

**PURPOSE SELECT EQUITY FUND –
Q4 2018 COMMENTARY
FOR ACCREDITED INVESTORS ONLY**

QUICK FACTS

SERIES F	LGQ575
NAV*	\$11.71
SERIES A	LGQ570
NAV*	\$9.15
MGMT FEE	1.50%
PERFORMANCE FEE	20%**

*As at Dec 31, 2018

**On the increase in the NAV in a year when performance of the Fund exceeds the positive return of the S&P/TSX Composite Index plus 2%.

The fourth quarter of 2018 was one of the worst periods for equity markets in many years and it will be remembered for a number of reasons. It was the end of the FANG trade, which symbolized the narrow momentum market we had for years. We saw components of the yield curve invert, which is a traditional signal of a coming recession. But, in the short run, it could be remembered as the moment in which the stock market had finally heard enough from US President Donald Trump and decided to sell.

With Trump's surprise election in November of 2016, the stock market had to quickly make adjustments and pull forward a more pro-business environment than previously expected. With the passing of massive tax cuts in 2017, corporate earnings surged 20% higher. Additionally, allowing the repatriation of foreign cash contributed to massive buybacks.

All of this propelled American stock markets to new highs in 2017 and early 2018. But it all felt fake. Markets seemed managed by central banks and contrarian investing was unrewarding.

This period of artificially low volatility appears to have ended. Now, all investors are faced with a new environment that will likely be more similar to the period before the global financial crisis and during the mid-90's. This can be a great period for investing, but the transition to it from a more 'boring' environment isn't easy, as we saw in the past few months.

While there are many positives in a North American economy at full employment, we continue to hear predictions we are at the end of the economic cycle.



GREG TAYLOR
PORTFOLIO MANAGER

Greg Taylor is a momentum manager who lets numbers tell him which stocks will be moving up his screen today, and in the future. Greg spent 15 years managing both pension and mutual fund assets at Aurion Capital Management. Recipient of numerous Brendan Wood International "Top Gun" awards, he's a frequent host and guest on BNN and Toronto's 680 News.

Interest rates have been moving higher over the past few years as central banks finish their emergency measures, but recent trade wars and currency moves have harmed the global economy, leading to the risk of central banks continuing to raise rates in the face of a pending global recession. This fear of a policy error by the Federal Reserve is a major cause of the recent selling.

In the end, 2018 was an awful year for investing. Cash was the best performing asset class and many groups were off over 20%. With the emergence of passive investing and computer trading strategies, many times traders have been left at the end of the session questioning what just happened as share prices of previously 'favoured' companies suffered huge drops on no news.

Purpose Select Equity Fund was hurt during the year, falling 10.5% as it was difficult to find pockets of safety that didn't get caught up in the aggressive selling. However, December showed many signs of capitulation selling, which normally signals a near-term low has been put in place. With many investors giving up mid-month and making tax loss sales, we were able to rotate into areas we feel will win coming out the other side.

While it has become very difficult to predict news coming out of Washington, the President needs a win in the near term to help move markets higher, which have been his scoreboard. If trade tensions with China can be resolved, global growth should begin to improve. We would also expect to hear a more dovish tone from the central banks, particularly the Fed (which, again, would be a positive). Both of these

PURPOSE SELECT EQUITY FUND – Q4 2018 COMMENTARY FOR ACCREDITED INVESTORS ONLY

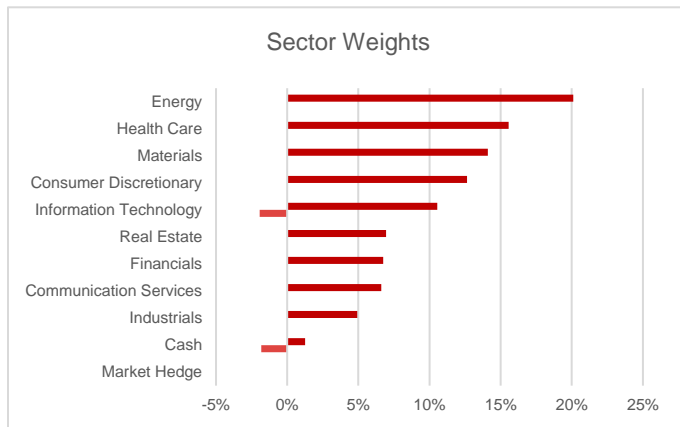
events combined should stabilize markets and bring investors back. It should also help to contain the US\$ strength which has been weighing on emerging markets and commodities.

