

Purpose

INVESTMENTS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
For the financial period ended December 31, 2019



CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties, and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. We stress that the abovementioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions, and urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

LETTER TO INVESTORS

HELLO!

In 2019 we took both small steps and huge leaps on our road to building the investment firm where thoughtful Canadians invest. Along the way, we put you, the investor, at the centre of everything we do. Our focus remains on creating industry-leading investment products that help you build a resilient portfolio so you reach your long-term objectives and achieve success that truly matters.

We'll continue iterating and evolving our products to help drive the investment outcomes you're looking for. In the past year, we became one of the first investment firms in the world to embed Environmental, Social and Governance (ESG) principles across our entire investment process, rightfully placing them at the foundation of how we think about building products. This means that, as an investor in Purpose, you now benefit from superior returns while also strategically investing capital in companies that make the world a better place.

“As an investor in Purpose, you now benefit from superior returns while also strategically investing capital in companies that make the world a better place.”

Some key milestones drove our success as we surpassed \$8-billion in assets under management. We launched new one-of-a-kind products, including a Canadian-first income fund that provides a 6% income with a structured exposure to reduce market downside risk. We gave more investors access to Canada's first global, multi-manager private debt fund by making it available for regular ongoing investments.

And following changes in mutual fund regulations we created our top alternative credit strategy by evolving it from a fund only available to accredited high net worth clients into a mutual fund for all investors.

While we continued to debut new products, some of our first liquid alternatives funds crossed their 5-year anniversaries, including our first hedged equity strategy offered as an ETF or mutual fund to all Canadians. Our time-tested expertise in this space has allowed us to continue to lead the way and continuously add to our line-up, including funds we created based on feedback from our investors.

As we've evolved, the industry has changed dramatically. However, the core of who we are has not. It was time for us to reimagine our brand and tell our story in a way that encompasses the energy that drives us now. You might already have seen it take shape in our new advertising on Air Canada and our refreshed website at purposeinvest.com.

Our commitment to focusing on transparency and choice, long-term outcomes before benchmarks, fair value for money,

proactive risk protection, comprehensive ESG strategies and a tax-efficient approach to liquidity makes us the place where thoughtful Canadians invest. Every facet of our brand story reflects our principles and ensures that the investors who've joined us see themselves and their personal successes in everything that we do.

That constant focus on living up to our principles is what makes us different. And, ultimately, they help us create for you the type of investment experience we want for ourselves.

I'm more excited than ever to see how the potential of Purpose Investments will be realized for our investors in 2020. Though markets entered the year strong, there's a continued sense of unease and disruption as the market determines how best to deal with the global challenges presented by the spread of coronavirus. As always, our approaches to active management and built-in risk mitigation ensure we're taking the right measures to protect our partners and investors. We believe that approach is more important now than ever.

By always focusing first on objectives that matter to our investors we produced very strong returns for our clients in 2019 and we'll continue to follow that path in 2020 and beyond.

I want to thank the incredible team of owner-minded partners that make up Purpose Investments. Together, we care deeply about helping investors like you surpass your goals. Their relentless drive to continue envisioning what a modern asset management firm can be inspires me every single day.

Finally, and most importantly of all, Purpose Investments exists to help build the success of our customers, investors and partners. I want to personally thank you for your support and for being a part of our growing story. We know that when you win, we win. We're humbled and honoured that you've placed your trust in us and we don't take it for granted.

“We know that when you win, we win.”

I can't wait to share with you everything we're continuing to build and I know, more than ever, that together we'll continue to create meaningful success for thoughtful investors like you in the new year and beyond.

Warmly,



Som Seif
CEO
Purpose Investments Inc.



ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

The management report of fund performance presents the views of the manager and the portfolio management team concerning significant factors and developments that have affected the Fund's performance and outlook.

Please read the caution on the inside of the cover page regarding forward-looking statements.

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objectives of the Fund are to: (i) provide holders of units with monthly cash distributions, and (ii) maximize the total return to securityholders over time, by investing in an actively managed portfolio (the "Portfolio") comprised primarily of preferred shares of Canadian issuers.

