Purpose
INVESTMENTS

Purpose “WHY” Report

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

Purpose Macro Investment Team

Craig Basinger, Greg Taylor, Nawan Butt, Derek Benedet, Brett Gustafson

6 June 2025

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Multi-Asset Management Team

Team 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, ensuring top-tier 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.

Craig Basinger, CFA
Chief Market Strategist

Derek Benedet
Portfolio Manager

Nawan Butt, CFA
Head Capital Markets & PM

Brett Gustafson
Associate Portfolio Manager

Gloria Huynh
Investment Analyst

Spencer Morgan
Portfolio Strategy

Asset Allocation tilts - Why

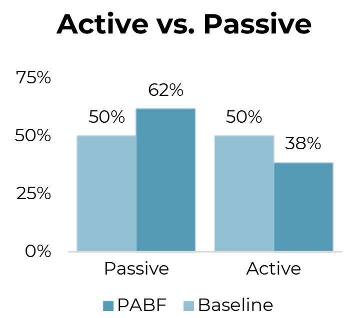
Active Asset Allocation Strategic Guidance

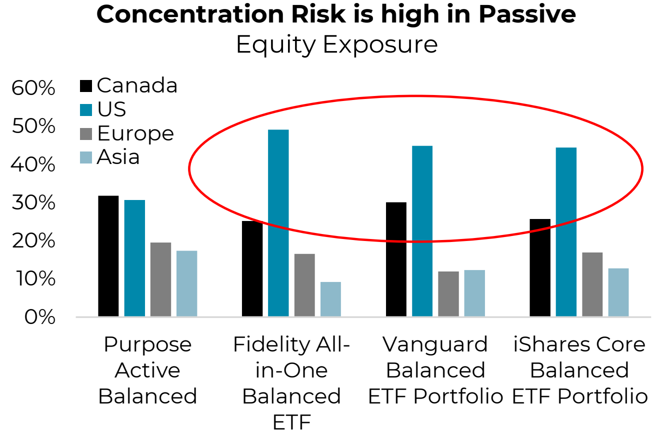
	House View	Underweight		Neutral		Overweight
Overall	Equity		•			
	Bonds		•			
	Cash				•	
	Diversifiers				•	
Equities	Canada			•		
	U.S.		•			
	International				•	
	Emerging Markets			•		
	Style Allocation (Value <----> Growth)		•			
	Size (Small <-----> Large cap)				•	
Fixed Income	Duration (Low <-----> High)				•	
	Government				•	
	Credit			•		
	Credit - Investment Grade				•	
	Credit - High Yield		•			
	Credit - Preferreds	•				
Diversifiers	Volatility Reduction Strategies				•	
	Growth Strategies		•			
	Structured Product / Yield			•		
	Real Assets			•		
		Passive				Active
Act/Pass	Management Approach		•			

Source: Purpose Investments

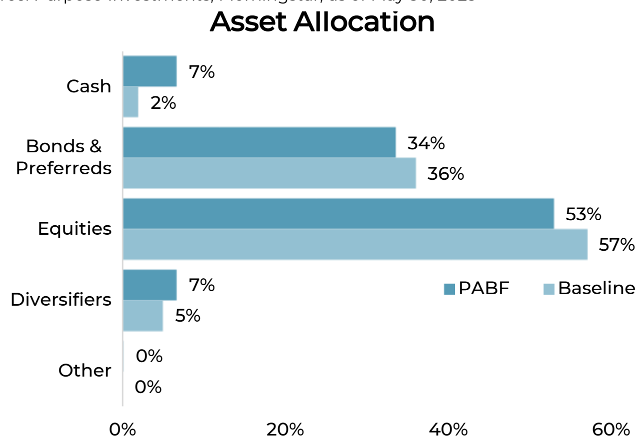
Purpose Active Suite –
Where the rubber of WHY report hits the road

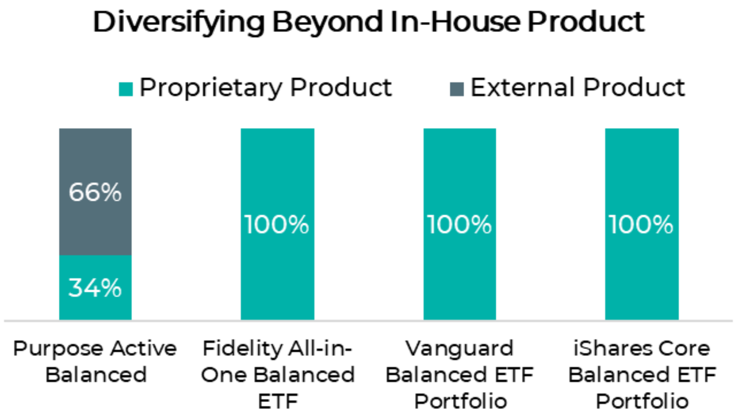
	Holding	Ticker	Weight
Cash	CAD Cash	Cad Cash	0.0%
	Purpose Cash Management ETF	MNY	5.0%
	Purpose USD Cash Management ETF	MNU.U	0.1%
Fixed Income	BMO Aggregate Bond ETF	ZAG	10.1%
	iShares Core Canadian Corporate Bd ETF	XCB	3.0%
	iShares Core Canadian Short Term Bd ETF	XSB	6.5%
	Mackenzie Unconstrained Bond ETF	MUB	4.1%
	Purpose Global Bond ETF	BND	4.3%
	BMO MT US IG Corp Bd Hdgd to CAD ETF	ZMU	3.9%
Balanced	Purpose Tactical Asset Allocation ETF	RTA	6.4%
North American Equity	BMO S&P/TSX Capped Composite ETF	ZCN	6.6%
	Purpose Core Equity Income ETF	RDE	11.7%
	Invesco S&P 500 Equal Weight ETF CAD H	EQL.F	8.9%
	SPDR® S&P 500 ETF	SPY	1.9%
International Equity	Purpose International Dividend ETF	PID	5.2%
	iShares Core MSCI EAFE ETF	IEFA	5.4%
	iShares MSCI Japan ETF	EWJ	2.1%
	iShares MSCI EAFE Min Vol Factor ETF	EFAV	5.2%
	Vanguard FTSE Emerging Mkts All Cap ETF	VEE	3.0%
Diversifiers	Purpose Gold Bullion	KILO	2.9%
	Purpose Premium Yield ETF	PYF	3.8%





Source: Purpose Investments, Morningstar, as of May 30, 2025



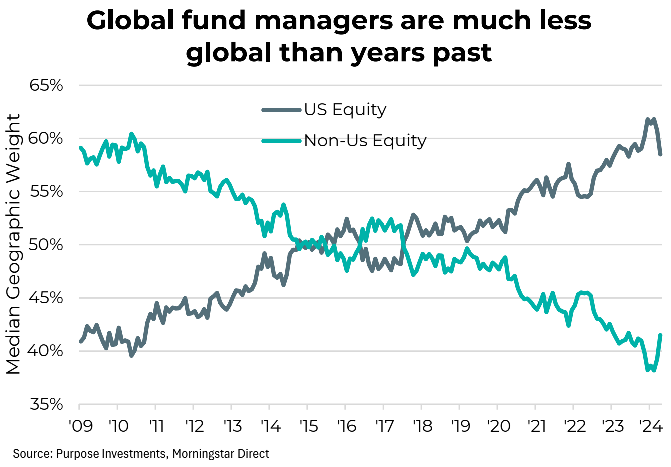


Source: Purpose Investments

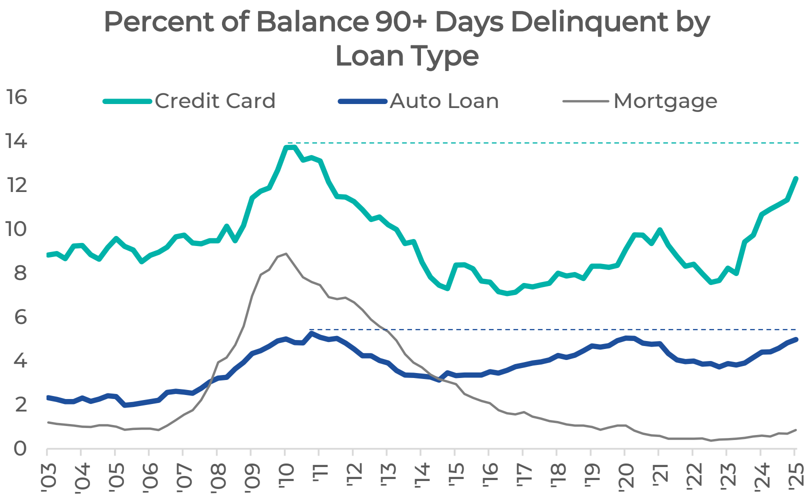
- One-ticket solutions aligned to three risk profiles, Conservative, Balanced, and Growth, with dynamic asset allocation, not static 60/40 mixes.
- TL – Full transparency into our holdings and trade activity are always available, so you can see what you own and why you own it.
- TR - We combine active and passive with more active in less efficient markets, passive where it keeps fees low without sacrificing outcomes.
- MR – We make portfolio tilts not simply based on global market caps but on our macro views on the trade off between risk and return. This has our strategies looking very different than many conventional solutions.
- BL – We cap our in-house product used in the portfolio at 40% (ex-cash) because we know we aren't the best at everything. We also know advisors don't build models with 100% allocation to one fund company.
- BR - Exposure goes beyond traditional stocks and bonds, with added diversifiers to improve portfolio resilience across market cycles. These allocations are not static and move based on opportunities & risks.
- The Why Report provides insight into the current positioning and active tilts within the Purpose Active Portfolios.

