

Trade Rationale

Purpose Active Portfolios

Solutions

Trade Activity

Purpose Active Balanced		Action	PABF Fund/ETF	Previous	New	Change
ETF TICKER	PABF	Trimmed	BMO Aggregate Bond ETF (ZAG on T)	9.8%	4.8%	-5.0%
MGMT FEES	0.20%					
SERIES F	PFC22101	Increased	iShares Core Canadian Short Term Bond Index ETF (XSB T)	2.9%	7.9%	+5.0%
MGMT FEES	0.20%	Trimmed	BMO S&P/TSX Capped Composite (ZCN on T)	6.9%	4.9%	-2.0%
SERIES A	PFC22100	Added	Invesco S&P Emerging Markets Low Vol ETF (EELV in US)	0%	2.0%	+2.0%
MGMT FEES	1.20%					

Purpose Active Growth		Action	PAGF Fund/ETF	Previous	New	Change
ETF TICKER	PAGF	Trimmed	BMO S&P/TSX Capped Composite (ZCN on T)	14.1%	11.1%	-3.0%
MGMT FEES	0.20%					
SERIES F	PFC22201	Added	Invesco S&P Emerging Markets Low Vol ETF (EELV in US)	0%	3.0%	+3.0%
MGMT FEES	0.20%					
SERIES A	PFC22200					
MGMT FEES	1.20%					

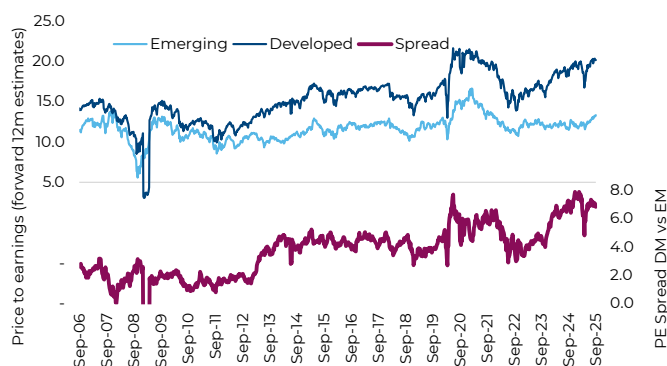
Purpose Active Conservative		Action	PACF Fund/ETF	Previous	New	Change
ETF TICKER	PACF	Trimmed	BMO Aggregate Bond ETF (ZAG on T)	13.9%	7.9%	-6.0%
MGMT FEES	0.20%					
SERIES F	PFC22001	Increase	iShares Core Canadian Short Term Bond Index ETF (XSB T)	4.3%	10.3%	+6.0%
MGMT FEES	0.20%	Trimmed	BMO S&P/TSX Capped Composite (ZCN on T)	6.1%	4.1%	-2.0%
SERIES A	PFC22000	Added	Invesco S&P Emerging Markets Low Vol ETF (EELV in US)	0%	2.0%	+2.0%
MGMT FEES	1.20%					

Two trades in one for this rationale. We reduced Canadian equity and tilted a bit more into emerging markets. Plus, we reduced bond duration.

Reducing Canada and adding to Emerging markets (EM) – The TSX has enjoyed one helluva year so far in 2025, up about +20% which is decently ahead of many other markets. While earnings are growing, this has pushed valuations to about 16.5x forward consensus earnings estimates, which is rather high on a historical basis. At the same time, the economic momentum has been slowing. While many parts of the TSX really don't care about the domestic economy, including golds, which are responsible for about 1/3 of the gains, the banks have also moved higher. And the banks should care about the economy. Bank valuations are near 2 standard deviations above the norm, rather stretched. We just are having a harder time seeing what could lift the TSX higher, so taking some profits seems prudent.

We added an initial EM position in May of 2024, and this is an addition. Of course, valuations are cheap; they always are, with about a 7-point spread being historically high. Relative earnings growth is on par with developed markets, which is encouraging. However, the bigger driver is a broadening of flows away from the U.S. That shift has been, and continues to be, a tailwind for Canadian equities and EM.

