

Purpose WHY Report

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

Purpose Macro Investment Team

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10 September 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%



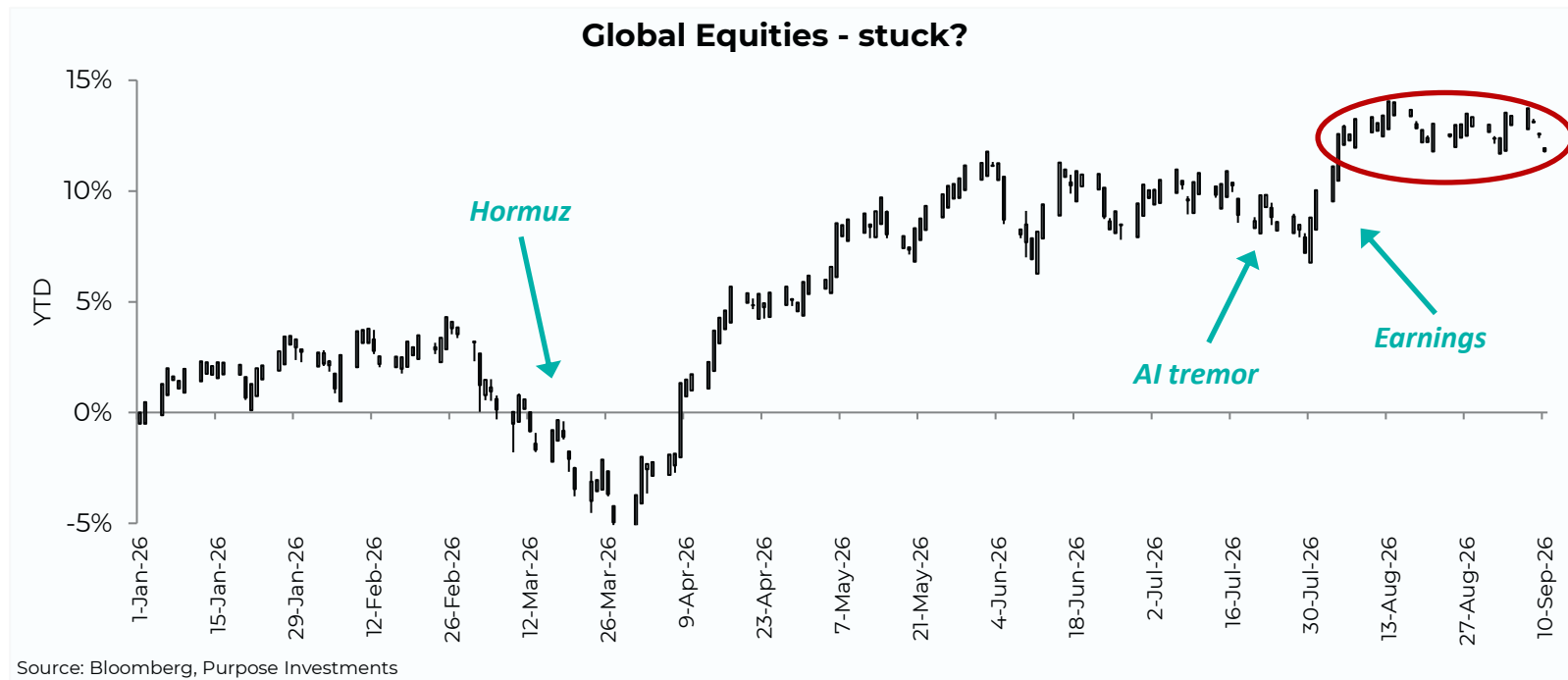
Purpose Active Growth	
ETF	PAGF
Management Fee	0.20%
F Class	PFC22201
Management Fee	0.20%
A Class	PFC22200
Management Fee	1.20%

Holdings

Underlying Product	Conservative	Balanced	Growth
Cash & Cash Equivalents			
Cash	—	—	—
Purpose Cash Management ETF	5.0%	4.2%	4.6%
Purpose USD Cash Management ETF	0.5%	2.4%	2.5%
Fixed Income			
BMO Aggregate Bond ETF	7.1%	4.1%	4.4%
iShares Core Canadian Corporate Bd ETF	8.8%	5.3%	
Mackenzie Unconstrained Bond ETF	3.8%	3.4%	
iShares Core Canadian Short Term Bd ETF	9.4%	6.8%	
Purpose Global Bond ETF	12.1%	6.6%	5.0%
iShares Core US Aggregate Bond ETF	3.0%		
BMO MT US IG Corp Bd Hdgd to CAD ETF	4.3%	3.2%	1.8%
Balanced			
Purpose Tactical Asset Allocation ETF	4.1%	6.3%	5.3%
North American Equity			
BMO S&P/TSX Capped Composite ETF	4.7%	5.3%	11.5%
Purpose Core Equity Income ETF	8.6%	13.0%	9.9%
CIInvescoS&P 500EqualWghtdxTFCADHnts	5.9%	8.9%	7.0%
Invesco QQQ Trust			6.6%
iShares Russell 2000 ETF			3.0%
Stt Strt SPDR S&P 500 ETF		2.1%	
iShares MSCI USA Min Vol Factor ETF	3.0%		
International Equity			
iShares Core MSCI EAFE ETF	6.7%	5.5%	11.8%
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	2.0%	1.9%	2.7%
Avantis International Equity ETF		5.2%	5.1%
Purpose International Dividend ETF	7.6%	5.6%	6.5%
Diversifiers			
Purpose Gold Bullion	3.4%	3.1%	2.8%
Total	100.0%	100.0%	100.0%

Source: Purpose Investments, as of August 31, 2026

Top of Mind



Markets are up nicely this year and after an AI tremor in June/July, AI enthusiasm returned which coincided with a very strong global earnings season for Q2.

This helped lift markets but have since been rangebound. And are now showing fatigue due to bond yields moving higher along with oil as supply disruption risk rises. Bit of a precarious equilibrium heading into an historically bumpy part of the year from a seasonal perspective.

