Longevity®
by Purpose

Purpose Investments Inc.

Longevity Pension Fund

Annual Report

November 25, 2022

Actuarial Review of the Longevity Pension Fund conducted by:

LifeWorks

The Annual Report contains two primary sections. The first section of the report was prepared by Purpose Investments, providing a brief introduction on the Longevity Pension Fund and a recap of the Fund in 2022. The second section was prepared by LifeWorks and offers a detailed Actuarial Review of the Longevity Pension Fund.

Creating a world where **Canadians see retirement as an opportunity**, not a challenge.

Our mission is to give Canadians the **stability** and **confidence** to make the most of their post-work years with **income for life**.

Ambition never retires, neither should your income.

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Executive Message from the Longevity Team

We are excited to present the first Annual Report for the Longevity Pension Fund (the Fund), a solution that addresses one of the most significant concerns facing retirees – income insecurity – and empowers retirees to live their lives to the fullest.

We've already welcomed over 400 investors into the Fund across both Accumulation and Decumulation classes. The Fund was added to Defined Contribution pension programs and Workplace Savings platforms, and became a component of several employer retirement programs in Canada. The number of plans offering Longevity will continue to grow, providing Canadian employees with a retirement solution that helps them save during their working years, and receive income for life once they are retired.

Another highlight from the past year was the publication of the Income Policy, which describes the way we will evaluate and adjust the fund's distribution levels. We followed the Income Policy in this annual adjustment cycle, and showcase the results on future expected distribution levels within this Annual Report. **After carefully reviewing the Funding Levels, we are pleased to announce that we are holding distribution levels steady for all cohorts in 2023 despite dealing with a very challenging market environment**. Our decision at the time of fund launch to set initial distributions at a level that kept the cohorts overfunded has certainly accomplished its objective of providing some income stability. A significant portion of the buffer built into the Fund has been consumed due to the challenging market environment.

We are proud that the Canadian Association of Retired Persons (C.A.R.P.), a non-profit organization committed to advocating for the healthcare and financial security of seniors continues to formally recommend the Longevity Pension Fund to its 330,000+ members. The Fund has also been added to multiple advisor and self-directed brokerage platforms, and we will continue educating dealers to ensure the Fund is accessible across all Canadian wealth platforms.

The team at Purpose Investments remains fully committed to solving income security and helping Canadians live more confidently in retirement. As we grow our retirement platform, our motivation remains the same: we're here to help people retire from work, not life.

Fraser Stark
President and Head of Longevity

Pat Leo
VP Institutional Strategy

Simon Barcelon
VP Products & Services

Longevity Pension Fund Overview

Longevity Pension Fund
The Longevity Pension Fund is the world's first mutual fund that offers income for life by incorporating the concept of longevity risk pooling, similar to what pensions and annuities implement to provide lifetime income. Its unique design has three key features that stand out from the rest:

- Monthly Income for Life: investors receive a monthly paycheque for as long as they live.[1]
- Flexibility: Investors retain control of their assets and can adapt to unexpected situations by accessing their unpaid capital.[2]
- Distribution Increases: With Longevity, investors secure an attractive starting variable lifetime income rate that's structurally designed to increase over time, but can go up or down

The Longevity Pension Fund was created to provide Canadians with a stable financial foundation so that they can confidently live their post-work life, because ambition never retires.

The Advisory Committee
The Longevity Pension Fund Advisory Committee consists of a group of world-renowned experts in the retirement space, representing academia, pension plan design, actuarial science, financial planning, and pension investing & operations. This group meets on a quarterly basis to provide feedback on critical fund decisions and explores ways to expand our fund offering to help Canadians retire more confidently. The current members on the Advisory Committee are as follows:

Keith Ambachtsheer

Director Emeritus, International Centre for Pension Management

Jim Leech

Former President & CEO of Ontario Teachers' Pension Plan and Chancellor of Queen's University

Bonnie-Jeanne MacDonald

Director of Financial Security Research at Ryerson University's National Institute on Ageing

Fred Vettese

Former Chief Actuary of Morneau Shepell and personal finance author

The Canadian Association of Retired Persons (CARP)
In August of 2021, CARP announced its partnership with Purpose Investments and formally recommended the Longevity Pension Fund as an effective retirement solution for its members to consider. CARP is Canada's largest advocacy association for older Canadians promoting equitable access to health care, financial security, and freedom from ageism. Backed by more than 330,000 members, CARP is a non-partisan association that has been around for over 40 years, committed to working with all parties in government to advocate for older Canadians.

[1] The level of income in the form of Fund distributions is not guaranteed as the amount of distributions may increase or decrease.

[2] The Fund has a unique mutual fund structure. Most mutual funds redeem at their associated Net Asset Value (NAV). In contrast, redemptions in the decumulation class of the Fund (whether voluntary or at death) will occur at the lesser of NAV or the initial investment amount less any distributions received.

Market Performance

Greg Taylor, CFA
Chief Investment Officer

Nawan Butt, CFA
Portfolio Manager

Macro Commentary

The world has returned to a "new normal" following the pandemic, and a lot of key themes have emerged over the past year for the markets to react to. From supply chain issues that continue to persist, the war in Ukraine, or soaring interest rates, all the broad-based indices over the past year have taken a hit.

Year to date return:

S&P 500	**-23.88%**
TSX 60	**-11.10%**
NASDAQ	**-31.99%**
Canadian Universe Bond	**-11.89%**

as of September 30, 2022. Source: Bloomberg

The U.S. 20-year government bond yields moved from 0.25% to 4.25% in one year which affects other asset classes. The strength of the U.S. dollar has also become a global topic where we saw central banks from Japan and the United Kingdom react to defend their currency, both of which are trading at multi-decade or all-time lows vs the U.S. dollar.

Inflation has also significantly increased in many areas as a result of stimulus programs running longer than they should have, and this was exacerbated by the commodity sanctions on Russia. This has led to central banks raising interest rates in hopes of tamping down the inflation.

Equity markets also saw three down quarters in a row for the S&P 500 – the first time this has occurred since 2009.

Markets are looking for confidence that we have seen the peak in the value of the U.S. dollar as well as in bond yields. Reversing the moves of the U.S dollar and bond yields would allow for an opportunity to establish a bottom in equities. This could also help end the drought for bond investors. After a few years where investors needed to stay short duration as yields increased, a new opportunity is emerging to go long duration, which could be helpful for investors over the next year.

Fund Commentary

The Longevity Pension Fund performed well compared to the broader markets, showcasing its emphasis on risk management, achieving specific outcomes versus chasing benchmarks, and adding downside protection. To start the year, it experienced a max drawdown of 2.7% in the first quarter, in an environment where broad markets went into a correction as soaring inflation, geopolitical instability, and an increasingly hawkish Fed hampered the prospects of continuing growth. The fund ended the quarter flat as fixed income negatively contributed to performance as the Fed started its rate hiking cycle. North American dividend equities and alternatives (in the form of exposure to commodities) were the main positive contributors in the beginning of the year. Allocation to alternatives helped protect value in times of duress, and the fund's equity hedges helped mitigate some of the volatility experienced by equity markets. The fund continued to be defensively positioned, with equities tilted towards the value factor and increased downside protection.