The gold subsector has been a winner for the last few months and should continue for the near future as political uncertainty increases. We have also been adding to financials. Companies such as Brookfield Asset Management, which have a track record of adding value over the cycle, look attractive here and we are using the pullback as a buying opportunity.

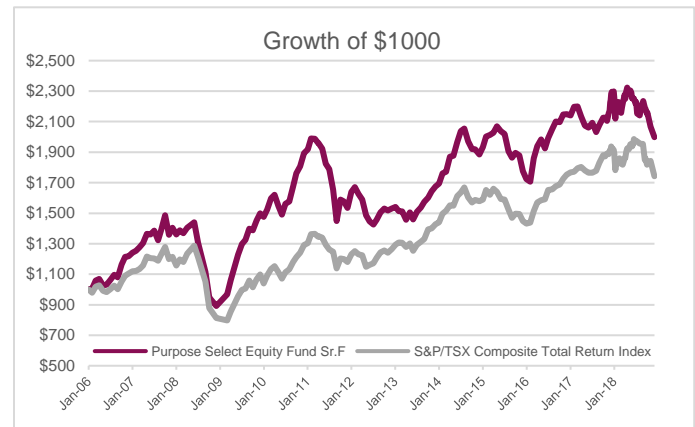
On the information technology side, we have positioned more towards software, which should

continue to benefit from increased corporate spending, while avoiding more of the internet advertising focused names.

The last few months should prove to everyone that the markets have moved into a more volatile period. We would look for a continued rotation away from the momentum and growth names towards some value and income groups in this environment. It's important to remain nimble as buy and hold strategies will come under pressure. While the last few months have been difficult, opportunities to add value are emerging and we are positioned to take advantage in 2019.



Source: Purpose Investments, as at Dec 31, 2018



Source: Purpose Investments, as at Dec 31, 2018

**PURPOSE SELECT EQUITY FUND –
Q4 2018 COMMENTARY
FOR ACCREDITED INVESTORS ONLY**

Purpose Select Equity Fund	1 month	3 month	6 month	Year-to Date	1 year	3 year	5 year	10 year	Since inception
Series F	-3.4%	-10.7%	-11.6%	-10.5%	-10.5%	-3.6%	4.0%	3.6%	5.8%
Series A	-3.5%	-10.9%	-12.1%	-11.7%	-11.7%	-4.7%	2.8%	2.8%	3.3%

All performance as at Dec 31, 2018. Series F inception 02/01/2006. Series A inception 02/01/2007.

Redwood Asset Management Inc. amalgamated with its parent company, Purpose Investments Inc, on March 31, 2018. Purpose is a different kind of investment company, with an unrelenting focus on client-centric innovation. We offer a range of managed and quantitative investment products, with each product designed to have a clear purpose – to meet a specific goal in building resilient portfolios for our clients. Purpose Investments is a division of Purpose Financial, an independent technology-driven financial services company.

The content of this document is for informational purposes only, and is not being provided in the context of an offering of any securities described herein, nor is it a recommendation or solicitation to buy, hold or sell any security. The information is not investment advice, nor is it tailored to the needs or circumstances of any investor. Information contained on this document is not, and under no circumstances is it to be construed as, an offering memorandum, prospectus, advertisement or public offering of securities. No securities commission or similar regulatory authority has reviewed this document and any representation to the contrary is an offence. Information contained in this document is believed to be accurate and reliable, however, we cannot guarantee that it is complete or current at all times. The information provided is subject to change without notice and neither Purpose Investments Inc. nor its affiliates will be held liable for inaccuracies in the information presented.

Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. If the securities are purchased or sold on a stock exchange, you may pay more or receive less than the current net asset value. The indicated rate of return is the historical annual compounded total return including changes in share/unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend on or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained in this document are based upon what Purpose Investments and the portfolio manager believe to be reasonable assumptions, Purpose Investments and the portfolio manager cannot assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on the FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed, that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.