Purpose INVESTMENTS

Purpose WHY Report

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

Purpose Macro Investment Team

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11 May 2026

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WHY Report Contents

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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.

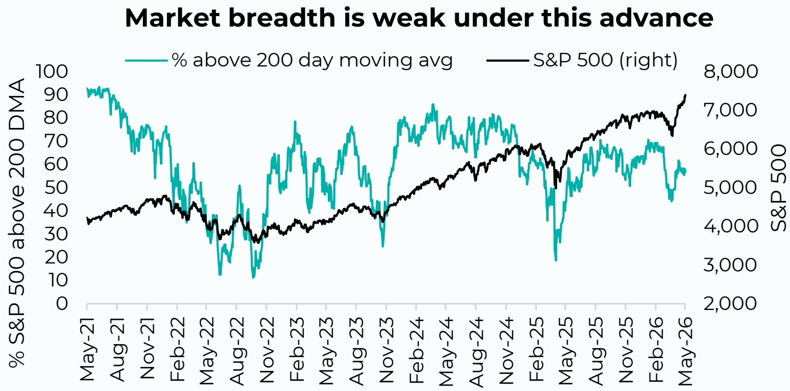
$2 Billion AUM Across Mandates

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

Markets are making new highs on optimism of an offramp for the Iran/US conflict, strong corporate earnings for Q1, decent economic data and a resurgences of AI mania.

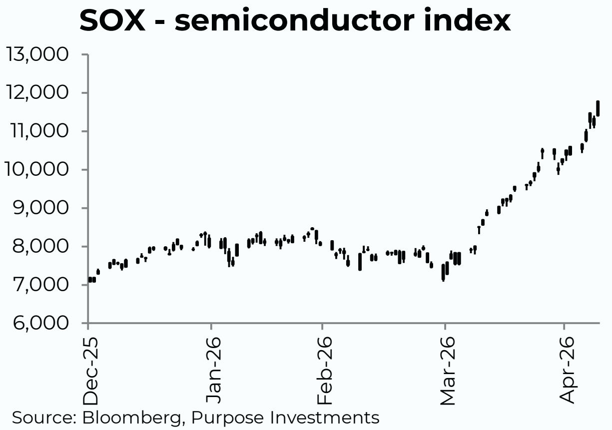
Yet this is very narrow once again, with market breadth remaining very weak given markets making new highs.

Certainly makes the advance a bit more fragile.

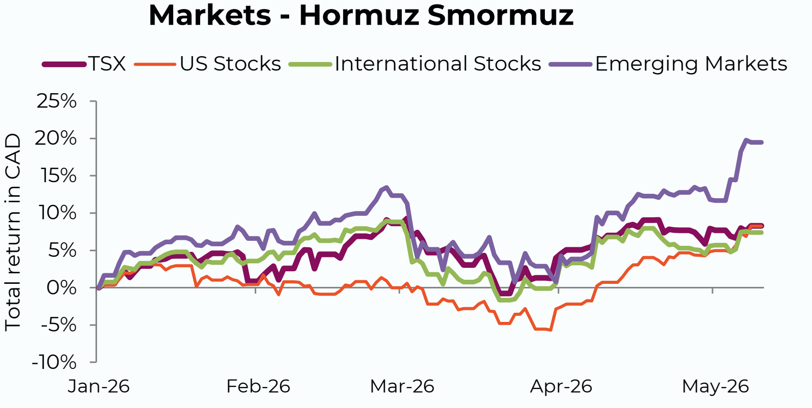
AI mania narrative is focused on semi-conductors which has seen the SOX index rise over 30% in the past six weeks.

Best performing markets are those with more semis – Emerging Markets at 21% with the S&P close behind at 18%. Those who don't own semis wish they did, those who own them wish they owned more.

Pretty awesome year so far.

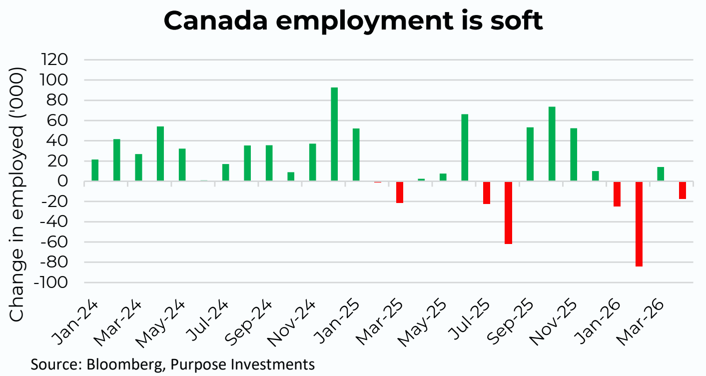


Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

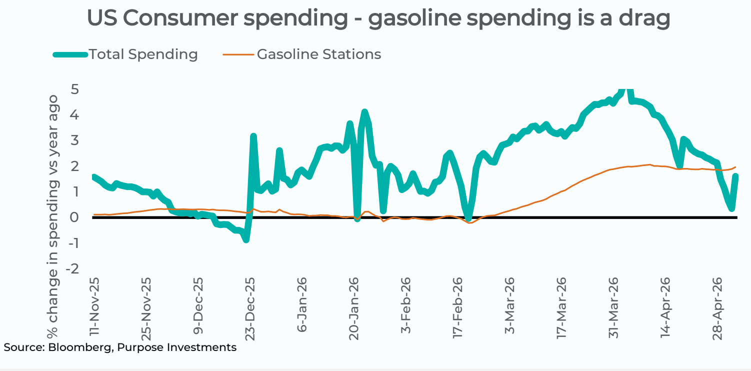
Fast Data



Labor remains mixed. For the U.S. we have seen back-to-back positive surprises in the monthly non-farm payroll data. here is interesting. Gains are widespread with the exception of Technology, interesting as AI may be replacing developers.