In the second quarter of 2022, the Fund's underlying portfolio was further optimized to use several strategies to reduce volatility and protect against market corrections and inflation. This included a hedging strategy that cushions against market corrections, and a sleeve of the portfolio designed to rise in inflationary environments. The sleeve incorporated a gold bullion fund (KILO) and real assets (PRA) that have all performed better than most bond and equity indices. This allowed the Fund to return -7.00% by the end of Q2, muting the significant selloffs experienced in equity and bond markets.

More recently in the third quarter of 2022, the rising Fed rates continued to put pressure on bonds and equities. Ultrashort-duration bonds have provided a healthy yield with little correlation to the yield curve, and ended the quarter with positive contribution. On the equity side, both North American and International dividend strategies suffered; however, there was significant value protection provided by risk-managed solutions such as the Purpose Premium Yield Fund (PYF).

The Alternatives portion of the portfolio was key to providing downside protection, with the commodity complex being a central component of this allocation. The tactical overweight in cash funds, which yielded north of 3.3% at the time, also provided value protection. Lastly, market hedges provided a positive contribution to the fund and lowered the overall volatility experience for investors.

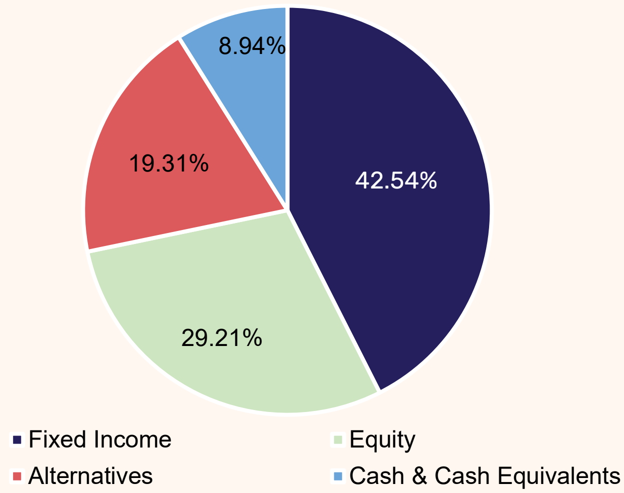
The Fund has more recently increased its fixed income exposure, which continues to become a more attractive asset class after going through a major re-pricing this year. This allocation came at the expense of equities, which have been under pressure as liquidity is challenged throughout global markets. The value protection provided by the cash and alternatives portion of the fund will be key to further re-positioning within the Fund in the near future, as we look for signs of inflation fading, and participants look forward to the start of the next bull market.

The following charts and tables summarize key metrics of the Fund's performance as of September 30, 2022, where its focus on minimizing drawdowns and volatility within the portfolio is illustrated within the Fund's outcomes and results.

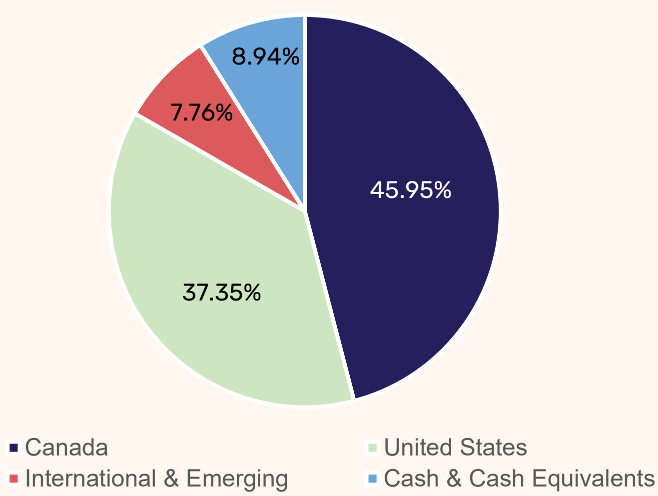
Fund Performance*

1M	3M	6M	YTD	1-Year	Since Inception	Volatility
-3.48%	-2.30%	-9.22%	-9.14%	-7.12%	-7.00%	6.40%

Asset Class Breakdown



Geographic Breakdown



Sector Breakdown	Weight
Financials	34.48%
Cash & Cash Equivalents	8.94%
Fixed Income Index	8.57%
Energy	7.16%
Precious Metals	6.19%
Real Estate	4.82%
Materials	4.44%
Consumer Discretionary	4.25%
Utilities	4.14%
Communication Services	3.41%
Consumer Staples	3.29%
Information Technology	2.74%
Other	2.70%
Health Care	2.51%
Industrials	2.36%

*Performance reflects the Series F Accumulation Class as of September 30, 2022. 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.

The Income Policy guides the Fund's long-term focus on achieving income for life.

The Income Policy

The Fund's Income Policy (Income Policy) provides transparency on how the distribution levels are managed to ensure the fund will pay income for life. The three main principles of the Income Policy are as follows:

- The primary objective is to provide income for life to its unitholders;
- Maintaining stable distribution levels that do not shift more than once a year; and
- Maintaining a high probability that distribution levels will rise over time.

The Income Policy also clearly outlines a modeled analysis of how much distribution levels are expected to evolve over time.

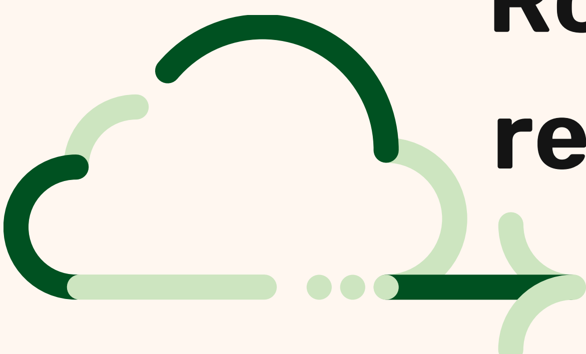
Purpose Investments takes the following steps to manage the distribution levels for the Fund:

1. Similar to how a pension manages its Funding Levels, a funding-level approach is taken to compare the Fund's assets with the present value of expected future liabilities.
2. The long-term funding-level target is 100%; however, this may be higher in the earlier years of a cohort to provide additional stability in distribution levels.
3. The distribution levels are adjusted annually to bring the funding level to its target, which ensures the cohorts are adequately funded to provide income for life.

If the funding level lands below the target, the distribution levels would be adjusted downwards to bring the Fund back to a 100% funded status. And vice versa, if the funding level lands above the target, the distribution levels would be adjusted upwards to bring the fund back to its target.

