

# PURPOSE INTERNATIONAL TACTICAL HEDGED EQUITY FUND

## COMMENTARY AND REBALANCE UPDATE

PURPOSE  
INVESTMENTS

### FUND DETAILS

ETF Series Ticker Symbol	PHW
FundSERV Series Codes	Series A - PFC1600 Series F - PFC1601
Management Fee	0.80%
Series A Trailer Fee	1.00%
Distribution Frequency	Quarterly
Distribution Type	Canadian Dividends & Capital Gains
Fund Structure	Corporate Class
Inception Date	Apr. 22, 2015

### PORTFOLIO REBALANCING

Weighting Methodology	Equal Weight
Target # of Holdings	45
Maximum Amount Invested in Long Stocks	90%
Target # of Regions	6
Target # of Sectors	11
Sector Cap	20%
Target Net Market Exposure	40-90%
Equity Portfolio Rebalancing	Quarterly
Tactical Hedge Rebalancing	Bi-Weekly

### PORTFOLIO STATISTICS

AS OF DEC 31, 2018

Number of Holdings	45
Dividend Yield (Gross)	3.75%
Price to Earnings Ratio	10.28x
Price to Book Ratio	1.88x
Price to Cash Flow	5.32x
Average Market Capitalization (\$bil)	\$54.31
5 Year Dividend Growth	4.74%

### CURRENT NET MARKET EXPOSURE

AS OF DEC 31, 2018

SEGMENT	WEIGHT
Long Equities	87.78%
Short Futures	-44.13%
<b>Net Market Exposure</b>	<b>43.64%</b>

### PERFORMANCE

AS OF DEC 31, 2018

CLASS	1 MONTH	3 MONTH	6 MONTH	YTD	1 YEAR	2 YEAR	SINCE INCEPTION
ETF	0.66%	-2.99%	-4.30%	-3.55%	-3.55%	3.71%	0.71%
F	0.66%	-2.99%	-4.26%	-3.53%	-3.53%	3.71%	0.68%
A	0.57%	-3.26%	-4.78%	-4.57%	-4.57%	2.60%	-0.41%

### TOP 10 HOLDINGS

AS OF DEC 31, 2018

NAME	SECTOR	REGION	WEIGHT
Renault SA	Consumer Discretionary	Europe	1.09%
Telstra Corp Ltd	Telecommunica tion Services	Australia	1.08%
LINK REIT	Financials Services	Hong Kong	1.05%
Anglo American PLC	Materials	Britain	1.05%
RIO Tinto PLC	Materials	Britain	1.05%
DERWENT LONDON PLC	Financials Services	United Kingdom	1.05%
WM Morrison Supermarkets PLC	Consumer Staples	Britain	1.04%
Atos SE	Information Technology	Europe	1.04%
AGL Energy Ltd	Utilities	Australia	1.04%
CENTRICA PLC	Utilities	United Kingdom	1.04%

### SECTOR BREAKDOWN

FOR THE PERIOD NOV 30, 2018 TO DEC 31, 2018

SECTOR	WEIGHT	CONTRIBUTION TO FUND RETURN <sup>1</sup>	INDEX RETURN
Health Care	10.52%	-0.34%	-0.69%
Industrials	9.00%	-0.22%	-0.81%
Utilities	13.21%	0.40%	0.03%
Consumer Staples	11.42%	-0.43%	-0.49%
Communication Services	7.33%	0.00%	-0.31%
Real Estate	0.00%	0.00%	-0.09%
Information Technology	8.60%	-0.08%	-0.38%
Energy	8.67%	-0.50%	-0.25%
Financials	11.09%	-0.49%	-1.13%
Materials	12.40%	0.22%	-0.17%
Consumer Discretionary	7.76%	-0.56%	-0.60%
<b>Total</b>	<b>100.00%</b>	<b>-1.99%</b>	<b>-4.89%</b>

### GEOGRAPHIC EXPOSURE BREAKDOWN

AS OF DEC 31, 2018

REGION	LONG EXPOSURE	SHORT HEDGE	NET EXPOSURE
Japan	19.36%	-9.76%	9.61%
Britain	19.40%	-10.74%	8.66%
Europe	18.95%	-10.51%	8.43%
Switzerland	9.77%	-3.56%	6.21%
Asia Developed Ex-Japan	9.87%	-4.18%	5.69%
Australia	10.43%	-5.38%	5.04%
<b>Total</b>	<b>87.78%</b>	<b>-44.13%</b>	<b>43.64%</b>