I. Chart(s) of the Month

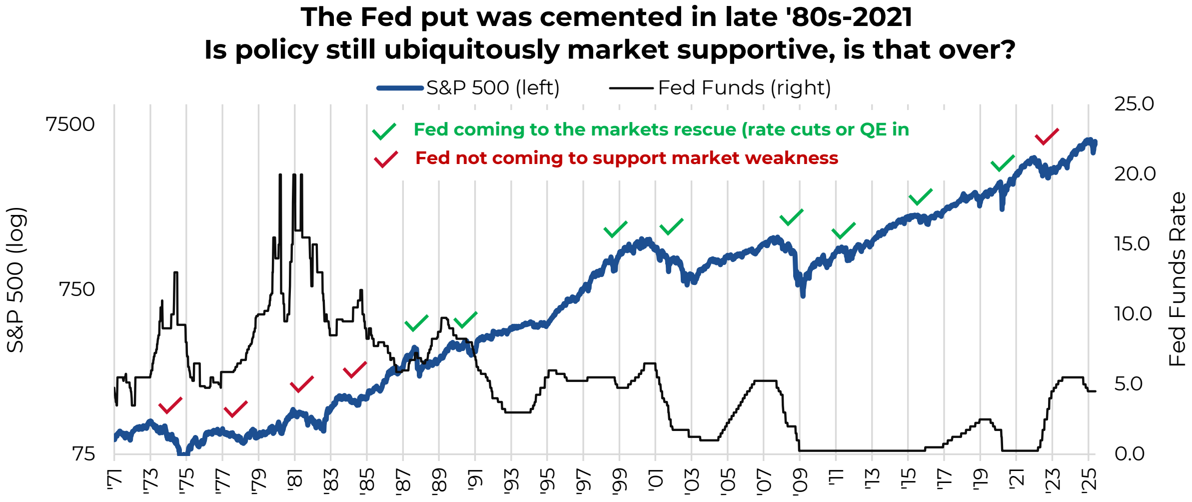
Chart Referencing:
TL = Top Left, TR = Top Right
BL = Bottom Left, BR = Bottom Right



- TL – Lots of talk so far this year about international (Europe / Asia) equities given relative performance to U.S. Worth noting, many 'Global Fund' have much less international than one might think given the category of 'Global'. The average Non-US equity weight has declined from 60% to only 40% over the past 15 years.
- BL – This is a weird one. Credit card and auto loan defaults are nearing peaks reached following the great financial crisis (GFC). Yet unemployment is 4.2% today vs about 10% after GFC. So everyone has a job, wage gains too, they are just not paying their bills? Two thoughts on this: 1) Consumer is tapped because of rising inflation and higher interest costs, so they are opting to pay rent/eat, and not pay the Visa. Or 2) Lending standards became too lax and less than ideal credit worthy consumers piled up debt.
- Could be either, but not a great trend for future consumption.
- BR – From the late 1980s to 2021, any time the market or economy got into trouble policy came to the rescue with rate cuts, QE, direct asset purchases, etc. This cemented the 'Fed Put'. Before the mid '80s policy was not supportive and often caused market disruptions. Looking at 2022 and 2025, perhaps policy is not as supportive for markets as it had been….



Source: Fed, Purpose Investments

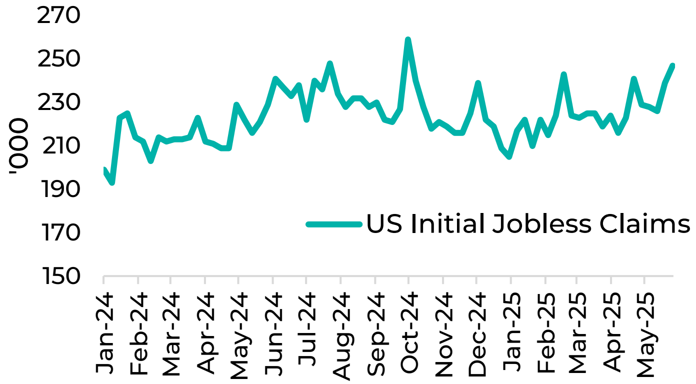


Source: Bloomberg, Purpose Investments

I. Chart(s) of the Month – Fast Hard Data

Chart Referencing:
TL = Top Left, TR = Top Right
BL = Bottom Left, BR = Bottom Right

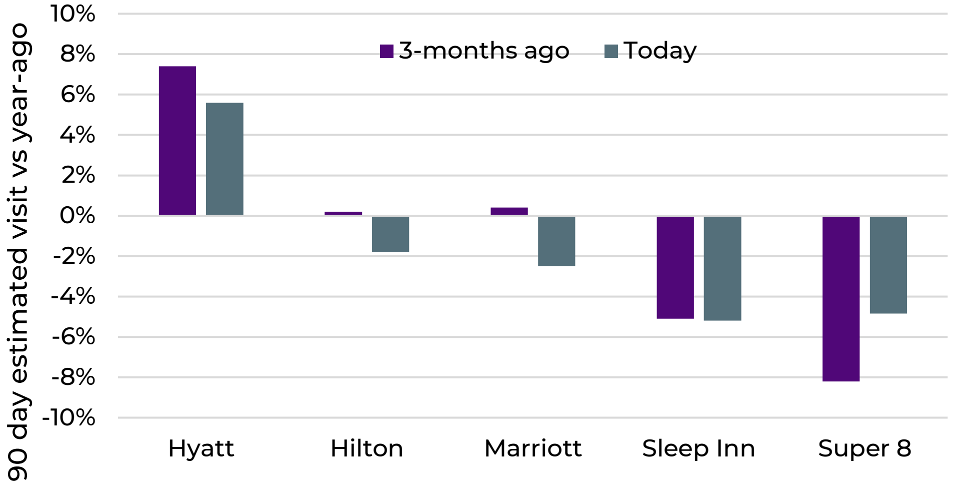
Well this is a tad troubling



Source: Bloomberg, Purpose Investments

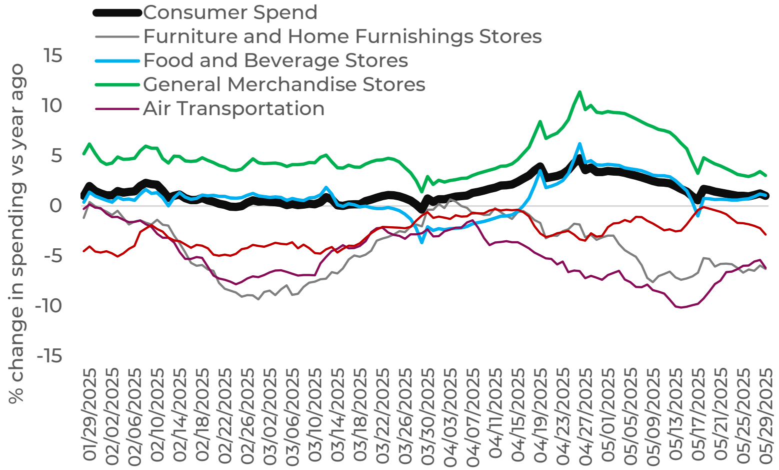
- As markets recover thanks to softening tariff uncertainty (for now) we continue to worry about the earnings & economic impact of such prolonged uncertainty + potential tariffs.
- Economic data is notoriously lagging, often signaling a slowdown only after it has started weeks before. As a result we have been putting added emphasis on faster hard economic data. More timely and measures actual behavior compared to survey data.
- TL – weekly jobless claims have been moving higher the last few readings.
- BL – Spending on air travel continues to decline, and spending for accommodation is softening as well. Lower end hotels remain depressed and even higher end hotels are seeing falling demand.
- BR – Consumer spending, based on credit/debit cards, has been slowing (black line). This is a nominal number, so if you took out inflation, might be a bit worse. Goods spending had been running hot, potentially people trying to front run tariff risk. Now that is cooling while experiences like travel remain depressed. Consumer wobbly.

