

Purpose WHY Report

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

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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%

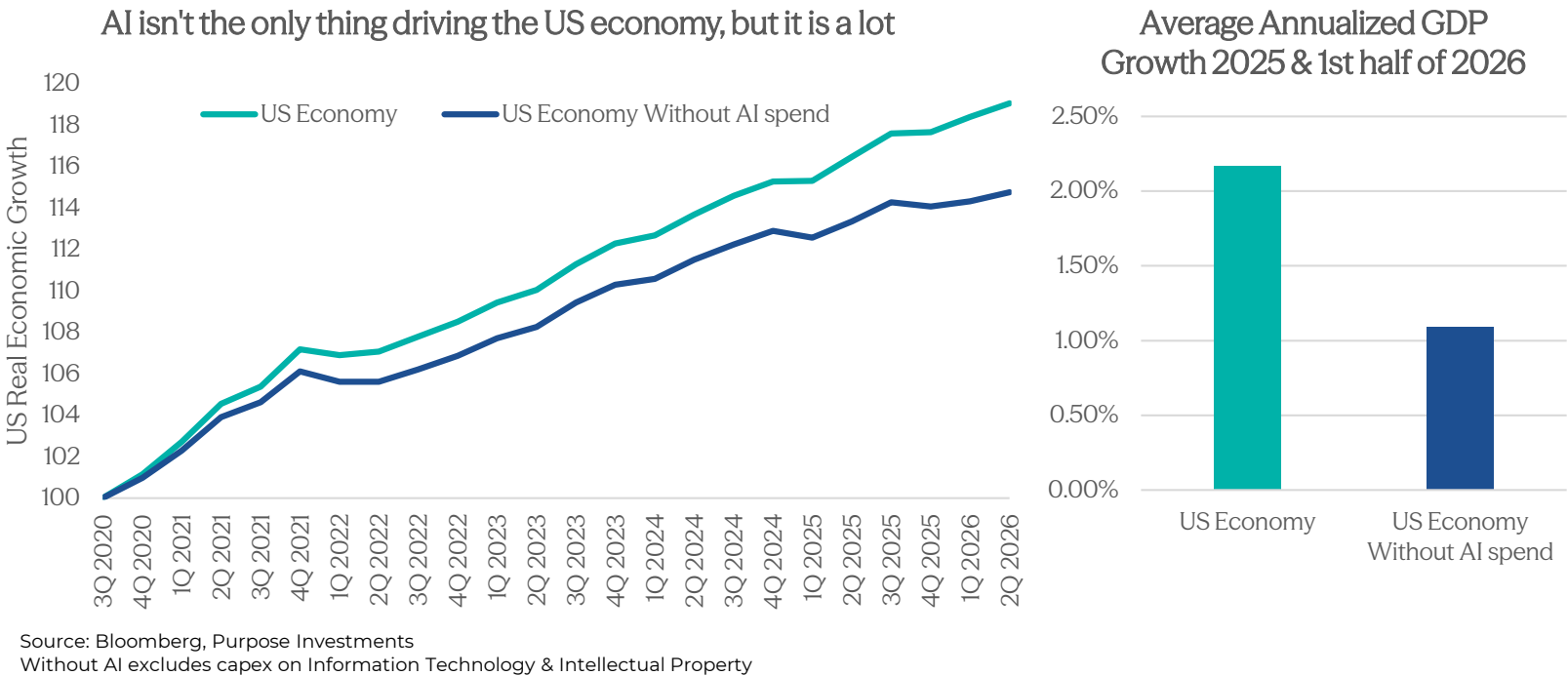
Holdings

Underlying Product	Conservative	Balanced	Growth
Cash & Cash Equivalents			
Cash	–	–	–
Purpose Cash Management ETF	2.8%	1.7%	3.0%
Purpose USD Cash Management ETF	0.8%	2.6%	2.8%
Fixed Income			
BMO Aggregate Bond ETF	7.1%	4.1%	4.4%
iShares Core Canadian Corporate Bd ETF	8.9%	5.3%	
Mackenzie Unconstrained Bond ETF	3.7%	3.3%	
iShares Core Canadian Short Term Bd ETF	9.5%	6.8%	
Purpose Global Bond ETF	14.0%	8.0%	5.8%
iShares Core US Aggregate Bond ETF	3.1%		
BMO MT US IG Corp Bd Hdgd to CAD ETF	6.5%	4.6%	2.7%
Balanced			
Purpose Tactical Asset Allocation ETF	6.6%	8.4%	6.8%
North American Equity			
BMO S&P/TSX Capped Composite ETF	4.7%	5.3%	11.3%
Purpose Core Equity Income ETF	8.6%	13.0%	9.9%
CI Invesco S&P 500 Equal WghtdxTFCADHnts	4.7%	8.6%	6.7%
Invesco QQQ Trust			6.9%
iShares Russell 2000 ETF			2.8%
Stt Strt SPDR S&P 500 ETF		2.2%	
iShares MSCI USA Min Vol Factor ETF	3.0%		
International Equity			
iShares Core MSCI EAFE ETF	3.2%	3.4%	10.2%
iShares MSCI Japan ETF		4.1%	5.4%
Vanguard FTSE Emerging Mkts All Cap ETF		3.2%	4.5%
Invesco S&P Emerging Markets Low Vol ETF	2.1%	1.9%	2.7%
Avantis International Equity ETF		5.1%	5.0%
Purpose International Dividend ETF	7.5%	5.5%	6.4%
Diversifiers			
Purpose Gold Bullion	3.2%	2.9%	2.6%
Total	100.0%	100.0%	100.0%

Source: Purpose Investments, as of August 31, 2026

Top of Mind

We are bullish on using AI and on many of the companies involved. But we do know it is a bubble that is driving equity markets, now bond markets and the global economy. Stripping out AI spending (capex on IT and IP), you get an economy just above stall speed. This has become an everywhere and everything bubble. Keep enjoying but don't miss the offramps or ways to diversify this exposure.

