

## Trade Rationale

# Purpose Active Portfolios

## 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%

### Purpose Active Balanced Fund

Sold	-1.62%	iShares Core US Aggregate Bond ETF (AGG US)
Sold	-3.2%	Purpose Canadian Preferred Share ETF (RPS)
Trim	-2.0%	iShares Core MSCI EAFE ETF (IEFA US)
Bought	+4.0%	BMO MT US IG Corp Bd Hdgd to CAD ETF (ZMU)
Bought	+4.0%	Purpose Premium Yield ETF (PYF)

### 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 Growth Fund

Trim	-2.0%	BMO Aggregate Bond ETF (ZAG)
Sold	-3.0%	Purpose Canadian Preferred Share ETF (RPS)
Bought	+2.5%	BMO MT US IG Corp Bd Hdgd to CAD ETF (ZMU)
Bought	+3.0%	Purpose Premium Yield ETF (PYF)

### PURPOSE ACTIVE CONSERVATIVE

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

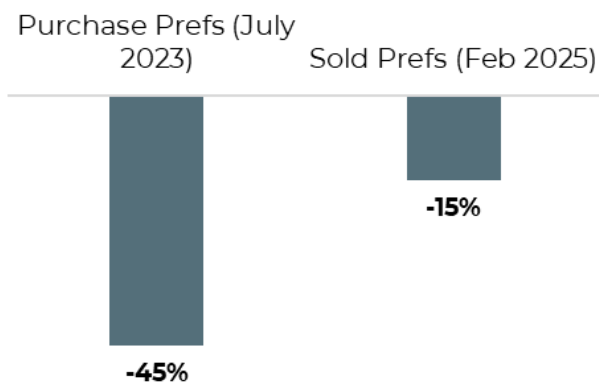
### Purpose Active Conservative Fund

Sold	-6.0%	Purpose Canadian Preferred Share ETF (RPS)
Bought	+5.0%	BMO MT US IG Corp Bd Hdgd to CAD ETF (ZMU)
Increase	+1.0%	Purpose Premium Yield ETF (PYF)

These portfolio changes align with our broader macroeconomic view that 2025 is likely to be a much more volatile, sideways trading environment compared to the past two years. The trades aim to enhance portfolio volatility management, reduce currency risk, and ensure quality credit exposure while maintaining an equity overweight that continues to favor international markets.

The S&P/TSX Preferred Share Index rose by 24.7% in 2024, marking a strong year for preferred shares. Prefs being called was a key driver of returns, and these announcements remain the primary tailwind for the market. However, with a significant portion of preferred shares now trading much closer to their call prices than when we initiated the trade, we believe this tailwind is diminishing. The chart below illustrates this shift: when we first entered the position, the average discount to par was -45%; today, that gap has narrowed considerably. With our investment thesis largely playing out, we are exiting our position in the Purpose Canadian Preferred Share ETF (RPS).

### Preferred Shares - Average Discount to Par



Source: Purpose Investments & Bloomberg

Other factors influencing this decision include the credit environment and central bank policy. Credit spreads for investment-grade debt and preferred shares have tightened to historically low levels, leaving little room for further compression.

Additionally, the Bank of Canada remains committed to rate cuts, which will likely lower coupon resets. Given this backdrop, we believe it is more prudent to shift our allocation to lower-volatility yield-focused strategies, such as the Purpose Premium Yield ETF (PYF), while also increasing our allocation to U.S. investment-grade bonds.

Along with proceeds from selling preferred shares, we are also liquidating our small position in the iShares Core U.S. Aggregate Bond ETF (AGG) in favor of the BMO Medium Term U.S. Investment Grade Bond Fund (ZMU). The key reason—aside from its slightly lower duration—is that ZMU provides exposure to high-quality U.S. investment-grade bonds in a hedged format. The Canadian dollar is currently hovering at historically low levels (~\$0.68–\$0.70), driven by a record-wide U.S.-Canada rate differential and tariff-related uncertainty. While we generally do not hedge USD exposure entirely, the CAD's extreme valuation presents an opportunity to hedge. Moving to ZMU enhances our exposure to investment-grade U.S. corporate bonds, providing a yield advantage over AGG while mitigating currency risk.

In addition to U.S. investment-grade bonds, we are also increasing our allocation to the Purpose Premium Yield ETF (PYF). This fund is a defensive yield strategy that generates income through options while reducing overall portfolio volatility. Given elevated equity market risks, holding a fund that benefits from volatility provides both defensive characteristics and income generation.

To help fund this trade, we have slightly reduced our international equity overweight. While we continue to favor international equities for their valuation and earnings growth potential. We are trimming our position in the iShares Core MSCI EAFE ETF (IEFA) following a strong start to the year and less of a desire to go further underweight North America.

### Portfolio Management Team

**Craig Basinger, CFA**  
Chief Market Strategist

**Derek Benedet, CMT**  
Portfolio Manager

**Brett Gustafson**  
Associate Portfolio Manager

## DISCLAIMER

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.