By taking a holistic view of both the assets and liabilities, the fund optimizes the level of income paid to unitholders, while balancing against the risk of depleting assets. Adjusting the distributions according to funding levels provides a practical and sustainable approach that does not rely solely on initial actuarial assumptions within a model.

For more information on the Fund's Income Policy, please visit www.RetireWithLongevity.com/fund/income-policy-distributions or email us at contact@retirewithlongevity.com.



Robust governance results in long term success

Fund Governance and Oversight

The Longevity Pension Fund is monitored through several layers, all taking place at various frequencies to help ensure the fund is appropriately managed. This includes reviews by 3rd party independent groups. This Annual Report is also part of the overall governance and oversight structure to provide stakeholders with transparency on how the Fund is being managed. The table below illustrates the pillars of oversight:

	Layer	When	Who	What
1	**Performance and Trades**	Daily	Portfolio Mgmt. & Operations	Monitor the asset allocation to the Fund’s Statement of Investment Policies and Procedures, performance, trades, mortality and flows of funds
2	**Risk Oversight Team**	Monthly	Cross functional leaders at Purpose Investments	Manage the risk oversight e.g. review the fund metrics and identifying potential changes to distributions
3	**Advisory Committee**	Quarterly	External industry experts (current members of the committee are listed under Fund Overview Section)	Provides oversight through reviews of the overall fund status and communication with stakeholders
4	**Annual Report** *(this Report)*	Annually	Purpose Investments and 3rd party actuarial and retirement consultants	Published report that provides a summary of the Fund’s performance, including insights into the funding levels, and the approach used to adjust distribution levels

Funding Levels and Impact to Distribution Levels for 2023

Despite experiencing some of the weakest equity and fixed income markets in years, all the Decumulation cohorts remain overfunded or in a fully funded position. This reflects the strength of our overall product design described in the Fund's Income Policy, and our objective of providing a stable level of income. The following table[3] outlines the ending funding levels for each Decumulation cohort as of September 30, 2022, and the required adjustment to the Distribution Levels for 2023:

Decumulation Cohort	5	4	3	2	1
NAV	$88.01	$85.37	$86.11	$86.02	$83.81
Ending Funding Levels	**108.19%**	**106.71%**	**104.59%**	**103.44%**	**100.44%**
Current Distribution Level per unit (annual)	$6.15	$6.15	$6.50	$6.90	$7.40
Current Yield	*6.99%*	*7.20%*	*7.55%*	*8.02%*	*8.83%*
Suggested Distribution Level following the Income Policy	$6.15	$6.15	$6.50	$6.90	$7.40
Current Yield	*6.99%*	*7.20%*	*7.55%*	*8.02%*	*8.83%*
Suggested change	***0.00%***	***0.00%***	***0.00%***	***0.00%***	***0.00%***

The calculation for determining 2023's Distribution Level is completed for each cohort group separately, since each pays a unique distribution level and has its own mortality experience. The initial Distribution Levels were intentionally set at a rate that provided a Funding Level of 115% to 120%. This was done to provide additional income stability in the event of early negative returns in the Fund. Given the challenging market environment over the past year, much of the surplus was 'consumed', especially for Cohort 1, where the cohort is sitting in a fully funded position at approximately 100%. The surplus served its purpose, allowing us to keep the distribution levels stable for all of our investors heading into 2023. This is one of the most important factors for retirees that are relying on this level of income to meet their retirement goals. The initial approach and process continues to serve investors well during these turbulent markets, and the framework described in the Income Policy will continue to drive any decisions regarding the distribution levels.

Please see the **Actuarial Review by LifeWorks: Income Policy and Funding Levels** section for their full analysis on the topic, including how the Funding Levels and discount rate have evolved and their associated impact on future expected distribution levels going into 2023.

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[3] This table sets out the current distribution level as at the date of the report. Distribution levels are not guaranteed and the amount of distributions may increase or decrease.

Communication Plan and publication of this Annual Report

It remains our commitment to keep unitholders informed about their investment in the Longevity Pension Fund. We are committed to providing unitholders with at least 60 days' notice of any changes in the distribution levels. Given that all Decumulation Cohorts are holding distribution levels steady for 2023, there is therefore no requirement to notify unitholders at this time. Investors can expect to receive the same level of distributions from the Longevity Pension Fund as they received in 2022.

As stated in the Income Policy, the distribution levels will be formally evaluated and potentially adjusted on an annual basis. In the event of any future annual changes in distribution levels, notification will include a Press Release, and where possible, end investors will be informed directly or indirectly through their advisor, dealer, plan sponsors or plan record-keepers. The analysis behind the decision to adjust the annual distribution levels will be included in the Annual Report.

The Annual Report will be published on an annual basis. The publication of this report will take place around the 3rd to 4th week of November each year, using September 30 as the valuation point to determine the funding levels and any changes to distribution levels for the following year. Purpose Investments reserves the right to adjust distribution levels more frequently in the event there are material changes in the Fund (i.e. large market correction) to ensure that it can continue to meet the Fund's objectives.

Disclaimers

The Longevity Pension Fund is managed by Purpose Investments Inc. This document is not investment advice, nor is it tailored to the needs or circumstances of any investor. Talk to your investment advisor to determine if the Longevity Pension Fund is suitable for you and always read the prospectus before investing. 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. 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.

Income in the form of Fund distributions is not guaranteed, and the frequency and amount of distributions may increase or decrease. The Fund has a unique mutual fund structure. Most mutual funds redeem at their associated Net Asset Value (NAV). In contrast, redemptions in the decumulation class of the Fund (whether voluntary or at death) will occur at the lesser of NAV or the initial investment amount less any distributions received.

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.

Forward-looking statements are not guaranteed. Certain statements on this site may be 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 believes to be reasonable assumptions, Purpose 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.

This concludes the section prepared by Purpose Investments.

The following section was developed and prepared by LifeWorks.

LifeWorks

Purpose Investments Inc.

Longevity Pension Fund

Annual Report: Actuarial Review by LifeWorks

Executive Summary by LifeWorks

Purpose Investments Inc. (“Purpose Investments”) has engaged LifeWorks (“LifeWorks”) to undertake an independent review (the “Review”) of the Longevity Pension Fund (the “Fund”). The objective of the Review is to provide insights into the drivers of any changes in funding levels and distribution rates as result of the Fund’s performance. The Review also considers whether Purpose Investments has followed the process and method set out in the Fund’s Income Policy.

The Fund’s funding level as at September 30, 2022 has fallen from previous reviews due to a challenging market environment and lower than expected investment returns through 2022, as a broad range of asset classes have performed worse than expected in the face of volatile economic conditions. However, this was offset partially by higher expected future investment returns. Changes in the expected future investment returns were caused by:

- higher available yields and higher expectations for return seeking assets;
- changes in the macro-economic environment; and
- updates to the proxies used to match the strategic asset allocation within the Fund’s Statement of Investment Policy and Procedures, which is now considered more conservative from an ESG modelling perspective.

