

Purpose US 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
Increased tactical freedom at the sector level	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%.
Greater expression of conviction across single names	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.
Nimbler responsiveness without increasing overall turnover	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.
More potent incorporation of ESG	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 US Dividend Fund

FUND DETAILS

	FX HEDGED	NON-FX HEDGED
ETF TICKER	PUD	PUD.B
MGMT FEES	0.55%	0.55%
SERIES F	PFC1501	PFC1571
MGMT FEES	0.55%	0.55%
SERIES A	PFC1500	PFC1570
MGMT FEES	1.55%	1.55%

Inception date: **NOV. 24, 2014**

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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 POSITIONING

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. Financial names continue to be some of the best performers and have benefitted from strong fundamentals and had cheap relative valuations with strong price-to-book (P/B) and price-to-earnings (P/E) ratios. Other strong performers include Consumer Discretionary and Real Estate. Detractors in Q3 included cyclical sectors like Industrials and Technology, which faced headwinds as economic growth slowed and supply chain constraints continued to limit some production.

FUND PERFORMANCE (CURRENCY HEDGED SHARES)

AS OF SEP 30, 2021

CLASS	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEARS	3 YEARS	SINCE INCEPTION
ETF	-4.09%	-0.15%	4.35%	14.96%	26.08%	6.14%	6.57%
F	-4.09%	-0.15%	4.35%	14.99%	26.11%	6.15%	6.58%
A	-4.18%	-0.42%	3.78%	14.03%	24.71%	4.99%	5.45%

FUND PERFORMANCE (NON-CURRENCY HEDGED SHARES)

AS OF SEP 30, 2021

CLASS	1 MONTH	3 MONTHS	6 MONTHS	YTD	1 YEARS	3 YEARS	SINCE INCEPTION
ETF	-4.09%	-0.15%	4.35%	14.96%	26.08%	6.14%	6.57%
F	-4.09%	-0.15%	4.35%	14.99%	26.11%	6.15%	6.58%
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PORTFOLIO REBALANCING

Weighting Methodology	Equal Weight
Number of Holdings	60
Rebalancing Frequency	Quarterly
Target # of Sectors	11
Sector Cap	20%

PORTFOLIO STATISTICS

AS OF SEP 30, 2021

Number of Holdings	60
Dividend Yield (Gross)	3.01%
Price to Earnings Ratio	16x
Price to Book Ratio	5.49x
Price to Cash Flow	13.94x
Average Market Capitalization (\$bil)	\$94.96
5 Year Dividend Growth	8.59%

SECTOR BREAKDOWN

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

NAME	WEIGHT	CONTRIBUTION TO FUND RETURN ¹	INDEX RETURN ¹
Consumer Staples	11.91%	-0.13%	-0.30%
Utilities	8.14%	-0.53%	-0.20%
Real Estate	3.26%	-0.27%	-0.19%
Energy	5.37%	0.32%	0.40%
Materials	10.92%	-1.02%	-0.19%
Industrials	11.41%	-0.68%	-0.57%
Information Technology	10.07%	-0.33%	-1.32%
Financials	5.11%	-0.12%	-0.24%
Health Care	11.38%	-0.79%	-0.78%
Communication Services	10.02%	-0.34%	-0.69%
Consumer Discretionary	11.46%	-0.71%	-0.25%
Total	99.06%	-4.60%	-4.34%

SECTOR YIELD BREAKDOWN

AS OF SEP 30, 2021

NAME	FUND TRAILING 12M DIVIDEND YIELD (GROSS)	INDEX TRAILING 12M DIVIDEND YIELD (GROSS) ²	FUND TRAILING 12M EXCESS DIVIDEND YIELD (GROSS)
Real Estate	6.43%	3.20%	3.24%
Consumer Discretionary	3.85%	1.26%	2.59%
Communication Services	3.88%	1.42%	2.46%
Information Technology	3.07%	1.44%	1.63%
Financials	3.43%	2.08%	1.34%
Health Care	2.87%	1.67%	1.20%
Industrials	2.83%	1.94%	0.89%
Materials	2.98%	2.12%	0.86%
Consumer Staples	3.54%	2.95%	0.59%
Utilities	3.58%	3.27%	0.31%
Energy	3.50%	3.26%	0.24%

TOP 10 HOLDINGS

AS OF SEP 30, 2021

NAME	SECTOR	WEIGHT
ONEOK Inc.	Energy	1.90%
Comerica Inc	Financials	1.84%
Tractor Supply Co	Consumer Discretionary	1.81%
The Williams Companies Inc.	Energy	1.80%
Electronic Arts Inc.	Communication Services	1.77%
Texas Instruments Inc	Information Technology	1.77%
McDonald's Corp	Consumer Discretionary	1.76%
General Mills Inc	Consumer Staples	1.75%
Intel Corp	Information Technology	1.72%
Kellogg Co	Consumer Staples	1.71%

BEST & WORST PERFORMING HOLDINGS

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

NAME	SECTOR	WEIGHT	CONTRIBUTION TO FUND RETURN ¹	SECURITY RETURN
TOP 5 PERFORMING STOCKS				
Oneok Inc	Energy	1.90%	0.17%	10.42%
Comerica Inc	Financials	1.84%	0.16%	9.95%
Williams Inc	Energy	1.80%	0.11%	6.85%
Tractor Supply	Consumer Discretionary	1.81%	0.07%	4.30%
General Mills Inc	Consumer Staples	1.75%	0.06%	3.48%
BOTTOM 5 PERFORMING STOCKS				
Nucor Corp	Materials	1.37%	-0.25%	-15.88%
Trane Technologies Plc	Industrials	1.55%	-0.22%	-12.77%
Pool Corp	Consumer Discretionary	1.56%	-0.20%	-12.12%
T Rowe Price Group Inc	Financials	1.58%	-0.20%	-11.69%
Nrg Energy Inc	Utilities	1.64%	-0.19%	-10.60%

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All data sourced from Bloomberg unless otherwise noted.

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