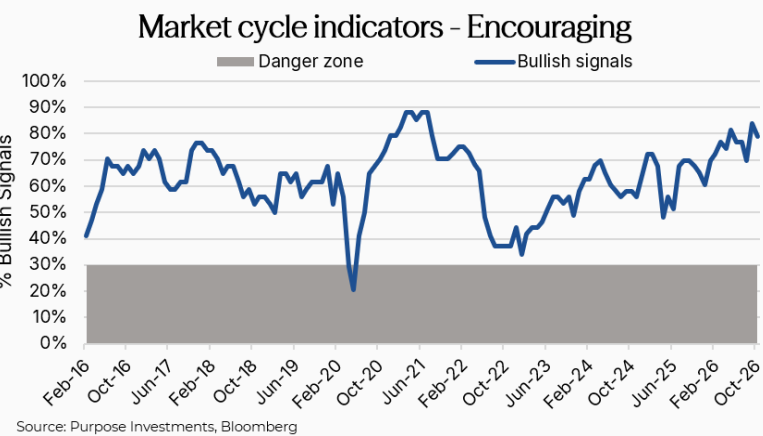


Market Cycle

Bubble driven or not, the market cycle is pretty darn healthy. US and Global economy are good, fundamentals encouraging. Housing remains the only weak point, not surprising given rising interest rates.

That being said, we don't think the economic data will give much warning as to market weakness. Instead focusing on earnings that will need to continually beat rising expectations around the AI buildout is crucial. Or watch for decelerating growth from capex growth rates.

The good news is that the foundation is solid.



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

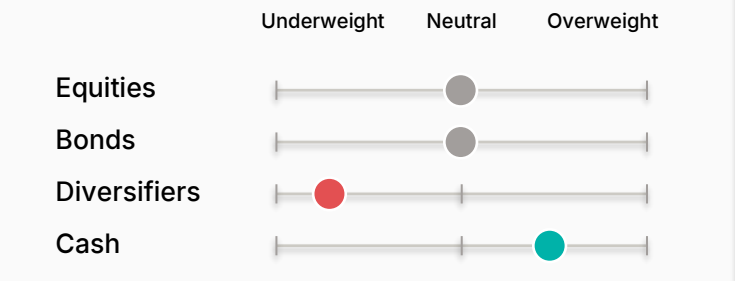
Source: Purpose Investments, Bloomberg

Overall Active Portfolio Tilts

	Positioning					Current Weight	Baseline
	Underweight	Neutral	Overweight				
	--	-	=	+	++		
Overall							
Equity			←			57%	57%
Bonds		→		←		34%	36%
Cash				←		6%	2%
Diversifiers						3%	5%
Equities							
Canada		→				32%	35%
U.S.				←		28%	30%
International – Developed				←		31%	30%
International – Emerging						9%	5%
Style (Value ↔ Growth)							
Size (Small Cap ↔ Large Cap)							
Fixed Income							
Duration (Low ↔ High)			→			4.7yrs	5yrs
Government				←		40%	40%
Credit			→			60%	60%
Credit – Investment Grade						46%	40%
Credit – High Yield (N.R. inclusive)						14%	20%
Credit – Preferreds						0%	0%
Diversifiers							
Volatility Reduction Strategies							
Growth Strategies							
Structured Product/Yield							
Real Assets							
Active/Passive							
	Passive				Active		
Management Approach							

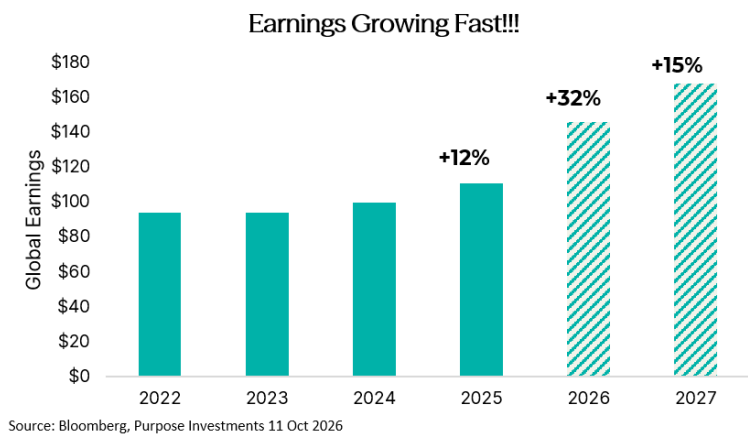
Strategic Tilts

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, several economic factors and outsized returns.



Earnings growth this year has helped bring valuations down, just about everywhere except Canada

EM down to 10x, Europe at 14x, Asia 16x, US 19x, pretty reasonable.

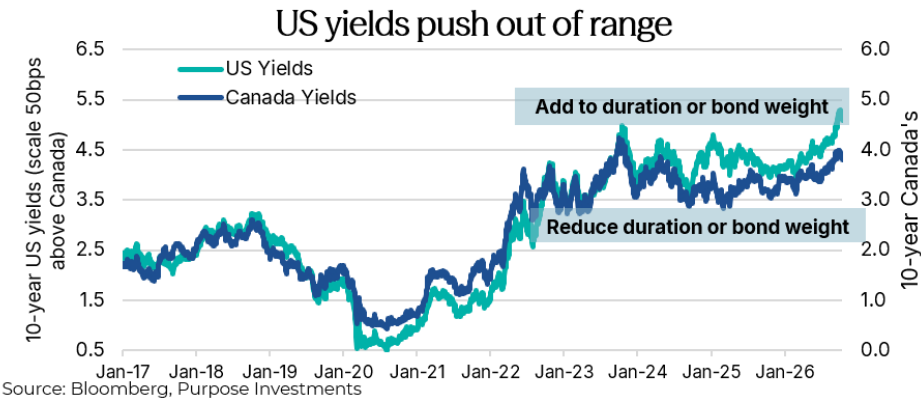
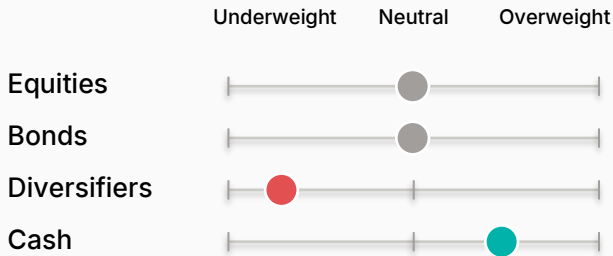


Earnings growth has been very strong, beyond just AI. 32% EPS growth globally is a crazy positive number. Now we head into Q3 earnings season, with most optimistic of some sort of repeat from Q2.