The expected long-term evolution of distribution levels remains robust and broadly consistent with the previous review in the *Longevity Pension Fund Income Policy Review Report* dated February 4, 2022.

LifeWorks has reviewed the Fund’s Income Policy and can confirm that Purpose Investments has followed the process and methods set out in the Income Policy for setting distribution levels for 2023, which leads to holding distribution levels steady in 2023.

Actuarial Review

Purpose Investments Inc. (“Purpose Investments”) has engaged LifeWorks (“LifeWorks”) to undertake an independent review (the “Review”) of the Longevity Pension Fund (the “Fund”). The objective of the Review is to provide insights into the drivers of any changes in funding levels and distribution rates as a result of the Fund’s performance. The Review also considers whether Purpose Investments has followed the process and method set out in the Fund’s Income Policy.

The design of the Fund relies on certain key assumptions, including long-term investment returns, mortality, and redemption rates. The economic assumptions used in this report have been updated as at September 30, 2022 and are summarized in Appendix: Model Assumptions. All other assumptions have remained unchanged from those used in the *Longevity Pension Fund Income Policy Review Report* dated February 4, 2022. Please refer to that report and the *Longevity Pension Fund Actuarial Review Report* dated May 14, 2021, for all other detailed analysis of the assumptions and the process followed. LifeWorks considers the assumptions to be appropriate for the purposes of this report.

Information provided to LifeWorks

Purpose Investments provided LifeWorks with information to allow LifeWorks to carry out the Review, including:

- details of the Fund’s Income Policy rules for adjusting distribution levels;
- details of the Fund’s operational rules;
- the central assumptions underlying the modelling platform;
- the proposed long-term investment strategy; and
- the proposed fee structure.

Further, Purpose Investments provided LifeWorks with the key outputs from modelling the 2,000 investment scenarios, including funding ratio, target funding ratio, net asset value per member and distribution amount per member. The information and results provided were sufficient to allow LifeWorks to undertake the Review. The review provides results from hypothetical modeling data that has not been verified by Purpose Investments nor any securities commission or similar regulatory body authority. Results from LifeWorks ESG data are purely hypothetical and cannot be guaranteed.

Model verification process

LifeWorks conducted a model verification process of Purpose Investments' internal modelling platform during its initial review of the Fund when preparing the May 2021 *Longevity Pension Fund Actuarial Review Report.* The same model was used as the basis for producing the results outlined in this Review, with modifications implemented in order for the model to be able to adjust distribution levels based on the rules determined in the Policy. As such, LifeWorks did not conduct a full model verification process or a detailed review of the model's underlying code for the purpose of this Review but did conduct both line by line checks on the progression of key outputs and reasonableness checks on the outputs reviewing both the direction of changes in outcomes and the magnitude of changes.

For more information on the initial model verification process, please refer to the *Longevity Pension Fund Actuarial Review Report.*

Stochastic simulations

An Economic Scenario Generator is a tool that simulates future paths of economies and financial markets. LifeWorks' Economic Scenario Generator produces 2,000 different future scenarios over a long time horizon for a wide variety of asset classes. The returns from the Economic Scenario Generator for a 40-year time horizon beginning September 30, 2022 (the negative actual investment returns up to this date were reflected in all scenarios) were applied to the Fund's proposed long-term strategic investment allocation, based on the asset classes available in LifeWorks' Economic Scenario Generator. Purpose Investments' internal modelling platform was then applied across each of these 2,000 scenarios, which allows a stochastic distribution of possible economic futures to be produced. Purpose Investments extended the 40-year simulations to 45 years based on expected returns in order to be able to model results until unitholders reach age 110. We have focused our review on the first 35 years of results, as this period is expected to cover the lifetimes of a large majority of unitholders and we believe is the period over which the Fund's success may be determined.

The results from modelling the 2,000 investment scenarios are then ranked in order from poor outcomes to good outcomes so that analysis can be carried out on the likelihood of a particular outcome, based on the models used.

Further details on the assumptions behind LifeWorks' Economic Scenario Generator are provided in Appendix: Model Assumptions.

Limitations of the analysis

The *Longevity Pension Fund Actuarial Review Report* contains a thorough analysis of the different types of risk the Fund is exposed to (such as longevity risk) and considers alternative calibrations to the Economic Scenario Generator that allowed us to analyze different sets of economic scenarios.

However, this Review only considers a single, baseline set of stochastically simulated economic futures. Since other considerations have already been contemplated in detail in a separate report, we have not reflected them within this Review.

Note that this Review does not consider all of the possible outcomes, nor the risks, to which the Fund is subject; such outcomes and risks could positively or negatively affect the distribution rates and investment value of the Fund. The results generated by model simulations are inherently limited by their assumptions and do not consider scenarios outside of those assumptions. Please refer to the final page of this Review regarding the limitations of the modelling used in this document. For a full list of risks that apply to the Fund, please see the Fund's prospectus.

Hypothetical performance data

This Review contains hypothetical performance data, specifically model performance data, which are simulated investment results of a notional portfolio of securities that are presented over a period of time. Be advised that the data models in this Review **are not the performance of actual client portfolios and are not a guarantee of anticipated investment performance or distribution levels.**

Given that this Review contains hypothetical performance modelling and other sophisticated investing concepts, we strongly recommend that retail investors review this document with their registered investment advisor.

All information contained herein is subject to change

Purpose Investments retains the ability to adjust the Income Policy and change the assumptions from time to time to ensure it continues to meet the Investment Objectives of the Fund. Changes to the Policy or assumptions have not been contemplated within this Review.

Income Policy and Funding Levels

The Income Policy aims to achieve its objectives by managing the Fund's Funding Levels, similar to how a defined benefit pension plan manages its Funding Levels. The Funding Level at any particular date is determined as the ratio of the Fund's net asset value (the "assets") divided by the present value of future expected redemptions and distribution payments (the "liabilities") at the distribution level effective at that particular date, using a discount rate that is set equal to the expected return on assets less expenses. This is determined for each cohort group separately.

Changes compared to the previous review

The first review of the Fund's Funding Levels was carried out as part of the *Longevity Pension Fund Income Policy Review Report* dated February 4, 2022. A number of changes have been made since that review:

- Actual investment performance up to September 30, 2022 has been reflected in the first year of the results
- LifeWorks' Economic Scenario Generator has been updated from June 30, 2021 to September 30, 2022
- The discount rate has been updated from 5.5% to 5.7% to reflect the changes in future expected returns and the updated proxies to match the strategic asset allocation within the Fund's Statement of Investment Policy and Procedures, which is now considered more conservative from an ESG modelling perspective

Evolution of Funding Levels

For this analysis we focus on an assumed membership group with assumed ages from 65 to 67 as at June 30, 2021. The Funding Level for this hypothetical group was 120% as at June 30, 2021 but has fallen to 111% as at September 30, 2022 based on the assumptions within the model. As seen in the Funding Levels and Impact to Distribution Levels for 2023 section, all cohorts have a funding level of 100% or higher as at September 30, 2022.