The Portfolio will be actively managed by the Manager and will seek to capitalize on historically attractive yields accessible in the preferred share market when compared to Government of Canada bonds of similar duration. Not less than 80% of the total assets will be invested in Canadian preferred securities, with a minimum of 80% of the total assets invested in investment grade securities.

The Manager intends to invest the Portfolio throughout the life of the Fund in a manner consistent with the criteria in 2016 for a P-2 (low) rating of the units. The Fund will invest primarily in Canadian preferred securities issued by companies in the financial services sector, as well as energy, industrials, utilities, pipelines, health care and telecommunications sectors and other such sectors deemed appropriate by the Manager.

Purpose Investments Inc. ("Purpose"), is the manager of the Fund (the "Manager").

RISK

The risks of investing in the Fund are disclosed in the Fund's prospectus and there have been no significant changes during the year that affected the overall level of risk associated with the Fund.

RESULTS OF OPERATIONS

The Fund offers Class T units listed on the Aequitas NEO Exchange under the ticker RIGP.UN and a mutual fund class.

The net asset value per unit as at:

Class	December 31, 2019 (\$)	December 31, 2018 (\$)
Class A	–	22.73
Class T	21.04	23.10

During the year ended December 31, 2019, the Fund paid distributions as follows:

Month	Class A Units (\$)	Class T Units (\$)
January	0.1146	0.1146
February	0.1146	0.1146
March	0.1146	0.1146
April	0.1146	0.1146
May	0.1146	0.1146
June	0.1146	0.1146
July	0.1146	0.1146
August	–	0.1146
September	–	0.1146
October	–	0.1146
November	–	0.1146
December	–	0.1146
Total	0.8022	1.3752

Market outlooks were very muted for the reference period, the full-year 2019, but the actual results were quite strong. Markets did not shy away from fairly significant fluctuations throughout the year, however. Trade tensions between China and the US, uncertainty over the direction of interest rates, a mid-year spike in recession fears and yield-curve inversions all contributed to periods of weakness, particularly in the late spring and late summer months.

Fixed income produced strong returns, as bond yields broadly moved lower through the first half of the year. Yields moved higher in the latter half of 2019, but still finished well below the year-end levels of 2018. Corporate bonds slightly outperformed government bonds amid narrowing credit spreads fed by the increasing appetite for risk. Preferred shares were modestly positive despite a mid-year slump.

Fund performance was modestly positive over the reference period, with improving performance towards the end of the period. Returns were sourced broadly from most sectors, however preferred shares among energy companies, in particular pipeline operators, were especially weak over the period, reducing overall performance significantly.

MANDATORY MARKET PURCHASE PROGRAM

In order to enhance liquidity and provide market support for the Class T units, the Fund has the ability to repurchase Class T units under a mandatory market purchase program ("MMPP"). Under the MMPP, Class T units are repurchased at their market price, the Fund has purchased 199,500 units at an average price of \$20.38 over the year ended December 31, 2019.

LEVERAGE

The Fund may employ leverage in an amount up to 25% of total assets for the purpose of: purchasing additional securities for the Portfolio, effecting market purchases of Class T units, maintaining liquidity and funding redemptions.

During the year ended December 31, 2019, the minimum and maximum amount borrowed was \$nil and \$201,835 (2018 – \$nil and \$4,085,558), respectively; the percentage of total assets of the Fund that the borrowing represented at December 31, 2019 was 1% (2018 – 11%); and the terms of the borrowing were based on the Federal Funds rate plus a spread. As at December 31, 2019, the interest rate was 2.75% (2018 – 2.24%). The related interest expense for the year ended December 31, 2019 was \$64,408 (2018 – \$195,573). The borrowings were used to purchase additional securities in the portfolio. Investments are used as collateral against the borrowed funds.

RECENT DEVELOPMENTS

There were no changes to the Manager of the Fund, nor were there any material changes to the investment philosophy or process. Positioning and the Manager's outlook remain the same.



RELATED PARTY TRANSACTIONS

Purpose is deemed to be a related party as Manager of the Fund. Please refer below to the "Management Fee" section for fees paid to Purpose. Purpose has also appointed an Independent Review Committee ("IRC") as required by National Instrument 81-107 *Independent Review Committee for Investment Funds*. The mandate of the IRC is to review, and provide input on, the Manager's written policies and procedures that deal with conflict of interest matters in respect of the Funds. IRC members receive fees and reimbursement of expenses for services provided to the Fund and other Purpose managed funds and such costs are allocated among all the Funds on a fair and reasonable basis. The fees for services rendered to the Funds are reported in the Statements of Comprehensive Income. There are no other related party transactions for the Fund.

