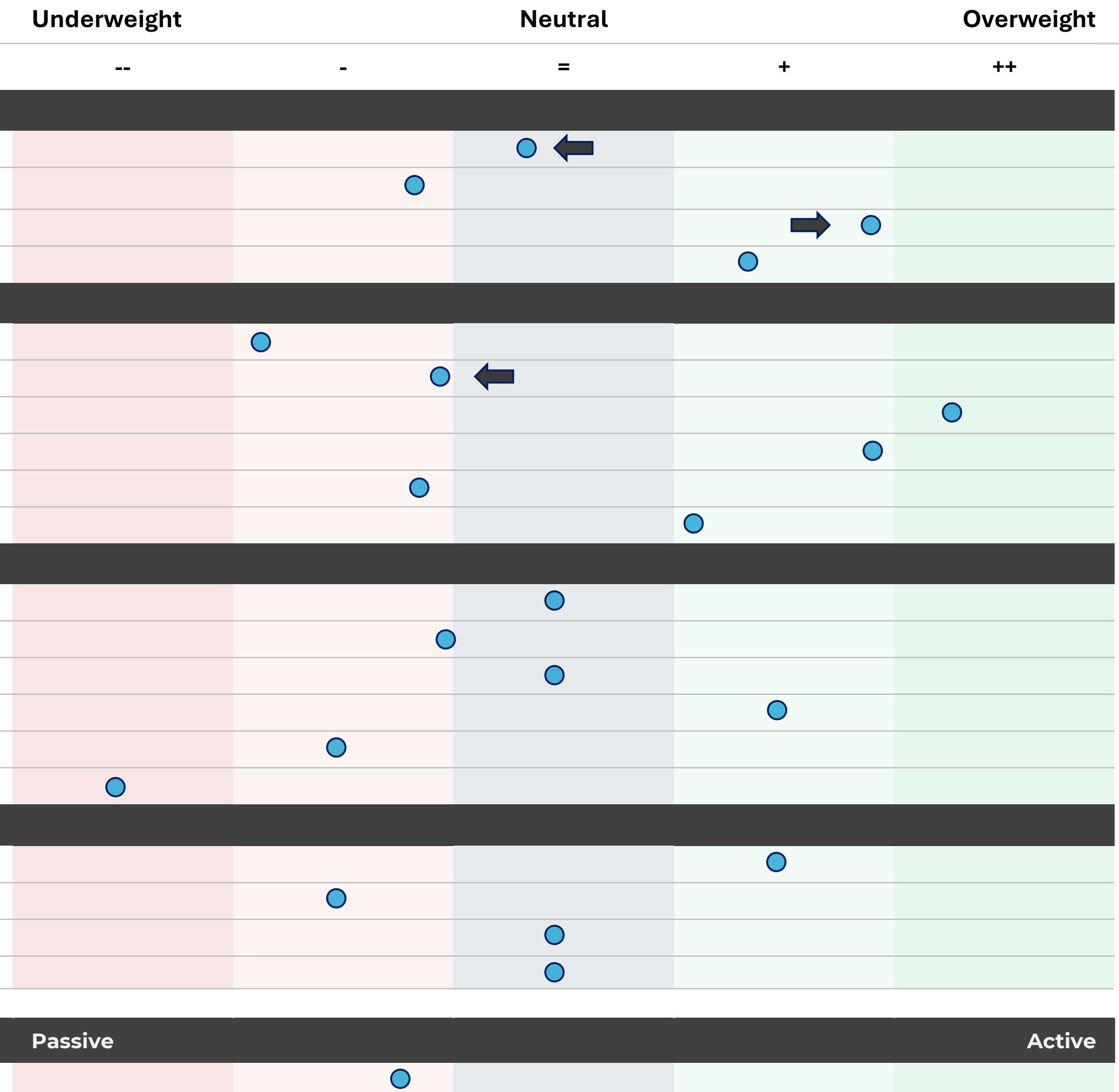
Housing remains soft, given sensitivity to higher yields.

Globally, things continue to look healthy. Although we could start to see some drag from Strait of Hormuz closure

Fundamentals are great after a good earnings season, globally.

Supportive overall, but war and energy is likely going to start showing up in the data.