An analysis of the drivers of the change in Funding Level for the hypothetical group is shown in the table below.

June 30, 2021 Funding Level	**120%**
Investment experience lower than the assumed return of 5.5%	-11%
Changes in future expected investment returns and updated proxies leading to the discount rate increasing from 5.5% to 5.7%	+2%
September 30, 2022 Funding Level	**111%**

Investment returns were negative across a wide range of asset classes in 2022. This is reflected in a negative investment experience impact as actual returns were lower than the discount rate of 5.5%, leading to a Funding Level actuarial loss of 11%.

There have been material increases in bond yields in 2022 as interest rates have risen. We have also seen increases in long-term expected returns on return seeking assets following losses in 2022. This has led to an increase in future expected investment returns. At the same time, Purpose Investments updated the proxies used within the model. The combined impact was to increase the discount rate from 5.5% to 5.7%, which improves the funding level by 2%.

When sufficient experience is available for future annual reviews, the analysis of the drivers of the change in Funding Level will include additional experience items, including mortality and redemption experience. During the very early stages of a cohort’s lifecycle, the anticipated mortality, and mortality credits accrued into the Fund, are immaterial.

Application of the Policy

LifeWorks has reviewed the Fund’s Income Policy and can confirm that Purpose Investments has followed the process and methods set out in the Income Policy for setting distribution levels for 2023, which leads to holding distribution levels steady in 2023.

Evolution of Distribution Levels

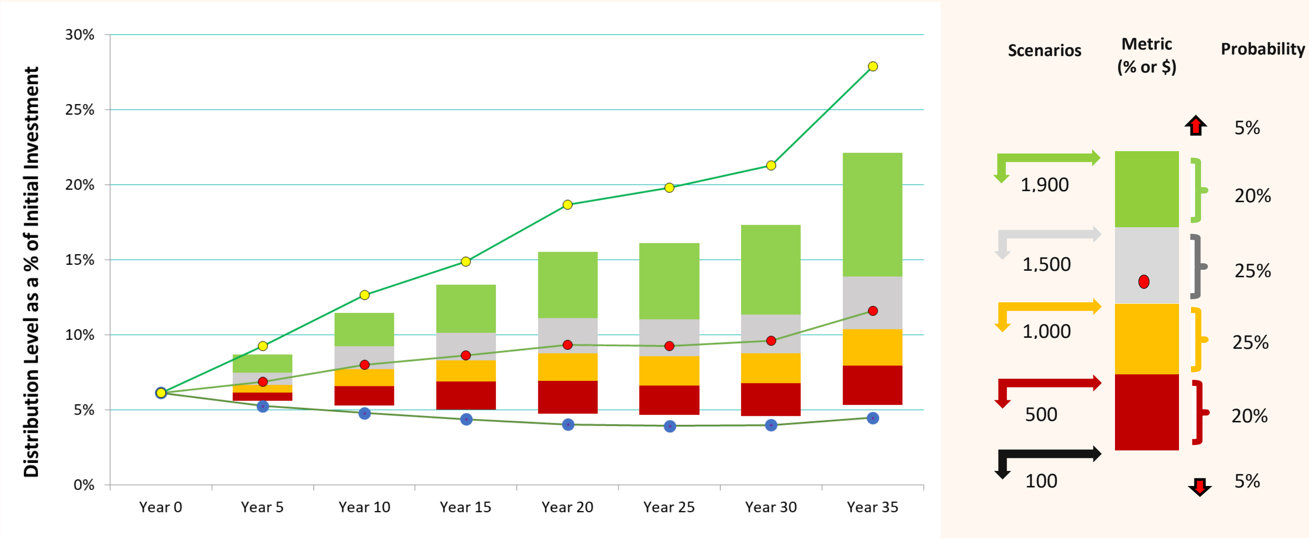
In this section, we provide an updated analysis on the distribution level provided over time when applying the Policy to the 2,000 stochastically generated future scenarios based on the assumed membership group.

Modelling Results

Figure 1 & Table 1[4] below shows the percentiles of annual distribution levels as a percentage of initial investment during the first 35 years. This figure shows that in the median (50th percentile) scenario, the distribution level is expected to slowly increase as the unitholders gets older. The median annual payout percentage gradually increases from 6.15% to 10.38% during year 35.

In addition to the percentile values, the average of the worst 5% (worst 1 in 20) of scenarios is also shown in **Figure 1**, as indicated by the blue circles. This metric is useful in analyzing the model's worst-case scenarios. Based on the modelled results, the average of the worst 5% of scenarios ranges from 3.94% to 5.26% over the projection period, decreasing until reaching its lowest point during year 25 but increasing in later years. On the opposite side of the spectrum, we see the average of the best 5% (best 1 in 20) of scenarios, is 19.80% in year 25 as indicated by the yellow circle.

Figure 1



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[4] **This chart models hypothetical performance data.** It was created using LifeWorks ESG data as of September 30, 2022, which includes 2,000 stochastically generated future economic scenarios. The results shown are purely hypothetical and do not provide a guarantee of expected performance of the Fund. This table does not take into account all risks, fees, unique financial circumstances, or the costs of redeeming an investment in the Fund.

Table 1

Distribution level as a % of Initial Investment During	Year 0	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35
95th Percentile	6.15%	8.70%	11.46%	13.35%	15.54%	16.12%	17.33%	22.15%
75th Percentile	6.15%	7.50%	9.25%	10.13%	11.12%	11.03%	11.36%	13.90%
50th Percentile (Median)	6.15%	6.65%	7.72%	8.31%	8.76%	8.57%	8.76%	10.38%
25th Percentile	6.15%	6.15%	6.58%	6.90%	6.94%	6.64%	6.77%	7.96%
5th Percentile	6.15%	5.62%	5.32%	5.03%	4.74%	4.68%	4.61%	5.33%
Average of best 5% of scenarios ●	6.15%	9.28%	12.65%	14.90%	18.67%	19.80%	21.30%	27.90%
Mean ●	6.15%	6.89%	8.01%	8.63%	9.32%	9.26%	9.60%	11.60%
Average of worst 5% of scenarios ●	6.15%	5.26%	4.80%	4.38%	4.04%	3.94%	4.00%	4.49%

The primary objective of the Fund is to provide income for life to unitholders. The results in **Figure 1 & Table 1** show that the Policy has reasonably strong capabilities to meet this objective by allowing for some variability in the distribution levels such that the Fund continues to provide income to investors throughout their lifetime. Further, we see that the range of outcomes is relatively small in the earlier years of the fund, suggesting stable distribution levels, which is a secondary objective of the Policy.