INDEPENDENT REVIEW COMMITTEE

The Manager is required to comply with the policies and procedures presented to the IRC with respect to various potential conflicts of interest including valuation and the allocation of operating expenses and to provide periodic reports to the IRC in accordance with NI 81-107.

The members of the Independent Review Committee as at December 31, 2019 were Douglas G. Hall (Chair), Randall C. Barnes, and Jean M. Fraser.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years ended December 31:

NET ASSETS PER UNIT¹

Class A	2019 (\$)	2018 (\$)	2017 (\$)	2016 ^a (\$)
Net assets, beginning of year	22.73	29.26	25.05	25.00^b
Agency and issue expense	–	–	–	(0.13)
	22.73	29.26	25.05	24.87
Increase (decrease) from operations:				
Total revenue	2.32	1.48	1.52	0.02
Total expenses	(1.82)	(0.87)	(0.89)	(0.04)
Realized gains (losses) for the year	(0.45)	0.54	2.55	–
Unrealized gains (losses) for the year	(3.27)	(6.01)	5.16	0.24
Total increase (decrease) from operations²	(3.22)	(4.86)	8.34	0.22
Distributions:				
From investment income	–	–	(0.58)	–
From capital gains	–	(1.49)	(2.98)	–
Return of capital	(0.80)	–	(0.08)	(0.05)
Total distributions³	(0.80)	(1.49)	(3.64)	(0.05)
Net assets, end of year	–	22.73	29.26	25.05

Notes:

- Information presented is for the period December 19, 2016 (commencement of operations) to December 31, 2016.
- Initial offering price.
- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of securityholder transactions, the Net Asset Value is calculated in accordance with the valuation rules as set out in the Fund's prospectus. The Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with securityholders.
- Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of units outstanding over the financial period.
- Distributions were paid in cash or reinvested in additional units of the Fund.

RATIOS AND SUPPLEMENTAL DATA

Class A ⁵	2019	2018	2017	2016
Total net asset value (\$) (000s) ¹	–	8,787	13,154	42,064
Number of units outstanding (000s) ¹	–	387	450	1,679
Management expense ratio ²	3.20%	2.81%	2.70%	2.09%
Management expense ratio excluding issue costs and agency fees ²	3.20%	2.81%	2.70%	2.04%
Trading expense ratio ³	0.26%	0.30%	0.58%	1.28%
Portfolio turnover rate ⁴	–%	58.56%	112.23%	0.00%

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's Net Asset Value and is provided as at December 31 of the year shown.
- The management expense ratio ("MER") is calculated as the total expenses, excluding distributions, commissions and other portfolio transaction costs, for the stated period and is expressed as an annualized percentage of the average daily NAV of the Fund. The Manager, at its sole discretion, may waive management fees or absorb expenses. Such waivers and absorptions can be terminated at any time. Without the cost of the leverage and excluding issue costs and agency fees, the MER would be 2.36% (2018 – 2.39%, 2017 – 2.26%, 2016 – 2.09%).
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund's daily average NAV. The trading expense ratio is calculated at the portfolio level and applies to all classes of units of the Fund.
- The portfolio turnover rate is based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short-term notes, and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's investment advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the portfolio turnover rate in a year, the greater the trading costs payable in the period and the greater the chance of taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and fund performance. The portfolio turnover rate is calculated at the portfolio level and applies to all classes of units of the Fund.
- The Class A units of the Fund are not traded on a stock exchange.

