

FUND COMMENTARY

# Purpose Behavioural Opportunities Fund

## FUND DETAILS

<b>ETF TICKER</b> MGMT FEES	<b>BHAV</b> 0.75%
<b>SERIES F</b> MGMT FEES	<b>PFC2801</b> 0.75%
<b>SERIES A</b> MGMT FEES	<b>PFC2800</b> 1.75%

Inception date: JAN 17, 2018

DISTRIBUTION FREQUENCY  
**Annual, if any**

FUND STRUCTURE  
**Corporate Class**

**September was a difficult month for most investors... perhaps markets caught a seasonal bug.**

## FUND MANAGER



**Craig Basinger**

CHIEF MARKET STRATEGIST  
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## FUND OVERVIEW

Purpose Behavioural Opportunities Fund, the first of its kind in Canada, is a fund focused on profiting from other investors' emotional mistakes. We all make mistakes when investing, whether it's overreacting to news, becoming anchored in our opinions, or framing our decisions based on what we originally paid — the list goes on. These mistakes detract from long-term investment performance and, under certain circumstances, can lead to mis-priced assets or stocks. BHAV uses numerous strategies, each designed to profit from potentially mis-priced assets/stocks caused by investors' emotions or behavioural biases.

## MARKET OVERVIEW

The fund declined by 3.34% in September, bringing the one-year performance to 22.1%. This compares with 28.1% for the S&P/TSX Composite and 23.9% for the S&P 500. September was a difficult month for most investors...perhaps markets caught a seasonal bug. There is no denying the historical weakness of September returns compared with other months. Through a market behavioural lens, it is an interesting demonstration to see recurring patterns play out—perhaps, it is self-fulfilling prophecy on the grandest scale. While not officially a correction, September has provided a sobering dose of reality to those most afflicted with the buy the dip mentality, a classic display of the overconfidence bias.

## FUND PERFORMANCE

AS OF SEPT 30, 2021

PURPOSE TACTICAL ASSET ALLOCATION FUND	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	2 YEARS	3 YEARS	SINCE INCEPTION
SERIES A	0.97%	2.63%	4.00%	11.61%	19.43%	9.32%	5.72%	5.60%
SERIES F	1.07%	2.91%	4.57%	12.41%	20.72%	10.57%	6.94%	6.81%

Source: Morningstar

As volatility picked up, a few of the fund's positions breached their stops. This resulted in a net reduction of companies held within the portfolio and a sizable increase in the funds cash position over the month. As we enter earnings season in a couple of weeks, there is ample capital to deploy for in our earnings.

## OVERREACTION STRATEGY

Analyst expectations have been declining recently, and we expect the combination of a tight labour market, rising input costs, and supply chain disruptions to provide a number of earnings misses to take advantage of. This is an opportunistic short-term trading strategy that can be very active, depending on the opportunities that present themselves.

Availability bias causes investors to overweight the impact of the most readily available news. While earnings are important, often investors will overreact to the release causing the share price to move more than is justified.

We have found an asymmetric regression back to the mean as a function of company quality. Higher-quality companies that suffer a significant price drop on bad earnings tend to recover the loss. Lower-quality companies that enjoy a price jump on good earnings don't tend to hold onto these gains for long.