Strategic Tilts

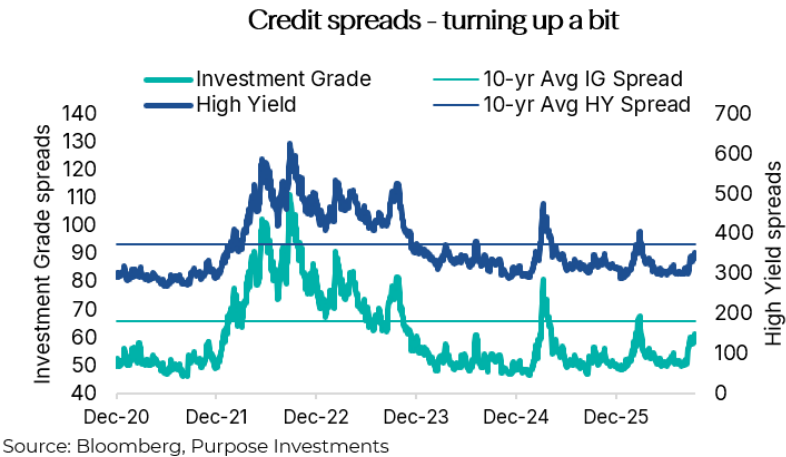
The Bond weight in the portfolio has increased roughly 7% since early August. We now have a neutral to slightly underweight position. We are carrying a reasonable duration in the high 4s. Bond yields have risen of late to the upper end of the range, and have pushed above for the U.S. This has us adding, thus reducing our degree of underweight.

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



Bond yields have moved higher which we do not think is inflation or even oil driven. Although those are contributors. Nor is it concern over deficits/debt, that will likely rise later. This is robust economic growth and huge bond issuance competing for capital.

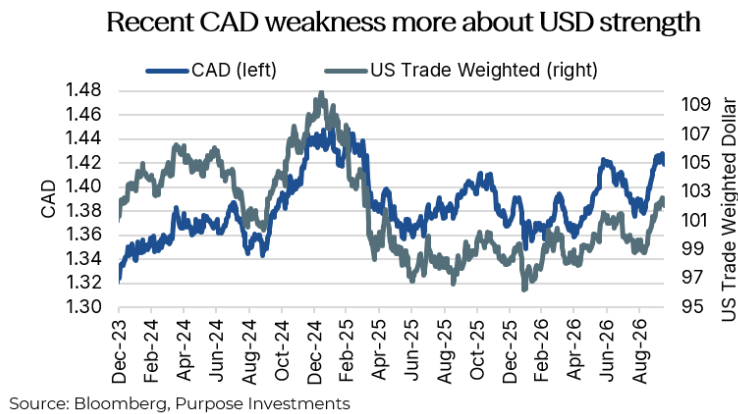
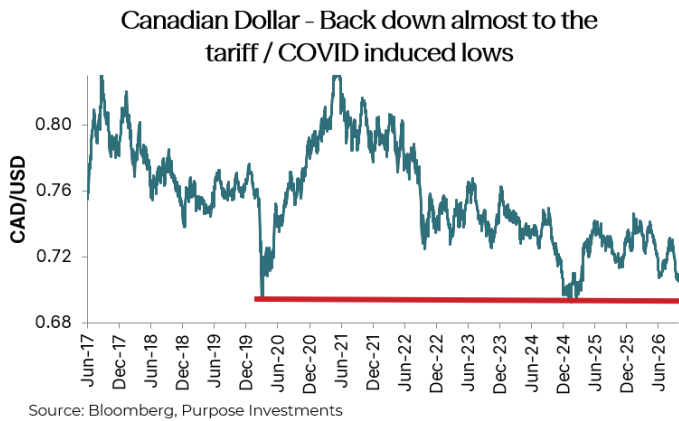
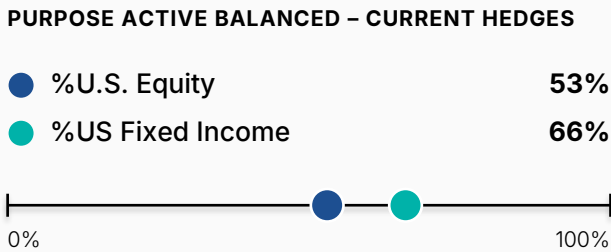
The real yield on U.S. Treasuries is nearing 3%, which we view as attractive. And even though bonds have not been great diversifiers of late, we do believe they will be a good diversifier should the AI bubble deflate.



Credit spreads have picked up a little but not enough. Worth noting the US IG market is now about 12% AI infrastructure companies, from a 7% level a year ago. Even the bond markets is becoming an AI play.

Currency Hedges

The US dollar has historically been a great 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, however it's role as a safe haven currency is an added benefit.



The Canadian dollar has been under some significant pressure. Recently it's broken through the 71 to 75 cent range it was bouncing around for the past year and is close to retesting the lows from early 2025 when tariff fears led to a large sell-off.

Near-term it is quite oversold. Rate differentials are a key driver in currency markets and the 2yr rate differential between the U.S. and Canada at 1.62% is close to a 30 year high. If it was only up to relative yields, the Loonie should be weaker. Thankfully oil strength and still elevated gold prices help, but the recent disappointing jobs number revealed the growing divergence between the Canadian and U.S. economies. The number and timing of hikes between the BoC and the Fed will ultimately decide where the Loonie will go.