It is not just low income consumer curtailing behavior



Source: Bloomberg, Purpose Investments

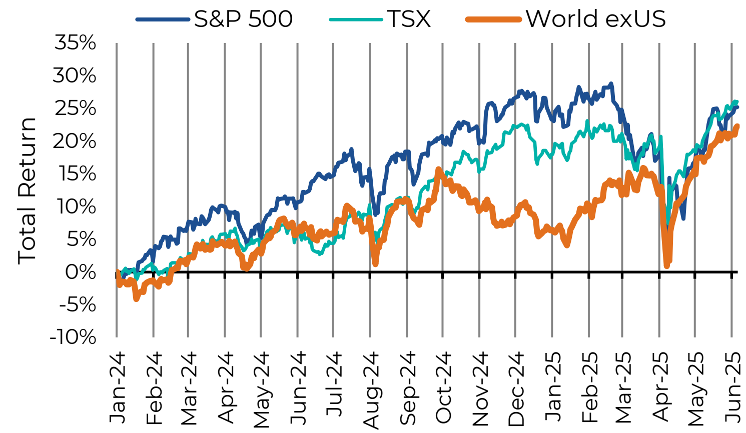
Spending on stuff is slowing, but not much of a bounce on experiences



Source: Bloomberg, Purpose Investments

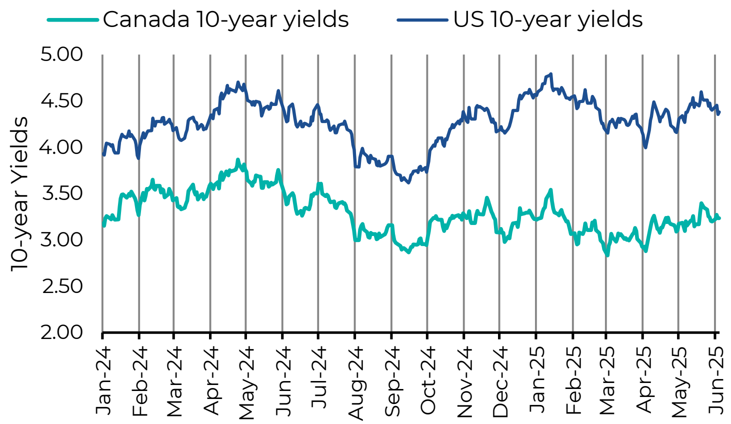
II. Markets – Bouncing on less uncertainty

Equity Markets



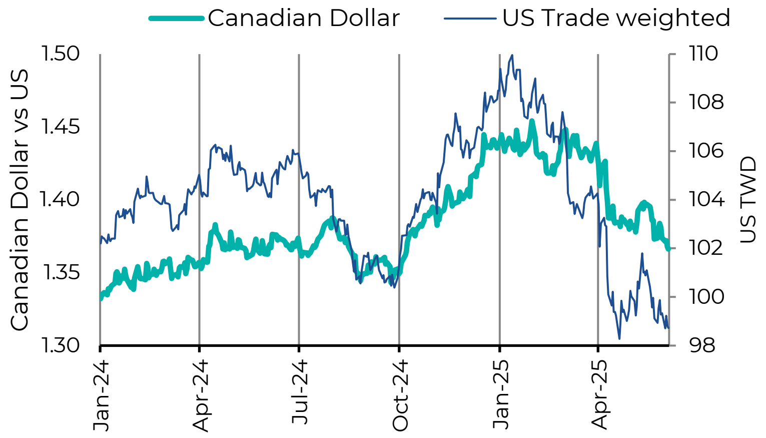
Source: Bloomberg, Purpose Investments

Bond Yields



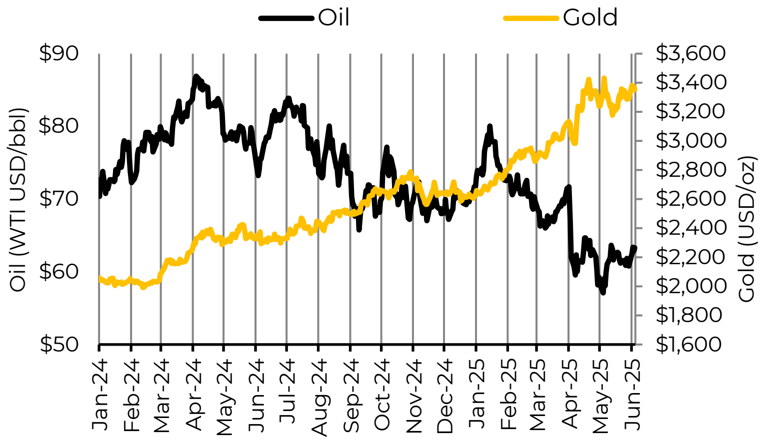
Source: Bloomberg, Purpose Investments

Currencies



Source: Bloomberg, Purpose Investments

Commodities



Source: Bloomberg, Purpose Investments

- Markets have continued to rebound from the tariff storm, even with tariff uncertainty still in the background. Our base case is this bounce could have legs but slowing earnings and softening economic data will become a headwind for markets.
- TL – The S&P has recovered to get within striking distance of its all-time high. More impressive has been the TSX and international markets that have made solid new highs. Cooling trade uncertainty, or really any reduction in uncertainty, is good for markets.
- TR – Bonds, and hence yields, have remained rangebound but certainly topical. Inflation improvements have slowed and softer economic data is likely positive (negative for yields). Countering this is some rising concerns over deficits. We continue to believe yields remain rangebound given elasticity of yield demand among bond investors. Believe yields will cool somewhat if/when economic data softens in the coming months.
- BL – The US dollar has continued to weaken. Perhaps on recent policies and in part because rising yields globally have made other bonds pretty attractive. This has helped the CAD strengthen along with decent inflows on the investment side.
- BR – One once of gold = 54 barrels of oil? Kinda nuts. While gold does provide crisis alpha, it is hard to imagine a more perfect environment for gold than the past few months. And oil, which is seeing continued rise in OPEC production quotas, it may have found a floor.

III. Market Cycle – little soft

Market cycle indicators

Grouping	Metric			Better/ Worse
Rates				**2 / 1**
	Net Cuts	✓		-
	Yield Curve	✓		+
	Yield Curve 3m	✓		+
US Economy				**5 / 14**
	Leading Ind (3m)		✓	-
	Leading Ind (6m)		✓	-
	Phili Fed Coincident	✓		-
	Credit (3m)	✓		-
	Recession Prob (NY Fed)		✓	-
	Recession Prob (Clev Fed)		✓	+
	Citi Eco Surprise		✓	-
	GPD Now (Atlanta Fed)	✓		+
	US Unemployment	✓		
	Consumer Sentiment (3m)		✓	+
Manufacturing	PMI		✓	-
	PMI New Orders		✓	+
	Energy Demand (YoY)		✓	-
	Truck Demand (YoY)	✓		-
	Rail (YoY)	✓		-
Housing	Starts (1yr)		✓	-
	Months Supply (6m)		✓	-
	Home Sales		✓	-
	New Home Sales	✓		+
	NAHB Mkt Activity		✓	-

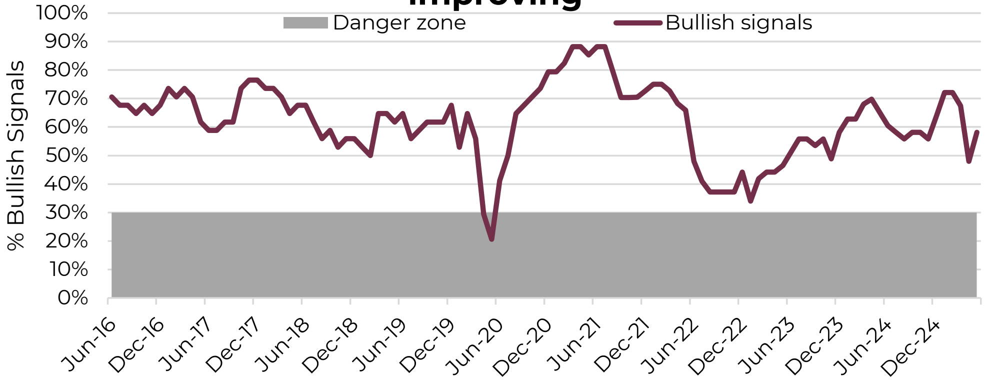
Grouping	Metric			Better/ Worse
Global Economy				**6 / 2**
	Global PMI	✓		+
	Copper (6m)	✓		+
	DRAM (3m)	✓		+
	Oil (3m)		✓	+
	Commodities (3m)		✓	+
	Baltic Freight (3m)	✓		-
	Kospi (2m)	✓		+
	EM (2m)	✓		-
Fundamentals				**4 / 8**
	US: PE		✓	-
	US: EPS Growth	✓		-
	US: EPS 2FY v 1FY	✓		+
	US: 3m EPS Revision		✓	-
	Canada: PE	✓		-
	Canada: EPS Growth	✓		-
	Canada: EPS 2FY v 1FY	✓		+
	Canada: 3m EPS Revision		✓	+
	International: PE	✓		-
	Int: EPS Growth	✓		-
	Int: EPS 2FY v 1FY	✓		+
	Int: 3m EPS Revision	✓		-

Source: Purpose Investments, Bloomberg

*Market Cycle indicators are comprised of over 40 indicators that have in the past proven to be a good forward-looking signal for the broader economy.