NET ASSETS PER UNIT¹

Class T	2019 (\$)	2018 (\$)	2017 (\$)	2016 ^a (\$)
Net assets, beginning of year	23.10	29.44	25.06	25.00^b
Agency and issue expense	-	(0.17)	(0.16)	(0.13)
	23.10	29.27	24.90	24.87
Increase (decrease) from operations:				
Total revenue	1.15	1.50	1.59	0.02
Total expenses	(0.05)	(0.79)	(0.84)	(0.03)
Realized gains (losses) for the year	(3.00)	0.62	2.70	-
Unrealized gains (losses) for the year	1.76	(5.61)	1.17	0.24
Total increase (decrease) from operations²	(0.14)	(4.28)	4.62	0.23
Distributions:				
From dividends	(1.07)	-	(0.93)	-
From capital gains	-	(1.49)	(2.02)	-
Return of capital	(0.31)	-	(0.11)	(0.05)
Total distributions³	(1.38)	(1.49)	(3.07)	(0.05)
Net assets, end of year	21.04	23.10	29.44	25.06

Notes:

- Information presented is for the period December 19, 2016 to December 31, 2016.
- Initial offering price.
- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of securityholder transactions, the Net Asset Value is calculated in accordance with the valuation rules as set out in the Fund's prospectus. The Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with securityholders.
- Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of units outstanding over the financial period.
- Distributions were paid in cash or reinvested in additional units of the Fund.

RATIOS AND SUPPLEMENTAL DATA

Class T	2019	2018	2017	2016
Total net asset value (\$) (000s) ¹	25,058	23,656	42,389	18,061
Number of units outstanding (000s) ¹	1,191	1,024	1,440	720
Management expense ratio ²	1.96%	2.45%	2.40%	1.35%
Management expense ratio excluding issue costs and agency fees ²	1.86%	1.96%	1.85%	1.30%
Trading expense ratio ³	0.26%	0.30%	0.58%	1.28%
Portfolio turnover rate ⁴	40.30%	58.56%	112.23%	0.00%
Closing market price (\$)	20.95	22.50	28.93	25.57

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's Net Asset Value and is provided as at December 31 of the year shown.
- The management expense ratio ("MER") is calculated as the total expenses, excluding distributions, commissions and other portfolio transaction costs, for the stated period and is expressed as an annualized percentage of the average daily NAV of the Fund. The Manager, at its sole discretion, may waive management fees or absorb expenses. Such waivers and absorptions can be terminated at any time.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund's daily average NAV. The trading expense ratio is calculated at the portfolio level and applies to all classes of units of the Fund. Without the cost of the leverage and excluding issue costs and agency fees, the MER would be 1.75% (2018 -1.54%, 2017 - 1.42%, 2016 - 1.35%).
- The portfolio turnover rate is based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short-term notes, and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's investment advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the portfolio turnover rate in a year, the greater the trading costs payable in the period and the greater the chance of taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and fund performance. The portfolio turnover rate is calculated at the portfolio level and applies to all classes of units of the Fund.

MANAGEMENT FEES

Purpose manages and administers the business, operations and affairs of the Fund. As compensation for the services it provides to the Fund, Purpose is entitled to receive an annual management fee in an amount equal to 0.70% of the NAV of the Class A units and an amount equal to the Contingent Agents Fee, plus applicable taxes. The management fees are calculated daily and paid monthly in arrears. Purpose utilizes 100% of the management fees to pay investment advisory fees, agency fees, general and administrative expenses and earn revenue.

Purpose is also entitled to an amount equal to the Contingent Agents Fee.

The Contingent Agents Fee is the annual deferred compensation paid by Purpose to the Agents equal to 1.32% of the aggregate net asset value of all units that are purchased and cancelled by the Fund under the mandatory market purchase program.

The Fund will pay the UTF Service Provider a fee of 0.25% of the Net Asset Value of the Class T units. The UTF Services Fee is accrued daily and paid quarterly until December 19, 2026.

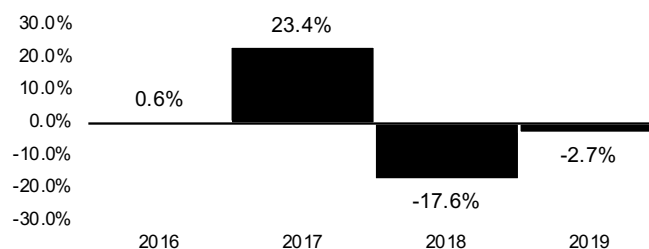
PAST PERFORMANCE

Please note that the performance information shown in this section assumes that all distributions made by the Fund, if any, in the period shown were reinvested in additional securities of the Fund. It does not take into account sales, redemptions, distributions or other optional charges, or income taxes payable by any investor, which would have reduced the returns. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The bar charts show the performance of each class of units for the financial period in percentage terms, indicating how much an investment made on the first day of the period would have grown or decreased by the last day of the period.