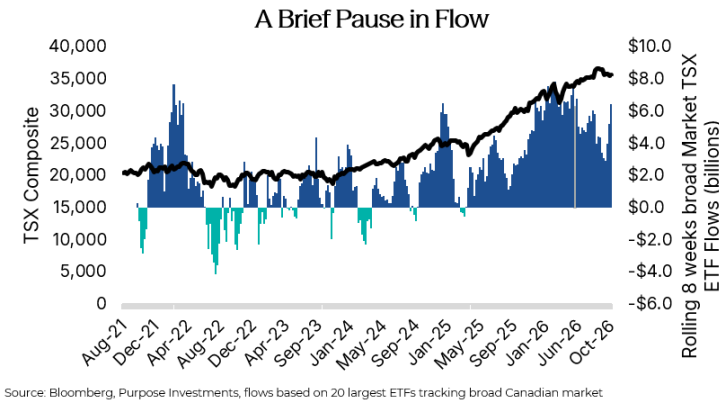
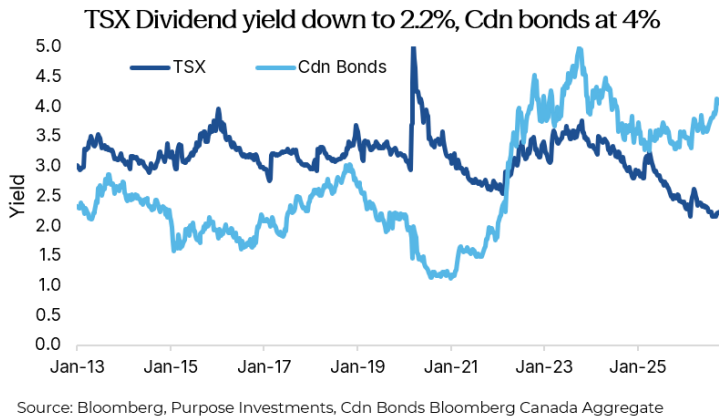
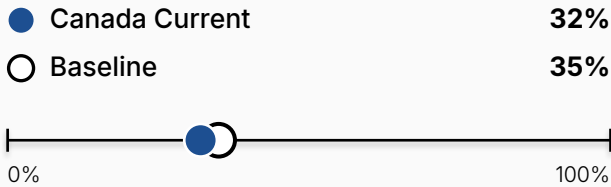
Ultimately, it's not a Canadian centric story. The U.S. dollar has been on a surge, with the U.S. dollar index nearing 103, the highest level in over 18 months.

With the recent trade, we did move more into a couple of hedged solutions on the fixed income side. Overall, we are now a little more than half hedged on the equity side of the portfolio, and 2/3s hedged across our fixed income holdings.

Canada Exposure

With the trim on international equities, the piece of the pie for Canadian equities grew slightly to 32% of our equity. We remain underweight on Canadian equity, after taking some profits late in 2025. Our thinking at that point was after a strong run in Canada, valuations had become stretched, particularly among banks, while slowing economic momentum limited the potential for further upside. Much of which still exists today, but the market has certainly ignored much of it.

PURPOSE ACTIVE BALANCED



The TSX has been one of the stronger-performing markets over the past few years, leaving valuations stretched at over 16x forward earnings. The dividend yield has also fallen to around 2.2%, while Canadian bonds are yielding close to 4%, making the relative value proposition less compelling.

Banks remain a key consideration, with valuations elevated and earnings growth potentially normalizing after a strong period. While commodity exposure and strength in materials provide support, we see less room for further multiple expansion.

Flows into Canadian equities have been a significant tailwind, helping drive the market higher, particularly among large-cap stocks. The recent slowdown in flows appears to have been brief, with inflows returning and supporting the market.

With valuations elevated and leadership concentrated in larger names, we remain mindful of the risk that a sustained slowdown in flows could make it harder to maintain current valuations.

We continue to hold an underweight position in Canadian equities, while recognizing that the market retains some positive catalysts.

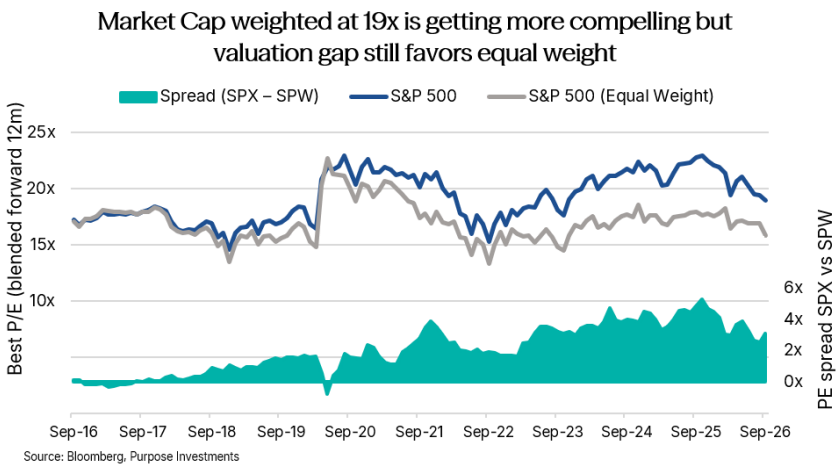
U.S. Exposure

We remain neutral to slightly underweight U.S. equities. We were encouraged by the previous earnings season, and the latest reporting season is just getting underway with expectations running high. The economic backdrop remains supportive, but elevated valuations, market concentration and significant AI exposure temper our enthusiasm. With the S&P 500 trading around 19x forward earnings, we continue to favour equal weight to reduce concentration risk and broaden our exposure beyond the largest names.

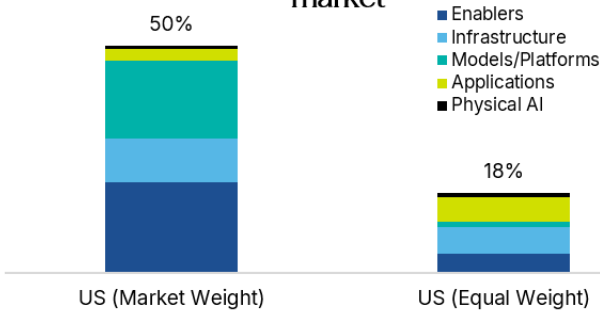
PURPOSE ACTIVE BALANCED



0%100%



AI Exposure Score and Composition by market



Source: Bloomberg, Purpose Investments

U.S. valuations have become more attractive, with the S&P 500 trading around 19x forward earnings. However, the valuation gap between market-cap and equal-weighted indices continues to favour equal weight.

