PUBLISHED: AUGUST 8, 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

Most investors dislike when bonds and stocks are positively correlated, except when they both go up at the same time as in July.

FUND MANAGER

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MARKET OVERVIEW

To say markets rebounded in July would be an understatement. Not only did equities enjoy a strong month; bonds did as well. However, for the record, most investors dislike when bonds and stocks are positively correlated, except when they both go up at the same time as in July. We do not expect that kind of price behaviour to last – more of a reaction from oversold levels in both equities and bonds to an improvement in news flow. During their press conference, the Fed turned out to be a little less hawkish, and the earnings season has helped markets partially allay recession fears.

As much as anything else, the reason for this bounce really comes down to positioning. In June, investors lost faith in the ability of global central banks to control inflation without forcing the economy into a deep recession, and many funds had taken cash levels up. As a result, sentiment was sometimes touching extreme levels of negativity. The headlines and earnings didn't need to come out perfectly for a bounce; they just had to come out better than feared. And they did.

FUND PERFORMANCE

ALL PERFORMANCE DATA AS AT JULY 31, 2022

PURPOSE CORE EQUITY INCOME FUND	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Series A	4.24%	-3.49%	-3.44%	-2.02%	3.20%	9.48%	7.10%	7.02%
Series F	4.33%	-3.22%	-2.91%	-1.40%	4.35%	10.69%	8.29%	8.19%

Source: Morningstar

FUND PERFORMANCE AND POSITIONING

The Purpose Core Equity Income Fund rose by +4.33% in July, which brings its one-year return to 4.35%, compared with a -0.14% return for the S&P/TSX Composite. The partial currency hedge helped performance as the U.S. dollar weakened slightly against the Canadian dollar. The largest sector contributors were information technology and energy. In recent months, we've continued to add to beaten-down technology names, given their attractive valuations. The sector is now the fund's second largest behind financials and represents the largest sector overweight versus our benchmark. Despite energy stocks facing sustained pressure in July, our position in Cameco was the largest individual contributor to the fund in July. Other standout names were Magna, Emerson Electric, and Microsoft. Despite a solid July for most stocks, not every holding performed as well as the market. We remain underweight gold miners versus the TSX, but our lone position, Barrick, was also the largest detractor. Rogers is one of the larger positions within the fund, which also struggled in July. The company continues to push for the Shaw acquisition and had a national outage that enraged customers and worried investors.

This month we sold the remaining portion of LifeWorks, deciding to put the proceeds to use rather than wait for the deal with Telus to settle at the end of the year. As cash came into the fund, we added to a couple of energy names (Enbridge and Arc Resource) as well as the Canadian banks, Manulife, Telus, and Suncor. We also added a new position in Finning toward the end of the month. Finning is the Caterpillar dealer for Western Canada and one of the largest in the world. The company is quite cyclical and provides a degree of indirect commodity exposure. Given the sell-off in commodity stocks, we've tilted back slightly toward cyclical yield. The company has a good yield of around 4%, solid dividend health, and a long-standing share buyback program. The position is an excellent replacement for LifeWorks and helps maintain our industrial exposure.

Health care and technology are the two largest sector overweights in the fund. Health care provides a larger degree of stability, especially with our pharmaceutical names. Our technology overweight primarily focuses on software companies, which are less impacted by supply chain issues that have plagued many hardware manufacturers. The fund remains significantly underweight in financials and energy, though we have added slightly to both sectors this month after the recent sell-off.

Depending on the market environment, certain sectors outperform while others struggle. It's just how the normal market cycle tends to work. So far this year, the difference between Canada's best and worst sectors is about 85%. Sector disparity is massive, and as such, proper diversification is essential – this is where it gets a little problematic.

The Canadian market is rather poorly constructed: it has big weights in financials and energy. The U.S. is a bit better but has an outsized allocation to technology. Dividend-focused indexes help fix some allocations but tend to worsen others. In the charts below, you can see that the specific Dow Jones Dividend Index for both Canada and the U.S. have rather large concentrations in certain sectors. In Canada, concentrations in financials jump to over 50%, and in the U.S., utilities move to nearly 28%. In comparison, we've added the allocations of the Purpose Core Equity Income Fund (RDE) as well. We believe our active approach provides better diversification for investors. In addition, our allocations are not static. For instance, the fund's financial weight started the year at 27.6% and dipped to a low of 17.9% in July, and technology started the year under 10% and now stands at 14.6%.