Initial jobless claims in US are low, job postings have stabilized, decent.

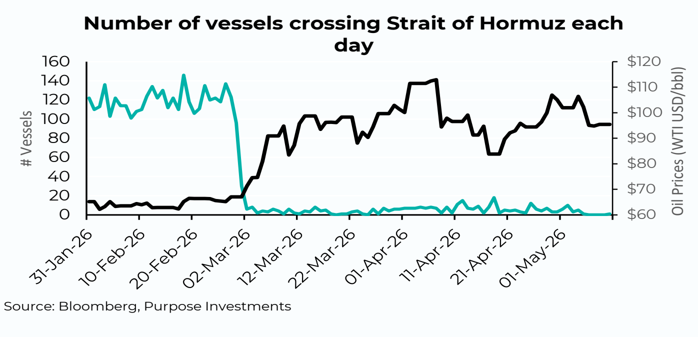
Canada on the other hand has been bleeding jobs. Down 112k jobs so far in 2026, 50k of these were in manufacturing (tariff impact?) and construction.



U.S. consumer spending remains positive – based on secondary measures from credit/debit cards.

However it does appear gasoline spending is starting to slow other spending

Not an issue yet but the longer gas prices remain high, the consumer is at risk.



Some impact is starting to show up on the supply chain side from the closure of the Strait of Hormuz.

So far biggest impact has been on commodity prices

The longer this persists the bigger the impact. We continue to believe a solution will be found.

Market Cycle

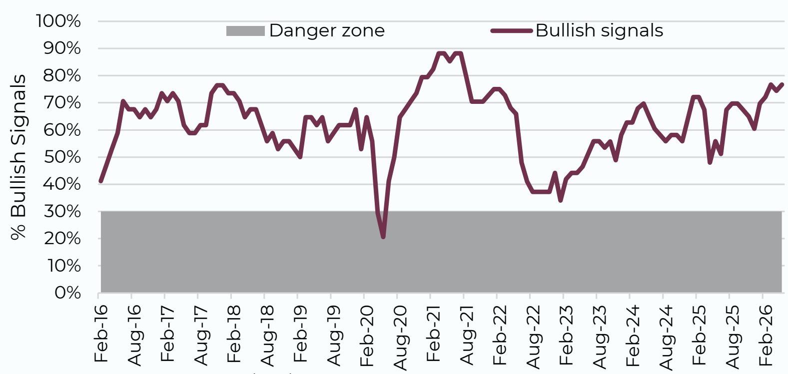
Market cycle indicators

Grouping	Metric			Better/ Worse
Rates				**2 / 1**
	Net Cuts	✓		-
	Yield Curve	✓		+
	Yield Curve 3m	✓		+
US Economy				**10 / 8**
	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			Better/ Worse
Global Economy				**6 / 2**
	Global PMI	✓		+
	Copper (6m)	✓		+
	DRAM (3m)		✓	-
	Oil (3m)	✓		-
	Commodities (3m)	✓		+
	Baltic Freight (3m)	✓		+
	Kospi (2m)	✓		+
	EM (2m)	✓		+
Fundamentals				**8 / 4**
	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 of markets.

Yield curve steepened, although not sure that is a good thing as it is more on inflation / deficit risks, not rising economic momentum. Better economic data in the U.S. had helped.

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.

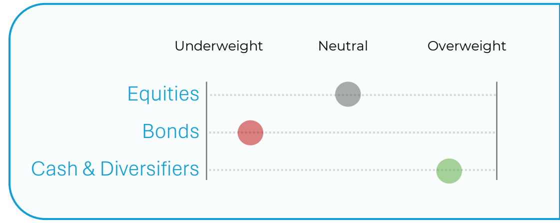
Overall Active Portfolio Tilts

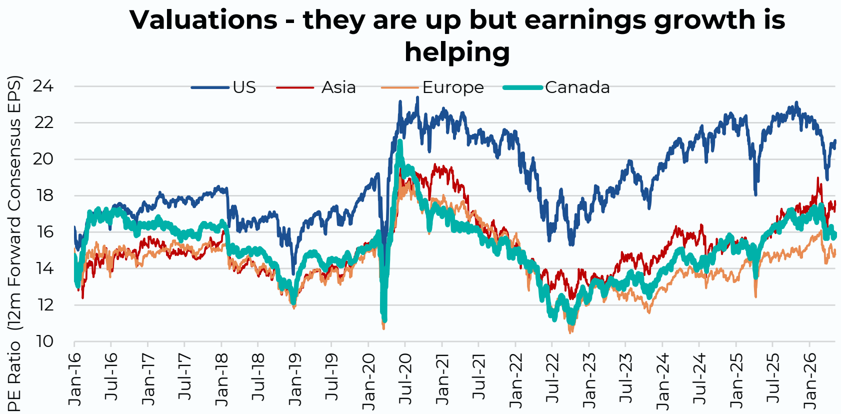
	Underweight		Neutral		Overweight	Positioning	
	--	-	=	+	++		
Overall						Current Weight	Baseline
Equity			●			59%	57%
Bonds		●				30%	36%
Cash				●		**4%**	2%
Diversifiers				●		**7%**	5%
Equities							
Canada		●				**28%**	35%
U.S.			●			30%	30%
International					●	**42%**	35%
Emerging Markets				●		**8.9%**	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