Class T - NAV



Return labelled 2016 is for the period from December 19, 2016 to December 31, 2016.

**ANNUAL COMPOUND RETURNS**

The table below summarizes the Fund's annual compound total returns for the period ended December 31 as indicated. As a basis of comparison we have provided the performance of S&P/TSX Preferred Total Return Index ("Index"). As the criteria for determining the constituents of the Fund and the Index differ, it is not expected that the Fund's performance will mirror that of the Index. Further, the return of the Index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	Class T NAV (%)	Index (%)
1 year	(2.75)	3.48
3 years	(0.37)	2.68
Since inception ¹	(0.16)	3.23

1) Return since inception is for the period starting December 19, 2016.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2019

SECTOR MIX

	% of Fund's Net Asset Value
Long Positions	
Financials	49.8
Utilities	12.6
Energy	21.7
Money Market Funds	13.2
Industrials	4.3
Real Estate	0.9
Cash and Cash Equivalents	0.7
Net Other Assets	(3.2)
Total Net Asset Value	100.0

TOP 25 HOLDINGS

	% of Fund's Net Asset Value
Cash and cash equivalents	31.8
Purpose High Interest Savings ETF	13.2
Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	5.4
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	5.3
AltaGas Ltd., Preferred, Series 'E', Perpetual	5.2
Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	4.5
Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	4.3
ECN Capital Corp., Preferred, Series 'C', Variable Rate, Perpetual	4.0
Brookfield Asset Management Inc., Preferred, Series '38', Perpetual	3.7
Element Fleet Management Corp., Preferred, Series 'G', Variable Rate, Perpetual	3.5
Brookfield Asset Management Inc., Preferred, Series '46', Perpetual	3.4
Brookfield Asset Management Inc., Preferred, Class 'A', Series '40', Perpetual	3.1
Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Perpetual	3.0
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	2.6
Pembina Pipeline Corp., Preferred, Series '1', Variable Rate, Perpetual	2.1
Brookfield Infrastructure Partners L.P., Preferred, Series '7', Variable Rate, Perpetual	2.0
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	1.8
Brookfield Asset Management Inc., Preferred, Series '24', Variable Rate, Perpetual	1.8
Brookfield Asset Management Inc., Preferred, Series '32', Perpetual	1.8
ECN Capital Corp., Preferred, Series 'A', Variable Rate, Perpetual	1.8
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	1.7
Capital Power Corp., Preferred, Series '1', Variable Rate, Perpetual, Convertible	1.6
Bank of Montreal, Preferred, Series '27', Perpetual	1.5
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	1.5
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1.3

The investment portfolio may change due to ongoing portfolio transactions. An updated listing is available quarterly.

CORPORATE INFORMATION

MANAGER

Purpose Investments Inc.
130 Adelaide Street West
Suite 3100, P.O. Box 109
Toronto, ON M5H 3P5

AUDITOR

Ernst & Young LLP
EY Tower
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Toronto, ON M5H 0B3

CUSTODIAN

NBCN Inc.
130 King Street W.
Toronto, ON M5X 1G9

REGISTRAR AND TRANSFER AGENT

TSX Trust Company
100 Adelaide Street West, Suite 301
Toronto, ON M5H 4H1

UNITHOLDER AND RECORDKEEPING

CIBC Mellon Global Securities Company
1 York Street, Suite 700
Toronto, ON M5J 0B6

BOARD OF DIRECTORS AND INDEPENDENT REVIEW COMMITTEE

Douglas G. Hall

Director, Chair of the Independent Review Committee

Randall C. Barnes

Director, Member of the Independent Review Committee

Jean M. Fraser

Director, Member of the Independent Review Committee

OFFICERS AND DIRECTORS OF PURPOSE INVESTMENTS INC.

Som Seif

Chief Executive Officer, Chairman of the Board of Directors and Director

Rashay Jethalal

President

Vladimir Tasevski

Vice President

Jeff Bouganim

Chief Financial Officer, Director

Caitlin Gossage

Chief Compliance Officer