- Bottom – Market cycle indicators improved a bit in May, after falling the previous couple months. It may be a bit early to believe the data has turned as much of the improvement was driven by a steepening yield curve. Longer yields are rising but it does not appear to be driven by improving economic activity.
- Global indicators have improved, while earnings estimates appear to be softening.
- We also still have more signals worsening over the past month which likely means there isn't a sign of reversal yet.
- Market Cycle is still in the safe zone but with less of a buffer than previous months.

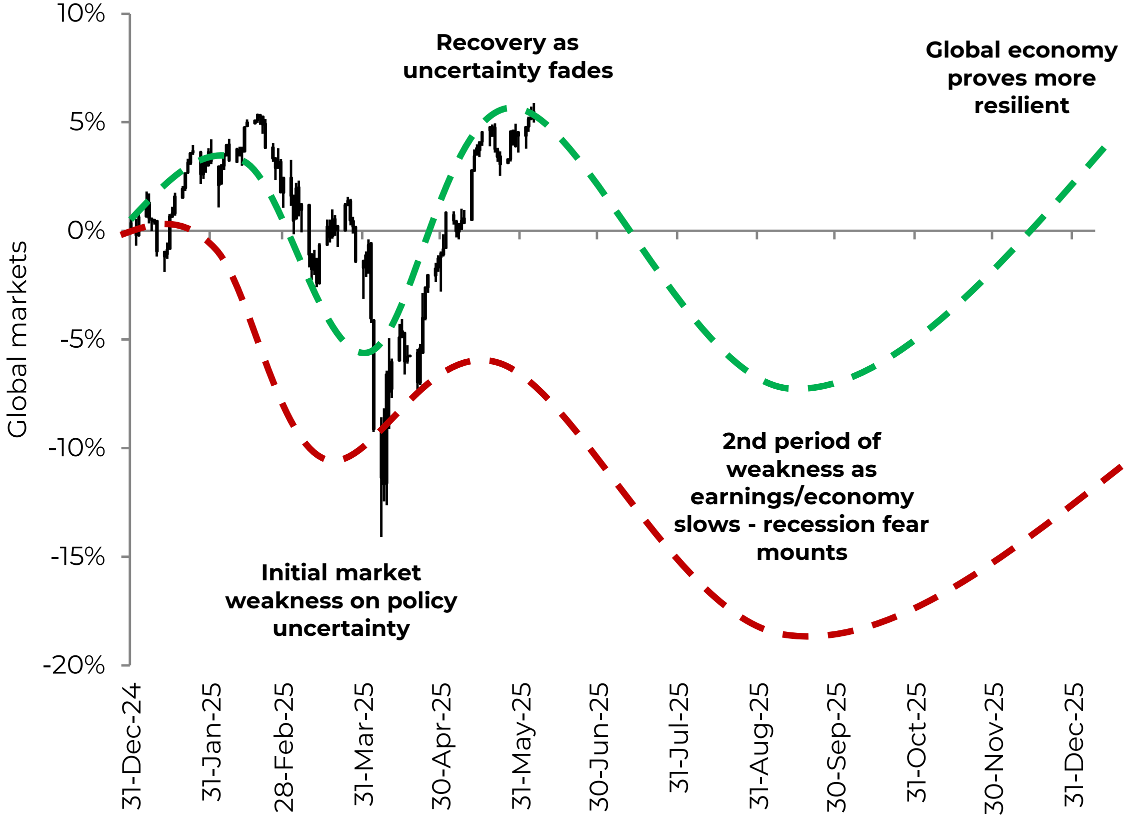
Market cycle indicators - some sign of improving



Source: Purpose Investments, Bloomberg

IV. Why underweight equities & bonds, overweight cash & diversifiers

Roadmap for 2025 - although anything can happen



Source: Bloomberg, Purpose Investments

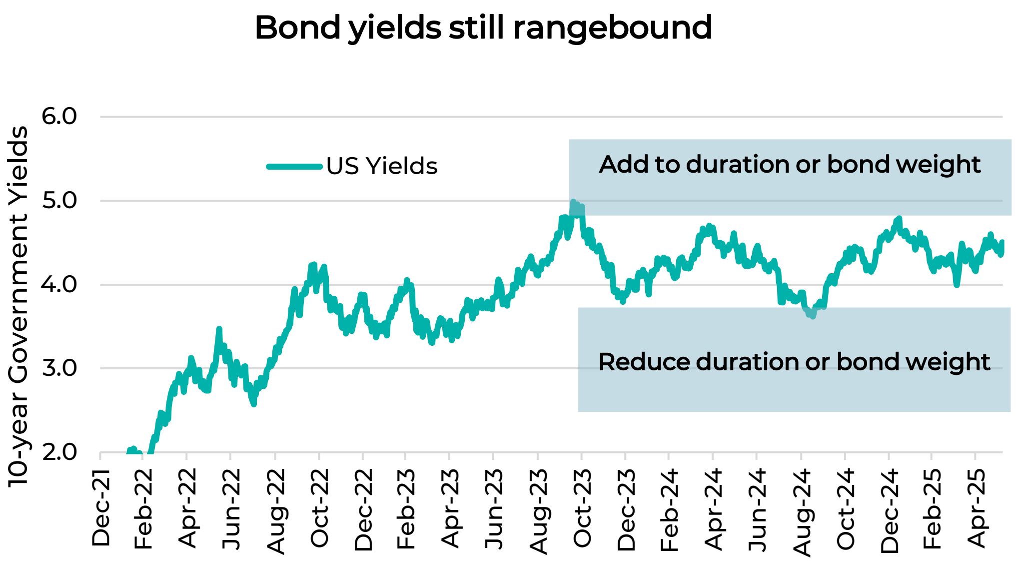
Purpose Active Balanced	Current Position	Baseline
Cash	6.7%	2%
Bonds	33.5%	36%
Equities	53%	57%
Diversifiers	6.7%	5%

- After trimming U.S. equity exposure, we are now a small underweight equities and bonds, with an overweight in cash and diversifiers.

Equities

- So far this year we have seen markets ignore the risk of trade policy changes, assuming a solution would be found in time. Then markets clearly overreacted to the policy uncertainty. So now it feels like markets are under reacting again.
- We reduced U.S. equity exposure and moved more into short term Canadian bonds in the early days of June. S&P 6,000 has a less than ideal probabilistic return profile, encouraging a more defensive portfolio stance.
- Markets may continue higher, perhaps on the back of more progress in trade negotiations, or signs the economy isn't slowing as much as many expect.
- But, the summer months may prove challenging. 1) 90 day pause ends in July and really not many deals have been reached. 2) We believe this is when the economic data may start to feel the tariff/uncertainty impacts. 3) Share buybacks get turned off for Q2 earnings season, which may see more cooling / removing of guidance.
- And because this rebound has the S&P trading over 22x with earnings growth falling from low double digits in January to mid single digits today.
- Turning a big more defense. While we remain more constructive on international.

