

## FUND COMMENTARY

# Purpose Emerging Markets Dividend Fund

## FUND DETAILS

<b>ETF TICKER</b>	<b>REM</b>
MGMT FEES	0.85%
<b>SERIES F</b>	<b>PFC4101</b>
MGMT FEES	0.85%
<b>SERIES A</b>	<b>PFC4100</b>
MGMT FEES	1.80%

Inception date: **NOV 5, 2010**

## SUBADVISOR

**Neuberger Berman Breton Hill**

Neuberger Berman Breton Hill provides investment solutions to a diverse mix of institutional, intermediary, high net worth and individual investors. Launched in 2011 as Breton Hill Capital, its mission is to deliver long-term value for investors using a disciplined, multidimensional approach and a robust technology platform. Breton Hill joined Neuberger Berman in 2017 to enhance its quantitative investment capabilities.

## MARKET OVERVIEW

As expected, September was a volatile month as the tailwinds that caused equities to have one of the longest runs in history have started to weaken. Following concerns over the implications of the Delta coronavirus variant and inflation fears stemming from supply disruptions and energy shortages in the U.K., markets experienced their first monthly loss since February. The Federal Reserve's stimulus policy path was in the spotlight as they announced preparations to slow the pace of its asset purchases and surprised the market by bringing forward the path to hike interest rates in 2022. This negatively impacted bonds as well as stocks, which resulted in one of the worst months for 60/40 allocations in over a year. Amongst other woes last month were supply chain issues, missed earnings, and an impending correction.

In equities, Materials was the worst performing sector as China curbed production to combat recent price appreciation across inputs such as iron ore. Interest rate sensitive sectors, such as utilities and telecoms, were negatively affected by the hawkish Fed announcements, whereas energy and banks benefitted. Across factors, dividend yield and value outperformed, while growth, momentum, and quality all lagged.

Broken supply chains damaged the concept of "just-in-time" inventory as companies scrambled to produce products. These supply chain issues were one of the biggest reasons that some notable companies fell short of earnings expectations last month. It also contributed to our outlook that this risk will be present going forward, resulting in inflated prices of goods, shrunken margins, and negative earnings revisions.

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**The Federal Reserve's stimulus policy path was in the spotlight as they announced preparations to slow the pace of its asset purchases.**

Something we did not see coming was the dramatically elevated regulatory and systemic risk in China. First, its restrictions on social media and other growth sectors have dampened the hottest areas of the market, and then Evergrande's liquidity issues threatened a more dire scenario. Thankfully Evergrande was far from Lehman 2.0, but it still had a negative impact.

## FUND PERFORMANCE AND POSITIONING

Fund performance was negative in this environment, with IT and Consumer Discretionary names the most meaningful laggards. Real Estate woes continued to hover over China as the Evergrande situation developed, however, the fund had no direct exposure to Evergrande and is underweight Real Estate compared to the MSCI EM High Dividend Index and was thus buffered from some of the Real Estate selloff. Nevertheless,

Chinese exposure detracted with Alibaba driving losses. While Chinese names have had a rough year, pockets of life are shining through, with the CSI 300 ending the month in positive territory. In general, large mainland Chinese companies continue to put up strong numbers.

We see a deviation in performance between mainland and Hong Kong listings. For example, notable Financial names such as China Merchant Bank and China Construction Bank are having differing H- and A-share performances, perhaps indicating diverging views between foreign investors and domestic investors and a more positive macro-outlook domestically.

In other notable Emerging Market regions, Saudi Arabia climbed on solid Financials performance, but Materials was the standout sector. Diversified chemical companies outperformed the index on strong

earnings driven by expanding profit margins in products like urea. Russia rallied driven on Energies with its large regional exposure to oil and natural gas. Brazil declined with rising political uncertainties and Taiwan sold off against a backdrop of a strengthening US dollar and rising US yields. India was flat. The fund's direct equity exposure picked up over September as Emerging Market country ETFs pushed through put strikes, resulting in assignments. Calls have been overwritten to generate income while leaving room to participate on equity rebound.

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## FUND PERFORMANCE

ALL PERFORMANCE DATA AS OF SEPTEMBER 30, 2021

PURPOSE EMERGING MARKETS DIVIDEND FUND	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
SERIES A	-3.33%	-5.00%	-5.73%	-0.89%	9.95%	4.56%	4.08%	3.55%
ETF	-3.24%	-4.69%	-5.16%	-0.01%	11.25%	5.77%	-	3.32%
SERIES F	-3.25%	-4.70%	-5.17%	-0.03%	11.22%	5.76%	5.30%	4.65%

All data sourced to Bloomberg unless otherwise noted.

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