What the BULLs say:

- Steady global economic growth at a healthy pace
- Manufacturing is in an upturn
- Capex boom helped by AI infrastructure buildout
- Very fast earnings growth, global EPS is clocking +32% in 2026 based on current estimates
- Just because markets go up doesn't mean they have to come down

What the BEARs say:

- Inflation is picking up again
- Bond yields are high and moving higher
- Oil prices, now up 25%+ from last year, are a big drag
- Narrative & Momentum driven market is late cycle
- AI is already in bubble territory

Market Cycle

Market cycle indicators							
Grouping	Metric	Better/ Worse		Grouping	Metric	Better/ Worse	
Rates		2 / 1	7 / 1	Global Economy		7 / 1	
	Net Cuts	✓	✓		Global PMI	✓	+
	Yield Curve	✓	+		Copper (6m)	✓	+
	Yield Curve 3m	✓	+		DRAM (3m)	✓	-
US Economy		8 / 10			Oil (3m)	✓	+
	Leading Ind (3m)	✓	+		Commodities (3m)	✓	+
	Leading Ind (6m)	✓	+		Baltic Freight (3m)	✓	+
	Phil Fed Coincident	✓	+		Kospi (2m)	✓	+
	Credit (3m)	✓	-		EM (2m)	✓	+
	Recession Prob (NY Fed)	✓	+	Fundamentals	US: PE	✓	+
	Recession Prob (Clev Fed)	✓	+		US: EPS Growth	✓	-
	Citi Eco Surprise	✓	-		US: EPS 2FY v 1FY	✓	+
	GDP Now (Atlanta Fed)	✓	-		US: 3m EPS Revision	✓	-
	US Unemployment	✓	+		Canada: PE	✓	-
	Consumer Sentiment (3m)	✓	+		Canada: EPS Growth	✓	-
					Canada: EPS 2FY v 1FY	✓	+
Manufacturing	PMI	✓	-		Canada: 3m EPS Revision	✓	-
	PMI New Orders	✓	-		International: PE	✓	+
	Energy Demand (YoY)	✓	+		Int: EPS Growth	✓	+
	Truck Demand (YoY)	✓	+		Int: EPS 2FY v 1FY	✓	-
	Rail (YoY)	✓	-		Int: 3m EPS Revision	✓	+
Housing	Starts (1yr)	✓	-				
	Months Supply (6m)	✓	+				
	Home Sales	✓	-				
	New Home Sales	✓	-				
	NAHB Mkt Activity	✓	-				

Source: Purpose Investments, Bloomberg

Market volatility remains driven by daily macro headlines, but underneath the noise, economic and market fundamentals remain healthy.

Global manufacturing continues to improve, supported by the AI infrastructure buildout, helping drive earnings growth across cyclical areas of the economy.

Good economy + good earnings remains a strong combination. The recent dip in market cycle indicators is largely housing-driven, which is not surprising given its sensitivity to higher bond yields.

Market cycle indicators - still pretty good



Source: Purpose Investments, Bloomberg



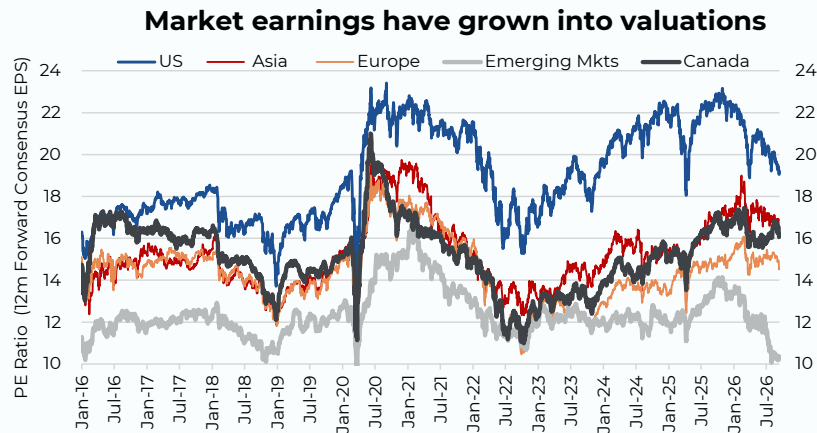
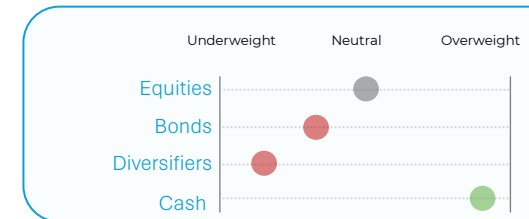
Overall Active Portfolio Tilts

	Underweight		Neutral		Overweight		Positioning
	--	-	=	+	++		
Overall							Current WeightBaseline
Equity							58%57%
Bonds							31%36%
Cash							8%2%
Diversifiers							3%5%
Equities							
Canada							30%35%
U.S.							28%30%
International – Developed							34%30%
International – Emerging							9%5%
Style (Value ↔ Growth)							
Size (Small Cap ↔ Large Cap)							
Fixed Income							
Duration (Low ↔ High)							4.6yrs5yrs
Government							43%40%
Credit							57%60%
Credit – Investment Grade (N.R. inclusive)							44%40%
Credit – High Yield							13%20%
Credit – Preferreds							0%0%
Diversifiers							
Volatility Reduction Strategies							
Growth Strategies							
Structured Product/Yield							
Real Assets							
Active/Passive							
Management Approach							



Strategic Tilts

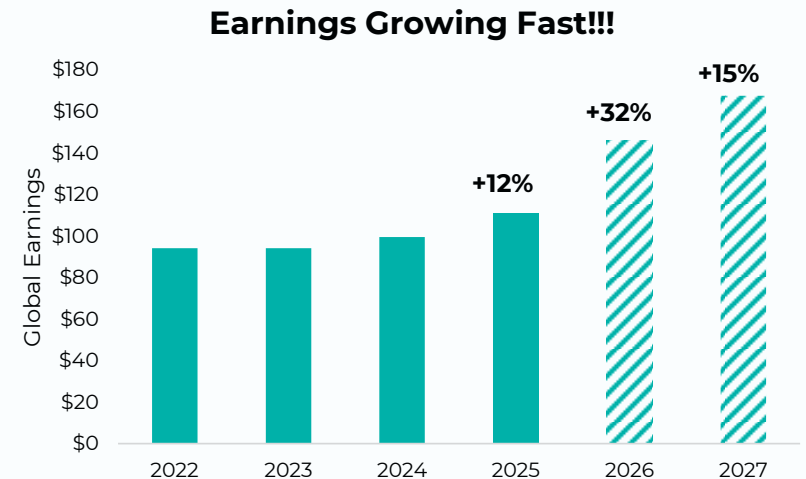
We are roughly neutral on equities. The economic and earnings backdrop remains positive. Add an AI bubble that is likely still in the inflation phase, this market bull could easily continue. Tempering this view is the already strong returns generated and our view this is late cycle given inflation, a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