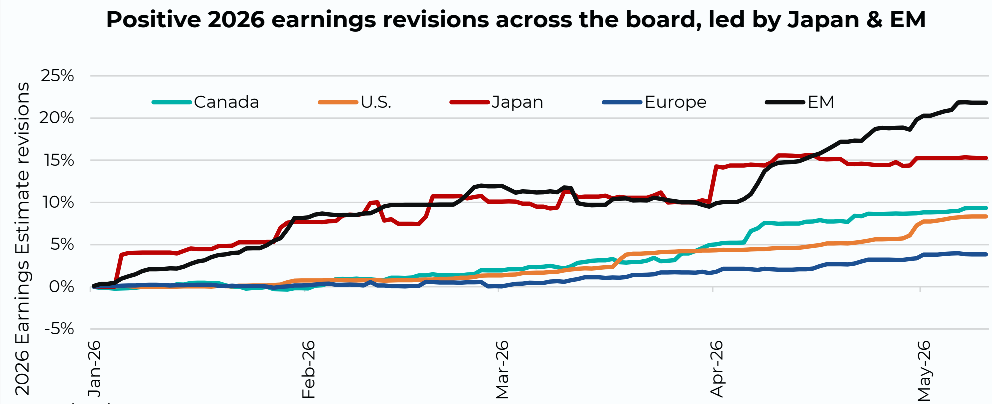
We added to equities in March on weakness and brought down cash, mainly on the international equity side. This market is now rallying on prospects for peace in the Iran/US conflict and AI enthusiasm. Two very powerful tailwinds. If it goes too far we will reduce.

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 did dip down during the brief period of market weakness, but have since risen back up somewhat.

Overall valuations are reasonable given economic and earnings growth

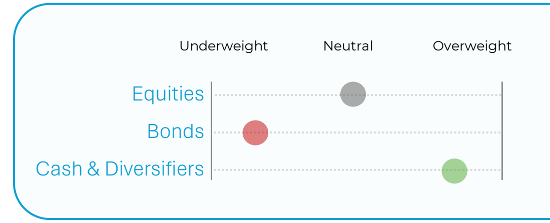
Earnings revisions remain very strong led by Emerging Markets and Japan, two areas leading on a market performance perspective.

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

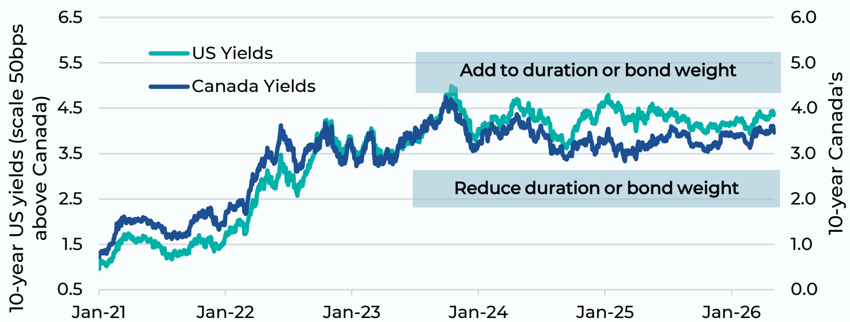
Strategic Tilts

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 offer some opportunities.



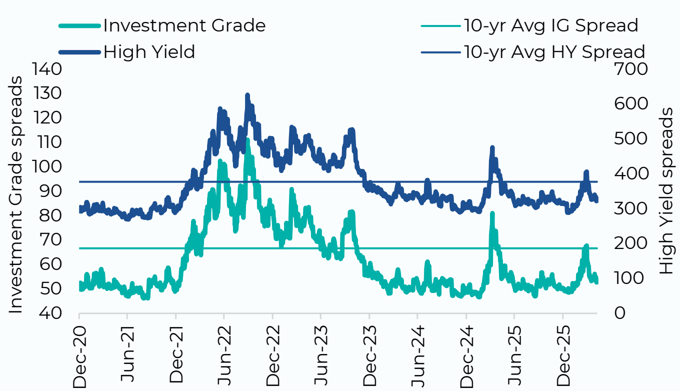
Yields tick higher but still within middle of recent range



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 that is minor at the moment. Rising prices have bond yields moving up a bit. If they move enough, we might add to bonds and/or alter our duration.

Credit spreads - so looooooooow



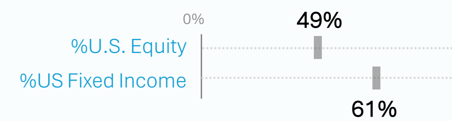
Source: Bloomberg, Purpose Investments

Spread started to look a little interesting and then collapsed back down. This continues to have our bond allocation carry less credit risk.

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 is 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.