IV. Why underweight equities & bonds, overweight cash & diversifiers



Source: Bloomberg, Purpose Investments

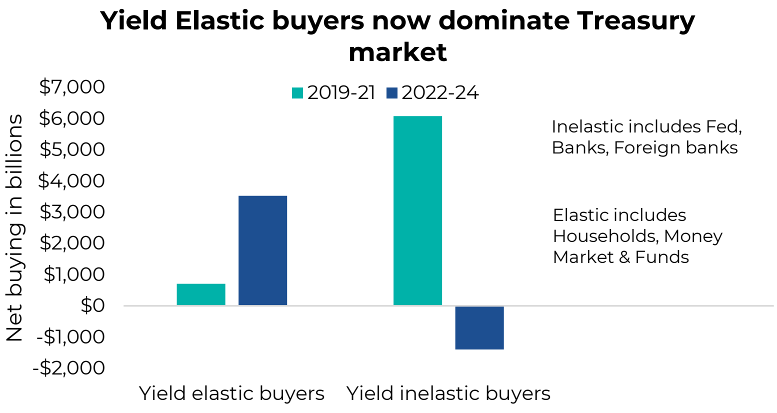
Purpose Active Balanced	Current Position	Baseline
Cash	6.7%	2%
Bonds	33.5%	36%
Equities	53%	57%
Diversifiers	6.7%	5%

Bonds

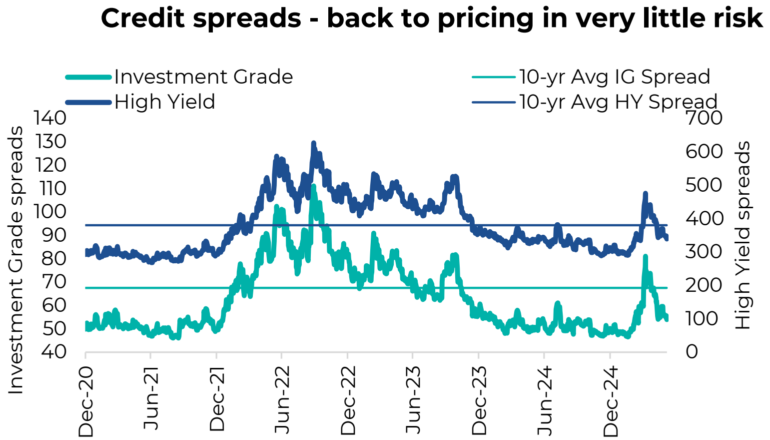
- Remain underweight on bonds, relying more on cash & diversifiers for defense. Bonds are wrestling with a balance of some rising inflation fears (bearish), rising deficit funding concerns (bearish) and slowing economic momentum (bullish).
- We do believe the concerns over some wavering of bid-to-cover ratios is over blown, but certainly a tail risk. Yield elasticity is real, more bond buyers/sellers are very yield sensitive. Higher yields will be met with more flows, lower yields with less. This should keep yields somewhat rangebound.
- Credit is less exciting. While spreads moved higher in early April, they are right back to pricing in little economic risk.

Cash & Diversifiers

- Overweight both to enable us to be more tactical should a second period of market weakness develop.



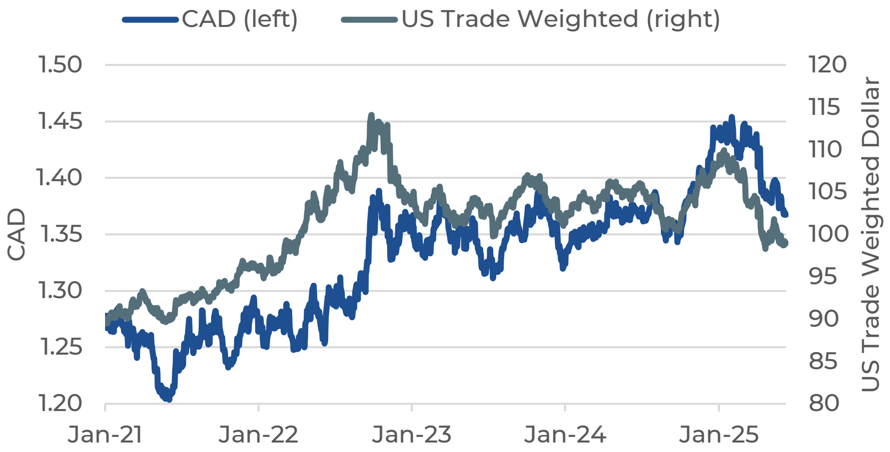
Source: Bloomberg, FRED, Purpose Investments



urce: Bloomberg, Purpose Investments

V. Why more hedged USD but conviction waning

Recent CAD strength more about USD weakness

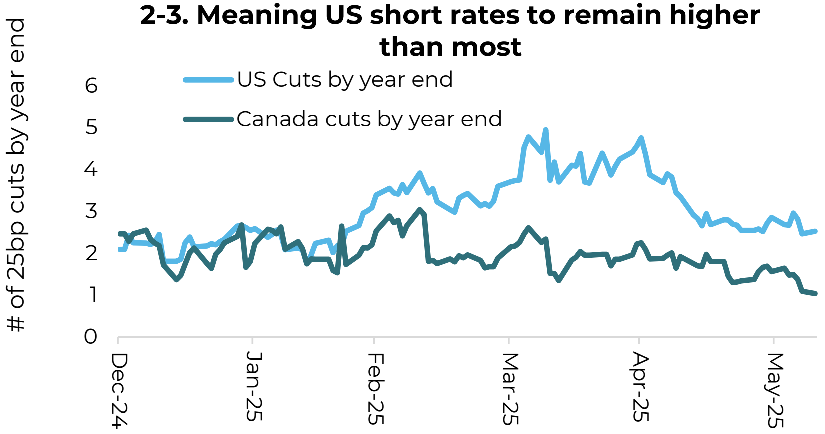


Source: Bloomberg, Purpose Investments

Purpose Active Balanced	Hedged
% of US Equity	61%
% of US Fixed Income	62%

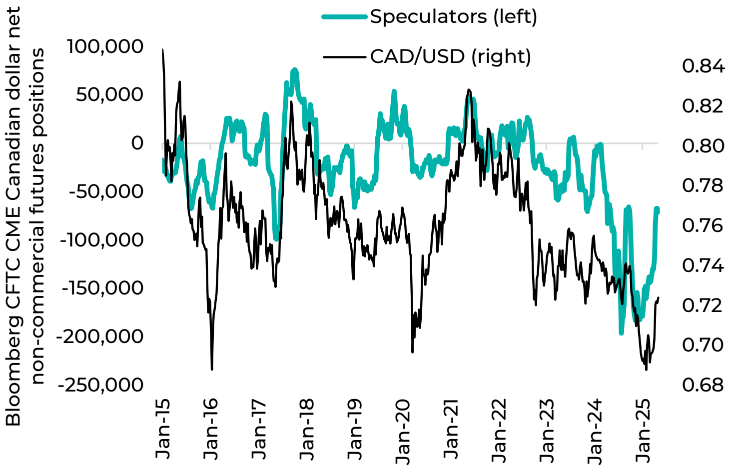
- We generally do not hedge USD exposure as it is a safe haven currency which we continue to want exposure for diversification/safety reasons. But sometimes the CAD weakens too much, like earlier this year and we add some hedging.
- Top – The recent CAD strength has been more driven by USD weakness. Policy uncertainty, deficit concerns, tariffs are all combining to tarnish the greenback.
- Canadian leadership is likely more CAD positive and oil appears to have formed a bottom.
- BL – But not sure how much more USD can weaken in the short term. They are and will remain higher yielding currency.
- BR – accelerating the CAD recovery has been short covering.
- We are still partially hedged but cooling on the conviction of this tilt.

US rate cut expectations have faded from 4-5 to 2-3. Meaning US short rates to remain higher than most



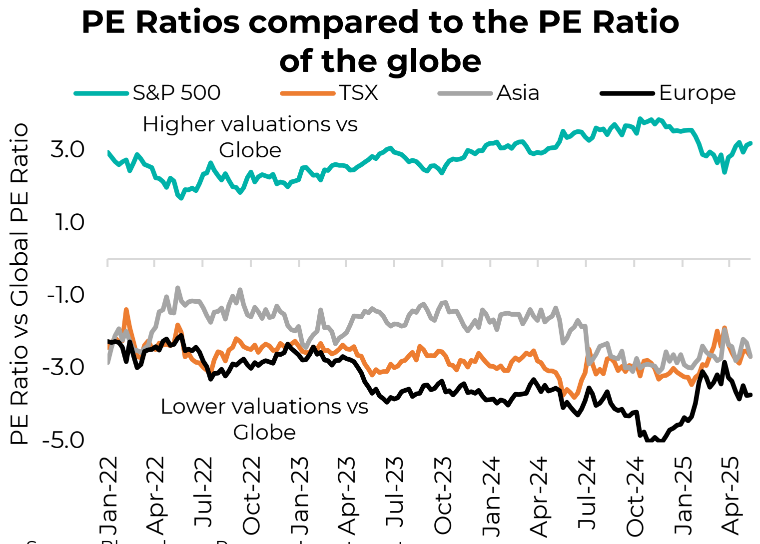
Source: Bloomberg, Implied central bank rates, Purpose Investments

