

# Purpose Enhanced Dividend Fund

A NOTE FROM PURPOSE INVESTMENTS

**At Purpose, we believe in pursuing continuous improvement through marginal gains across our processes. To this end, we are rolling out a set of enhancements to our core dividend strategies over the next several months.**

To be clear, we have no intention of changing how these funds differentiate themselves in the market. They will continue to be disciplined mandates that embrace risk management through an emphasis on quality and diversification. However, we believe we can generate even better results for our clients (including ourselves) by enabling a bit more flexibility to express both thematic tilts at the sector level, and relative conviction across issuers.

**The Process Enhancements Are Summarized In The Table Below:**

| KEY CHANGE  | CURRENT  | GOING FORWARD   |
|---|--|---|
| <b>Increased tactical freedom at the sector level</b>             | Portfolio construction optimizes toward equal sector weighting with a practical range of ~8-13% (not including real estate, which is smaller).                               | Greater degree of flexibility to allocate more capital to sectors that appear more attractive based on our bottom-up quantitative scoring methodology. In the current environment, the most meaningful outcome will be a phased shift in financials exposure from ~11.5% to a little less than 25%. |
| <b>Greater expression of conviction across single names</b>       | Portfolio is rebalanced to equal weighted holdings and a set number of positions.  | Positions will be sized according to relative conviction expressed by our models, up to a maximum of 3%. This is a logical step as previous enhancements have materially improved model efficacy over the life of the fund.   |
| <b>Nimbler responsiveness without increasing overall turnover</b> | Quarterly rebalancing.   | Smaller rebalances will be carried out monthly to allow us to make less binary adjustments (leg in and out of positions) and to be tactically more responsive to changing market conditions.  |
| <b>More potent incorporation of ESG</b>                           | ESG is a factor similarly weighted to quality or momentum. A particularly weak ESG company can earn a spot in the portfolio if it scores strong enough across other factors. | In addition to applying ESG as a positive screening tool, certain controversial industries will be effectively excluded from selection including, tobacco, weapons manufacturers, and energy companies with egregious environmental impact.   |

To reiterate, we fully expect the fund to retain the performance characteristics that have positively differentiated since inception – namely, strong long-term performance and resilience against negative market environments. These changes will also be implemented within the context of the fund's tax position. However, we believe the above-referenced enhancements will tweak outcomes in a positive direction, enabling our funds to generate a bit more yield and outperform across a broader range of market environments going forward.

## FUND COMMENTARY

# Purpose Enhanced Dividend Fund

## FUND DETAILS

|                         |                  |
|-------------------------|------------------|
| ETF TICKER<br>MGMT FEES | PDIV<br>0.65%    |
| SERIES F<br>MGMT FEES   | PFC2701<br>0.65% |
| SERIES A<br>MGMT FEES   | PFC2700<br>1.65% |

Inception date: FEB. 20, 2013

DISTRIBUTION FREQUENCY  
**Monthly**DISTRIBUTION TYPE  
**Canadian Dividends &  
Capital Gains & Interest**FUND STRUCTURE  
**Corporate Class**

**In the third quarter, the S&P 500 reached new all-time highs as investors looked past the recent resurgence of Covid and opted to focus instead on the positive combination of a resilient economic recovery, continued Fed support, and strong corporate earnings.**

## MARKET OVERVIEW

In the third quarter, the S&P 500 reached new all-time highs as investors looked past the recent resurgence of Covid and opted to focus instead on the positive combination of a resilient economic recovery, continued Fed support, and strong corporate earnings. Volatility in the market did, however, ramp up during September, which reminded investors that adjusting to a post-pandemic "new normal" won't always be smooth.

To begin the third quarter, equities steadily moved higher as the economy continued to recover to pre-pandemic levels and corporate earnings remained stronger than expected. On a sector basis, Financials and Utilities broadly outperformed, and at the other end of the spectrum, Industrials and Materials struggled. In September, however, markets experienced their first monthly loss since February, following concerns over the implications of the coronavirus Delta variant and inflation fears stemming from supply disruptions and energy shortages in the U.K. The Federal Reserve's stimulus policy path was also in the spotlight as it

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 impacted bonds negatively as well as stocks, which resulted in one of the worst months for 60/40 allocations in over a year.

Overall, markets remained resilient in Q3, but investors were reminded during the final few weeks of September that multiple macroeconomic unknowns will be resolved in the near future, and that while fundamentals remain positive, an increase in volatility should be expected.

## FUND PERFORMANCE AND OVERVIEW

This quarter, fund performance was slightly down, which is mainly attributed to the volatility we saw in September, which was significant enough to erase prior gains. Consumer Staples were some of the best performers and benefitted from relatively cheap valuations and slowing market growth and volatility, which weighs on cyclical sectors boosting the relative attractiveness of the

more defensive and larger-cap stocks within the Consumer Staples sector. The largest detractor in Q3 were Consumer Discretionary names, which sold off in the face of rising rates. Moreover, supply chain constraints continued to limit some production, which hurt several of our holdings. Strategy enhancements rolled out this quarter which

continued to improve performance and risk metrics by reducing the beta exposure without sacrificing yield. The strategy remains poised to defensively deliver enhanced yields in both trending markets and through shallow reversals.

