PUBLISHED: JUNE 7, 2022

Purpose
INVESTMENTS

FUND COMMENTARY

Purpose Core Equity Income Fund

FUND DETAILS

ETF TICKER	**RDE**
MGMT FEES	0.75%
SERIES F	**PFC2901**
MGMT FEES	0.75%
SERIES A	**PFC2900**
MGMT FEES	1.75%

Inception date: **NOV 16, 2015**

DISTRIBUTION FREQUENCY
Monthly

FUND STRUCTURE
Corporate Class

Considering the market turmoil this year, the fund has done quite well, nearly averaging its annual return since inception.

FUND MANAGER

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MARKET OVERVIEW

The S&P 500 officially fell into bear market territory during the month of May, although a late-month bounce allowed it to finish the month flat. Regardless of the finish, the market's tone has changed, but with change comes opportunity. Large-cap tech stocks, once market darlings, have joined unprofitable tech as market outcasts. When the largest sector in an index comes under pressure, the overall market becomes prey to fickle swings in sentiment towards that sector. Movements in the market are beyond our control, but we have control over exposures and the quality of companies we purchase.

In May, the Purpose Core Equity Income Fund (F-Class) fell 0.47%, slightly underperforming the S&P/TSX Composite, but outperformed U.S. markets. Year-to-date remains in a positive position, up 1.41%, compared with -12.87% for the S&P 500 and -1.25% for the S&P/TSX Composite. This brings the trailing 1-year return to 8.92%, beating both broad markets. Considering the market turmoil this year, the fund has done quite well, nearly averaging its annual return since inception. The outperformance is also notable considering the degree of the current macro-driven market. Correlations across all stocks

FUND PERFORMANCE

ALL PERFORMANCE DATA AS AT MAY 31, 2022

PURPOSE CORE EQUITY INCOME FUND	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Series A	-0.56%	-1.85%	4.87%	0.94%	7.72%	11.95%	7.46%	7.71%
ETF	-0.47%	-1.57%	5.45%	1.40%	8.92%	13.19%	8.62%	8.60%
Series F	-0.47%	-1.57%	5.45%	1.41%	8.92%	13.19%	8.65%	8.82%

Source: Morningstar

remain quite elevated, making it more difficult for active managers. We are in a period where the macro picture is trumping the micro.

FUND PERFORMANCE AND POSITIONING

Suncor was the biggest contributor to the fund's performance in May. Despite trimming exposure over recent months, the position continues to provide outsized returns. While underweight energy within the fund, holding a decently sized position in a higher beta name like Suncor has benefitted unitholders. Two other positive contributors were Infineon and Magna, both of which faced considerable selling pressure in previous months. It's nice to see that our patience is beginning to pay off. Besides individual stocks, the net largest contributor to monthly returns was our newly upsized FX hedge. The fund had a partial FX hedge toward our U.S. dollar exposure, which we nearly doubled to roughly 40% when the U.S. dollar surged mid-month. We believe the timing was right for the U.S. dollar to relinquish some of its recent strength.

Rogers was the largest detractor from returns. It's one of the fund's larger positions, and unfortunately, the market reacted negatively following earnings which missed the mark and amplified the uncertainty regarding the Shaw deal. We continue to hold and, in fact, used the drawdown to add back to the position after trimming ahead of earnings. Other names that did not meaningfully contribute to excess returns were Barrick, Virtu, and Allied Properties. Towards the end of the month, we slightly increased our position in Barrick, believing that the recent headwinds facing gold were beginning to subside.

We added a few new positions in the fund this month. The primary aim was to begin to tilt the portfolio towards companies that had become oversold. This had us add a couple of new technology companies into the portfolio while trimming recent winners such as Nutrien, Waste Management, and AstraZeneca. The first is Enghouse Systems. Enghouse is a quality Canadian tech company that develops and provides software solutions to customers around the globe. It's big in automated mapping, facilities management, GIS systems, and secure video. Major customers include governments around the world as well as mapping companies, utilities, and network infrastructure companies. Since the stock price peaked last fall, valuations have come back down substantially., back to 2013 levels. It has minimal debt for a company that has a history of acquisitions. It strives to consistently generate positive operating cash flows to fund future growth and currently has over $200 million of cash on the balance sheet. Down 50% from its highs, Enghouse has been a victim of the general rotation out of tech companies. It's a consistent dividend grower, with its dividend rising at a 14.5% CAGR over the past five years. The company has been facing tough 2020 comps, but we expect the longer-term trajectory of rising earnings to continue.