Short covering rally in CAD

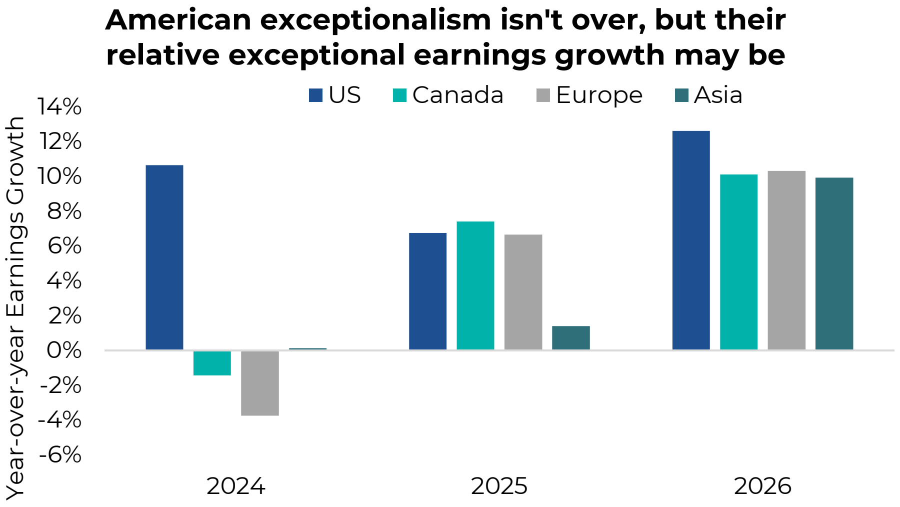


Source: Bloomberg, Purpose Investments, CFTC

VI. Why equity exposure is mild underweight US, equal on Canada and overweight International



Source: Bloomberg, Purpose Investments

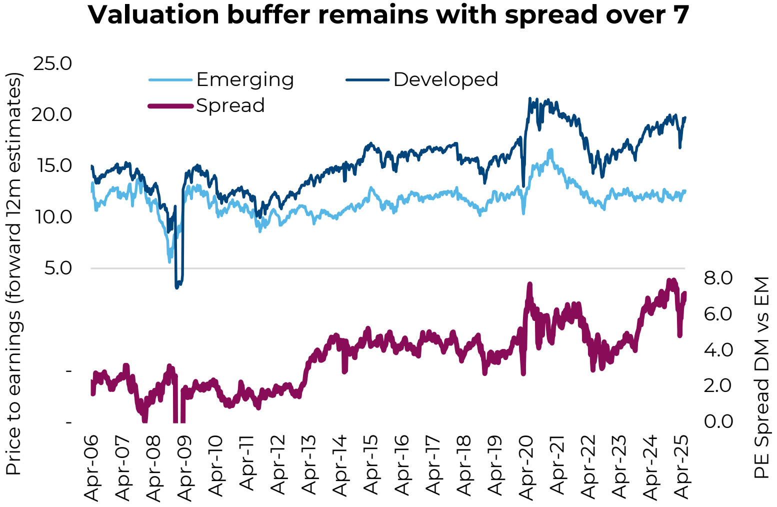


Purpose Active Balanced	Current Position	Baseline
Canada	34%	35%
United States	27%	30%
International	39%	35%

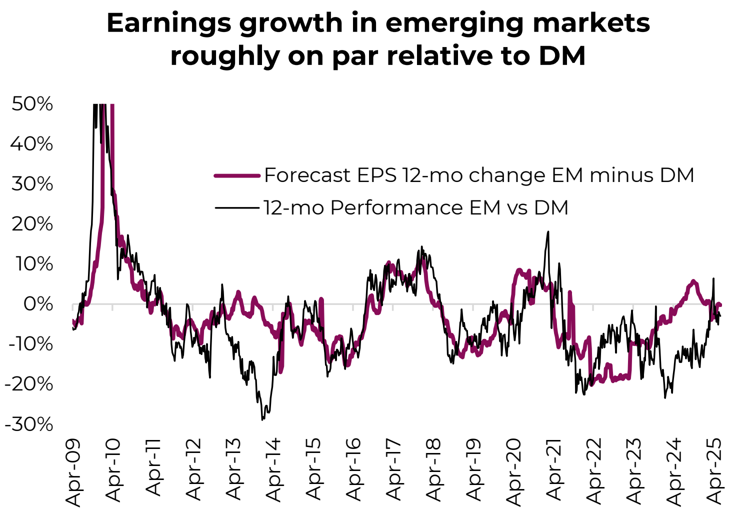
- Valuations differences between countries/regions is rarely a reason to favor one over another. Bit of apples and oranges. However, when earnings growth slows the markets most expensive tend to be most at risk while those cheaper often enjoy a more defensive nature. This has us overweight international, neutral on Canada and with our recent U.S. trim a mild underweight America.
- Top – The valuation spread remains favoring international equities even after the recent run of outperformance.
- Bottom – Earnings growth is slowing everywhere in 2025, the U.S. just feels the deceleration more because they were going faster.
- The less chartable factors. U.S. policy is increasingly negative in the minds of many international investors. Tariffs are clearly the big one but potential changes in taxation is another factor. Or just the instability of policy.
- Add to this, many other nations outside the U.S. are pivoting to more growth mandate.
- We do like our international overweight.

Source: Bloomberg, Purpose Investments

VII. Why market weight emerging markets



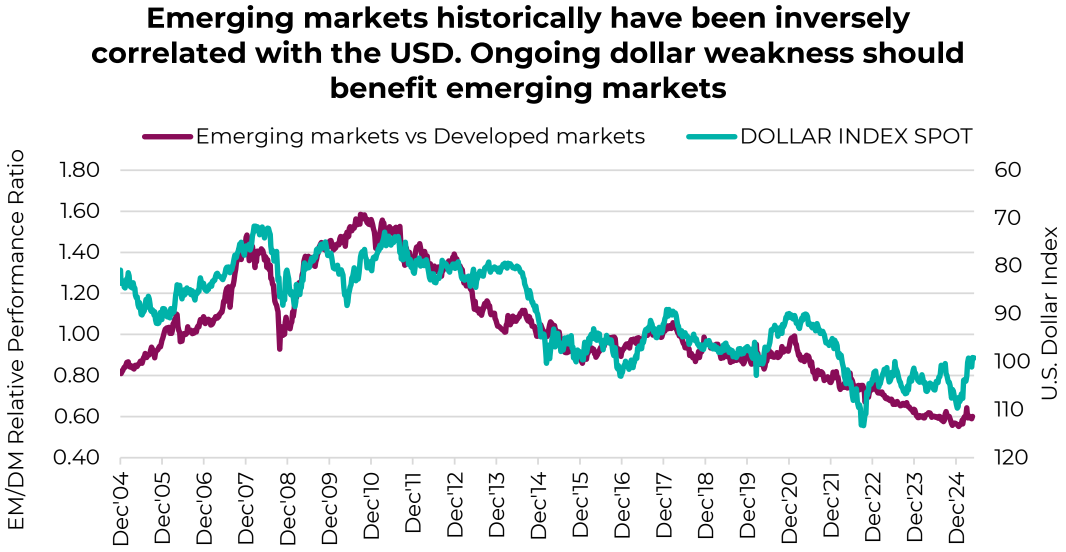
Source: Bloomberg, Purpose Investments



Source: Bloomberg, Purpose Investments

Purpose Active Balanced	Current Position	Baseline
Emerging Markets	4%	5%
Developed Markets	96%	95%

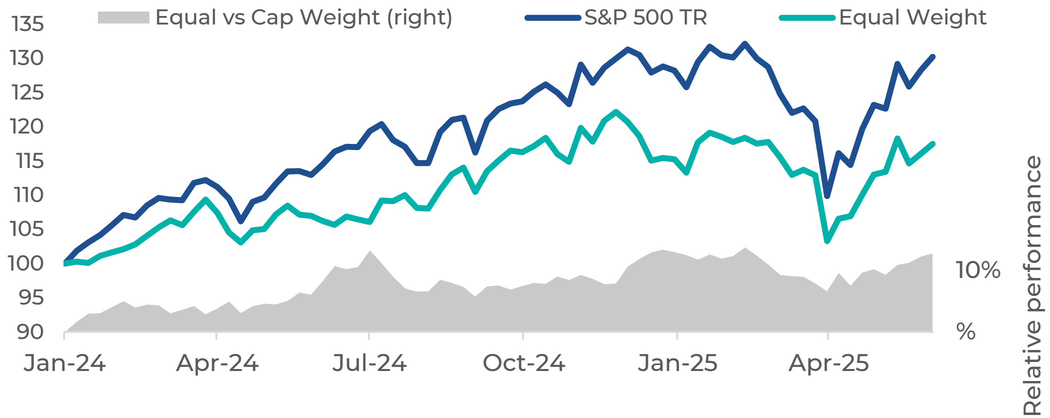
- We became more positive on emerging markets in May '24. While risks remain, including trade war / tariff impacts and ongoing economic issues in China, there are a number of positive factors that help assuage the risks.
- TL – The valuation gap between emerging and developed markets remains historically high at about 7 points. This provides a great buffer.
- TR – Earnings growth expectations are slowing in both EM and DM. But it is relative growth that correlates really well with relative performance. Love this chart.
- B – While we do believe the US dollar may be oversold in the short term, our longer views is tilted to the downside. Emerging markets do well in a falling USD environment.
- All together, still risks and the recent trend in earnings revisions is a concern but more optimistic than years past and we're comfortable with an allocation closer to neutral.