Market breadth has deteriorated, with a narrow group of mega-cap stocks doing much of the heavy lifting. This concentration has supported the market-cap weighted index while equal weight has underperformed in recent months.

Despite the market cap index's ability to withstand rising bond yields, weakness beneath the surface warrants caution. Earnings growth remains solid, but concentration and the degree of AI exposure temper our enthusiasm.

The U.S. market has significant exposure to the AI theme, with market-cap weighting amplifying the influence of the largest technology companies.

Our analysis shows that equal weight offers considerably less exposure to the AI trade, helping reduce concentration risk. Although equal weight has recently lagged, we believe it offers a more balanced way to maintain U.S. equity exposure.

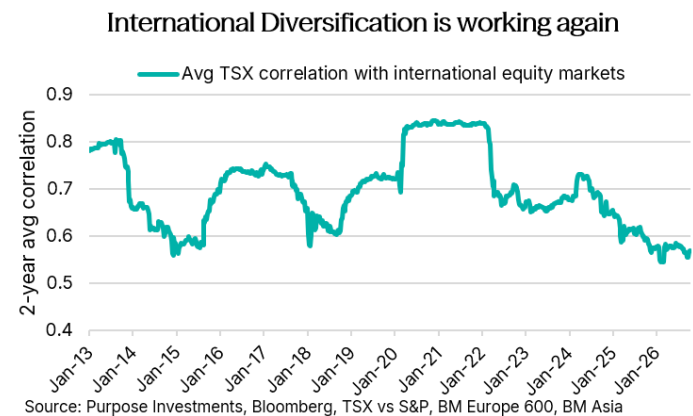
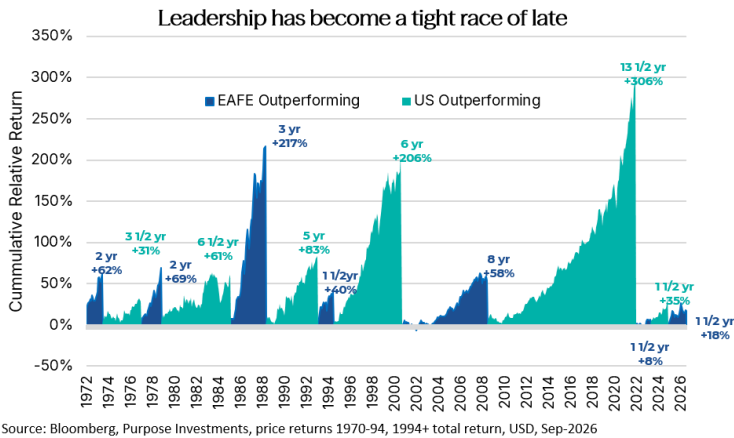
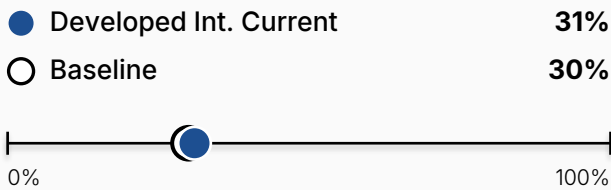
We remain neutral to slightly underweight U.S. equities overall, with a strong preference for equal weight over traditional market-cap weighting.

International Exposure – Developed

International remains our strongest overweight but these days that is more on the emerging markets side rather than developed. With the most recent trade we trimmed some international developed through our EAFE exposure. The move reduced our developed exposure by -3 pts to 31%.

Regionally speaking, Europe would be considered neutral now with more of the overweight coming from Asia. We do like Europe for a few reasons but see more upside in Asia.

PURPOSE ACTIVE BALANCED



Leadership between international markets and the U.S. continues to rotate, with relative performance varying significantly across cycles. Asia offers attractive structural tailwinds, including a growing middle class and rising domestic consumption. Our preference for the region is reflected in our emerging markets exposure and our Japanese equity position.

With our latest trade reducing developed international exposure, more of our international overweight is now concentrated in Asia.

Correlations between Canadian and international equities have declined, improving the diversification benefits of global exposure. This reinforces the value of maintaining international equities even as we become more selective about regional positioning.

Europe remains a useful diversifier, with less exposure to the AI trade than other regions. However, rising bond yields and energy costs, combined with more limited AI-related capital spending growth in the region, create a challenging backdrop for European equities.

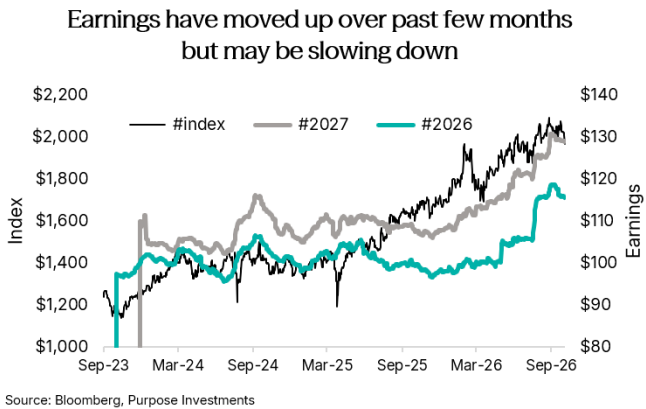
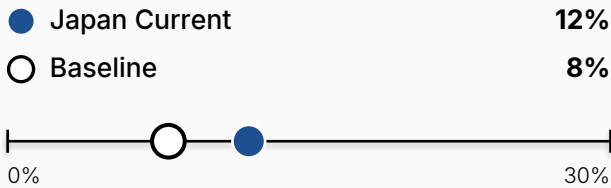
We now view Europe as broadly neutral, while recognizing its role in diversifying our overall portfolio.