Purpose Active Balanced – Current Hedges



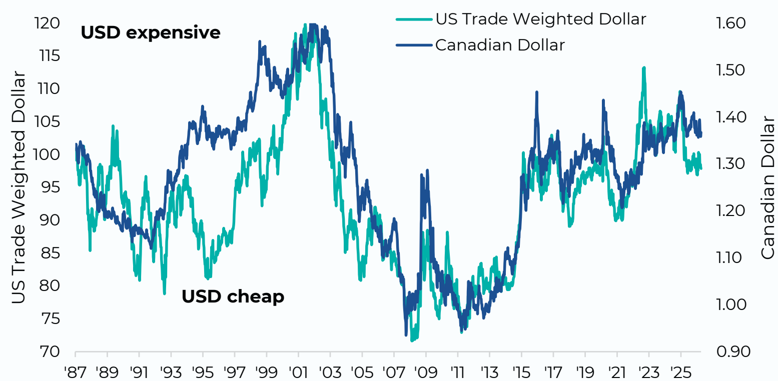
Canadian Dollar - middle of range

Source: Bloomberg, Purpose Investments

The US dollar did strengthen a bit during conflict, but CAD did as well given energy (just not as much). Assuming solution is coming, USD has more downside.

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

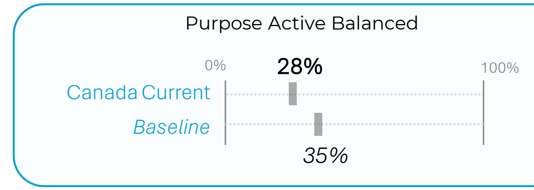


Source: Bloomberg, Purpose Investments,

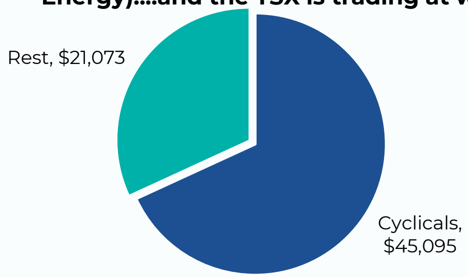
Overall, though the USD is still expensive against its trade weighted peers and the CAD. This supports our mild bearish vs on USD, even against the CAD.

Canada Exposure

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

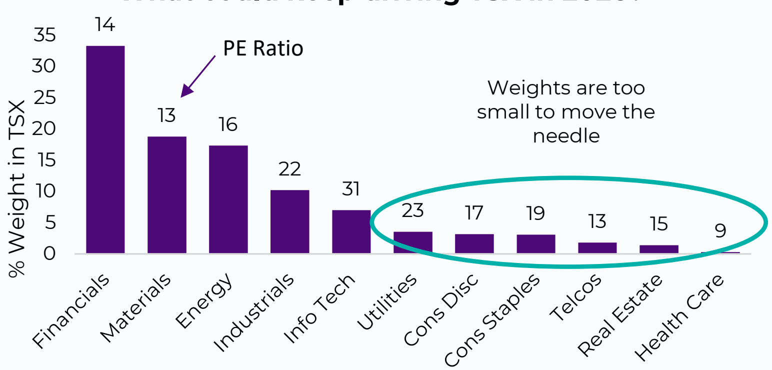


TSX 2026 earnings growth is mainly from highly cyclical earnings (Materials + Energy)….and the TSX is trading at what?



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 15.9x but one could argue 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 12-13x, 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 31x on the software selloff, still expensive and only a few names.

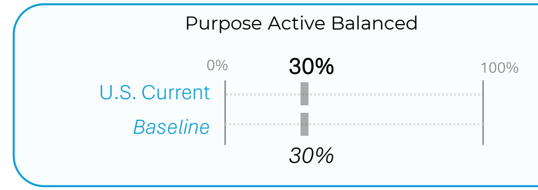
Energy – had been up strong year-to-date then conflict helped push higher. We did reduce some energy exposure in our dividend strategy right after hostilities broke out. Now with peace (maybe), likely giving some back.

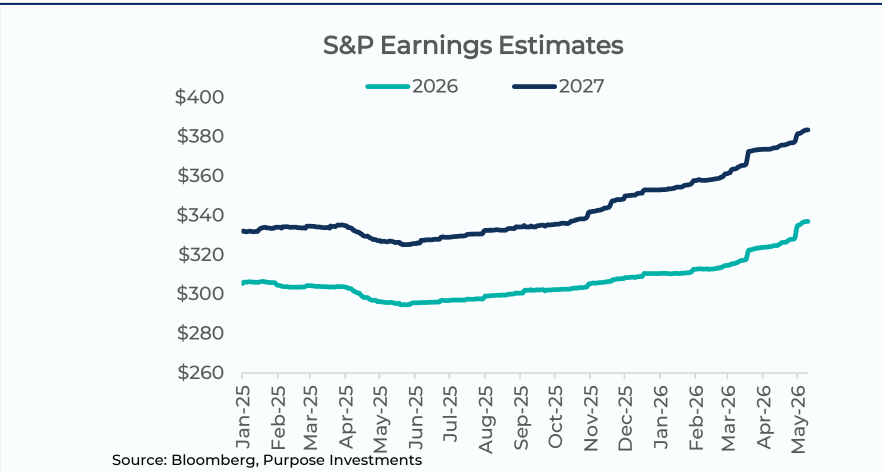
Industrials – USMCA renegotiations may create a dip which would make the sector more attractive.

While underweight, at 28% it is still a healthy Canadian equity weight.