## FUND COMMENTARY

- December was a tumultuous month as risk assets experienced a dramatic sell-off. The S&P 500 ended down more than 9%, which was the worst monthly return for the index since 2008. Sentiment was extremely negative on the back of ongoing trade tensions between China and the US, which threatened the global growth outlook. This was exacerbated by a Federal Reserve rate hike and the accompanying suggestion that a path for further hikes was on “autopilot.” The tone riled markets and fueled fears that the “Fed put,” which has cushioned downside market volatility since the global financial crisis, was gone. Daily swings resulting from these dynamics were intensified by the general lack of liquidity during the holiday period, which pushed the VIX to its high on the year, at 35.
- In equities, the safety trade dominated as quality and low volatility factors outperformed growth, value and income. More specifically, the narrow momentum of the FANG trade that drove indices higher through much of 2018 continued to unwind. Indices outside the US generally outperformed (while still negative), with the exception of the Nikkei.
- The Fund’s performance was modestly positive in this environment. Hedging was by far the Fund’s most meaningful contributor, adding 2.71% to performance. From a geographic perspective, Japan was a positive outlier on net-return basis, with index hedges contributing meaningfully more than the long positions detracted. Performance in other regions was more neutral, with Hong Kong and the Eurozone slightly positive, while Great Britain, Switzerland and Australia each detracted moderately.
- Looking at the negative performance of the Fund’s long portfolio from a sector perspective, consumer discretionary, energy and financials were the most meaningful detractors, while materials and utilities managed to contribute to performance.
- Throughout Q4, the Fund demonstrated a strong ability to preserve capital, principally through its systematic hedging discipline, which took risk down meaningfully heading into December.

## GEOGRAPHIC ATTRIBUTION

FOR THE PERIOD NOV 30, 2018 TO DEC 31, 2018

REGION	LONG CONTRIBUTION	SHORT CONTRIBUTION	CONTRIBUTION TO FUND RETURN <sup>1</sup>
Japan	-0.26%	1.18%	0.92%
Asia Developed Ex-Japan	-0.11%	0.14%	0.03%
Switzerland	-0.31%	0.26%	-0.05%
Australia	-0.21%	0.05%	-0.17%
Britain	-0.50%	0.41%	-0.09%
Europe	-0.60%	0.65%	0.05%
<b>Total</b>	<b>-1.99%</b>	<b>2.68%</b>	<b>0.69%</b>

## BEST & WORST PERFORMING HOLDINGS

FOR THE PERIOD NOV 30, 2018 TO DEC 31, 2018

### TOP 5 PERFORMING STOCKS

NAME	REGION	WEIGHT	CONTRIBUTION TO FUND RETURN <sup>1</sup>	SECURITY RETURN
Agl Energy Ltd	Australia	2.41%	0.19%	5.70%
Wh Group Ltd	Asia Developed (ex-Japan)	2.10%	0.17%	5.50%
Rio Tinto Plc	Britain	2.12%	0.14%	4.74%
Clp Holdings Ltd	Asia Developed (ex-Japan)	2.22%	0.13%	3.24%
Fujitsu Ltd	Japan	2.24%	0.08%	0.86%

### BOTTOM 5 PERFORMING STOCKS

NAME	REGION	WEIGHT	CONTRIBUTION TO FUND RETURN <sup>1</sup>	SECURITY RETURN
China Petroleum & Chemical-H	Asia Developed (ex-Japan)	1.72%	-0.26%	-16.02%
Kingfisher Plc	Britain	1.40%	-0.24%	-17.05%
Sainsbury (J) Plc	Britain	1.80%	-0.21%	-13.17%
Axa Sa	Europe	2.01%	-0.19%	-11.29%
Hengan Intl Group Co Ltd	Asia Developed (ex-Japan)	1.74%	-0.16%	-10.95%

## PORTFOLIO ADDITIONS & DELETIONS

- There were no additions or deletions for the month of December 2018.
- The next quarterly rebalance is scheduled for January 2019.

<sup>1</sup> Contribution to fund return for the period is calculated as the 1 month total return for the ETF Series of the Fund multiplied by the sector/security’s average weight of the Fund’s net asset value.

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. All data sourced from Bloomberg and Purpose Investments, unless otherwise noted.