Japan Exposure

We maintain a significant overweight to Japanese equities, with approximately 12% of our overall equity exposure allocated to Japan compared with 4% for the Morningstar Balanced Category. This positioning has been in place for some time, and we added modestly to our exposure in March. Our current exposure comes through ADVE (23% Japan), IEFA (26%), PID (17%) and EWJ (100%).

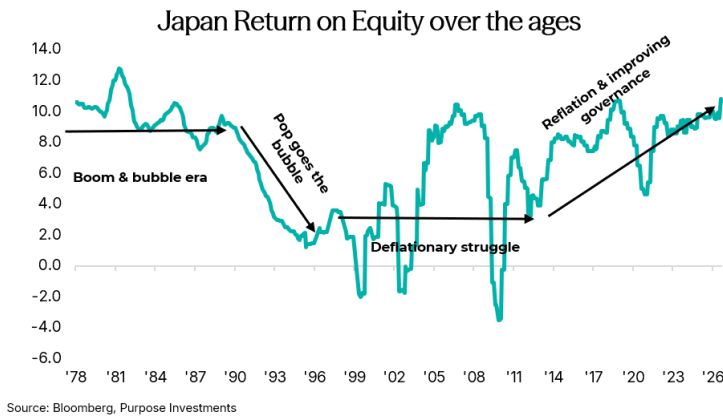
Our individual position in Japan has been the second-best performing holding in the portfolio this year. We continue to revisit our investment rationale as market conditions evolve.

PURPOSE ACTIVE BALANCED



Earnings have moved higher over the past few months, although growth may be starting to moderate. Near-term risks include yen volatility, rising bond yields and higher energy costs, given Japan's reliance on energy imports.

While valuations have increased alongside the market, earnings momentum and improving fundamentals continue to support the investment case.

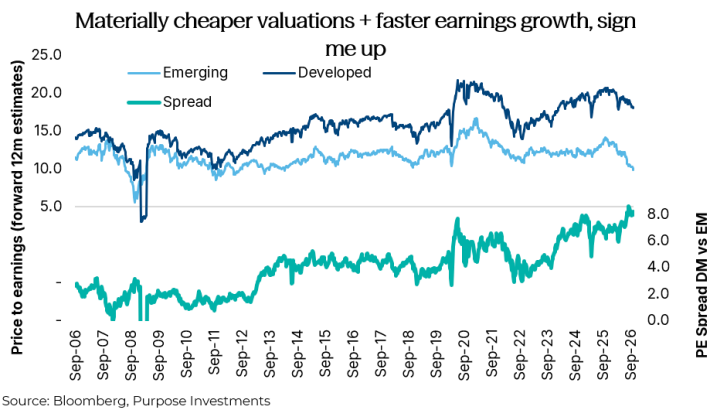
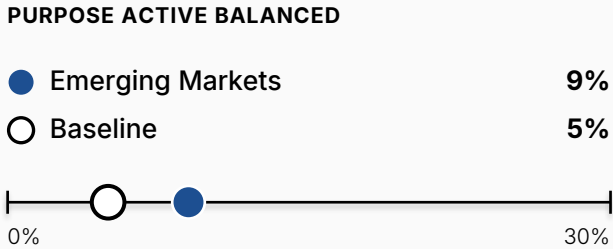


Japan's return on equity has recovered significantly from the prolonged period of deflation and weak profitability that followed its bubble era. Corporate governance reforms and a greater focus on shareholder returns are helping make Japan a more shareholder-friendly place to invest capital.

As the world's third-largest economy, Japan remains under-represented in many portfolios. We maintain an overweight position, reflecting our conviction in the longer-term structural improvements, while recognizing that strong market performance warrants a more tempered near-term outlook.

International Exposure - Emerging

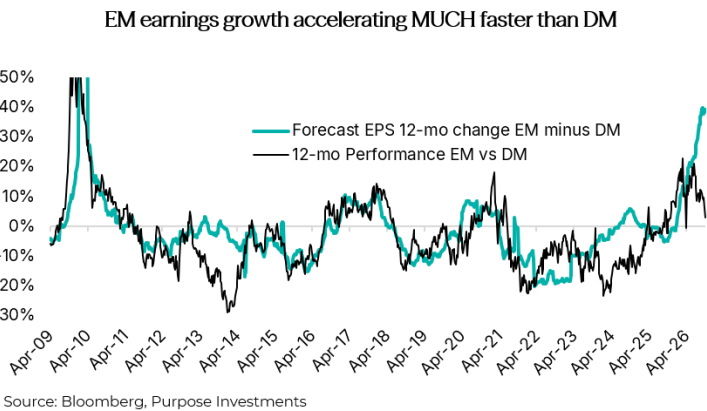
We hold 9% in Emerging Markets, close to the max level of exposure we are likely to have. This is not the EM of the past, as technology is now more than a third of the index, bringing real AI exposure. We are constructive, and our manager and vehicle selection deliberately hold less AI exposure than the broad market.



Valuations for Emerging Markets (EM) are typically 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 exceeds 4%, EM outperformed DM. When below DM has 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.