Overall Active Portfolio Tilts

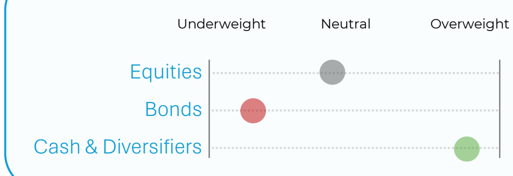


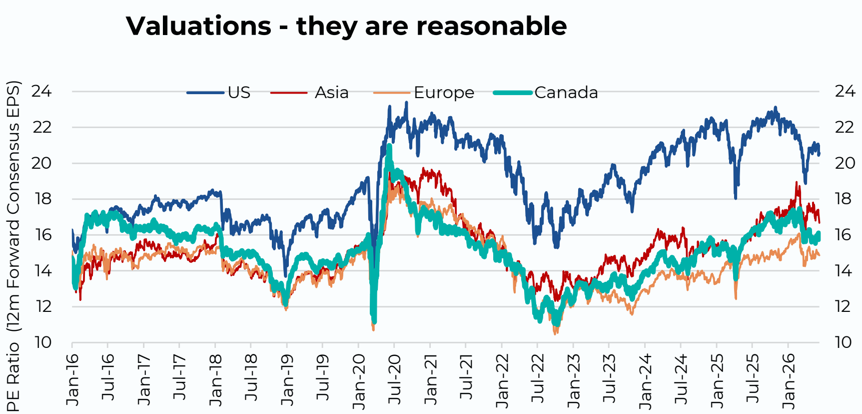
	Positioning	
Overall	Current Weight	Baseline
Equity	57%	57%
Bonds	30%	36%
Cash	6.5%	2%
Diversifiers	6.5%	5%
Equities		
Canada	**29%**	35%
U.S.	28%	30%
International	**43%**	35%
Emerging Markets	**9%**	5%
Style (Value ←→ Growth)		
Size (Small Cap ←→ Large Cap)		
Fixed Income		
Duration (Low ←→ High)	4.8yrs	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		
Management Approach		

Strategic Tilts

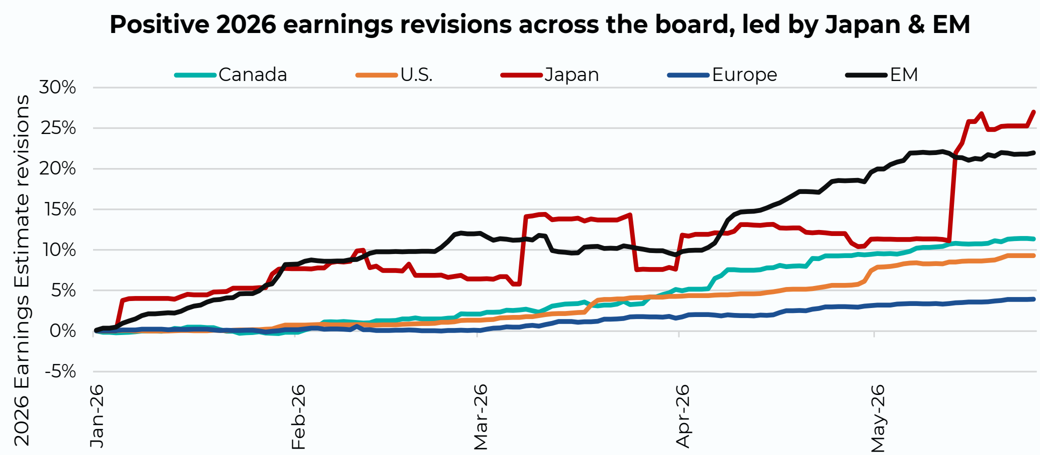
We added to equities in March on weakness and brought down cash, on the international equity side. However, in May we did exit a software position on market strength, replenishing our opportunistic cash weight (dry powder).

Our gameplan remains – have enough defense to be opportunistic and don't be afraid to take profits. This is a late cycle market.





Source: Bloomberg, Purpose Investments



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.

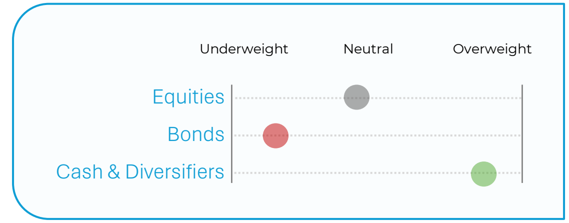
Earnings revisions remain very strong led by Emerging Markets and Japan, two areas leading on a market performance perspective.

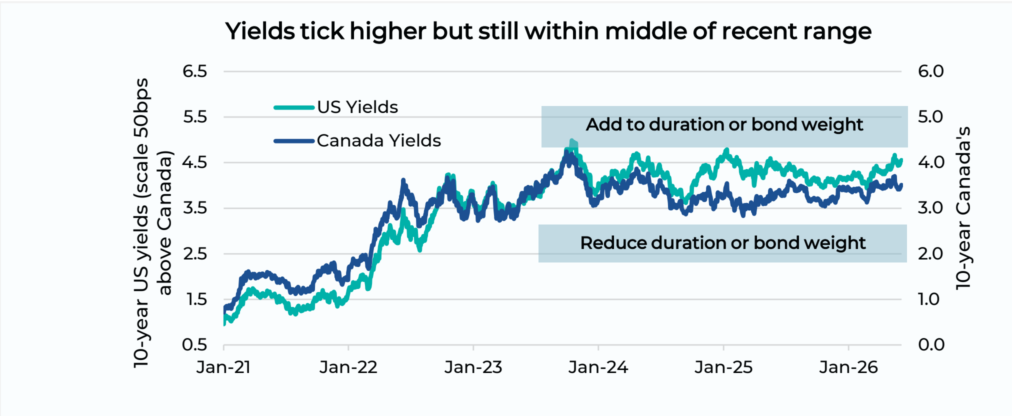
Canada and the U.S. next, with Europe struggling.

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.