Valuation buffer remains with spread of 7



Source: Bloomberg, Purpose Investments

We opted for a low-vol emerging market strategy because of its allocations. It is a rather unique low-vol solution, as most peers still look like the major passive indices from an underlying perspective. We already own some passive, but the passive index is really concentrated in China, India, and Taiwan. The makeup of the low vol option complements our existing passive EM exposure well by adding more exposure to commodity-sensitive markets such as Brazil, South Africa, Saudi Arabia, and Mexico.

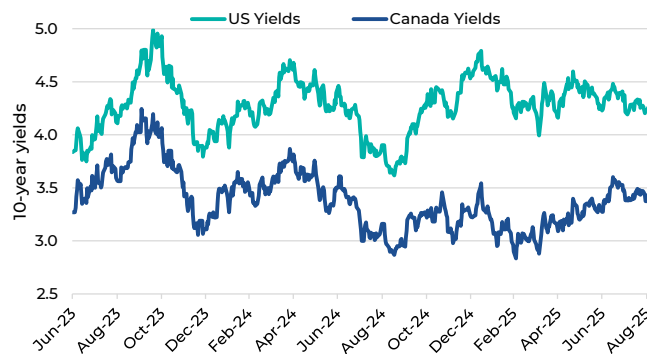
We like the smaller, commodity-linked EM regions because they can really benefit if inflation picks back up and drives commodity prices higher. A weaker USD outlook adds another tailwind, making it easier for these markets to attract capital and grow earnings. Rates across EM economies also add to our positive view. Most EM nations have already cut rates, but some still have some room to cut more, and now with the Fed cutting, this should be positive for EM.

The low-vol tilt also adds some defensive ballast, and the ETF's bias toward dividend payers brings a strong income stream to the portfolio. With this move, we're now meaningfully overweight EM, a tilt that is certainly different than peers and has the potential to benefit if the global cycle tilts toward commodities, inflation, and a weaker U.S. dollar.

Reducing Duration – We have been mildly underweight in bonds and carrying a higher duration of about 5.5 (Balanced portfolio). As bond yields recently moved lower on soft labour reports in Canada and the U.S., they have become low enough for us to trim down our duration. This was done by reducing broad bond market exposure and moving proceeds to a shorter-duration equivalent.

The Conservative portfolio duration declined from 5.6 to 5, while the Balanced portfolio declined from 5.5 to 4.8. The Growth portfolio didn't adjust its much smaller bond allocation.

Yields - have moved lower



Source: Bloomberg, Purpose Investments

We continue to believe bond yields will remain rangebound but will ebb and flow. Our strategy has been to add either duration or bonds on elevated yields, and do the opposite when yields are near the bottom end of the range, such as today.

With the Fed easing into a still-resilient US economy and inflation proving sticky above target, the risk is that bond investors demand a higher term premium, pushing yields higher. Canadian yields tend to trend in a similar direction.

Portfolio Management Team

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All data sourced from Bloomberg unless otherwise noted.

Commissions, trailing commissions, management fees and expenses all may be associated with investment fund investments. The prospectus contains important detailed information about the investment fund. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share/unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. As with any investment, there are risks to investing in investment funds. There is no assurance that any fund will achieve its investment objective, and its net asset value, yield, and investment return will fluctuate from time to time with market conditions. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. The opinions expressed are provided by the portfolio manager responsible for the management of the Fund's investment portfolio, as specified in the Fund's prospectus. Unless otherwise stated, the source for data cited in any commentary is the portfolio manager. Nothing in any commentary should be considered a recommendation to buy or sell a particular security. The Fund may sell these securities at any time, or purchase securities that have previously been sold. The securities may increase or decrease in value after the date hereof, and the Fund may accordingly gain or lose money on the investment in the securities. The statements by the portfolio managers in their commentaries are intended to illustrate their approach in managing the funds, and do not necessarily reflect the views of Purpose Investments Inc. All data sourced from Bloomberg and Purpose Investments, unless otherwise noted.