Source: Bloomberg, Purpose Investments

VIII. Why equal & market cap weight U.S. equity exposure

Equal weight was much weaker in '24...so far in '25 its roughly tied

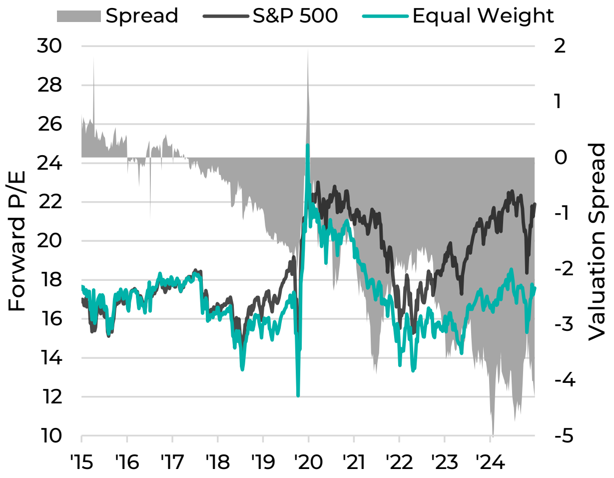


Source: Bloomberg, Purpose Investments

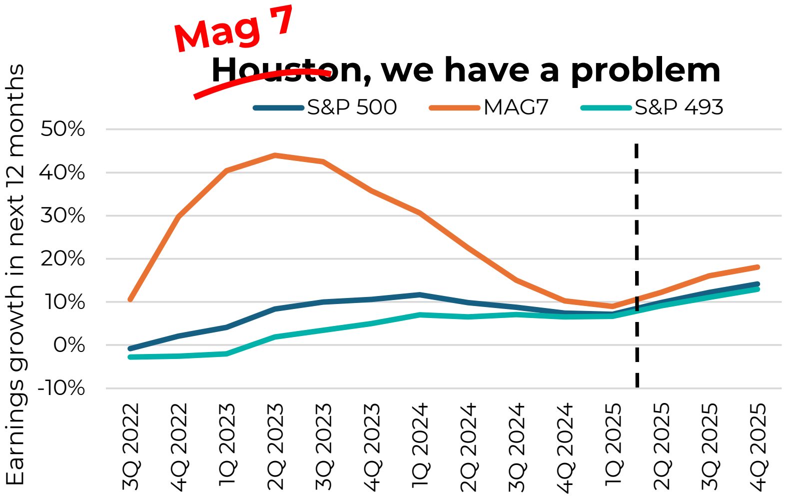
Purpose Active Balanced	Current Position	Baseline
US Equities	27%	30%
Equal Weight	9%	
Market Cap Weight	2%	
Indirect	16%	

- We have been tilted more towards equal weight for our U.S. exposure with a 9% weight in an equal-weight ETF. That worked well in '22, less so in '23 and '24. In 2025 it has been a see saw battle that is roughly tied.
- We continue to believe the risks in the U.S. market can be reduced by leaning a bit more equal weight within portfolio construction. Don't mistake this for a positive view on small or mid. We still prefer large cap, just more balance than cap weighted exposure.
- Top – Market weakness, equal weight provides better defense as evident earlier this year.
- BL – Valuations gap between cap weight and equal weight is back to pretty high levels.
- BR - Biggest names in S&P have some of the highest valuations, and the earnings growth is slowing back to market levels. Those valuations will be harder to maintain. The valuation spread between S&P and Equal Weight is still elevated at 4 point spread.
- Sticking with equal weight tilt.

Valuation gap still strongly favours equal weight



Source: Bloomberg, Purpose Investments

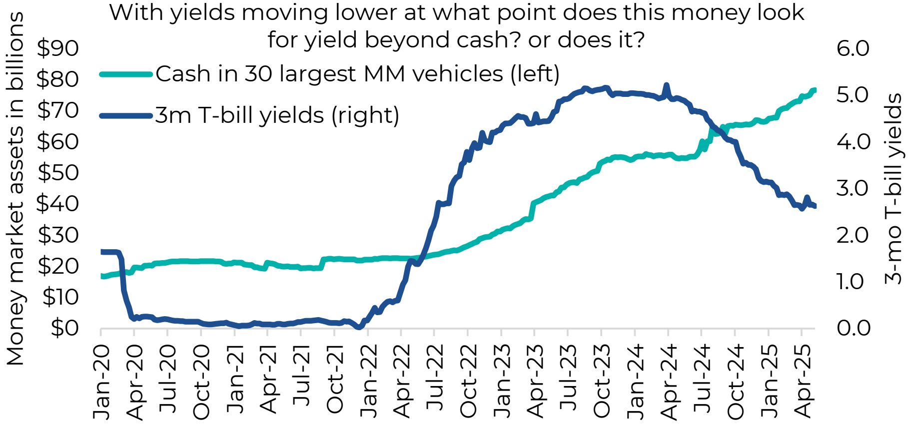


Source: Bloomberg, Purpose Investments

IX. Why dividends could see strong inflows

Tsunami of Cash - still growing

$77B parked in the 30 largest cash vehicles in Canada. With yields moving lower at what point does this money look for yield beyond cash? or does it?

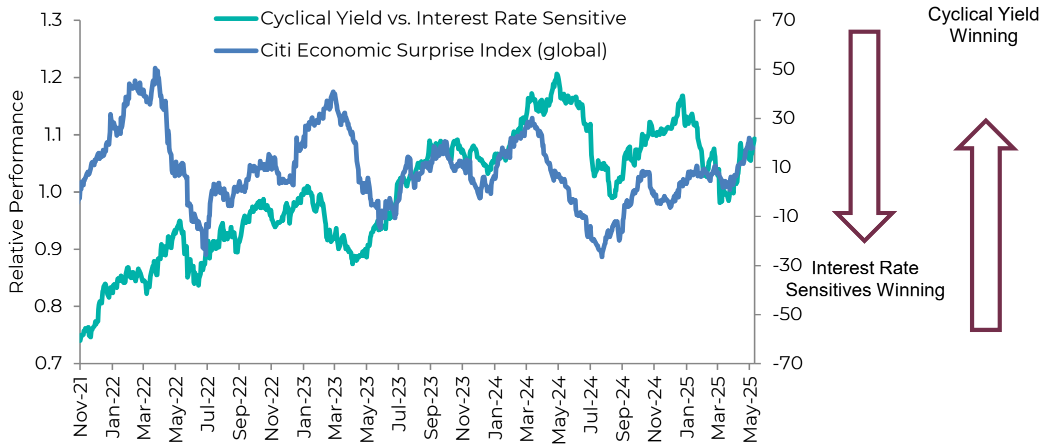


Source: Bloomberg, Purpose Investments, sample of largest 30 money market funds & ETFs & HISAs

1/3 of equity allocation are dividend focused strategies

- TL– There are many billions sitting in cash vehicles, accumulated over the past few years. At what point will falling yields start those dollars looking elsewhere for yield as well as a way to step back into an oversold market? Dividend factor should be a large beneficiary when this starts. It also has a history of outperforming during periods of slowing economic growth and recessions.
- BL – with an uptick in global economic data, cyclical yield names have been outperforming the more interest rate sensitives.
- In our N. American dividend strategy we have been taking some profits in defensives and picking up bits of the cyclicals. Overall, we are currently 36% interest rate sensitive and 64% cyclical yield.
- BR – But not all dividends are being impacted the same. This has led to higher divergence among dividend strategies. Those able to adapt have done better than plain vanilla index huggers. The recent uptick in bond volatility corresponds with an increase in dividend mandate divergence

Different markets environments favour different kinds of dividend payers, requiring a more nuanced approach