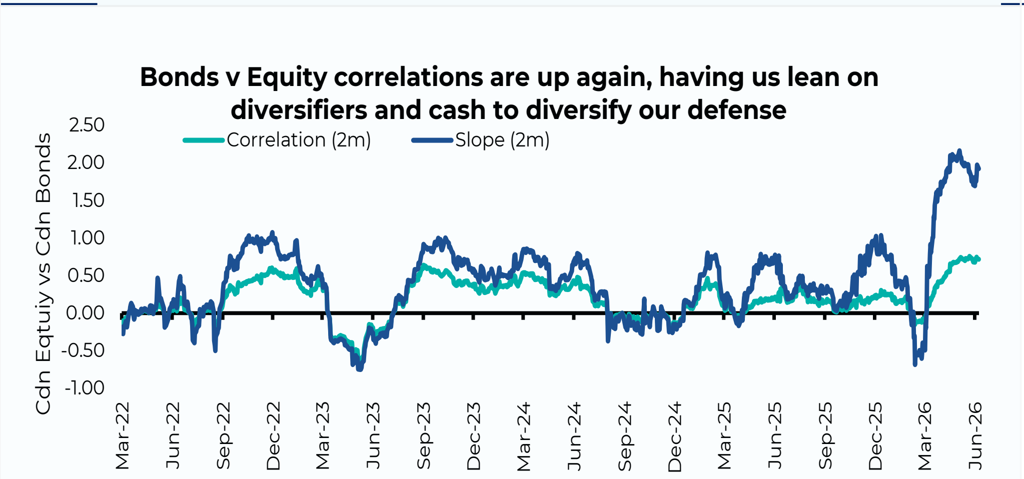




Source: Bloomberg, Purpose Investments

Bond yields have ticked higher as inflation risks are rising given prolonged high energy prices and AI demand it fueling dramatic price increases in hardware. Maybe some concern over Fed independence or deficits but this is a wait and see phase. Rising prices have bond yields moving up a bit. If they move enough, we might add to bonds and/or alter our duration.

For now we remain underweight bonds.



Source: Bloomberg, Purpose Investments

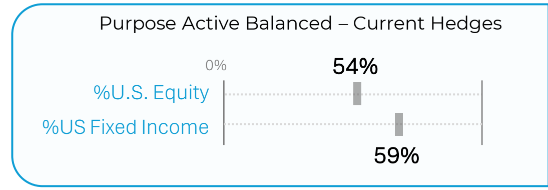
Spreads are low, so taking less credit exposure.

Meanwhile bond / equity correlations & slope are up, which means less defense from bonds. This rise is due to the unique correction caused by issue in the Strait of Hormuz.

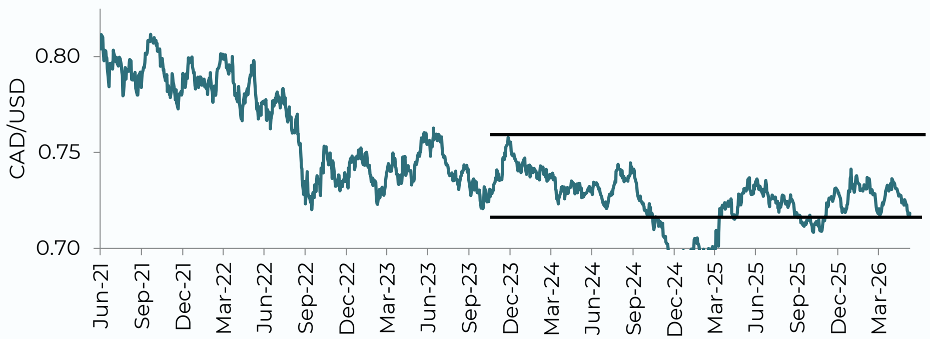
As a result we remain tilted to other forms of defense including options strategies, cash, gold & momentum.

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.



Canadian Dollar - getting close to being cheap

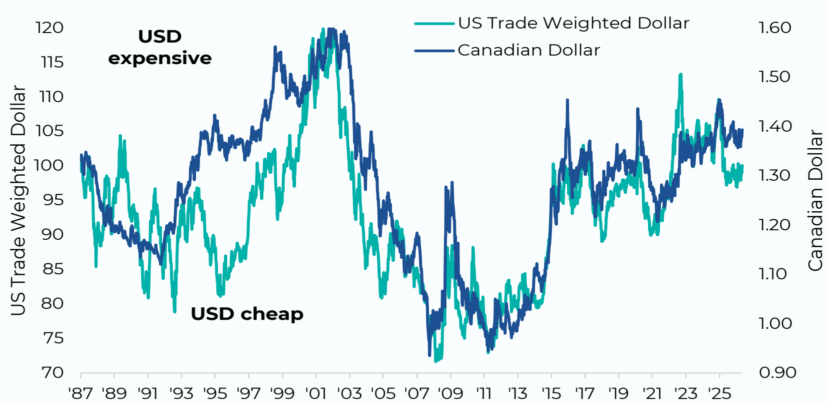


Source: Bloomberg, Purpose Investments

USD has been strengthening of late and the CAD is cheap. This does have us considering adding to hedges if it moves much farther.

The policy of US is not ideal, nor confidence in the Fed. We prefer to currency hedge a portion of our US holdings.