Earnings growth this year has helped bring valuations down, notably for the U.S. and Emerging Markets

Not cheap but not expensive either. Valuations have been held back by rising yields



Source: Bloomberg, Purpose Investments 10 Sept 2026

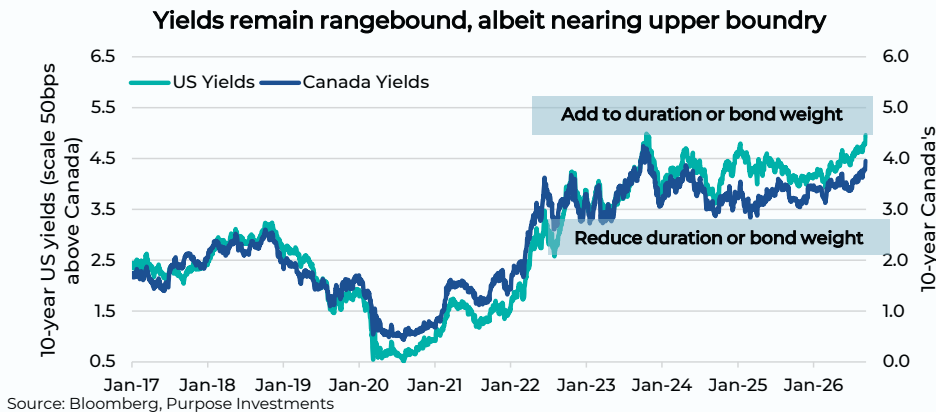
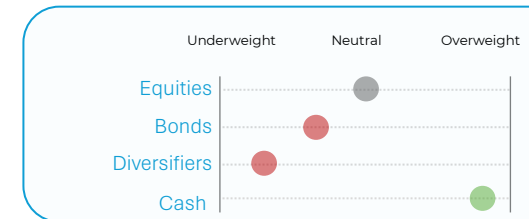
Positive earnings revisions has pushed earnings growth in 2026 to +32%, very high.

This will likely normalize next year

Strategic Tilts

We remain underweight bonds but have a reasonable duration in the high 4s. Bond yields have risen of late to the upper end of the range, encouraging us to add. We reduced diversifiers which has made the portfolio allocation more conservative.

Still remain overweight cash for optionality, especially if we see some weakness during this often challenging seasonal period.

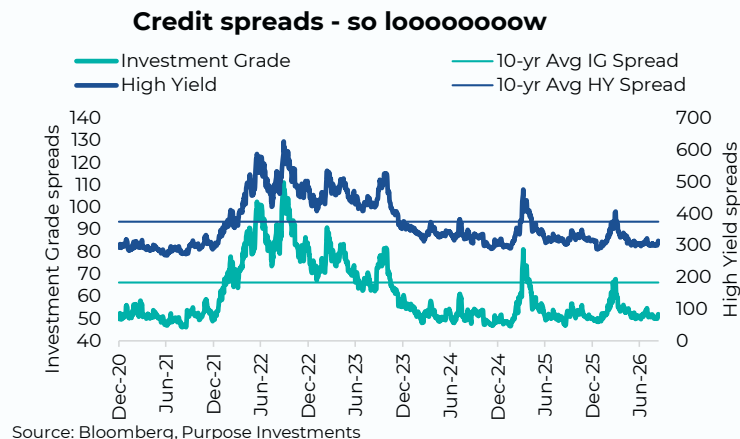


Bond yields have ticked higher on a bit higher inflation and oil prices among other factors. Relatively tight economies is also putting some upward pressure on inflation.

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

The real yield on U.S. Treasuries is well 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.

But with rise in yields has increased attractiveness and we moderated our underweight

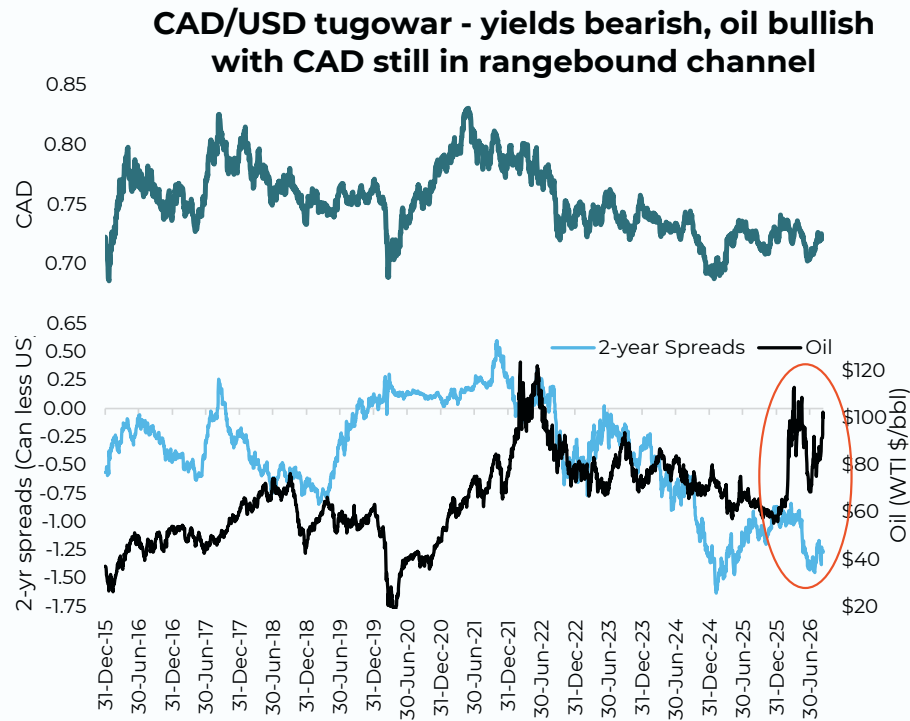
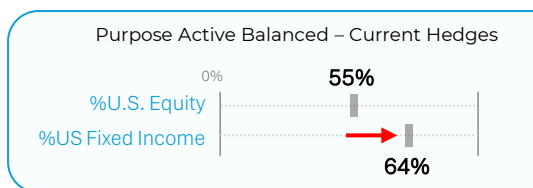


On the credit side, spreads are very low. While nominal yields are attractive, this limits how much credit exposure we want to take at this time.