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## FUND PERFORMANCE

AS OF SEP 30, 2021

| CLASS | 1 MONTH | 3 MONTH | 6 MONTH | YTD    | 1 YEAR | 3 YEAR | SINCE INCEPTION |
|-------|---------|---------|---------|--------|--------|--------|-----------------|
| ETF   | -2.80%  | -0.40%  | 5.87%   | 14.84% | 24.82% | 8.18%  | 9.71%           |
| F     | -2.80%  | -0.40%  | 5.87%   | 14.84% | 24.82% | 8.18%  | 9.85%           |

## PORTFOLIO REBALANCING

|                              |              |
|------------------------------|--------------|
| Weighting Methodology        | Equal Weight |
| Rebalancing Frequency        | Quarterly    |
| Total Available # of Sectors | 11           |
| Sector Cap                   | 20%          |

## SEGMENT ATTRIBUTION

FOR THE PERIOD AUG 31, 2021  
TO SEP 30, 2021

| SEGMENT  | CONTRIBUTION TO FUND RETURN <sup>1</sup> |
|----------|--|
| Equities | -3.09%                                   |
| Options  | 0.21%                                    |
| Total    | -2.88%                                   |

## PORTFOLIO STATISTICS

AS OF SEP 30, 2021

|                                       |          |
|---------------------------------------|----------|
| Number of Holdings                    | 67       |
| Dividend Yield (Gross)                | 3.12%    |
| Price to Earnings Ratio               | 13.89x   |
| Price to Book Ratio                   | 4.55x    |
| Price to Cash Flow                    | 10.88x   |
| Average Market Capitalization (\$bil) | \$171.24 |
| 5 Year Dividend Growth                | 4.96%    |

## GEOGRAPHIC BREAKDOWN

AS OF SEP 30, 2021

| COUNTRY       | NUMBER OF HOLDINGS | WEIGHT         | CONTRIBUTION TO FUND RETURN <sup>1</sup> |
|---------------|--------------------|----------------|--|
| Canada        | 33                 | 77.45%         | -0.61%                                   |
| United States | 30                 | 22.55%         | -2.27%                                   |
| <b>Total</b>  | <b>63</b>          | <b>100.00%</b> | <b>-2.88%</b>                            |

## SECTOR BREAKDOWN

FOR THE PERIOD AUG 31, 2021 TO SEP 30, 2021

| NAME                   | WEIGHT        | CONTRIBUTION TO FUND RETURN <sup>1</sup> | INDEX RETURN <sup>1</sup> |
|------------------------|---------------|--|---------------------------|
| Consumer Staples       | 6.79%         | -0.23%                                   | -0.30%                    |
| Utilities              | 5.26%         | -0.19%                                   | -0.20%                    |
| Consumer Discretionary | 11.65%        | -0.96%                                   | -0.25%                    |
| Industrials            | 6.47%         | -0.35%                                   | -0.57%                    |
| Real Estate            | 1.38%         | -0.04%                                   | -0.19%                    |
| Communication Services | 6.09%         | -0.19%                                   | -0.69%                    |
| Energy                 | 8.94%         | 0.65%                                    | 0.40%                     |
| Financials             | 12.75%        | -0.19%                                   | -0.24%                    |
| Materials              | 6.09%         | -0.33%                                   | -0.19%                    |
| Information Technology | 8.48%         | -0.64%                                   | -1.32%                    |
| Health Care            | 11.07%        | -0.61%                                   | -0.78%                    |
| <b>Total</b>           | <b>84.97%</b> | <b>-3.09%</b>                            | <b>-4.34%</b>             |

## TOP 10 HOLDINGS

AS OF SEP 30, 2021

| NAME                   | SECTOR                 | WEIGHT |
|------------------------|------------------------|--------|
| Royal Bank Of Canada   | Financials             | 2.55%  |
| Shopify Inc.           | Information Technology | 2.15%  |
| Amazon                 | Consumer Discretionary | 2.08%  |
| Berkshire Hathaway Inc | Financials             | 1.85%  |
| Johnson & Johnson      | Health Care            | 1.84%  |
| George Weston Limited  | Consumer Staples       | 1.46%  |
| eBay Inc               | Consumer Discretionary | 1.42%  |
| WSP Global Inc         | Industrials            | 1.41%  |
| Nutrien Ltd            | Materials              | 1.38%  |
| Enbridge Inc.          | Energy                 | 1.36%  |

## BEST &amp; WORST PERFORMING HOLDINGS

FOR THE PERIOD AUG 31, 2021 TO SEP 30, 2021

| NAME                              | SECTOR                 | WEIGHT | CONTRIBUTION TO FUND RETURN <sup>1</sup> | SECURITY RETURN |
|-----------------------------------|------------------------|--------|--|-----------------|
| <b>TOP 5 PERFORMING STOCKS</b>    |                        |        |  |                 |
| Imperial Oil Ltd                  | Energy                 | 1.28%  | 0.21%                                    | 20.83%          |
| Oneok Inc                         | Energy                 | 1.20%  | 0.12%                                    | 10.42%          |
| Canadian Natural Resources Ltd    | Energy                 | 1.07%  | 0.11%                                    | 12.11%          |
| Nutrien Ltd                       | Materials              | 1.43%  | 0.10%                                    | 7.94%           |
| Williams Inc                      | Energy                 | 1.30%  | 0.08%                                    | 6.85%           |
| <b>BOTTOM 5 PERFORMING STOCKS</b> |                        |        |  |                 |
| Kohls Corp                        | Consumer Discretionary | 1.07%  | -0.22%                                   | -17.59%         |
| Kroger                            | Consumer Staples       | 1.18%  | -0.16%                                   | -12.17%         |
| Abbvie Inc                        | Health Care            | 1.33%  | -0.15%                                   | -10.69%         |
| Newell Brands Inc                 | Consumer Discretionary | 1.07%  | -0.15%                                   | -12.87%         |
| Bristol Myers Squibb              | Health Care            | 1.25%  | -0.15%                                   | -10.77%         |

<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.