USD is still on the expensive side

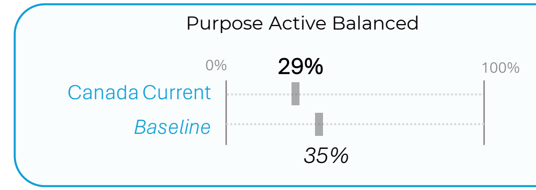


Source: Bloomberg, Purpose Investments,

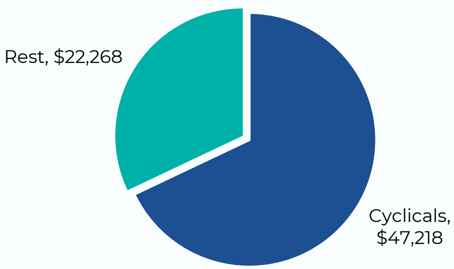
Overall, though the USD is still expensive against its trade weighted peers and the CAD. This supports our mild bearish vs on USD, even against the CAD.

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.

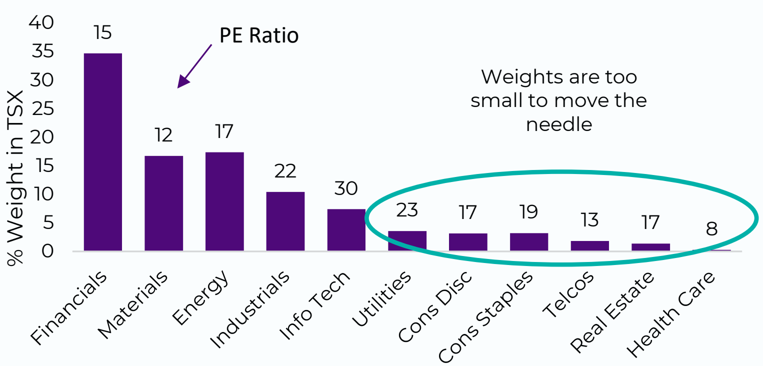


TSX 2026 earnings growth is mainly from highly cyclical earnings (Materials + Energy)....and the TSX is trading at what?



Source: Bloomberg, Purpose Investment, Consensus estimates next 4Qs vs last 4Qs, in millions

What could keep driving TSX in 2026?



Source: Bloomberg, Purpose Investments

The TSX is a bit expensive at 15.7x, 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.

Six sectors have such small weights they really don't matter from an overall index performance perspective. Info Tech has been beaten down from 43x to 30x on the software selloff, still expensive and only a few names.

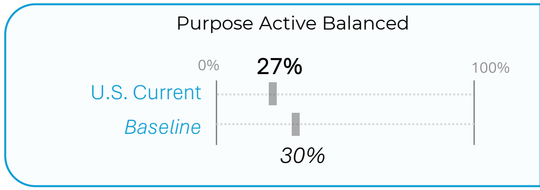
Energy – had been up strong year-to-date then conflict helped push higher. We did reduce some energy exposure in our dividend strategy right after hostilities broke out. Now with peace (maybe), likely giving some back.

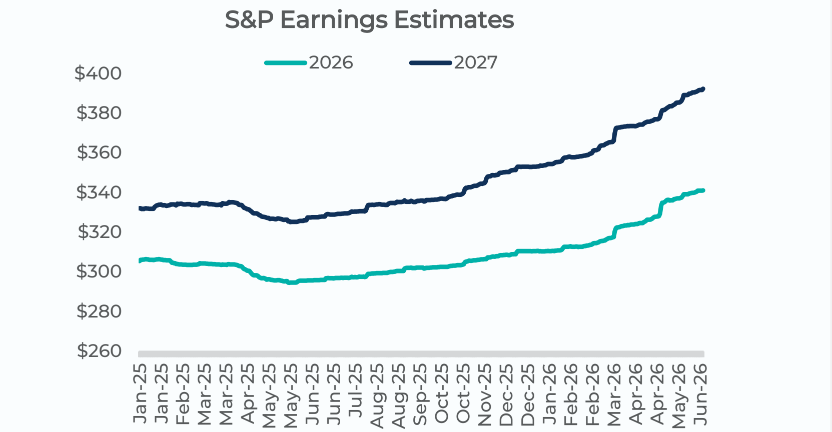
Industrials – have been SUPER strong even with USMCA uncertainty. Recovery in manufacturing is on. Much good news is priced in.

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

U.S. Exposure

We are now a little underweight U.S. after exiting our software tactical trade (more on the last slide of this report). Now with S&P a bit below 7,500 again, we are a bit more cautious given the strong run during past couple months. Any stumble in AI would have broad and material ramifications given weights of the mega-cap tech names. Don't think it is over but we did get a little taste of it in early June.