With an underweight in bonds we have an overweight in cash.

Currency Hedges

The US dollar has historically been a really good diversifier for Canadian portfolios given its safe-haven characteristic in times of trouble. Unfortunately, that reputation has softened for a few reasons. Policy flip flopping has not helped and the relative valuations have USD at the higher end vs other currencies including CAD. This has us less enamored with USD currency exposure.



Source: Bloomberg, Purpose Investments

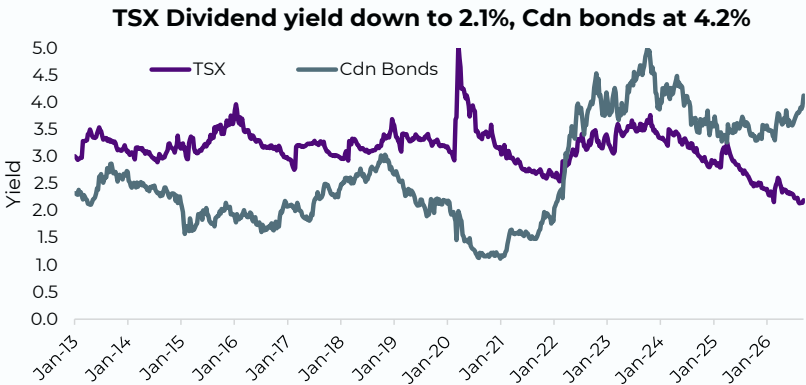
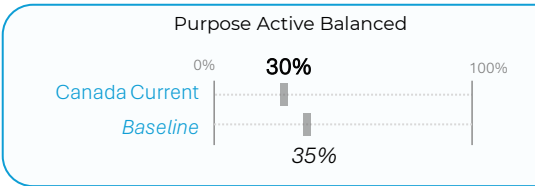
The Canadian dollar has really been stuck in a range of about 71 to 75 cents. After being on the lower side ahead of tariff 2.0 and oil's retreat from the initial spike on the Hormuz conflict, it has moved back into the middle of the range.

Is sure isn't relative yields, those remain pretty bearish CAD. However, oil has moved back to \$100 and that is still a big positive for CAD.

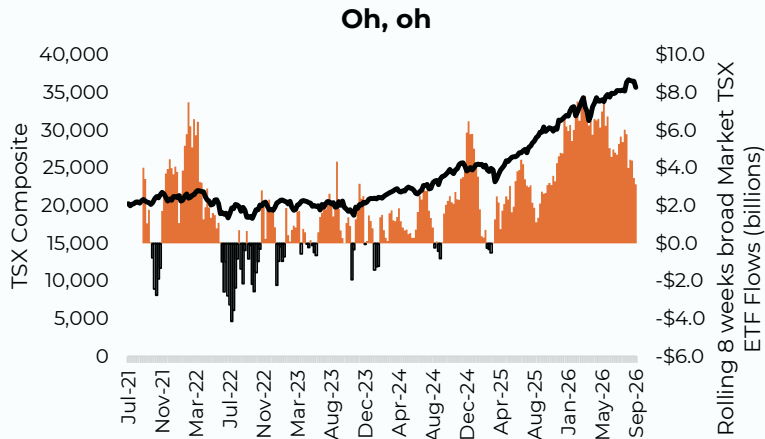
With a recent trade, we did move into a solution that is a big more hedged on the fixed income side. Overall we are pretty comfortable with about ½, or a bit more than ½ our U.S. exposure being currency hedged.

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, Cdn Bonds Bloomberg Canada Aggregate



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

Valuations for the TSX are not cheap anymore, it has been one of the best performing indices over the past few years. It could continue, but the risk/return does appear more challenged. Over 16x on a PE basis is high for our more cyclical index. And now the dividend yield is nearing 2%. Meanwhile bonds are yielding more and more.

Many moving parts in the TSX but banks are a big one. They are now trading 15.3x, which has come down thanks to some price softness and continued earnings growth. Many things have gone really well for banks over past year – NIM moved higher, PCLs improved, capital markets rocking and consumer firmed a bit. Ahead we do think growth simply normalizes, which will make carrying those high valuations harder.

Flows into Canada have been a driving force for our market. Given less liquidity, most the money lands in a really big caps and that has pushed those names higher and left mid and small caps behind. The challenge is the flows appear to be slowing. If this trend continues, it may be hard to hold some of the higher valuations for the large caps.

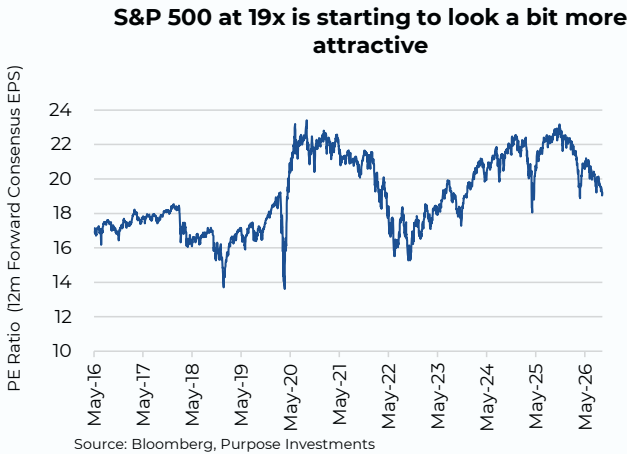
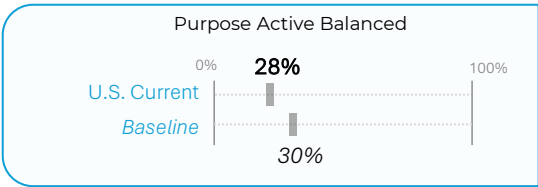
On the positive, gold and oil are back in vogue. Fun fact, Materials now carry a bigger weight in the TSX than Energy. Add both together and they are a bit bigger than Financials. Renewed interest in commodities is certainly a positive for the TSX.