Figure 2[5] shows the distribution of annual distribution levels as a percentage of initial investment during the first 20 and 35 years across all scenarios. The likelihood of annual distribution levels at or above 6.15% over the first 20 or 35 years produced by the model is approximately 87% and 86%, respectively. This indicates a high likelihood that annual distribution levels are greater than or equal to the initial distribution level. Within the first 35 years, the model shows only a 0.3% chance that the distribution would fall below 3.15% and a 1.4% chance that it will fall below 4.15%. This represents a very strong probability of roughly 99.7% that the Fund should be able to distribute at least half of the initial annual distribution level in any given year over the life of a unitholder.

[5] Ibid

Figure 2

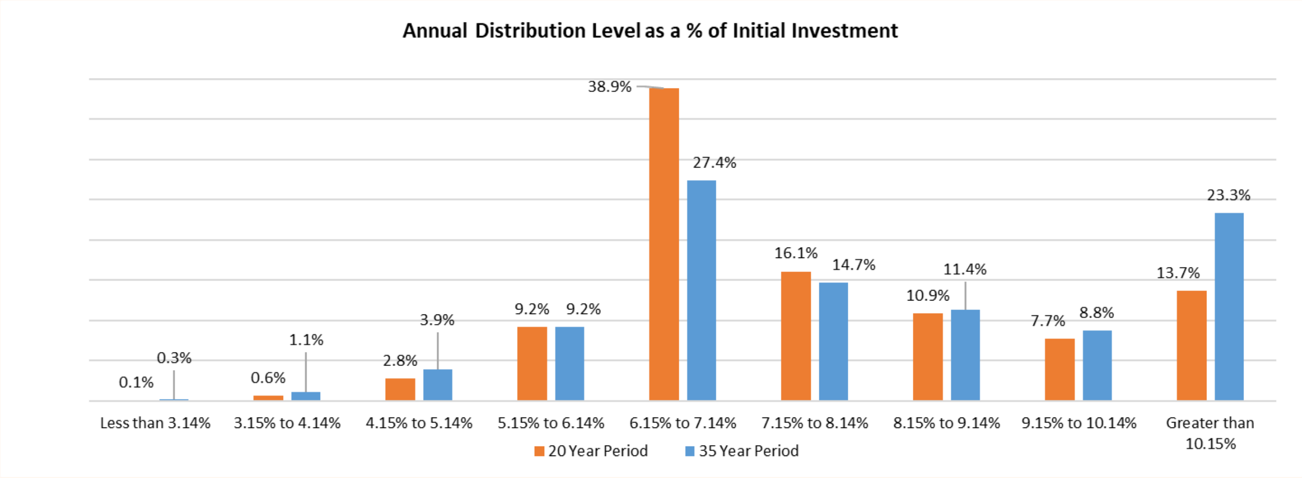
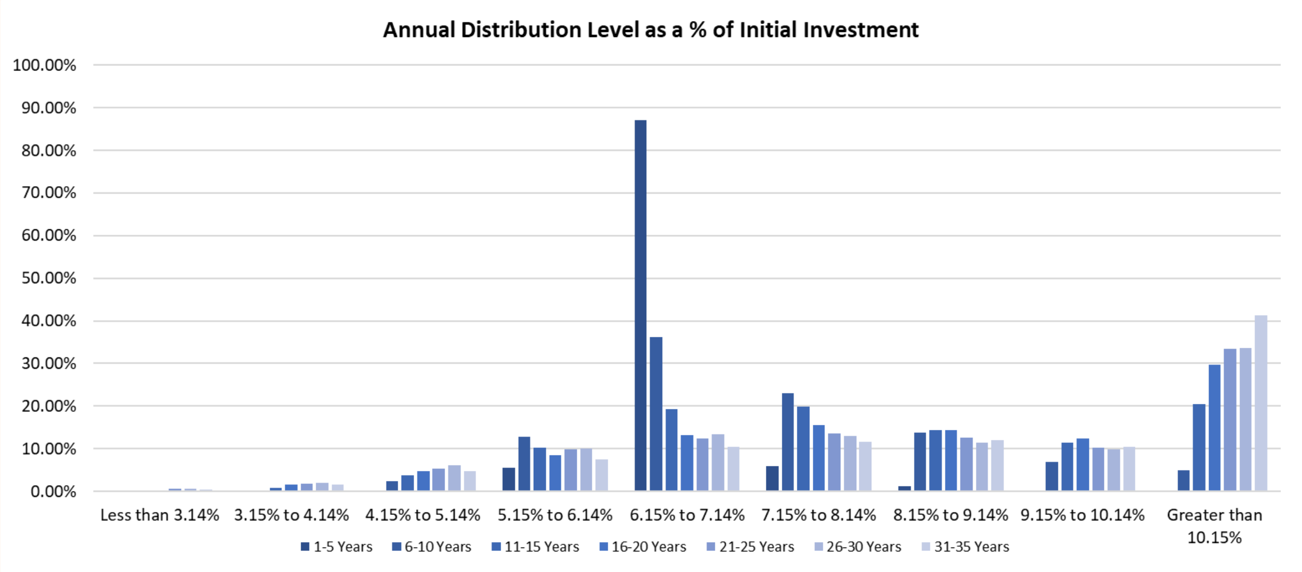


Figure 3[6] shows the annual distribution level as a percentage of initial investment for 5-year periods up to year 35 across all scenarios. The periods are shaded from dark blue (first 5 years) to light blue (years 31 to 35). This chart illustrates that earlier in the modelled years, income levels are concentrated in the 6.15% to 7.14% range. In later years, the model is showing income levels more heavily concentrated in higher income bands on the right-hand side of the chart, which indicates a high probability of increases over the lifetime of an investor. Based on this, the modelled results show that the Policy has strong potential to meet its secondary goal of maintaining a high probability that distribution levels rise over time.