U.S. Exposure

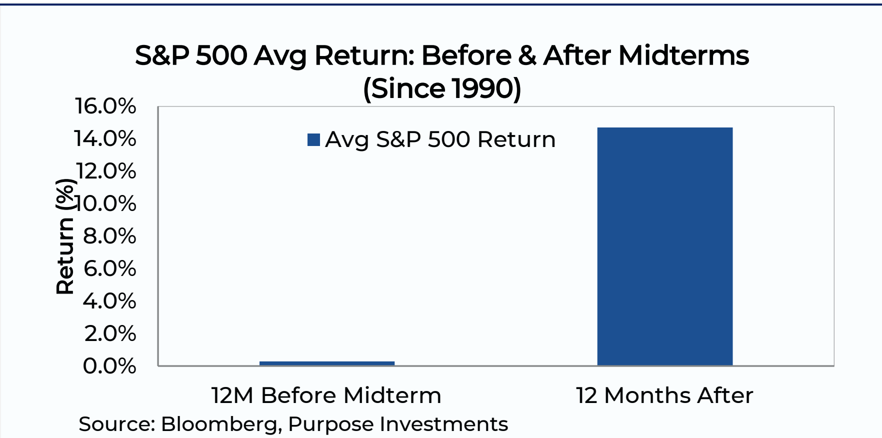
We are roughly equal weight U.S., albeit our baseline is a bit less than most peers. While we don't care about peers, it is worth noting for context. Overall market weight on U.S. equities and believe there is more upside elsewhere, on both an absolute and risk-adjusted basis. Any stumble in AI would have broad and material ramifications given weights of the mega-cap tech names.





U.S. is trading around 21x 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.



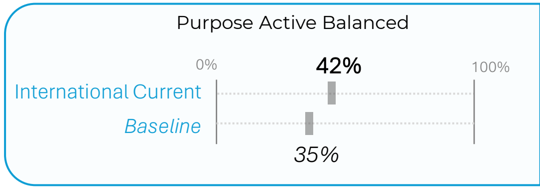
We are generally not fans of the whole Presidential cycle analysis and markets. But markets often struggle heading into midterms. Add to this a market that is convinced Trump will do whatever it takes to support markets/offset inflation to maintain control of houses and the S&P is already at 7,400. The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

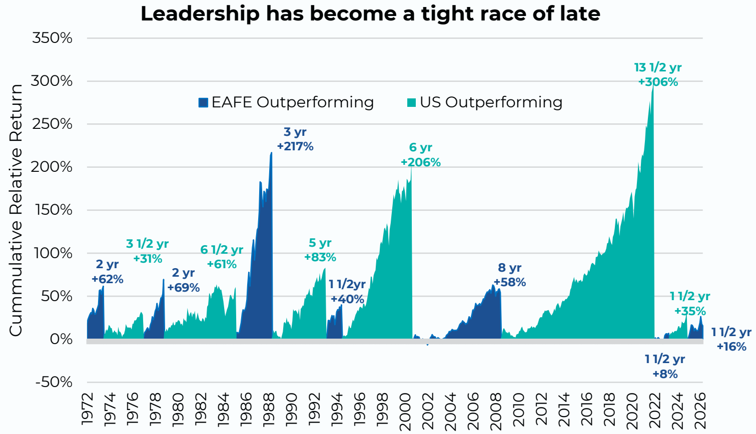
We are closer to profit taking than adding.

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.



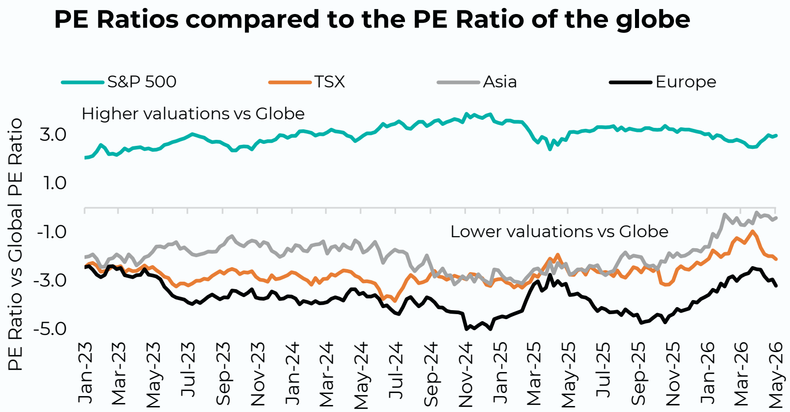


Source: Bloomberg, Purpose Investments, price returns 1970-94, 1994+ total return, USD, 1 May 2026

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.

This recent bought of weakness due to the conflict in and around Iran has weighed more heavily on international equities. Largely driven by higher sensitivity to global trade and energy dynamics.

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



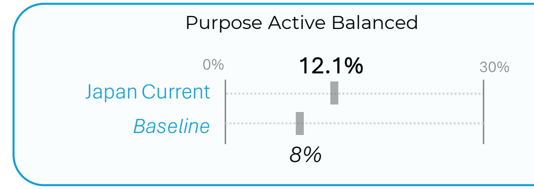
Source: Bloomberg, Purpose Investments

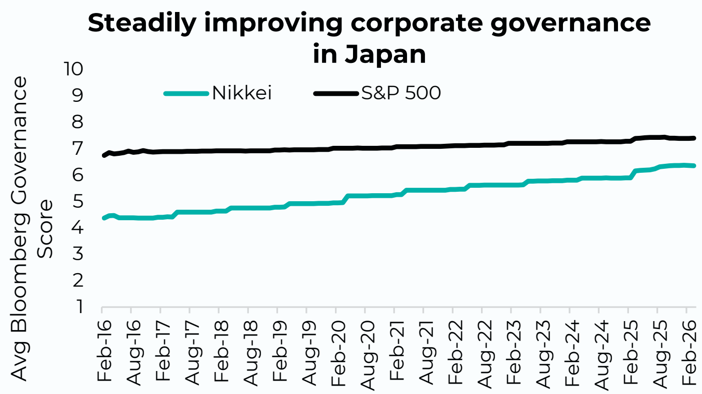
The relative valuation buffer was getting narrow but has since widened again. Earnings growth is good in US, Canada and EM this year, coincidentally some of the best performance. 2027 looks much more even which may help Europe given low valuations.