While underweight, at 30% it is still a healthy Canadian equity weight.



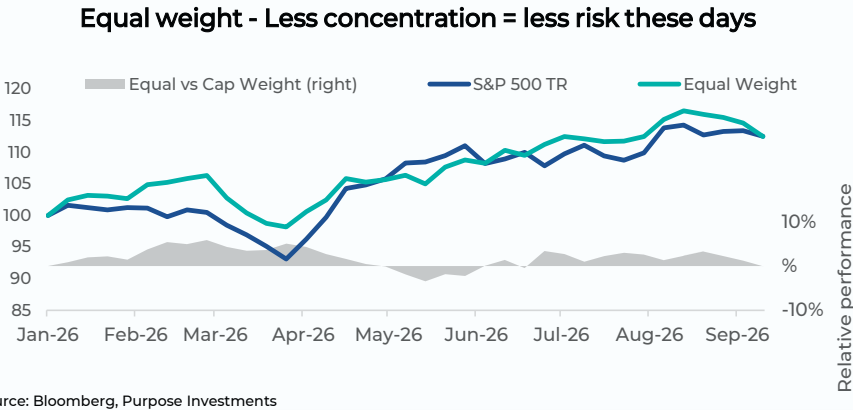
U.S. Exposure

We are roughly neutral weight for U.S. equities (hair lighter). 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 7,650 a lot of good news is priced in. To mitigate some of the risk we do have a tilt towards using more equal weight exposure.



Valuations in the U.S. have become a bit more attractive, now at 19x. Earnings growth has been good and revisions largely positive. The economy continues to perform well, capex AI spend is helped boost manufacturing. And the consumer remains resilient. The soft spot is housing, which certainly doesn't like this recent spike in bond yields.

Overall, decent. But with late cycle and concentration of AI exposure, we are a hesitant to lean in. Comfortable with more neutral stance.



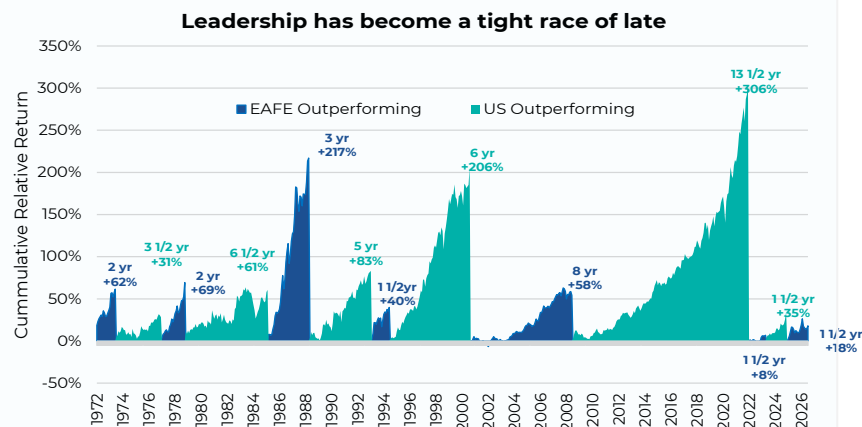
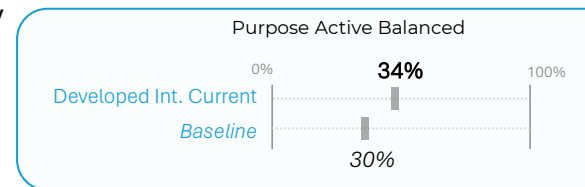
While we do have market cap exposure and some active ownership of a few of the megacap tech names, a good amount of our U.S. exposure is equal weight. Both equal and cap weight are about tied so far in 2026, but certainly less risk in equal weight. Worth noting, the valuation spread has narrowed to 2.7 points, after being as high as 4-5 months ago.

This is a defensive call, less concentration and less risk.



International Exposure - Developed

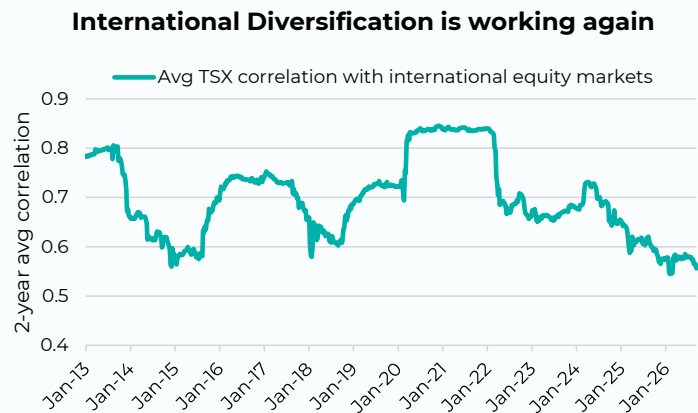
After adding a bit to our international developed exposure in March, we still remain overweight. Broadly speaking this overweight does have a more Asian market tilt compared to EAFE which is more European tilted. We do like Europe for a number of reasons, but see more upside in Asia.



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

Globally, Asia is adding more people into the middle class cohort which often includes increased investing behavior. OECD has 65% of the middle class located in Asia by 2030. And it appears those investors are increasingly focused domestically.

Europe may have its problems, energy, demographics, etc. But the consumer is in good shape, valuations appealing and policy is becoming a bit more pro-growth. The added bonus, if this AI bubble deflates, Europe is less exposed compared to the U.S. or Asia. It has become a diversifier.



Source: Purpose Investments, Bloomberg, TSX vs S&P, BM Europe 600, BM Asia

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.

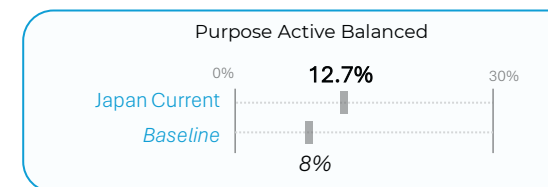
Still like our overweight international tilt.



