

FUND COMMENTARY

Purpose Behavioural Opportunities Fund

FUND DETAILS

ETF TICKER MGMT FEES	BHAV 0.75%
SERIES F MGMT FEES	PFC2801 0.75%
SERIES A MGMT FEES	PFC2800 1.75%

Inception date: JAN 17, 2018

DISTRIBUTION FREQUENCY
Annual, if any

FUND STRUCTURE
Corporate Class

Purpose Behavioural Opportunities fund, the first of its kind in Canada, is a fund focused on profiting from other investors' emotional mistakes.

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 mispriced assets or stocks. BHAV uses numerous strategies, each designed to profit from potentially mispriced assets/stocks caused by investors' emotions or behavioural biases.

BEHAVIOURAL IMPACT ON TAX LOSS SELLING

The Purpose Behavioural Opportunities fund (PFC2801 F-Class) rose by +9.0% in January, outperforming both the S&P/TSX Composite (+7.4%) and the S&P 500 (+4.6%) on a relative basis. The strong market rebound in January was led by factors that heavily tilted away from what we would characterize as higher quality. Volatility, short interest, and leverage have been the best-performing factors. Over the course of the bear market, these factors have been shunned, with the most shorted, volatile, and highly levered companies embodying what investors have feared the

FUND PERFORMANCE

ALL PERFORMANCE DATA AS AT JAN 31, 2023

PURPOSE BEHAVIOURAL OPPORTUNITIES FUND	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	2 YEARS	3 YEARS	SINCE INCEPTION
Series A	8.91%	11.00%	10.96%	8.91%	-3.82%	-3.03%	-1.46%	0.46%
Series F	9.02%	11.32%	11.60%	9.02%	-2.74%	-1.96%	-0.39%	1.60%

Source: Morningstar

most. It just goes to show that even the most hated companies can catch a bid, especially when sentiment has reached such extreme levels.

Last month we employed our Tax Loss selling strategy within the Behavioural Opportunities Fund. We added a number of new names in the fund that fit our criteria as being overly sold in the tax loss selling season. The timing this year worked out wonderfully, with many of the names gaining substantially in January. This is not a long-term buy-and-hold strategy, but one historically sees a renewed seasonal bid for some of the most beaten-down stocks at the beginning of the year. For these tax loss losers, the typical January Effect is on overdrive. Towards the end of the month, we actively began to harvest the profits by selling several positions and will continue to do so over the next few weeks.

The Tax Loss Selling strategy was by far the largest contributor in January. The average company in the strategy

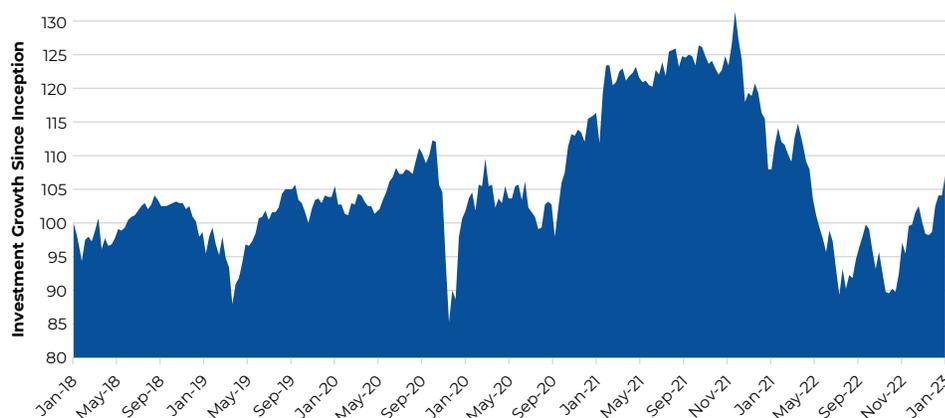
rose 16.6%, and the total attribution accounted for 67.2% of this month's return. A number of companies, including Algoma Steel and Telesat, returned over 30%.

Given how far the market has rallied, sentiment has shifted from one extreme to the other, and we're more comfortable fading the rally and avoiding the crowd that has become only too eager to aggressively bid

up some of last year's most beaten-down companies. The fund currently has an elevated cash balance, which increases its defensive standing while also providing some dry powder for the Earnings Overreaction strategy. Thus far, there have been fewer opportunities to add beaten-down stocks following an earnings announcement, but we are now just halfway through this earnings season.

INVESTMENT GROWTH

AS AT JAN 31, 2023



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.

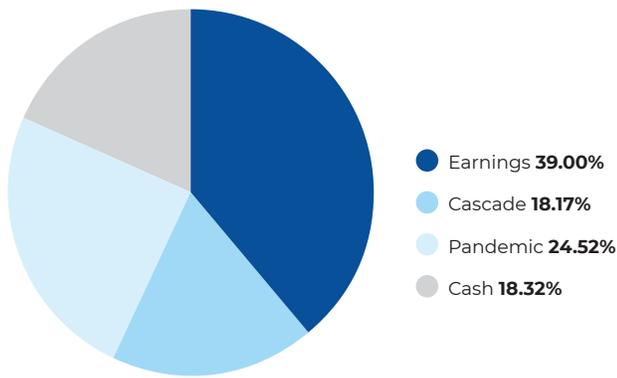
TOP 10 HOLDINGS

AS AT JAN 31, 2023

NAME	WEIGHT
ISHARES MSCI JAPAN ETF	6.7%
ISHARES BIOTECHNOLOGY ETF	6.2%
BMO NASDAQ 100 EQUITY HEDGED	5.3%
ALGOMA STEEL GROUP INC	4.9%
WALMART INC	4.9%
GOLDMAN SACHS GROUP INC	4.9%
PAYCHEX INC	4.5%
STRIDE INC	4.3%
CANADIAN WESTERN BANK	4.3%
CORUS ENTERTAINMENT INC-B SH	4.2%

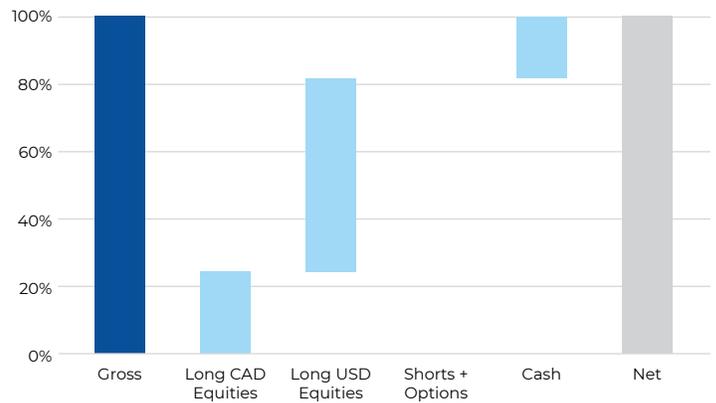
STRATEGY ALLOCATION

AS AT JAN 31, 2023



PORTFOLIO EXPOSURE

AS AT JAN 31, 2023



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



¹Contribution 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.

² 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.