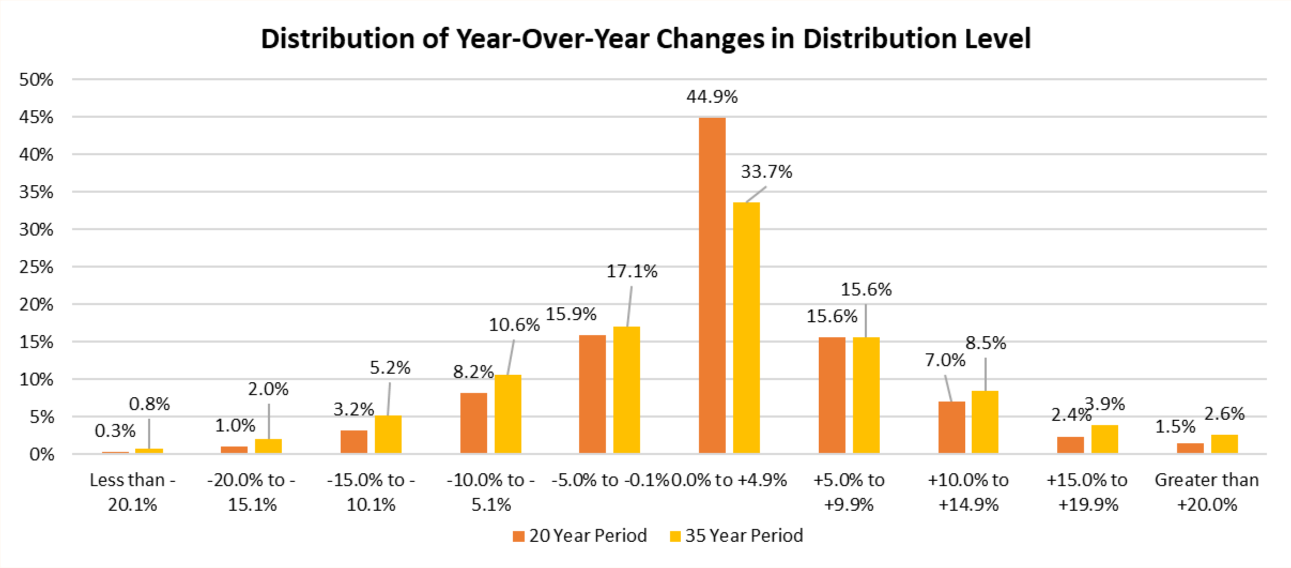
Figure 3



[6] Ibid

Figure 4[7,8] shows the distribution for year-over-year percentage change[9] in distribution levels during the first 20 and 35 years across all modelled scenarios. Over the first 35 years, approximately 51% of the distribution level changes are within 5% (positive or negative), while approximately 77% are within 10% (positive or negative). The most likely distribution level change is between 0 and +5%, which accounts for almost 34% of distribution level changes over 35 years. While the Policy allows for larger increases or decreases, this suggests the Policy does a reasonable job at maintaining a stable distribution level, which is another of the secondary goals of the Fund.

Figure 4



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[7] Ibid

[8] The described percentage changes or adjustments in distribution level are multiplicative. For example, a 5% positive adjustment to a distribution level of 6.15% is 6.46%, not 11.15%.

[9] This represents the percentage increase/decrease in distributions made to a unitholder during one year compared to the distributions one year later.

Table 2 below shows additional key statistics and modeling results for the first 20 and 35 years.

Table 2[10, 11]

	Over 20 Years	Over 35 Years
Average # of positive adjustments year-over year	11.7	20.1
Average # of negative adjustments year-over year	5.9	12.5
Average adjustment year-over-year (net positive and negative)	2.0%	1.9%
Average positive adjustment year-over-year	6.3%	7.5%
Average negative adjustment year-over-year	-5.6%	-6.6%
Average # of years with distribution level at or above the initial rate	17.5	29.9
Probability distribution level at or above the initial rate	87.3%	85.5%
Average distribution level	7.7%	8.5%

[10] The described percentage changes or adjustments in distribution level are multiplicative. For example, a 5% positive adjustment to a distribution level of 6.15% is to 6.46%, not to 11.15%.

[11] **This chart models hypothetical performance data.** It was created using LifeWorks ESG data as of September 30, 2022, which includes 2,000 stochastically generated future economic scenarios. The results shown are purely hypothetical and do not provide a guarantee of expected performance of the Fund. This table does not take into account all risks, fees, unique financial circumstances, or the costs of redeeming an investment in the Fund.

Changes from the previous analysis of distribution rates

The first review of the Fund's expected distribution rates was carried out as part of the *Longevity Pension Fund Income Policy Review Report* dated February 4, 2022. **Table 3**[12] below shows a comparison between the September 30, 2022 and June 30, 2021 key statistics and modeling results for the first 20 and 35 years.

Table 3

	September 30, 2022	June 30, 2021
20 Years		
Average distribution level of best 5% of scenarios at year 20	18.67%	17.55%
Average distribution level at year 20	9.32%	8.81%
Average distribution level of worst 5% of scenarios at year 20	4.04%	3.74%
Probability distribution level at or above the initial rate over 20 years	87.3%	76.0%
Average Distribution Level over 20 Years	7.7%	7.1%
35 Years		
Average distribution level of best 5% of scenarios at year 35	27.90%	27.73%
Average distribution level at year 35	11.60%	12.66%
Average distribution level of worst 5% of scenarios at year 35	4.49%	5.45%
Probability distribution level at or above the initial rate over 35 years	85.5%	79.5%
Average Distribution Level over 35 Years	8.5%	8.2%

There has been a general improvement in most of the key statistics and modelling results, driven by the increases in future expected investment returns. The average distribution level has increased, and the probability that the distribution level is at least 6.15% has increased.

[12] Ibid

Appendix: Model Assumptions

Table 4 below sets out a summary of the assumed operational structure and the key assumptions underlying the core modelling undertaken. The rest of this section discusses these assumptions in more detail.

Table 4

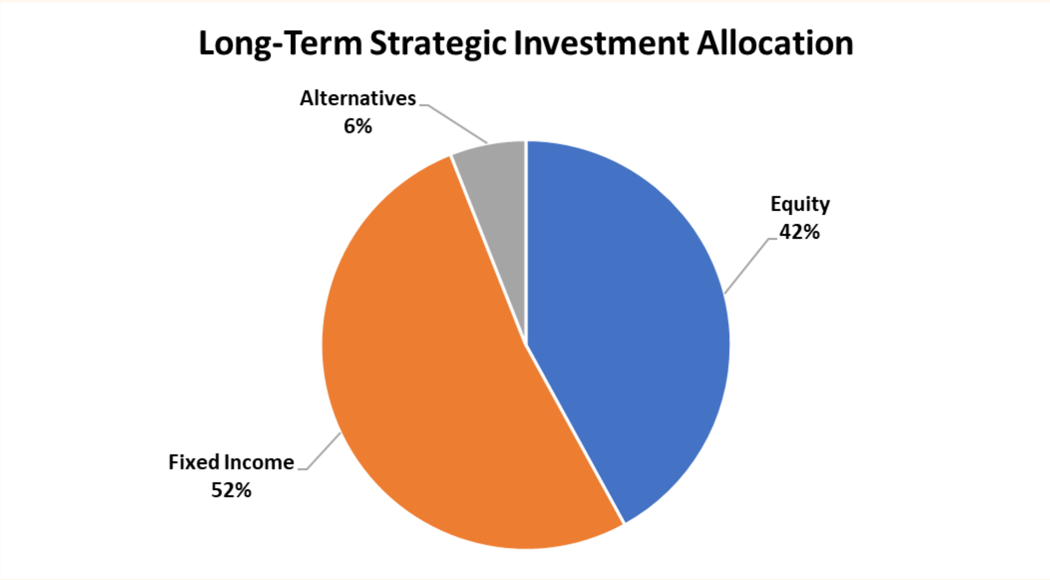
	Assumption
Cohort Age	65, 66 and 67 year old males and females
Male / Female proportion	50% male and 50% female investors
Starting cohort size	5,000 unitholders
New unitholders	None
Initial unitholder investment	$100,000 per unitholder
Voluntary Redemption / Death formula	Lesser of [Initial unitholder investment – income received up to voluntary redemption / death] or [Net Asset Value]
Initial distribution level	6.15% of initial unit holder investment
Modelled investment returns	LifeWorks' Economic Scenario Generator applied to the proposed asset allocation provided by Purpose Investments
Investment expenses	0.75%
Annual Voluntary Redemption Rate	2.00% of unitholders each year before age 80
Current mortality rates	Canadian Pensioners' Mortality (CPM) 2014 Unadjusted Public Sector Mortality Table
Future improvements in mortality rates	MI-2017 improvement scale