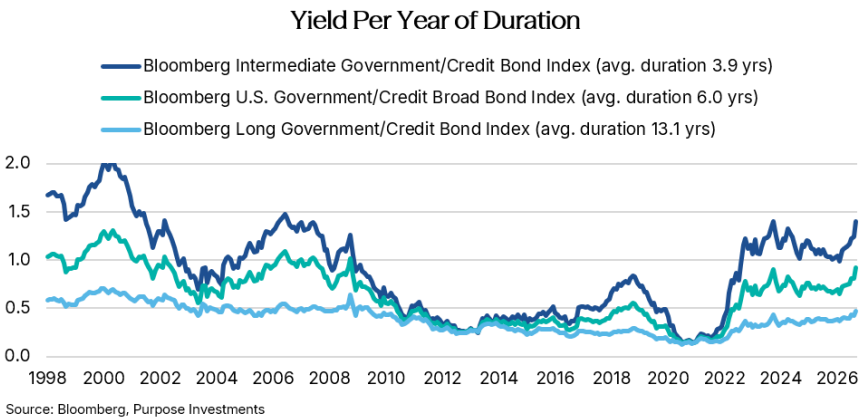
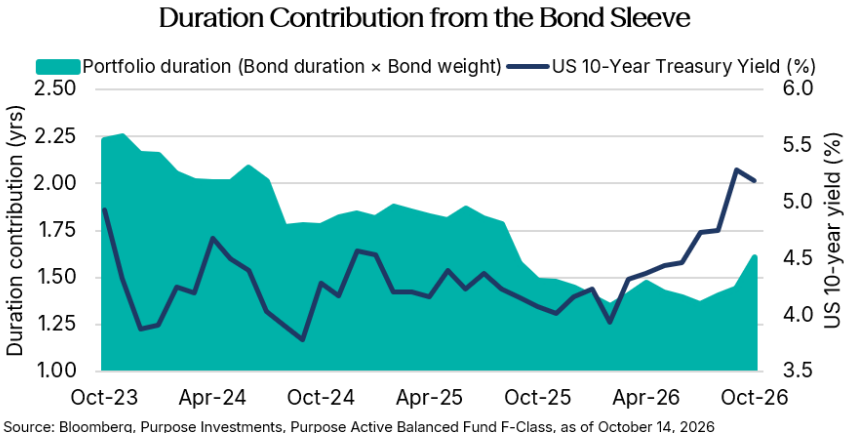
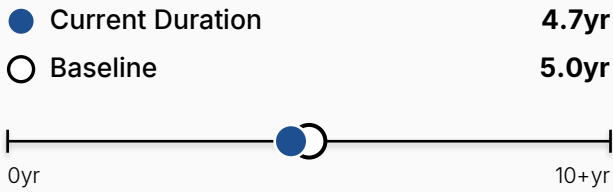
One negative has been slowing inflows to key ETFs. But we are also seeing rising investor appetite from domestic investors in many EM markets. Certainly worth watching but overall we remain optimistic.

Duration

With bond yields at cycle highs, the risk-reward for duration has improved. Higher starting yields provide a greater income cushion against further rate increases, while creating more potential for capital appreciation if yields decline.

We continue to favour moderate duration at 4.7 years, balancing the improved return potential against the risk of yields moving higher still. While we are not calling a peak in yields, we believe maintaining exposure to duration offers valuable defensive potential should economic growth slow and interest rates move lower.

PURPOSE ACTIVE BALANCED



Higher bond yields have improved the attractiveness of fixed income, providing a more compelling level of income and a better entry point for investors. While we continue to favour a moderate duration profile, bonds are becoming increasingly attractive as a source of income and portfolio diversification.

Our duration currently sits at 4.7 years, below the 5.0-year baseline. Recent trades have increased duration modestly, with the larger contribution coming from increasing our overall bond allocation rather than materially extending duration. We remain comfortable with this positioning, balancing the improved income opportunity against the potential for further interest rate volatility.

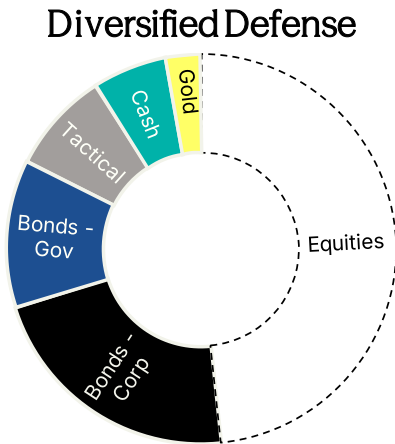
Yield per unit of duration provides a useful way to compare the income available from bonds relative to their interest rate sensitivity. It helps assess how much yield investors receive for each unit of duration risk

We continue to see value in intermediate-term bonds, which offer an attractive balance between income and interest rate risk. Longer-duration bonds provide greater sensitivity to falling yields, but also carry more risk if yields rise further. In the current environment, we believe intermediate-term bonds offer a compelling way to capture higher yields without taking on excessive duration risk.

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? Nobody knows.

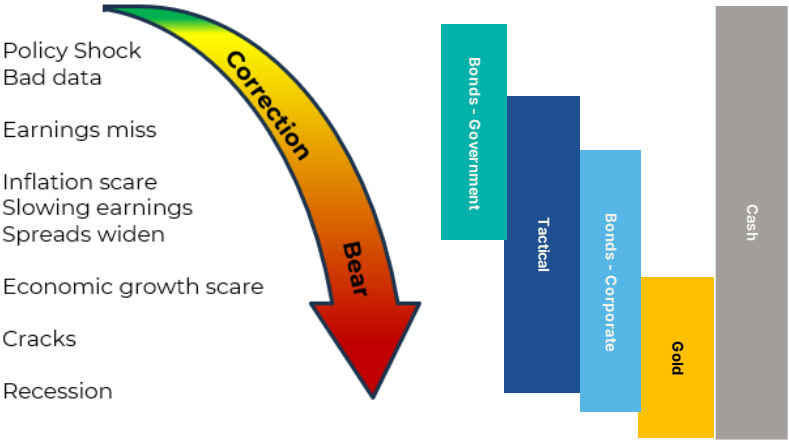
In different types of corrections, different types of portfolio defense work well or not as well. Having a layered defense is increasingly important. Right now, we have a strong preference for bonds given the move higher in yields.



Source: Purpose Investments, PABF as of 10/13/2026

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.

