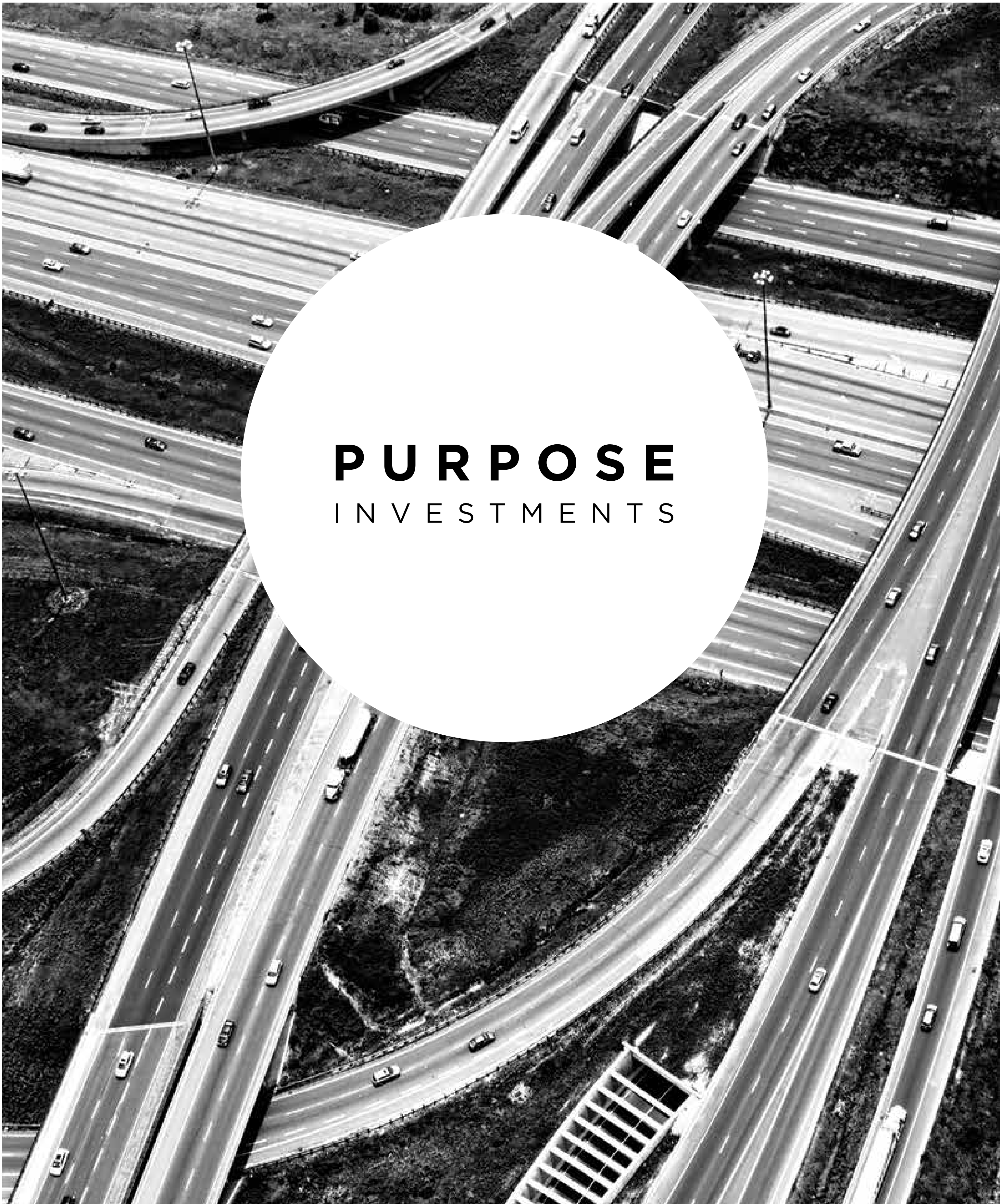

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE AND UNAUDITED FINANCIAL STATEMENTS

JUNE 2021 INVESTMENT GRADE BOND POOL

FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2018

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This interim management report of fund performance ("MRFP") contains financial highlights. June 2021 Investment Grade Bond Pool's (the "Fund") interim financial statements are included at the back of the MRFP.

In addition, unitholders can obtain, at no cost, a copy of the Fund's annual financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure by visiting our website at www.purposeinvest.com or SEDAR at www.sedar.com, by calling 1-877-789-1517, or by writing to us at Purpose Investments Inc., 130 Adelaide Street West, Suite 1700, P.O. Box 83, Toronto, Ontario M5H 3P5.

For more information on the Fund's current and historical net asset values per unit, please visit www.purposeinvest.com.

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.