Modelled investment returns

Purpose Investments intends to vary the Fund's asset allocation based on the amount of assets under management. Based on the provided trigger points and projected assets under management, we expect the Fund to be invested in its final long-term allocation within two years. As such, reflecting a glide path towards their long-term asset mix was deemed immaterial, and we have assumed immediate investment in the long-term asset mix.

Purpose Investments provided us with the long-term strategic investment allocation to be used for modelling purposes, shown in **Figure 5** below. Purpose Investments informed LifeWorks that this allocation was chosen to maintain their desired risk exposure over time. We note that the long-term strategic investment allocation shown below has been updated from the allocation used to produce the results outlined in the February 2022 *Longevity Pension Fund Income Policy Review Report* and is now considered more conservative from an Economic Scenario Generator modelling perspective.

Figure 5



For each asset in the provided asset allocation, Purpose Investments chose an associated index to model the long-term expected return of the asset in the Economic Scenario Generator, based on a list of modelled indices within the Economic Scenario Generator. As some indices were not explicitly modelled by the Economic Scenario Generator, Purpose Investments selected a proxy index that best matched the asset strategy.

The arithmetic average of simulated returns for the modelled portfolio is 5.7% per annum, net of investment and management expenses, as at September 30, 2022.

Investment Expenses

For the purpose of the core modelling, investment expenses are assumed to be 0.75% per annum. These investment expenses are applied to the gross returns assumed. The modelling focuses on Series F investors (i.e., retail investors). This is a reasonable assumption as Purpose intends to cap the total fees that may be passed on to Series F investors at 0.73% per annum. It is important to note that institutional investors (i.e., those investing through a workplace program) may qualify for lower fees and thus achieve higher net returns.

Economic Assumptions

Economic stochastic projection assumptions are updated quarterly by LifeWorks using a multi-stage process. The methodology used to develop key capital market assumptions is the same as that used to develop the assumptions for the *Longevity Pension Fund Income Policy Review Report*. Further details are available on request.

For the purpose of this report, assumptions as at September 30, 2022 were used compared to the *Longevity Pension Fund Income Policy Review Report* which used assumptions as at June 30, 2021.

Returns, Volatility, and Correlations by Asset Class

The following expected return and volatility by asset class were used as at September 30, 2022.

Table 5

	September 30, 2022	
	Expected Annualized Long-Term Return	**Volatility (Standard Deviation) of Annual Return**
Inflation (change in the consumer price index)	2.00%	1.35%
Asset Classes		
Cash	2.05%	1.15%
Canadian Government Bonds	3.40%	7.10%
Canadian Corporate Bonds	4.40%	5.10%
U.S. High Yield Bonds	6.15%	15.30%
Canadian Equity	7.30%	16.20%
U.S. Equity (hedged)	7.05%	17.90%
Global Equity (Unhedged)	7.15%	15.30%
Commodities	5.55%	18.90%

The following is the correlation among the various asset classes identified in Table 5 used as at September 30, 2022:

Table 6

Asset Classes	1	2	3	4	5	6	7
1 - Canadian Government Bonds	1.00						
2 - Canadian Corporate Bonds	0.87	1.00					
3 - U.S. High Yield Bonds (Hedged)	-0.14	0.24	1.00				
4 - Canadian Equity	-0.35	-0.07	0.49	1.00			
5 - U.S. Equity (Hedged)	-0.31	-0.04	0.56	0.73	1.00		
6 - Global Equity (Unhedged)	-0.30	-0.07	0.44	0.52	0.87	1.00	
7 - Commodities	-0.32	-0.15	0.29	0.58	0.24	-0.02	1.00

The correlations are assumed to remain constant over the entire projection period.

Asset class mapping

For each asset in the provided asset allocation, Purpose Investments chose an associated index to model the long-term expected return of the asset in the Economic Scenario Generator, based on a list of modelled indices within the Economic Scenario Generator. As some indices were not explicitly modelled by the Economic Scenario Generator, Purpose Investments selected a proxy index that best matched the asset strategy.

Table 7

Asset class	Associated index for modelling purposes
Cash/Short-term	FTSE Canada T-Bills
Canadian Government Bonds	FTSE Canada Government Bonds
Canadian Corporate Bonds	FTSE Canada Corporate Bonds
US High Yield Bonds (Hedged)	Barclays US High Yield Bonds $US
Canadian Equity	S&P/TSX Can. Stocks Composite Capped
US Equity (Hedged)	S&P 500 US Stocks $US
Global Equity (Unhedged)	MSCI World Stocks $CA
Commodities (Hedged)	S&P Goldman Sachs Commodity Index Light Energy $US

Appendix: Disclaimers

Limitations of this report

Users of this report should refer to the Fund's offering documentation for further details on the operation and risks related to investing in the Fund. This report does not constitute legal, tax or individual investment advice. Instead, this report focuses on the actuarial aspects of the Fund.

This report contains analysis and results that rely on assumptions about future events, including actions that will be taken by Purpose Investments in response to external events. While we believe that the model inputs and assumptions are reasonable at the time this report has been prepared, other reasonable model inputs and assumptions could be used, potentially resulting in materially different distributions of forecasted outcomes. Examples of other reasonable inputs include alternative future investment scenarios, mortality assumptions or voluntary redemption rates. The methodology used to develop key capital market assumptions is the same as that used to develop the assumptions for the *Longevity Pension Fund Income Policy Review Report*. Further details are available on request.

Future events and actual experience will vary from the simulated outcomes produced with this analysis. As these differences arise, Purpose Investments may be required to adjust or modify certain aspects of the Fund as necessary.

It is not possible or practical to reflect every variable in a model that is based on the real world. Therefore, we use summary information, estimates, and simplifications to facilitate the modeling of future events. We also exclude factors or data that we consider immaterial. For example, mortality rates only differ at each integer age, where in reality mortality rates will vary on a continuous basis. However, any refinement beyond integer ages would provide spurious levels of accuracy improvement.

The results presented in this report are not intended nor should they be interpreted to represent a guarantee or warranty with respect to the future financial condition of the Fund. Furthermore, any determination of probabilities based on the model represent simulated outcomes and should not be interpreted as being actual probabilities.

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