Japan Exposure

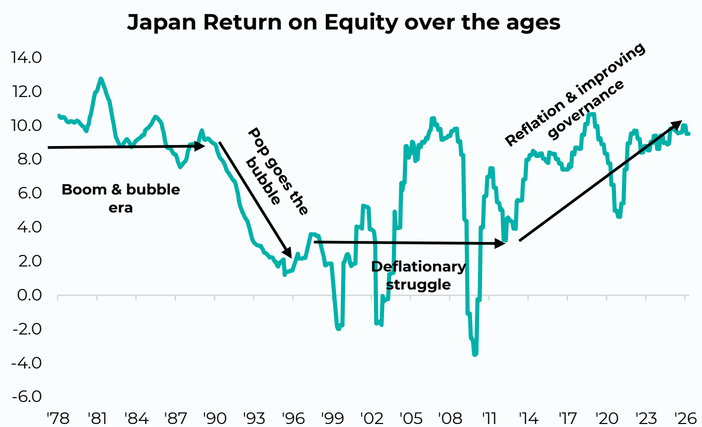
We have more Japan exposure than most peers, and added a bit more in March. Our current positions that have some Japanese equity exposure include ADVE (23%), IEFA (25%), PID (16%) & EWJ (100%) totaling out to 12.1% of our overall equity exposure.

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





Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

1. The yen is still very cheap which is still supportive for owning. On the downside, much of the move over the past year has been multiple expansion and its expensive from a PE perspective.

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.

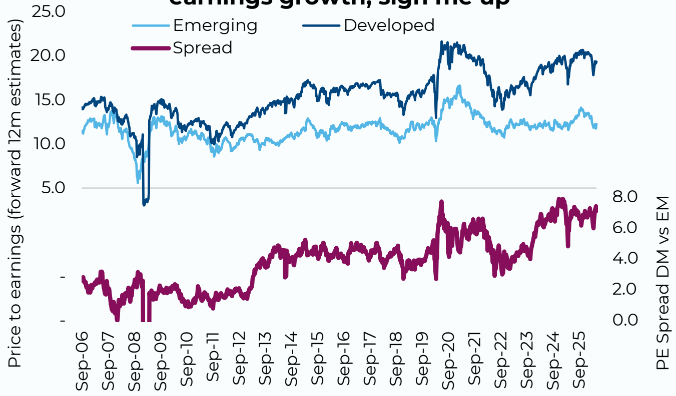
Emerging Markets Exposure

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

Purpose Active Balanced

	0%	30%
Emerging Markets	8.9%	
Baseline	*5%*	

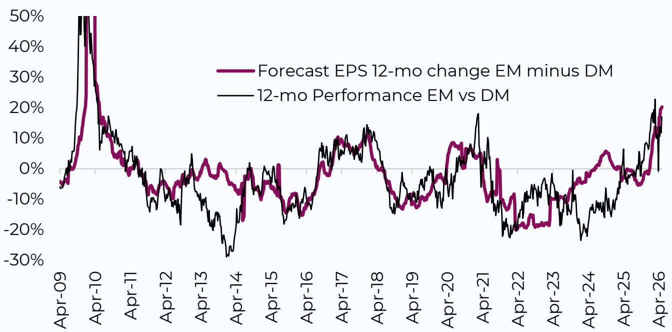
Materially cheaper valuations + faster earnings growth, sign me up



Source: Bloomberg, Purpose Investments

The valuation gap between emerging and developed markets remains historically high at 6 points even after a strong year of EM performance in ‘25. This provides a great buffer.

EM earnings growth accelerating faster than DM



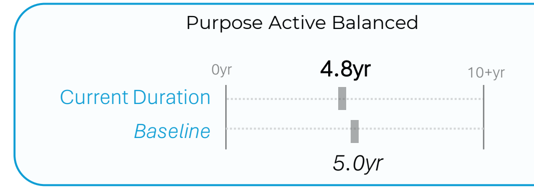
Source: Bloomberg, Purpose Investments

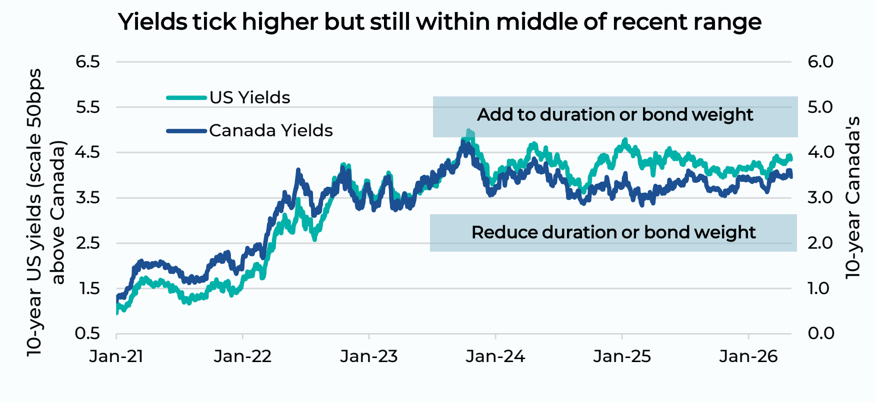
Cheap valuations isn’t new but add higher relative earnings growth between EM vs DM, this historically correlates well with relative performance. In fact, look at how well it fits with earnings growth accelerating recently for EM. With recent weakness in EM shares, still with better earnings growth, 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.