Layered Defense - what works where/when

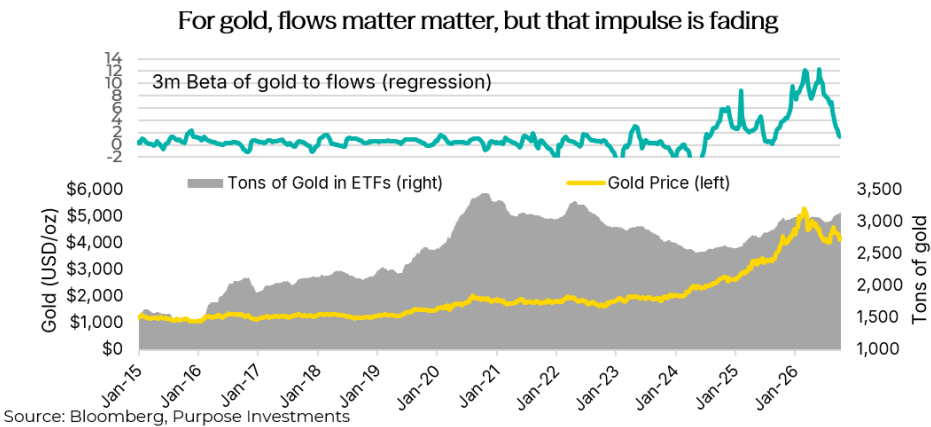


Source: Purpose Investments, illustrative purpose only

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

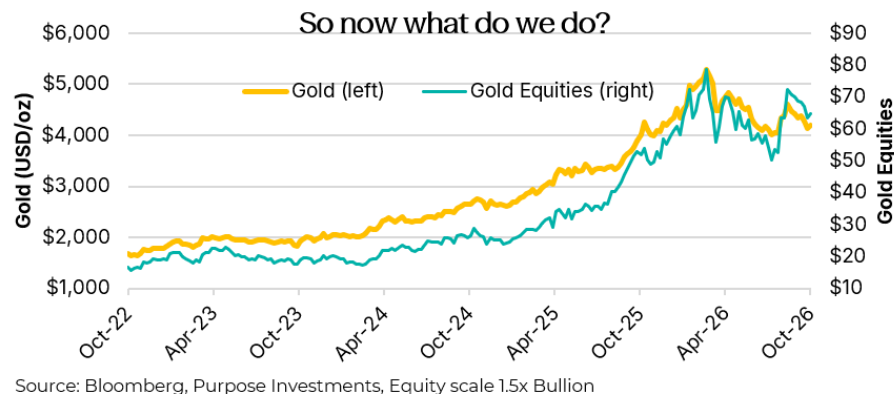
Gold – back to being gold

Gold is starting to look like gold again. After a period where rising prices and strong investor flows did much of the heavy lifting, momentum has cooled and the recent pullback has tested conviction. Yet gold has held key support, reinforcing its value as a diversifier and source of crisis protection. We continue to hold bullion across our multi-asset portfolios, with the longer-term role of gold still firmly intact.



For much of the past couple years gold has been mainly driven by flows. But that relationship appears to be softening. Flows are still positive, but they are no longer the key driver.

Gold looked like it was set for a nice breakout in August but reversed in September. For now, \$4,000/oz is once again the key support level holding up the market. Momentum has softened, but the structural reasons touted by gold bulls remain firmly in place.

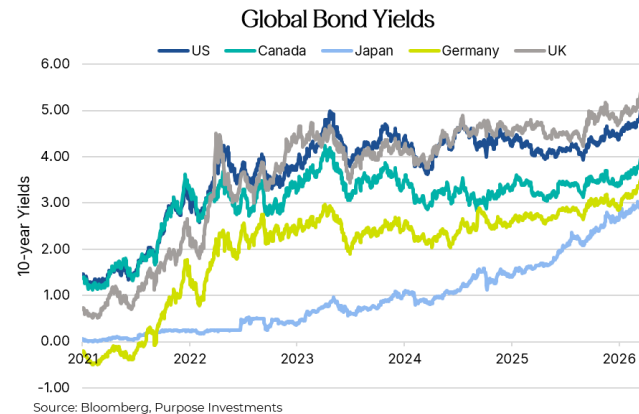


After a strong bounce, the pullback has turned nearly into a full retracement. Real yields continued to push higher (10yr real yield at 2.9%) and nominal yields (US 10yr) reached 5.34%. Along with a surging U.S. dollar it's not a surprise gold has come under pressure. The fact the previous support has held is very constructive in our view.

We continue to own bullion in our multi-asset and believe it is regaining its role as crisis alpha. While we have not added on the latest pullback however, we remain positive on gold as a diversifier in portfolios.

Bonds are Back on the Menu....Again

We added to bonds again. With the U.S. 10-year near 5.3%, we would rather own more bonds at these yields than fewer.

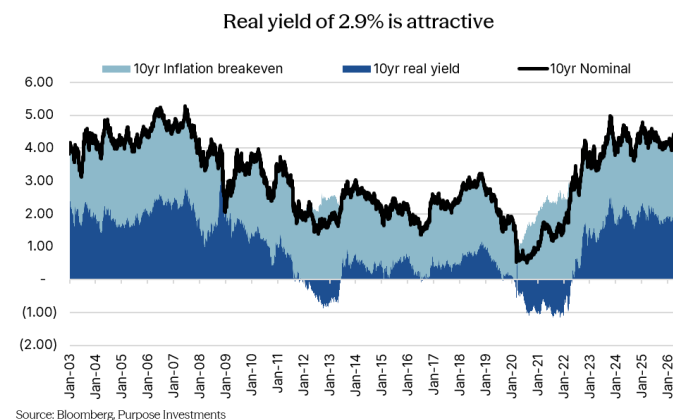


Yields are up across every major market. Germany's 10-year was negative in 2021 and is now around 3.5%, Japan has climbed from near zero to about 3.0%, and the UK (about 5.4%) and U.S. (about 5.3%) sit at the top.

The U.S. 10-year is above the range we have been trading. You have to go back to the last technology bubble to find a higher nominal yield.

We started adding in August and are adding again, because the math improves as yields rise. Yields now have to climb further than they did in August to produce a negative total return.

We are adding in steps rather than trying to call the top.



That was quite a move on the real yield side, up roughly 50 bps in September alone, to 2.9%.

A 2.9% real yield says this is not an inflation story. The move comes from strong growth and heavy supply, including Hyperscaler AI spending of more than \$200 billion a quarter, increasingly funded in the bond market.

Bonds can lag while that continues. We accept that cost for some long-term protection. If spending slows, yields likely come down and bonds do the work.