

Purpose Active Portfolios

SOLUTIONS

TRADE ACTIVITY

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

Action	PABF Security	Ccy	Change	New weight
Sold	IEFA US	USD	-2.0%	3.4%
Sold	MNY CN	CAD	-3.0%	1.8%
Bought	BND CN	CAD	+1.5%	8.0%
Bought	ZMU CN	CAD	+1.5%	4.6%
Bought	RTA CN	CAD	+2.0%	8.4%

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

Action	PAGF Security	Ccy	Change	New weight
Sold	MNY CN	CAD	-2.0%	3.2%
Sold	IEFA US	USD	-1.5%	10.2%
Bought	BND CN	CAD	+1.0%	5.9%
Bought	ZMU CN	CAD	+1.0%	2.7%
Bought	RTA CN	CAD	+1.5%	6.8%

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

Action	PACF Security	Ccy	Change	New weight
Sold	IEFA US	USD	-3.4%	3.2%
Sold	MNY CN	CAD	-2.5%	2.8%
Sold	EQL/F CN	CAD	-1.0%	4.8%
Bought	BND CN	CAD	+2.1%	14.0%
Bought	ZMU CN	CAD	+2.3%	6.5%
Bought	RTA CN	CAD	+2.5%	6.7%

Adding to bonds

BONDS, YIELDS & DURATION

We are adding to bonds again. Our first move came on August 26, when we sold PYF for BND with U.S. 10-year yields sitting at the top of their range. We said then that bonds were becoming harder to ignore, and that at some yield level something tends to break. Yields have risen a lot since. The U.S. 10-year now sits around 5.2%, above the range we have been trading, with a real yield of 2.9%. To find a higher nominal yield, you have to go back to the last technology bubble.

That means our August trade was early, and we are adding anyway. Our framework has been simple for a few years: add bond weight and duration when yields sit near the top of the range and pull back when they sit near the bottom. It has worked, because bond buyers have reliably stepped in as yields climbed. This time they did not step in on schedule, and yields kept going. We are not going to start second-guessing the process because one trade needs more time. Nobody is going to call the top in yields, and we are not going to try. Waiting for confirmation that yields have peaked means buying after the opportunity has already passed. So, we are adding in steps.

The math improves as yields rise. Every move higher raises the expected return on the next dollar we put to work. Yields now have to rise by larger amounts to produce a negative total return than they did in August. We liked these yields when the U.S. 10-year was at 4.85%, and yields can certainly go higher from here. But we would rather own more bonds at 5.2% than fewer.

The reason yields are rising matters, because it tells us what the risk looks like. This is not an inflation story. The real yield of 2.9% says the move comes from strong growth and heavy supply. Hyperscalers are spending more than \$200 billion a quarter on AI infrastructure, and a growing share of that is being funded in the bond market. The same boom that has lifted stocks is pushing yields up, and it can continue for a while. As long as it does, bonds can lag. That is the cost of owning them, and we are comfortable paying it in the short term for some protection in the long term.

If the spending slows, or the AI trade stops cooperating, growth would cool and yields would likely come down with it. In that scenario bonds are the asset we expect to do the work, and we would rather own them before it happens than after. This is not a recession call. It is a continuation of an asset allocation view we put in place in August, and it moves more of our cash and international overweight into an asset that pays us well to wait.

The additions go into BND and ZMU, the global and U.S. investment grade bond exposure we already hold, and into RTA, which can invest in equities, bonds and cash using a tactical approach.

In Balanced, cash comes down by about 3% but remains overweight. Bonds pick up about 4%, which moves fixed income back to neutral. Equity is lower by about 1% and stays neutral, and international remains overweight even with the trim. Duration on the fixed income sleeve holds at about 4.7 with the larger bond allocation. Within bonds, Canadian exposure comes down by about 4%, and US bonds rise by the same amount.

"In August we said bonds were becoming harder to ignore. At these yields, the story has not changed."

MANAGEMENT TEAM

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All data sourced from Bloomberg unless otherwise noted.

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