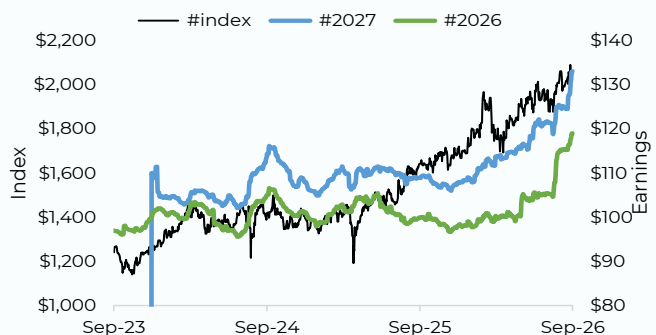
Japan Exposure

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 (26%), PID (17%) & EWJ (100%) totaling out to 12.7% of our overall equity exposure.

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

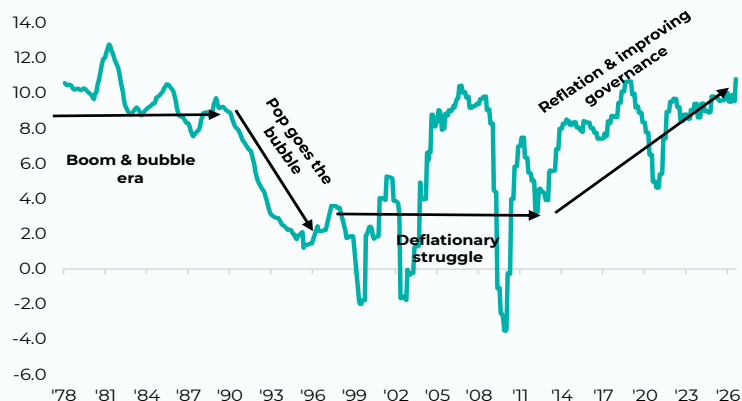


Earnings have moved up over past few months.



Source: Bloomberg, Purpose Investments

Japan Return on Equity over the ages



Source: Bloomberg, Purpose Investments

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 154 (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.

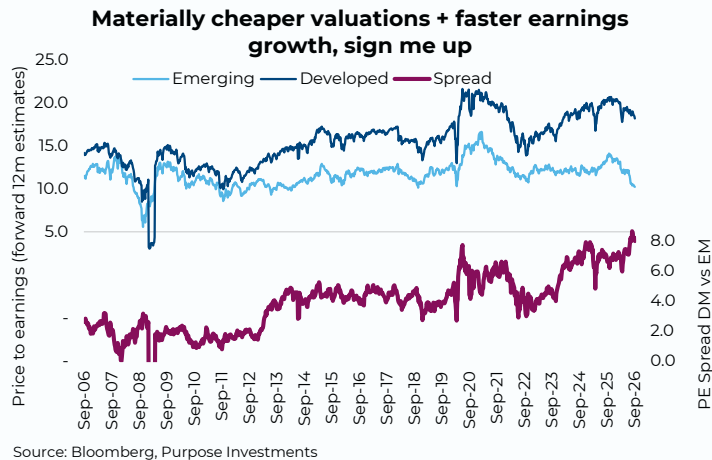
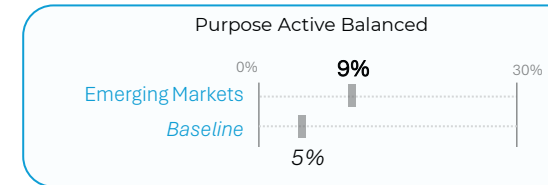
As the top performing major market this year, our view is a bit tempered. Fortunately, the long term thesis remains.

Sticking with this overweight.



International Exposure - Emerging

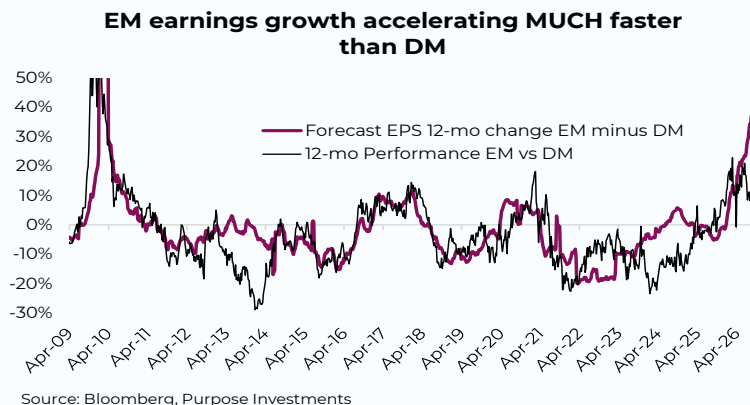
This is pretty much our max Emerging Markets weight. Not your father's emerging markets as there is a good amount of tech and AI trade exposure. We are constructive but do not have as much AI exposure as the broad EM market based on our manager/vehicle selection.



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.



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.

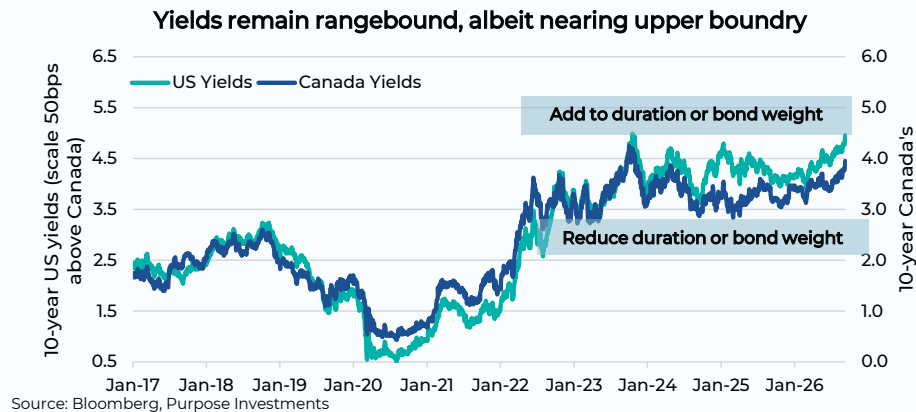
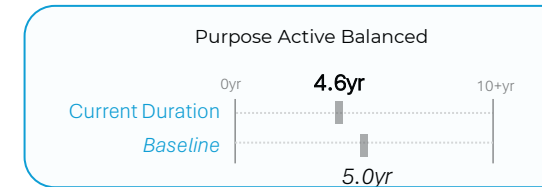
One negative has been slowing inflows to key ETFs. But we are also seeing rising investor appetite from domestic investors in many EM markets. Certainly worth watching but overall we remain optimistic.