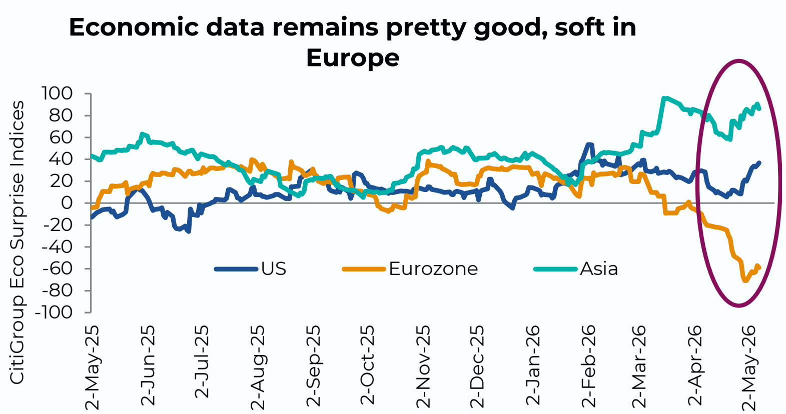


Source: Bloomberg, Purpose Investments

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, those missiles ain't cheap. Yields are not high enough for us to lean in at this time.



Source: Bloomberg, Citigroup, Purpose Investments

Economic data is good but certainly view with a skeptical lens. The longer the conflict persists, the more it will weigh on data in coming months.

Diversified Defense

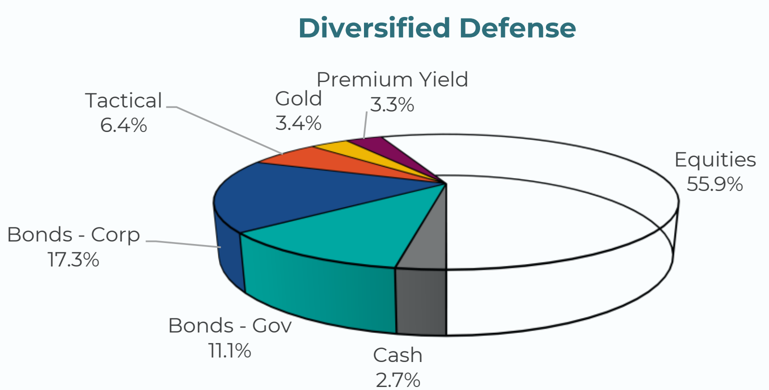
Every correction is different, speed, magnitude, duration and the cause. The last 3 have been caused by an exogeneous shock from Covid (2020), Inflation (2022) and policy (2025).

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% Cdn Equities -33% Intl Equities -32%	US Equities -12% Cdn Equities -10% Intl Equities -9%	US Equities -12% Cdn Equities -10% Intl Equities -9%
Diversifier Effectiveness	Recession	Growth Scare	Geopolitics, Inflation & Other
Stronger	US Dollar Bonds	Gold US Dollar	Gold US Dollar
OK	Momentum Gold	Bonds Momentum High Yield Option Writing	Option Writing Bonds Commodities 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

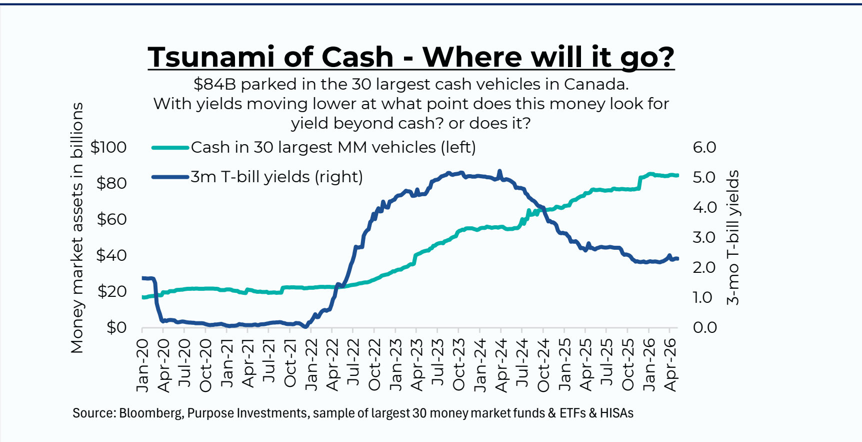
Looking at corrections for past 50 years, we bucketed the cause and the relative effectiveness of popular diversifiers. This is why we use a diversified defense.