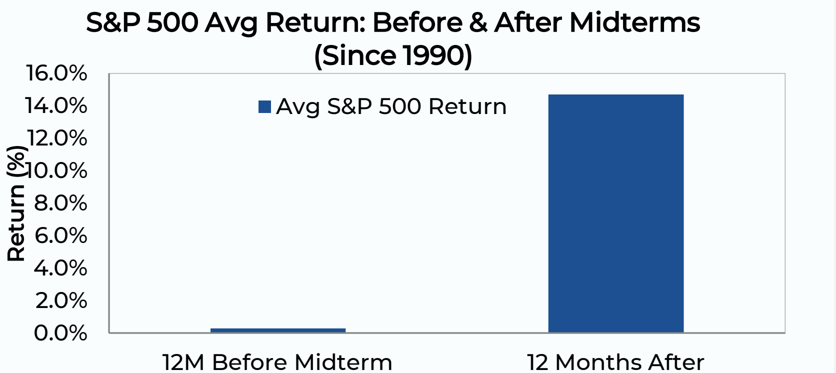




Source: Bloomberg, Purpose Investments

U.S. is trading around 20.4x forward estimates, which is a bit more reasonable than quarters past with the S&P making new highs. Earnings growth has increased, that is broad based yet led by technology.

The past earnings season was very good. Add to this potential offramp for conflict with Iran and not too surprising S&P is at 7,400.



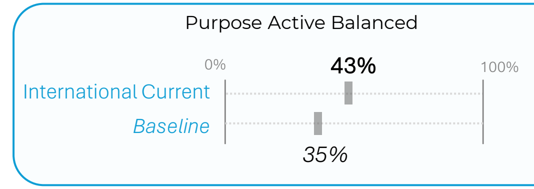
Source: Bloomberg, Purpose Investments

We are generally not fans of the whole Presidential cycle analysis and markets. But markets often struggle heading into midterms. Add to this a market that is convinced Trump will do whatever it takes to support markets/offset inflation to maintain control of houses and the S&P is already at 7,400. The contrarian in us says the market is already pricing in a lot of good news and things rarely go according to plan.

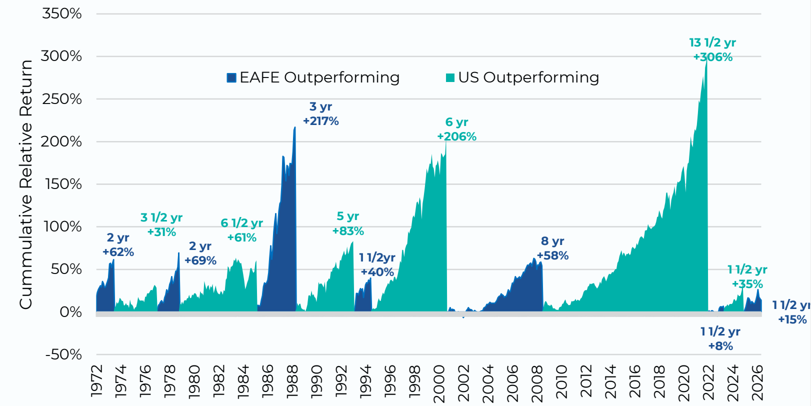
International Exposure

We did see enough weakness on the international side in our view and added to our overweight in March. The world is still overweight America and underweight international.

Rising fiscal spending globally should continue to help economic growth Internationally plus regulation & corporate philosophy continues to become more shareholder friendly.



Leadership has become a tight race of late



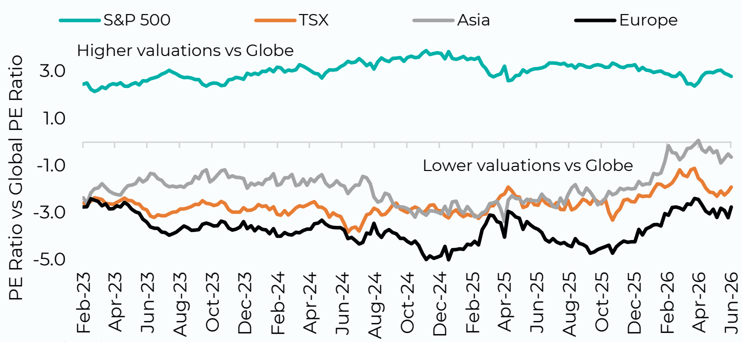
Source: Bloomberg, Purpose Investments, price returns 1970-94, 1994+ total return, USD, 9 June 2026

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.

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 toward peace.

Given our base case is a solution or off ramp is found, there is likely more upside move on the international equity side.

PE Ratios compared to the PE Ratio of the globe



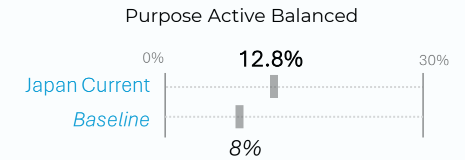
Source: Bloomberg, Purpose Investments

The relative valuation buffer was getting narrow but has since widened again. Earnings growth is good in US, Canada and EM this year, coincidentally some of the best performance. 2027 looks much more even which may help Europe given low valuations.

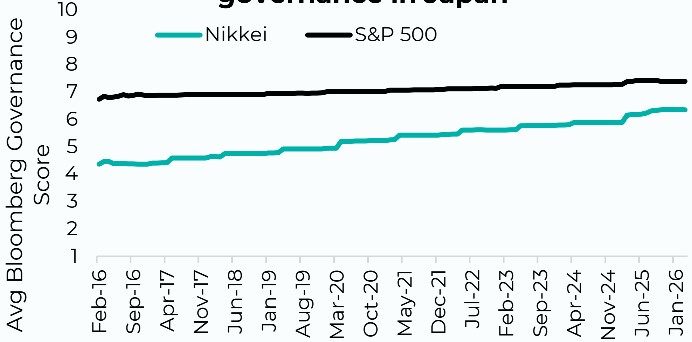
Japan Exposure

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 (23%), IEFA (26%), PID (16%) & EWJ (100%) totaling out to 12.8% of our overall equity exposure.