## INVESTMENT GROWTH

AS OF SEPT 30, 2021



## THE STRATEGIES

STRATEGY	BEHAVIOURAL BIAS	DESCRIPTION
Unloved to Less Unloved	Unloved to Less Unloved	Unloved companies – those with few analyst BUY ratings – tend to be neglected and beaten down. This long-only strategy is triggered by an unloved company receiving some upgrades and becoming less unloved.
Earnings Overreaction	Earnings Overreaction	Availability bias causes investors to overreact to earnings in the short term. Asymmetric recovery found as higher-quality companies tend to recover from misses relatively quickly while lower-quality companies give back gains from positive surprises. This is a long/short strategy.
Emotional Cascade	Emotional Cascade	On spikes in news, investors often overreact, losing sight of the long term. This is especially evident when information is plentiful and one-sided, skewing the risk/return trade-off and creating an opportunity. This is a long/short strategy.
Indexing Bias	Indexing Bias	While somewhat counterintuitive, once a company is added to an index, it often underperforms for a period. Conversely, those removed often partially recover. This is a long/short strategy.
Crowded Trades	Crowded Trades	Contrarian – when everyone is betting on one outcome, it is often the opposite that occurs. We use non-commercial open futures contracts to measure. As contrarian strategies often take time, we tend to use longer-dated options.
Neglect	Neglect	Small spin-offs are often discarded by portfolio managers as the positions are too small to matter. This creates temporary selling pressure, which this strategy takes advantage of. This is usually a long strategy.
Herd Hedge	Herd Hedge	When market sentiment is skewed in one direction and demonstrates irrational exuberance or pessimism, we take a contrarian position in the options market.

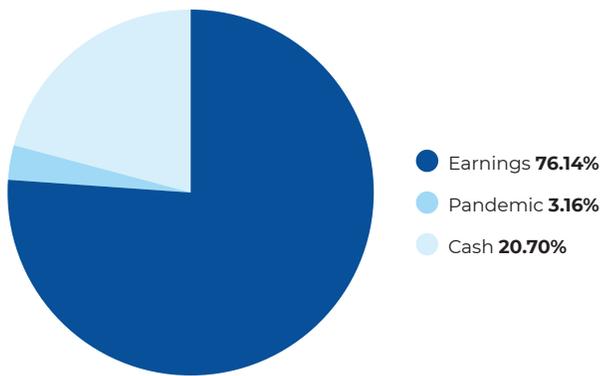
**TOP 10 HOLDINGS**

AS OF SEPT 30, 2021

NAME	WEIGHT
NETFLIX INC	5.1%
CANADIAN NATL RAILWAY CO	5.0%
WELLS FARGO & CO	5.0%
SNC-LAVALIN GROUP INC	4.7%
KINAXIS INC	4.4%
PAYCHEX INC	4.1%
DISCOVER FINANCIAL SERVICES	4.1%
TWITTER INC	4.0%
RUSSEL METALS INC	4.0%
CANADA GOOSE HOLDINGS INC	3.8%

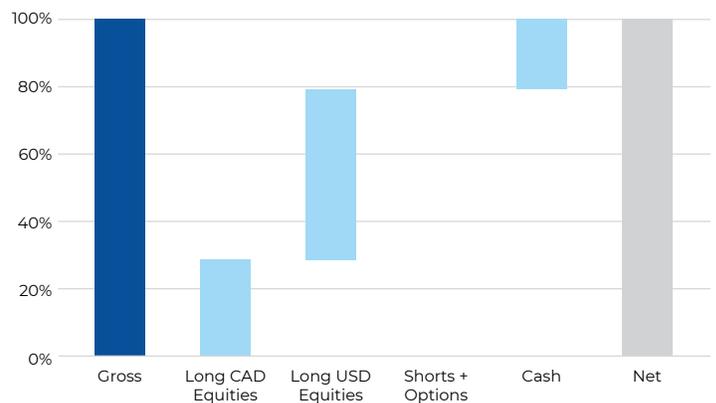
**STRATEGY ALLOCATION**

AS OF SEPT 30, 2021



**PORTFOLIO EXPOSURE**

AS OF SEPT 30, 2021



**FUND OBJECTIVES**

- Actively profiting from market inefficiencies and investors' predictable, emotional mistakes
- Long-term capital appreciation and diversification
- Exposure to Canadian and U.S. equity markets

**RISK RATING**



<sup>1</sup>Contribution to fund return for the period is calculated as the 1 month total return for the ETF Class of the Fund multiplied by the sector/ security's average weight of the Fund's net asset value.

<sup>2</sup> MSCI EAFE sector indices. All data sourced from Bloomberg and Purpose Investments, 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.