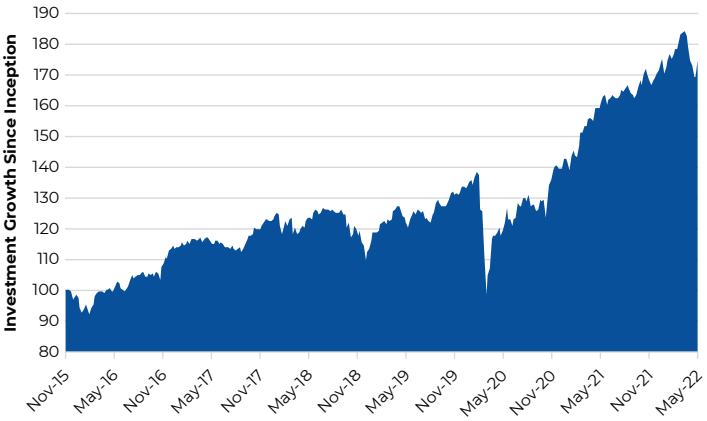
The second new tech company is slightly more well-known and slightly larger. We added Microsoft, which is one of tech's big alpha dogs. The company is unmatched in scale with its windows and office business, with strong growth coming from its Azure cloud business. It's an industry leader with the could business giving it future growth opportunities. PC sales are likely to stall due to the covid induced demand boost as well as chip shortages. The death of the PC narrative has been here for some time, but the cloud business has created a new growth avenue. We added when the stock was down around 25% from the highs, creating a rare opportunity to buy after a substantial dip. Valuations are down considerably, with forward P/E nearly three standard deviations below its 5-year average. While not historically cheap for the company, the current earnings outlook is also very different from 5+ years ago. The valuation premium to the S&P 500 has also been trimmed considerably. Compared to many other names in the portfolio, the yield is quite skinny at under 1%, but the company boasts an impressive dividend health score of 85. Simply put, Microsoft adds a growth tilt within the portfolio, but we are not sacrificing any quality or earnings dependability.

So far, the correction that equity markets have experienced has been a valuation reset. Earnings multiples rose to the higher end of historical averages and have now returned closer to normal. While recession fears are elevated, our base case is that inflation is peaking and that there remains a narrow path towards a soft landing. We expect every economic data point and earning release to be closely scrutinized near term. Volatility will likely remain elevated near-term, but the fund is now better positioned to benefit from a market recovery.

Two other positive contributors were Infineon and Magna, both of which faced considerable selling pressure in previous months. It's nice to see that our patience is beginning to pay off

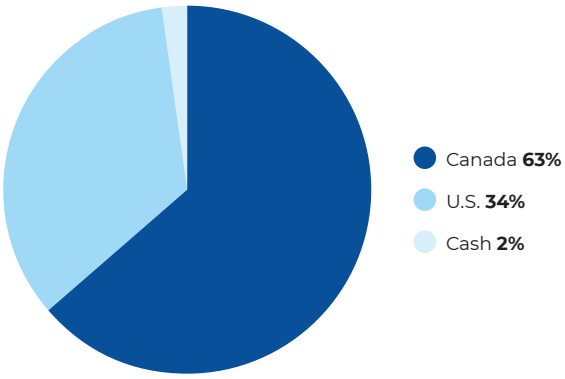
INVESTMENT GROWTH

AS AT MAY 31, 2022



COUNTRY ALLOCATION

AS AT MAY 31, 2022



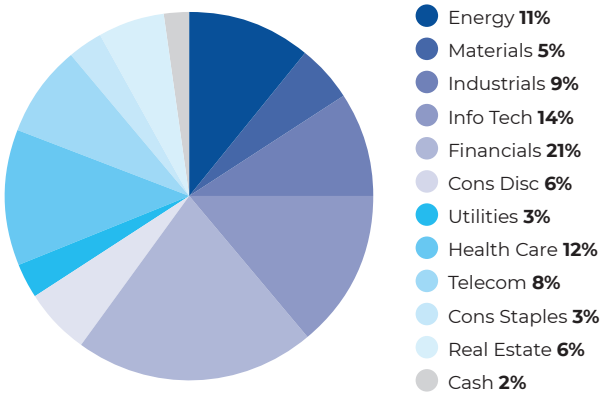
TOP 10 HOLDINGS

AS AT MAY 31, 2022

NAME	WEIGHT
Bank of Montreal	4.0%
Rogers Communications Inc	3.9%
Royal Bank of Canada	3.9%
Bank of Nova Scotia/The	3.6%
Suncor Energy Inc	3.5%
Medtronic PLC	3.4%
Magna International Inc	3.2%
Algonquin Power & Utilities Co	3.1%
Loblaw Cos Ltd	3.0%
Cameco Corp	3.0%

INVESTMENT GROWTH

AS AT MAY 31, 2022



FUND OBJECTIVES

- A steady stream of income from dividend-paying companies
- Long-term capital growth
- Exposure to Canadian and U.S. equity markets

KEY ADVANTAGES

- Dividend-focused investment strategy companies emphasizing dividend health & sustainability and free cash flow generation
- Flexibility to tactically overweight assets in specific sectors and invest up to 35% in U.S. stocks to provide greater return potential and increased diversification

RISK RATING

INVESTMENT PROCESS

TOP DOWN

- Big macro incorporates market cycle framework into portfolio management
- Guides factor, sector, risk exposures

DIVIDEND QUALITY

- Dividend health
- Dividend growth capacity
- Adding US dividend payers to improve diversification

FUNDAMENTAL ANALYSIS

- Strong belief that free cash flow is one of the best quantitative factors
- Strong team: 3 portfolio managers, 2 analysts

RISK

- Portfolio construction & monitoring
- Risk exposure, VAR, scenario testing
- Deterioration monitor

[1] 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.

[2] MSCI EAFE sector indices. All data sourced from Bloomberg and Purpose Investments, unless otherwise noted.

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