Duration

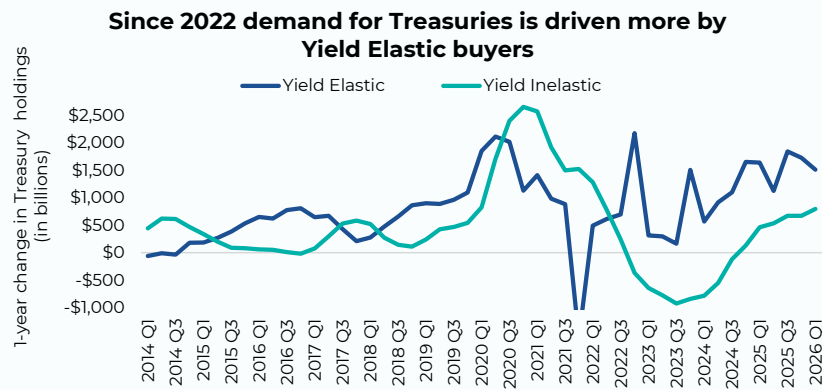
We believe the current market, with higher inflation and yields than years past, is more challenging for the bond portion of the portfolio. While still the cornerstone of defense, a more active duration management is needed.

Given underweight and moderate duration, we feel comfortable.



We reduced duration a year ago, as bond yields had retreated with the 10-year U.S. Treasury at about 4%. Fast forward to today and we now have that same bond nearing 5.0%. This is not a buy and hold bond market. As a result we recently did some adding to bonds. This moderated the size of our bond underweight, we are still under just not as much.

Inflation, fiscal concerns and evidence we are likely in some sort of central bank tightening cycle are putting upward pressure on yields. As is rather robust economic growth. With yields now higher we do believe the risk/return trade-off has improved.



Source: U.S. Treasury, Bloomberg, Purpose Investments
Yield Elastic: Households, Money Market Funds, Mutual Funds/ETFs, Private Foreign capital
Yield Inelastic: Governments, Central Banks, Chartered Banks, Pensions, Insurance

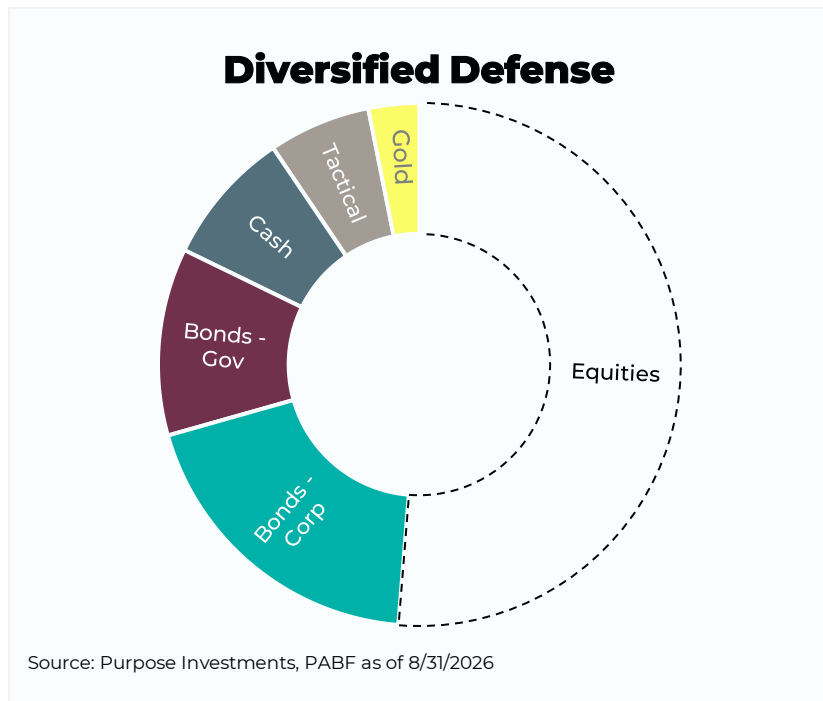
One aspect of the bond market is how flows have become yield sensitive given yield elastic investors now make up a larger portion. This results in added buying pressure when yields move higher and less when they move lower.

This has helped keep bond yields in this range and we are seeing increased ETF flows recently as yields moved higher. Not saying yields won't move higher on inflation surprise (or if oil keeps rising) or yields move lower on softer economic data. But these flows are certainly a moderating factor.

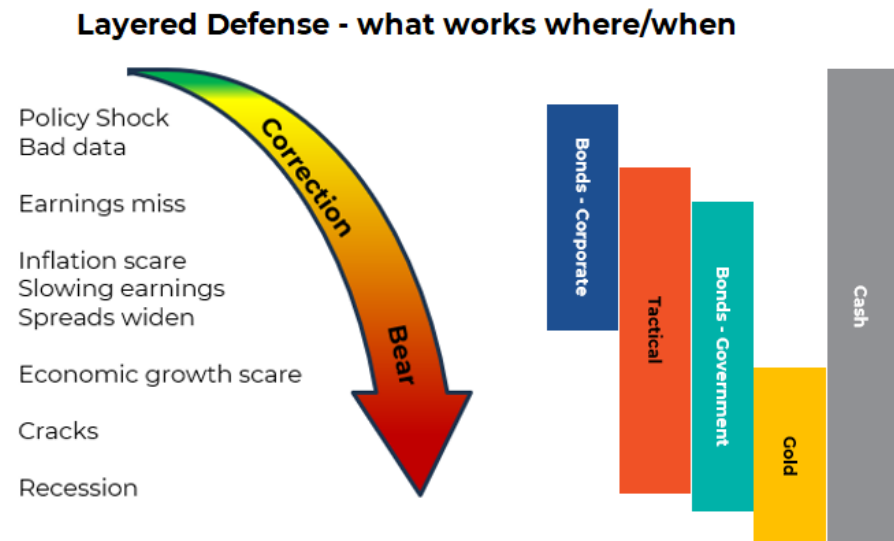
Diversified Defense

Every correction is different, speed, magnitude, duration and the cause. The last 4 have been caused by an exogenous 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? Nobody knows.