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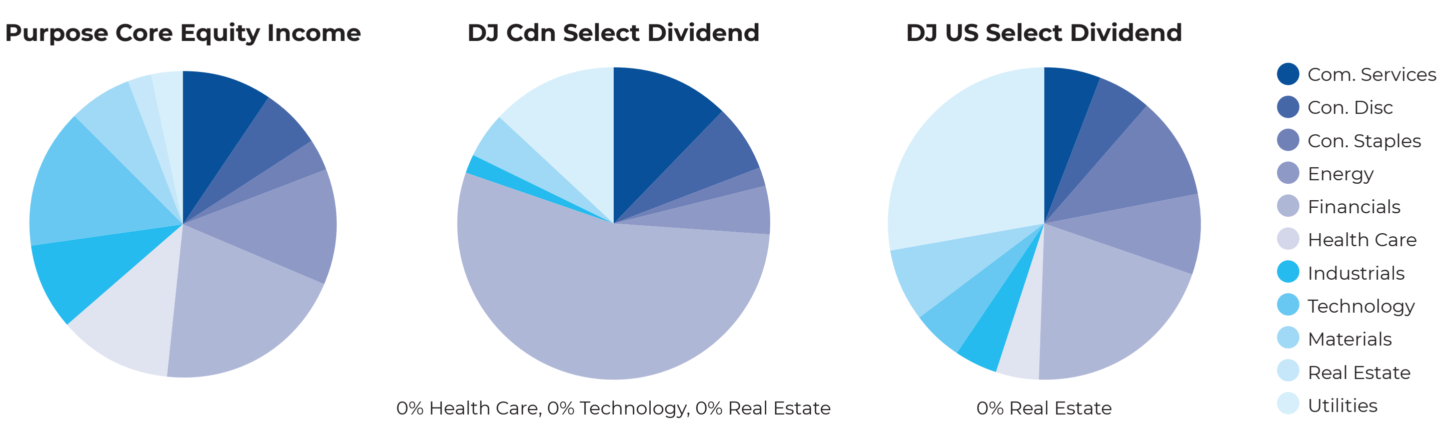
INVESTMENT GROWTH

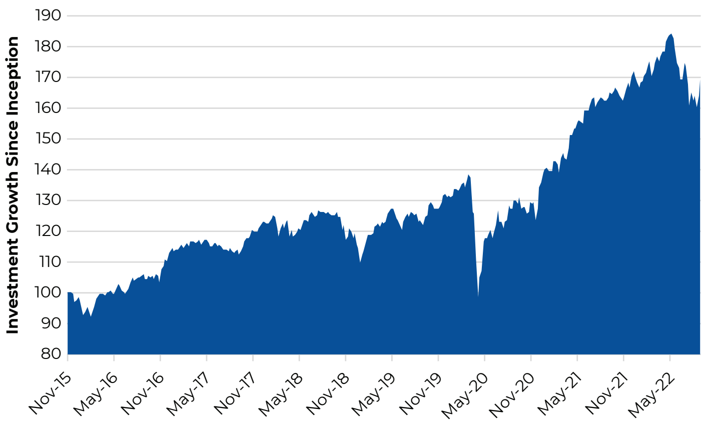
AS AT JULY 31, 2022



2022 will continue to be a challenging year as central banks are not done hiking, and the economy is cooling at a faster than comfortable pace. Still, markets are forward-looking, and much bad news has been priced in. This recent rally off the bottom is impressive, but we are not convinced that was it. After all, bottoms are only bottoms many months or quarters after the fact. On a positive note, the market is quickly pivoting from being fearful of inflation to fearful of recession, which is a much more normal investing environment.

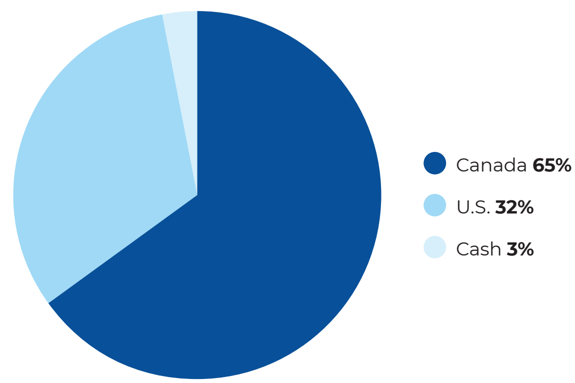
INVESTMENT GROWTH

AS AT JULY 31, 2022



COUNTRY ALLOCATION

AS AT JULY 31, 2022



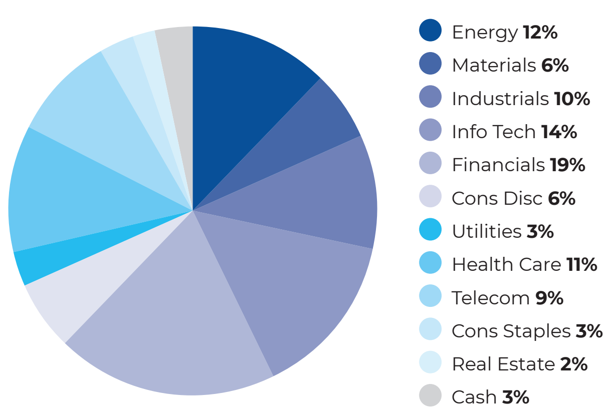
TOP 10 HOLDINGS

AS AT JULY 31, 2022

NAME	WEIGHT
Bank of Montreal	4.1%
Royal Bank of Canada	4.0%
Enbridge Inc	3.8%
Microsoft Corp	3.7%
Rogers Communications Inc	3.7%
Suncor Energy Inc	3.3%
JPMorgan Chase & Co	3.3%
Medtronic PLC	3.3%
Bank of Nova Scotia/The	3.2%
Magna International Inc	3.2%

INVESTMENT GROWTH

AS AT JULY 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

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

RISK RATING

[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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