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

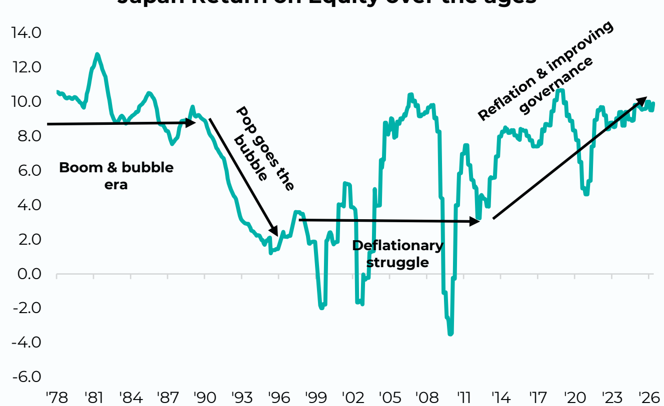


Steadily improving corporate governance in Japan



Source: Bloomberg, Purpose Investments

Japan Return on Equity over the ages



Source: Bloomberg, Purpose Investments

1. The yen is still very cheap which is still supportive for owning. While much of earlier gains were on multiple expansion, strong earnings growth is now the main driver.

2. Regulatory change is slow but it is gaining momentum. Companies are gradually improving their governance as it pertains to shareholders. This is also evident in rising dividends as the EWJ has gone from a yield of 1.5% a decade ago to over 4% today.

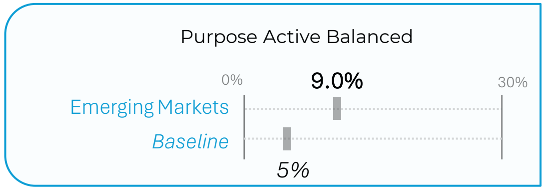
3. We have been seeing steadily improving ROE, which is helping re-rating the market.

4. Diversifier and under-owned: The Japanese equity market including currency exposure does provide a good diversifier with a much lower correlation than U.S. equities vs the TSX. We also believe most global investors remain light on Japan exposure, making this still a bit of a contrarian play.

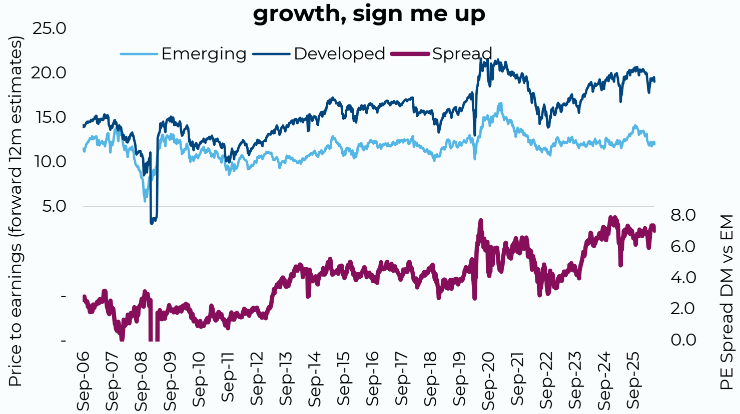
The strong gains have taken a step back on the geopolitical/energy concerns of late. We remain positive on this tilt.

Emerging Markets Exposure

Emerging markets were hit a bit more than other markets from the outbreak of hostilities but have since recovered. We continue to have an overweight given exposure to commodities and technology hardware. Earnings growth is very strong.



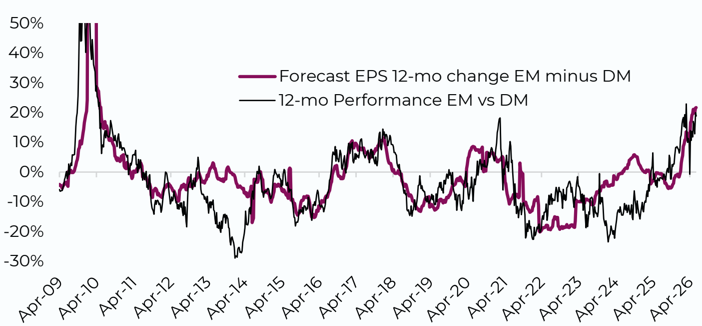
Materially cheaper valuations + faster earnings growth, sign me up



Source: Bloomberg, Purpose Investments

The valuation gap between emerging and developed markets remains historically high at 7 points even after a strong year of EM performance in ‘25. This provides a great buffer.

EM earnings growth accelerating faster than DM



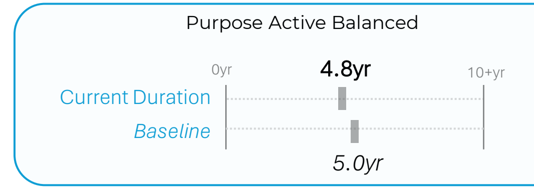
Source: Bloomberg, Purpose Investments

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. With recent weakness in EM shares, still with better earnings growth, this is likely a good setup for the balance of 2026.