INTERIM 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.

On March 31, 2018 Redwood Asset Management Inc. ("Redwood") was amalgamated into Purpose Investments Inc. ("Purpose").

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund investment objectives are to: (i) return to holders of Units ("Unitholders"), including through Principal Distributions (as defined below), the original issue price of $10.00 per Unit on or before June 30, 2021 (the "Scheduled Termination Date"); and (ii) generate over the term of the Fund an average annual total return after fees and expenses of 3.10% for investors in the initial public offering who purchased Class A Units and 3.55% for investors in the initial public offering who purchased Class T Units, by investing primarily in debt securities of Canadian and U.S. companies ("Eligible Debt Securities").

To achieve its investment objectives, the Fund will acquire, or obtain exposure to, a portfolio (the "Portfolio") comprised primarily of Eligible Debt Securities with a weighted average term to maturity initially of approximately 49 months and a modified duration initially of approximately 43 months. The Fund generally will hold the securities in its Portfolio (the "Portfolio Securities") until their respective maturities.

The Fund may also employ leverage up to 30% of the total assets of the Fund.

RISK

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

RESULTS OF OPERATIONS

The net asset value per unit as at:

Class	**June 30, 2018 ($)**	December 31, 2017 ($)
Class A	9.81	9.78
Class T	9.84	9.80

INVESTMENT PERFORMANCE

During the period ended June 30, 2018, the Fund paid distributions as follows:

Month	Class A Units ($)	Class T Units ($)
March	0.0775	0.0887
June	0.0775	0.0887
Total	0.1550	0.1774

Thanks to continued tightening monetary policy, including a rate hike by the Bank of Canada in January, government bond yields were up across the board in the first quarter. During the market correction in late January/early February, Canadian federal bonds weathered the storm fairly well, losing 48 bps from peak to trough, but provincials and municipals suffered heavier losses. As expected, the Bank of Canada kept rates on hold at its April and May meetings, targeting 1.25%, but warned of coming rate hikes as inflation heats up. The bank said the economy was slightly weaker than expected to start the year – reflecting a slowing housing market and exports – but expects a rebound in the latter half. It added that temporary factors that have weighed on inflation have largely dissipated, and raised its estimate for potential growth by 0.4%.

June saw benchmark rates in Canada drop significantly as traders began doubting a July rate hike by the Bank of Canada - by the end of the first half, trade fears driven by the Trump administration had traders pricing in about a 50/50 chance of a BoC rate hike at its July 11 meeting.

In the first half of the year, Canadian corporate bonds generally outperformed government issues, returning 70 bps. Riskier high yield (+1.8%) and BBB (+93 bps) outperformed safer corporate issues. Real estate (+92 bps) and industrial (+1.1%) names were the biggest winners among Canadian corporates while financials dragged, though were still positive. Corporate spreads among both investment grade and high yield Canadian names moved up during the first half, both gaining about 10 bps.

Setting aside the rising tide of protectionism, underlying momentum in the global economy remains healthy. The U.S. economy, Canada's largest trade partner, is operating near capacity and has been given a nice tail wind from fiscal stimulus. Canada's growth trajectory has slowed but excess capacity continues to diminish and the Bank of Canada is leaning towards removing stimulus. Under these circumstances the Manager would expect the general direction of bond yields to move higher. The overhang of protectionism has however placed some doubt on this outlook which has weighed on Canadian bond yields. Unfortunately there is no sign of a near term accommodation and so markets will remain susceptible to further escalations in rhetoric, if no actions. The Manager does not believe tariffs imposed to date will have a meaningful impact on near term activity however continued escalation would threaten our otherwise constructive view on credit.

With their latest pull back, high yield spreads now appear more attractive vs. the recent lows of January 2018 and June 2014, and remain over 125 bps wider than the historical lows of October 1997 and June 2007. Moreover, there are relatively few pressure points in credit quality at the moment – average leverage, interest coverage, and default rate metrics are still at or near historic lows. When combined with a still positive economic growth outlook, a fairly healthy consumer, robust job creation, and banking system stability, there remains a compelling argument for a sustained high risk appetite and continued investment in the asset class.

Assuming no major deterioration in the trade war, the Canadian preferred share market performance should be higher than the coupon rate over the next 6 to 12 months. The Manager expects demand for preferred shares to stay strong as investors should continue to seek the higher available yields of preferred shares versus high yield and investment grade corporate bonds and the fiscal advantages of dividend income relative to investment income. Fixed reset and floating rate issues that trade at discount should continue to outperform in this environment. The credit tone, the 5-year Canada yield, supply and flow into the passively managed ETFs will continue to bring volatility into the preferred share market.

