

## Trade Rationale

# Purpose Active Portfolios

## FUND CODE/TICKER

### PURPOSE ACTIVE BALANCED

ETF TICKER	PABF
MGMT FEES	0.20%
SERIES F	PFC22101
MGMT FEES	0.20%
SERIES A	PFC22100
MGMT FEES	1.20%

### PURPOSE ACTIVE GROWTH

ETF TICKER	PAGF
MGMT FEES	0.20%
SERIES F	PFC22201
MGMT FEES	0.20%
SERIES A	PFC22200
MGMT FEES	1.20%

### PURPOSE ACTIVE CONSERVATIVE

ETF TICKER	PACF
MGMT FEES	0.20%
SERIES F	PFC22001
MGMT FEES	0.20%
SERIES A	PFC22000
MGMT FEES	1.20%

## Portfolio Management Team



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### Derek Benedet, CMT

PORTFOLIO MANAGER



### Brett Gustafson

PORTFOLIO ANALYST

## TRADE

### Purpose Active Conservative Fund

Sold -3.0% iShares Core US Agg ETF (AGG) to 3.7%

Bought +3.0% SPDR S&P 500 ETF (SPY)

### Purpose Active Balanced Fund

Sold -4.0% iShares Core US Agg ETF (AGG) to 1.7%

Bought 4.0% SPDR S&P 500 ETF (SPY)

### Purpose Active Growth Fund

Bought +2.0% Invesco QQQ Trust (QQQ) to 6.2%

Markets have clearly hit a rather sizeable speedbump to start the month of August. The two days of selling pressure to start the month was largely attributed to softening economic data. However, on our holiday Monday markets fell even more as many apparent leveraged trades were being unwound. The Volatility index (VIX), spiked up to over 60 in early trading before settling down in the 30s. This does appear to be a rapid unwind of very popular trades, creating a rather sudden corrective phase for markets.

Just look at Japan, a popular source of funding for various carry trades. Borrow money in Japan, thanks to much lower yields and a weakening currency, invest elsewhere to pick up higher yields, such as the U.S. Evidence this trade is unwinding quickly can be seen in the drop in the Nikkei, about 20% over five days, at the same time the yen has appreciated about 8%. Further evidence, Monday's broad market sell-off saw weakness in the U.S. dollar. Normally the U.S. dollar is a safe haven, but not when it was the destination of popular carry trades, in this case, all bets are off.

There is some good news, this appears to be a rapid unwind of leverage in the markets. A classic correction as investors suddenly become more risk-averse. And while the economy is slowing, there does appear to be enough momentum to avoid getting too worried about recession risk.

Investment Rule – corrections without a recession nearby are typically buying opportunities.

Of course, this could continue and there could be knock-on effects of such a violent move. But, a VIX spiking over 50, and an S&P 500 that is sitting with an RSI (Relative Strength Index) of 31, are both enticing attributes. In a perfect world, we would also like to see market breadth with less than 25% of companies trading above their 50-day moving average, but two signals out of three isn't bad. Currently, 45% are above their 50-day.

Our multi-asset portfolios have a mild underweight in equities and are holding more cash/bonds. In fact, the bond allocation with about a duration of 5 to 5 1/2, has been providing a good stabilizer given

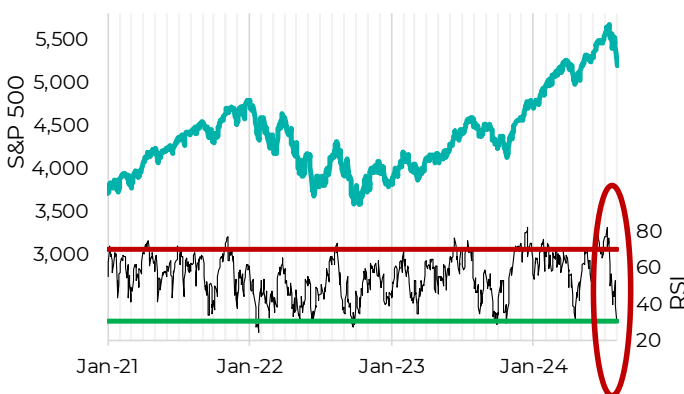
how quickly yields have been falling.

As a result, we decided to put some money to work during this sell-off. On holiday Monday, we added some broad U.S. market exposure. For the Balanced and Conservative funds, we sold some of our broader U.S. bond exposure and added S&P 500. In the Growth, we added to the Nasdaq pre-existing position using cash.

Of course, there could be worse to come however, given ample dry powder in either cash or our healthy bond allocation, we feel comfortable doing some buying as markets appear dislocated.

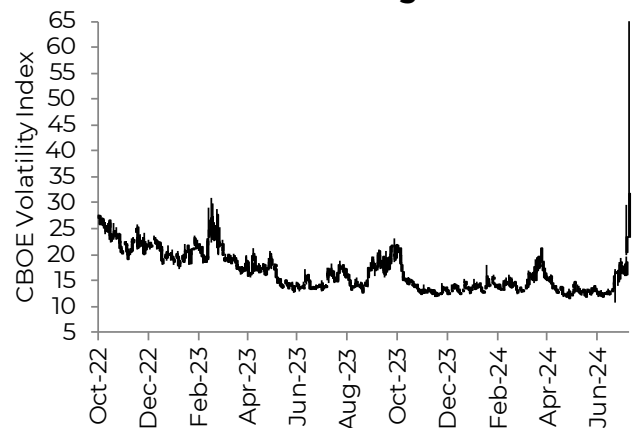
**Rapid unwinding of leverage in the market appears to have created a potential buying opportunity**

**S&P oversold**



Source: Bloomberg, Purpose

**VIX - flashes higher**



Source: Bloomberg, Purpose Investments



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All data sourced from Bloomberg unless otherwise noted.

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