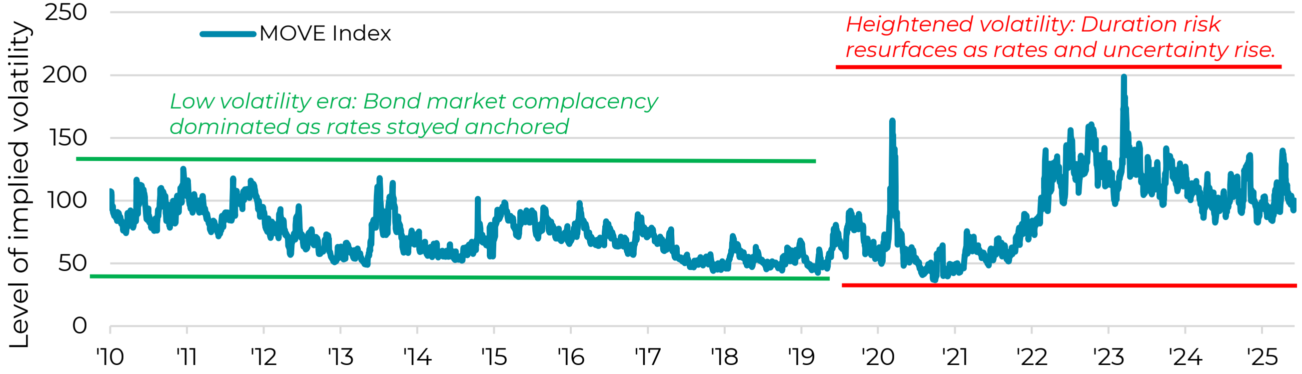
Source: Bloomberg, Purpose Investments
Cyclical Yield & Interest Rate sensitive indices are based on GICS sub-industries historical correlation to Canadian bond yields. Interest rate sensitive are those with a higher correlation, cyclical yield those sub-industries with a lower correlation

Changing yield world is leading to greater divergence among dividend strategies

Source: Bloomberg, Purpose Investments

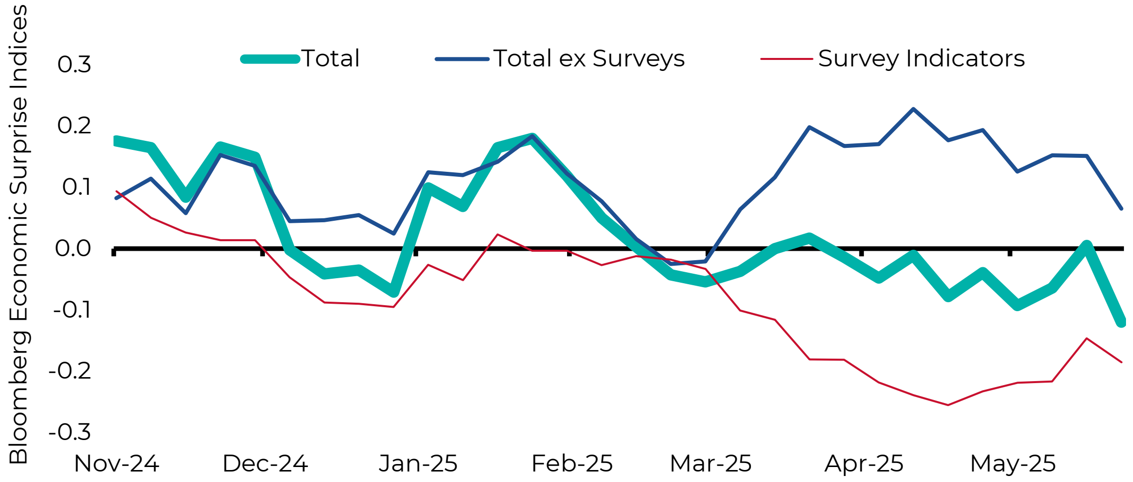
X. Why duration of 5.2

Duration Management Matters Again



Source: Bloomberg, Purpose Investments

Soft data in the dumps, hard data starting to roll over

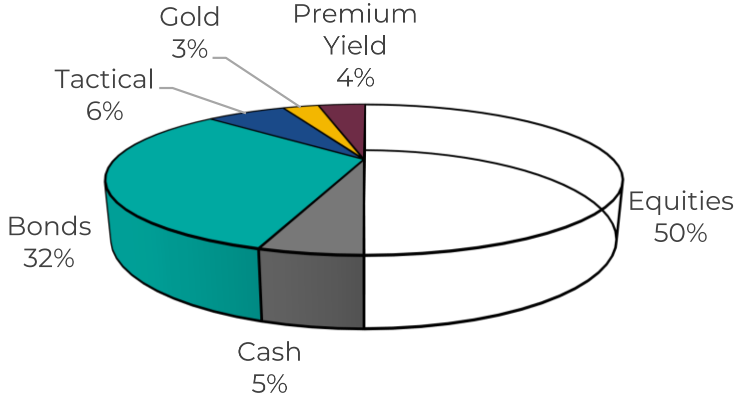


Source: Bloomberg, Purpose Investments

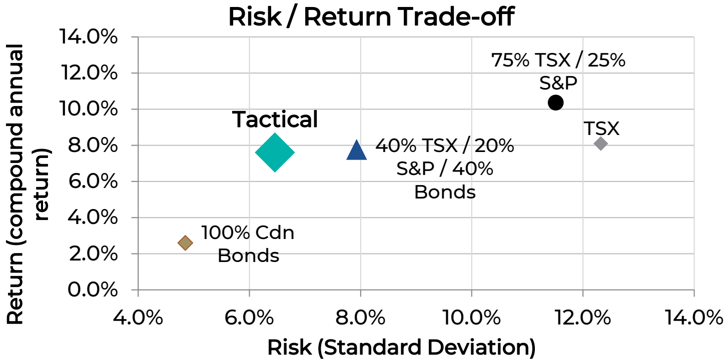
Purpose Active Balanced	Current Position	Baseline
Duration	5.2	5.0

- We believe the current market, with higher inflation and yields than years past, is more challenging for the bond portion of portfolio. While still the cornerstone of defense, a more active duration management is needed.
- While we are underweight bonds, our current duration is relatively high. Especially compared to our historical duration. And the credit quality it high, with a good allocation to government and investment grade.
- Bottom – 2025 has experienced a policy shock which has kept with historical norms of being short lived from a market reaction perspective. The challenge ahead is the length of uncertainty is starting to impact economic/earnings data. This typically is a delayed reaction of data from policy or event shocks.
- As we believe an economic growth scare is on the near term horizon, we feel comfortable carrying higher duration.
- This would be wrong if inflation picks up and/or concern over deficits increases. So far we believe this are less impactful than the cooling economic data.

XI. Why diversifying defense



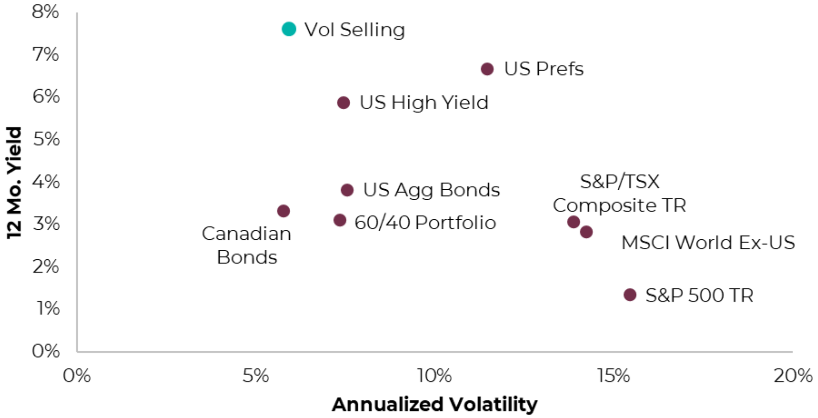
Source: Purpose Investments PABF Allocations 6 June 2025



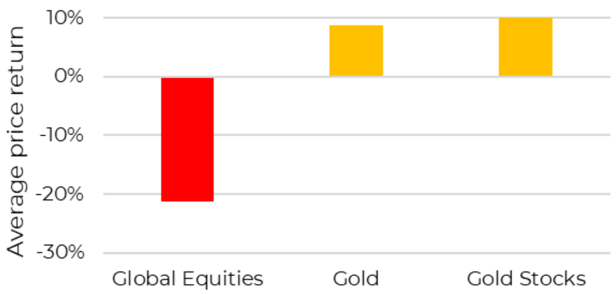
Source: Purpose Investments, Bloomberg, SMA performance Sep '11 - May '25

Purpose Active Balanced	% of Portfolio
Bond positions	32%
Cash	5%
Tactical	6%
Premium Yield	4%
Gold	3%

- Every correction is different, speed, magnitude, duration and the cause. The last 3 have been caused by an exogeneous shock from Covid (2020), Inflation (2022) and policy (2025).
- With more unique corrections rising in frequency, having a more diversified defensive has become more important.
- TL – We diversify our bond allocation (core defense best against economic slowdowns) with other strategies including momentum (tactical), real assets (gold) yield harvesting (premium yield) and of course cash.



Source: Purpose Investments, Bloomberg, 2016-2025, Weekly Returns, CAD Currency



Source: Bloomberg, Purpose Investments

Year	**Crisis**
1990	1990 Recession
1998	Russian debt crisis & LTCM
2000	Tech bubble burst
2008	Credit crisis
2011	Euro debt crisis
2016	China crisis
2018	Q4 2018 sell-off
2020	Covid
2022	Inflation
2025	Trump Trade - Ongoing