Over the time period measured, the majority of the Fund's performance can be attributed to the fixed income allocation of the portfolio, attributing to 4.3% of total returns. Financials and materials were the top performing sectors in the bond portion. The preferred share allocation was also accretive to performance, adding around 20bps of return to the Fund.

On March 31, 2018 Redwood Asset Management Inc. ("Redwood") was amalgamated into Purpose Investments Inc. ("Purpose").

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 418,600 units at an average price of $9.60 over the year ended June 30, 2018.

LEVERAGE

The Fund may employ leverage in an amount up to 30% 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 period ended June 30, 2018, the minimum and maximum amount borrowed was $14,800,000 and $15,300,000 (December 31, 2017 – nil and $14,800,000), respectively; the percentage of total assets of the Fund that the borrowing represented at June 30, 2018 was 36% (December 31, 2017 – 32%); and the terms of the borrowing were based on the Federal Funds rate plus a spread. As at June 30, 2018, the interest rate was 2.37% (December 31, 2017 – 1.75%). The borrowings were used to purchase additional securities in the portfolio. Investments are used as collateral against the borrowed funds.

RECENT DEVELOPMENTS

The members of the Independent Review Committee as at December 31, 2017 were Douglas G. Hall (Chair), Randall C. Barnes, and Michael Hollend. On February 5, 2018 Michael Hollend ceased being a member of the Independent Review Committee. The vacant position was filled by Jean M. Fraser on May 18, 2018.

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 Statement 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.

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 period ended December 31, except 2018 which is provided as at June 30:

NET ASSETS PER UNIT [1]

For the periods from March 21, 2017 to December 31, 2017 and from January 1, 2018 to June 30, 2018:

Class A	**2018 [a] ($)**	2017 [b] ($)
Net assets, beginning of year	**9.78**	**10.00 [c]**
Agency and issue expense	–	(0.05)
	9.78	9.95
Increase (decrease) from operations:		
Total revenue	0.43	0.48
Total expenses	(0.18)	(0.25)
Realized gains (losses) for the period	(0.09)	0.10
Unrealized gains (losses) for the period	–	(0.27)
Total increase (decrease) from operations [2]	0.16	0.06
Distributions:		
From investment income	(0.16)	(0.26)
From dividends	–	(0.05)
From capital gains	–	(0.11)
Total annual distributions [3]	(0.16)	(0.42)
Net assets, end of year	**9.81**	**9.78**

Notes:
(a) Information presented is for the period January 1, 2018 to June 30, 2018.
(b) Information presented is for the period March 21, 2017 to December 31, 2017.
(c) Initial offering price.
1. This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of unitholder 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 unitholders.
2. 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.
3. Distributions were paid in cash or reinvested in additional units of the Fund.

RATIOS AND SUPPLEMENTAL DATA

Class A	**2018**	2017
Total net asset value ($) (000's) [1]	14,317	14,693
Number of units outstanding (000's) [1]	1,460	1,502
Management expense ratio [2]	3.60%	3.65%
Management expense ratio excluding issue costs and agency fees [2]	3.60%	3.15%
Trading expense ratio [3]	0.03%	0.02%
Portfolio turnover rate [4]	1.91%	2.25%

Notes:
1. 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, except 2018 which is shown as at June 30.
2. 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 MER Includes interest expense related to the use of leverage. Without the cost of the leverage and excluding issue costs and agency fees, the MER would be 2.50% (December 31, 2017 – 2.45%).
3. 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.
4. 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 year. The higher the portfolio turnover rate in a year, the greater the trading costs payable in the year and the greater the chance of taxable capital gains in the year. 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.

NET ASSETS PER UNIT [1]

For the periods from March 21, 2017 to December 31, 2017 and from January 1, 2018 to June 30, 2018:

Class T	**2018** [a] **($)**	2017 [b] ($)
Net assets, beginning of year	**9.80**	**10.00** [c]
Agency and issue expense	(0.05)	(0.07)
	9.75	9.93
Increase (decrease) from operations:		
Total revenue	0.42	0.48
Total expenses	(0.19)	(0.21)
Realized gains (losses) for the period	(0.08)	0.11
Unrealized gains (losses) for the period	(0.01)	(0.29)
Total increase (decrease) from operations [2]	0.14	0.09
Distributions:		
From investment income	(0.18)	(0.23)
From dividends	–	(0.05)
From capital gains	–	(0.11)
Total annual distributions [3]	(0.18)	(0.39)
Net assets, end of year	**9.84**	**9.80**

Notes:
(a) Information presented is for the period January 1, 2018 to June 30, 2018.
(b) Information presented is for the period March 21, 2017 to December 31, 2017.
(c) Initial offering price.
1. This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of unitholder 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 unitholders.
2. 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.
3. Distributions were paid in cash or reinvested in additional units of the Fund.