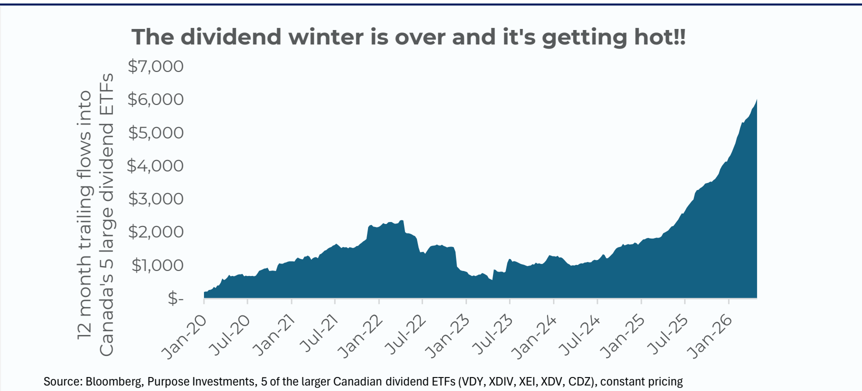
Source: Purpose Investments PABF Allocations 11-May-2026

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

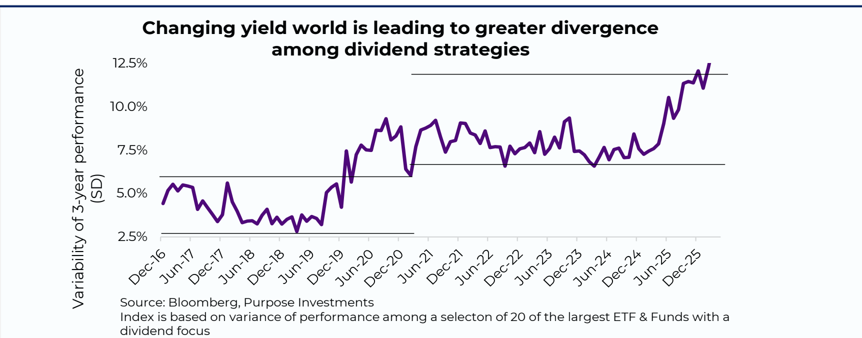
Dividend Magic



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.

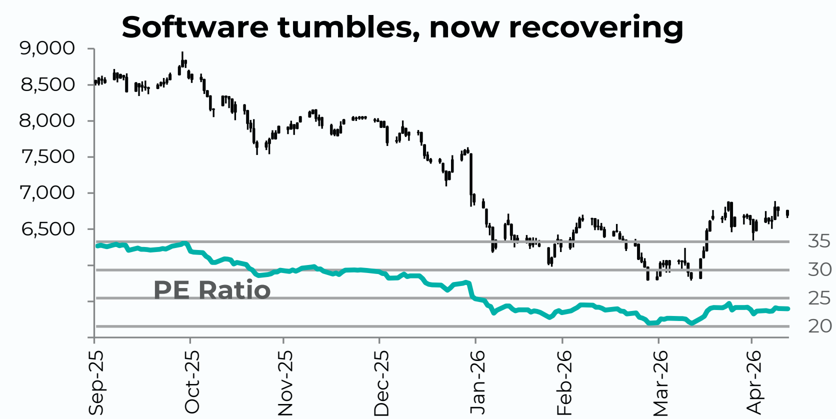


Yields simply went down for much of past 20+ years, this caused most dividend strategies to have closely clustered performance. Now that yields are normal, other factors are increasingly driving performance causing greater disparity in performance among dividend strategies.

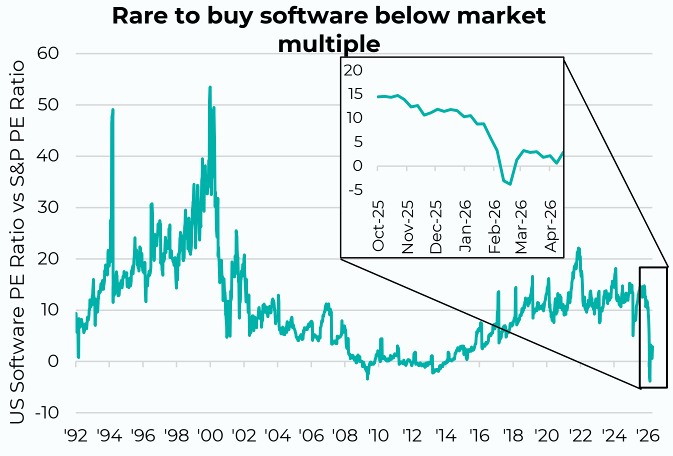
Tactical Software

The software sector has been 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.

We are talking a 20-25% drawdown (albeit from elevated levels) with a valuation contraction from 35x to 21x. Believe this is overdone. The longer-term risks are real, but the speed of the drop is assuming too much disruption in the near term.



Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

Valuations are not cheap at 24x, as there was a time long ago software traded 12-14x. However, 24x is roughly the overall market multiple for a much higher growth part of the market. Even if that growth tempers somewhat, this does look like a good short-term overreaction.

We believe this is somewhat of a Deepseek moment for software. If you recall Deepseek news of a much cheaper to train LLM sent many AI companies lower for a few weeks. As the excitement faded, shares recovered. This may play out in similar fashion for the software names.

Longer term there are bigger risks, so this is more of a shorter-term tactical move on what we believe to be an overreaction.

This shorter-term trade worked out initially, but war weighed on overall market. Earnings season has helped as results were decent, enabling a good bounce.

This is a tactical short-term trade, which is getting closer to profit taking.