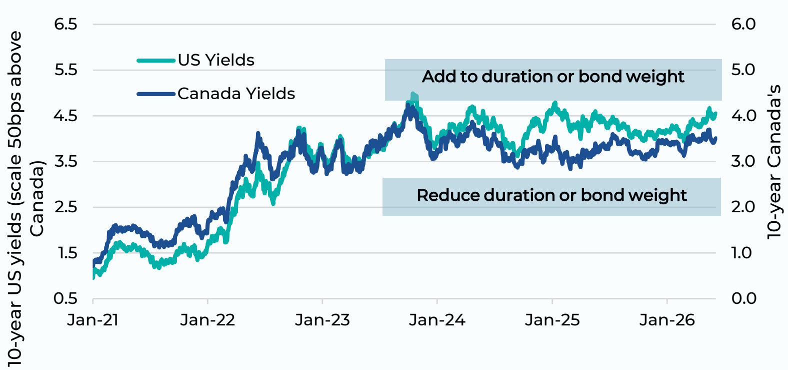
Duration

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.



Yields tick higher but still within middle of recent range



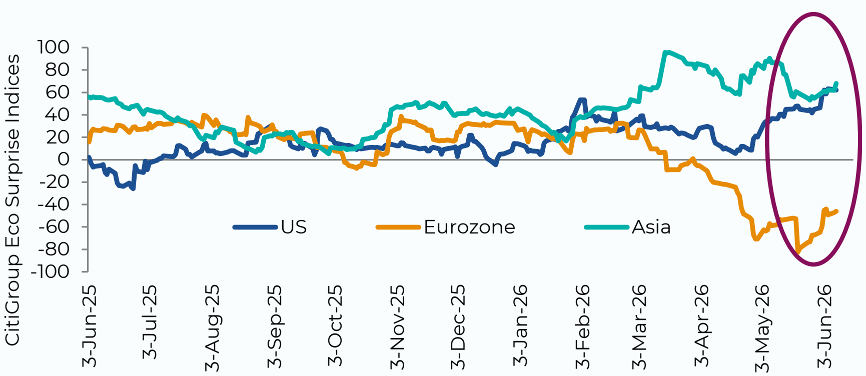
Source: Bloomberg, Purpose Investments

We are underweight bonds and reduced duration last September as bond yields have come down.

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.

Economic data remains pretty good, soft in Europe



Source: Bloomberg, Citigroup, Purpose Investments

Economic data is good but certainly view with a skeptical lens. While the Strait of Hormuz closure persists and may start to impact economic data, manufacturing is going strong. Add strong fiscal stimulus, the economy is doing well.

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).

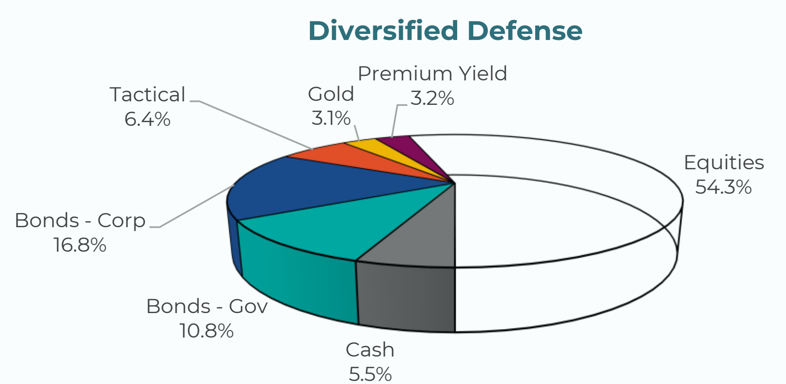
In different types of corrections, different types of portfolio defense work well or not as well.

	Recession		Growth Scare		Geopolitics, Inflation & Other	
Avg. Equity Market Drop	US Equities	-33%	US Equities	-12%	US Equities	-12%
	Cdn Equities	-33%	Cdn Equities	-10%	Cdn Equities	-10%
	Intl Equities	-32%	Intl Equities	-9%	Intl Equities	-9%

Diversifier Effectiveness	Recession	Growth Scare	Geopolitics, Inflation & Other
Stronger	US Dollar	Gold	Gold
	Bonds	US Dollar	US Dollar
OK		Bonds	Option Writing
	Momentum	Momentum	Bonds
	Gold	High Yield	Commodities
		Option Writing	High Yield
			Momentum
Weaker	High Yield		
	Option Writing	Commodities	
	Commodities		

Source: Purpose Investments, based on corrections from 1976-2025, stacking is based on average performance