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



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

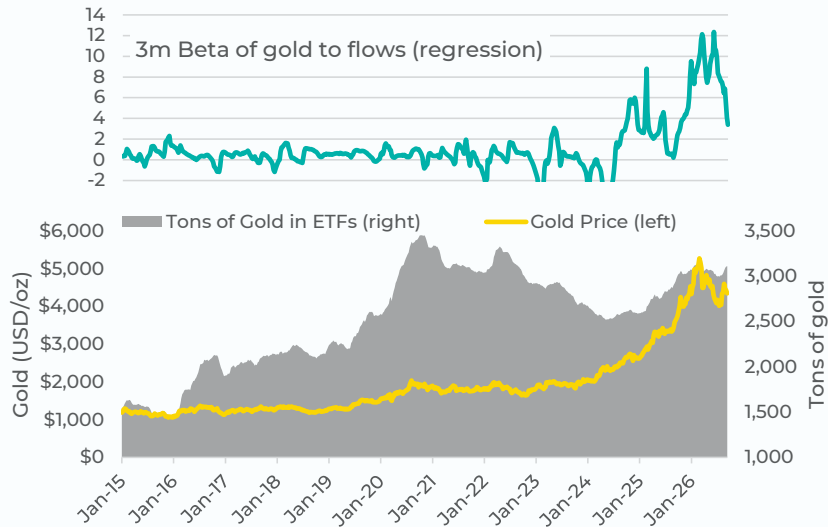


Source: Purpose Investments, illustrative purpose only

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.

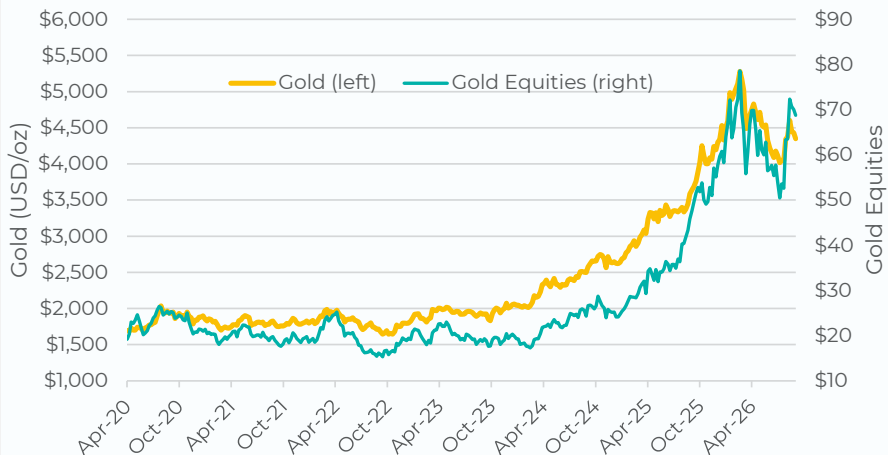
Gold – back to being gold again

For gold, only flows matter these days



Source: Bloomberg, Purpose Investments

So now what do we do?



Source: Bloomberg, Purpose Investments, Equity scale 1.5x Bullion

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.

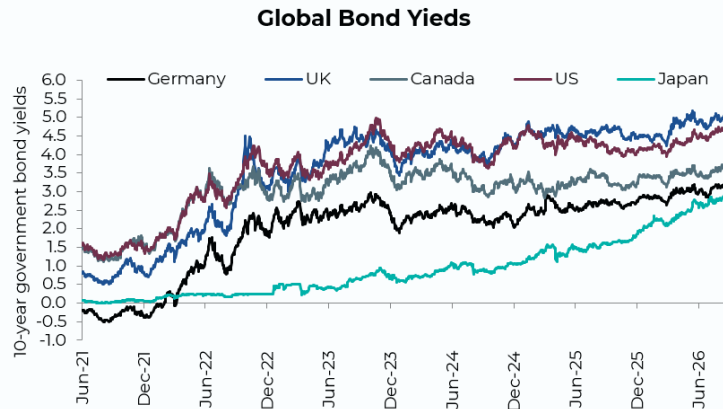
After a strong bounce we are now seeing a pullback as real yields have marched higher (10yr real yield at 2.6%). In the olden days, that should crush gold. But not today, times have changed at least for now which has us believing the path for gold and gold equities is higher.

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).

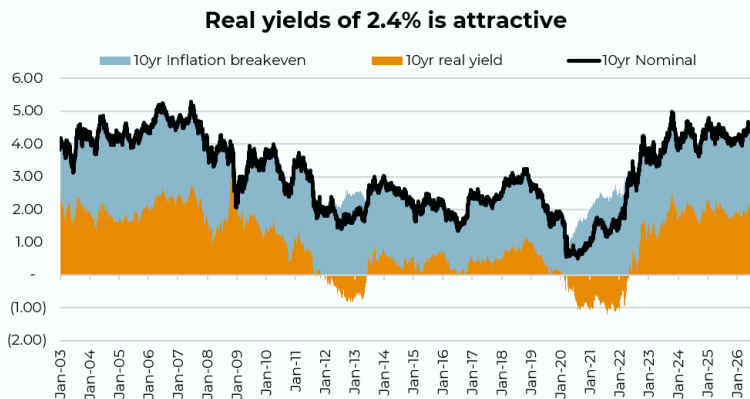
Remain positive on gold as a diversifier in portfolios.



Bonds are Back on the Menu



Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

Global Bond Yields

- Global yields remain elevated, with U.S. 10-year yields back near the upper end.
- We see better value in bonds after the recent rise in yields, particularly versus the crowded negative sentiment around fixed income.
- Added 3% to global bonds in Balanced, funded by a reduction in diversifiers.
- BND provides meaningful U.S. exposure, capturing the higher U.S. 10-year yield while maintaining our investment-grade bias.

Real Yields of 2.6% Are Attractive

- Real yields around 2.6% provide an attractive starting point for adding fixed income.
- The move is not a recession call. We are simply taking advantage of yields that have become difficult to ignore.
- Limited income sacrifice: BND's indicated yield is 5.6% versus 6.4% for PYF, while offering a more defensive profile.
- This is a composition shift, not a duration bet: BND's 4.25-year duration leaves overall Balanced portfolio duration essentially unchanged at 4.6 years.