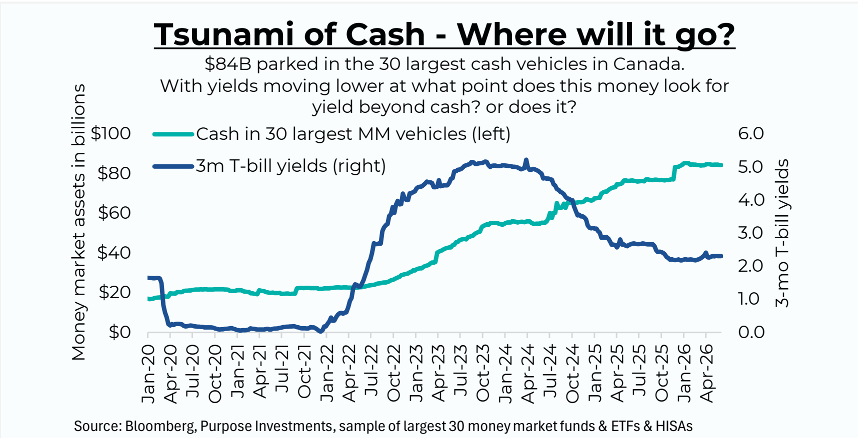
Looking at corrections for past 50 years, we bucketed the cause and the relative effectiveness of popular diversifiers. This is why we use a diversified defense.



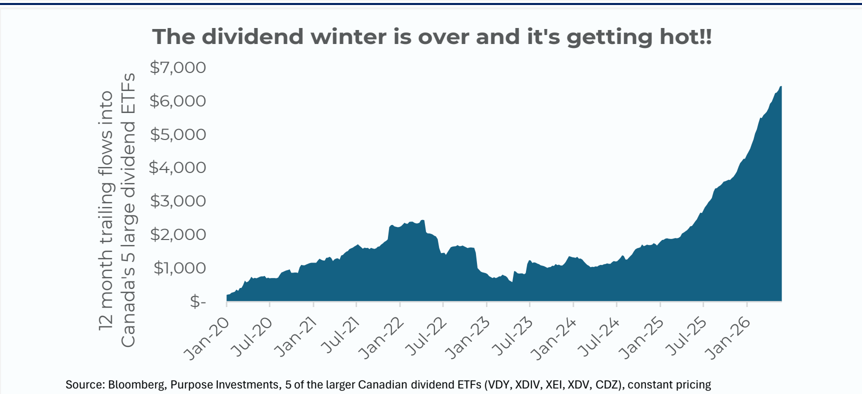
Source: Purpose Investments PABF Allocations 09-Jun-2026

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

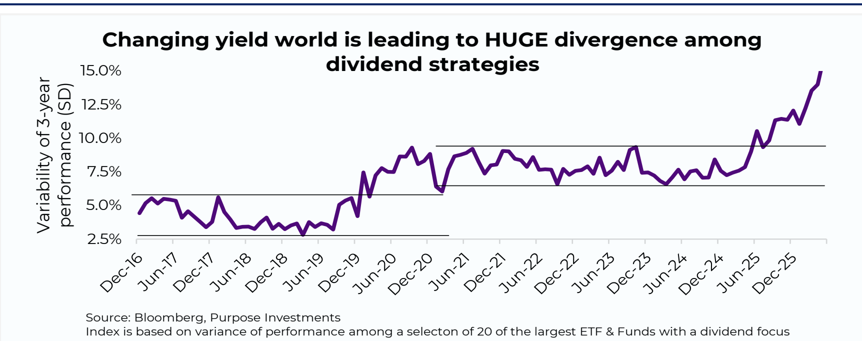
Dividend Magic



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.



This chart is crazy!!! Every month when updating this chart, it just keeps going up. Money is moving into the dividend space.

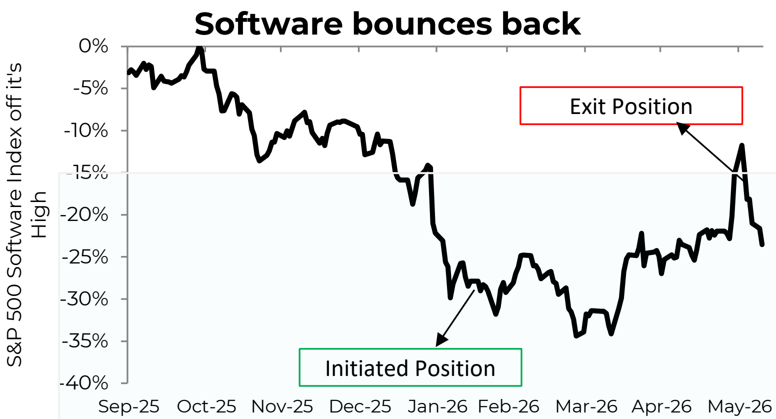


Yields simply went down for much of past 20+ years, this caused most dividend strategies to have closely clustered performance. Now that yields are normal, other factors are increasingly driving performance causing greater disparity in performance among dividend strategies.

Tactical Software

The software sector got hammered on concerns AI is going to disrupt many of the business models. Compounding the impact was the nosebleed valuations at the start of the sell-off. And the conflict with Iran certainly added to the woes.

We believed this to be overdone, entered a position. As time went on prices recovered as the rumors of software's demise was greatly exaggerated. And we exited the tactical position.



Source: Bloomberg, Purpose Investments

This does highlight how narrative driven this market has become, sometimes positive and sometimes negative.

One of the benefits of holding a larger than normal cash buffer is this does make it easier to take advantage of potentially opportunistic situations.

They don't always work out this well.