RATIOS AND SUPPLEMENTAL DATA

Class T	**2018**	2017
Total net asset value ($) (000's) [1]	11,132	14,956
Number of units outstanding (000's) [1]	1,132	1,526
Management expense ratio [2]	3.53%	3.12%
Management expense ratio excluding issue costs and agency fees [2]	3.12%	2.47%
Trading expense ratio [3]	0.03%	0.02%
Portfolio turnover rate [4]	1.91%	2.25%
Closing market price (NEO) ($)	9.69	9.76

Notes:
1. 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, except 2018 which is shown as at June 30.
2. 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 MER Includes interest expense related to the use of leverage. Without the cost of the leverage and excluding issue costs and agency fees, the MER would be 2.42% (December 31, 2017 – 1.77%).
3. 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.
4. 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 year. The higher the portfolio turnover rate in a year, the greater the trading costs payable in the year and the greater the chance of taxable capital gains in the year. 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

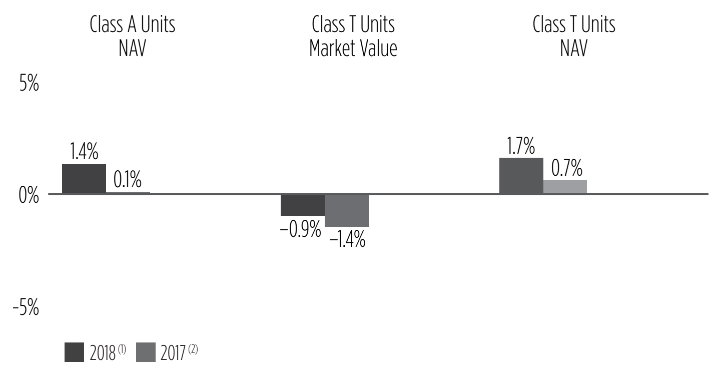
Purpose manages and administers the business, operations and affairs of the Fund. As compensation for the services it provides to the Fund, Purpose is entitled to receive an annual management fee in an amount equal to 0.75% of the NAV of the Class A units and of the Class T units, plus applicable taxes. 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.

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.



1. Return for the period January 1, 2018 to June 30, 2018.
2. Return for the period March 21, 2017 (commencement of operations) to December 31, 2017.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2018

ASSET MIX

	% of Fund's Net Asset Value
Long Positions	
Canadian Bonds	111.2
Foreign Bonds	30.6
Canadian Preferreds	16.6
Equity Forward Agreement	0.0
Cash and Cash Equivalents	3.1
Net Other Assets	(61.5)
Total Net Asset Value	**100.00**

TOP 25 HOLDINGS

	% of Fund's Net Asset Value
Brookfield Infrastructure Finance ULC	10.3
Cominar REIT	9.1
Morguard Corp.	8.7
Bank of Montreal	8.5
Empire Life Insurance Co. (The)	8.0
Canadian Imperial Bank of Commerce	7.9
Crombie REIT	7.9
SmartCentres REIT	7.8
Reliance L.P.	6.8
Algonquin Power Co.	6.2
Veresen Inc.	6.0
Granite REIT Holdings L.P.	6.0
Century Aluminum Co.	5.4
EnerCare Solutions Inc.	5.4
Genworth Financial Inc.	4.6
Whiting Petroleum Corp.	4.5
First Quantum Minerals Ltd.	4.4
DriveTime Automotive Group Inc. / DT Acceptance Corp.	4.3
National Bank of Canada	4.3
CenturyLink Inc.	4.3
Precision Drilling Corp.	4.2
Jefferies Finance LLC / JFIN Co-Issuer Corp.	4.2
Genworth MI Canada Inc.	4.0
Chip Mortgage Trust	3.9
Revlon Consumer Products Corp	3.3

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

INTERIM FINANCIAL STATEMENTS (unaudited)

NOTICE TO UNITHOLDERS

Purpose Investments Inc., the Manager of June 2021 Investment Grade Bond Pool (the "Fund"), appoints independent auditors to audit the Fund's annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the interim Financial Statements, this must be disclosed in an accompanying notice. The Fund's independent auditor has not performed a review of these interim Financial Statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

STATEMENTS OF FINANCIAL POSITION (unaudited)

As at:

	June 30, 2018 ($)	December 31, 2017 ($)
Assets		
Investments:		
Non-derivative financial assets	40,306,985	43,607,726
Cash and cash equivalents	797,176	239,624
Receivables:		
Dividends	4,607	4,607
Interest	360,923	393,540
Prepaid expenses	6,935	–
Derivative assets:		
Equity forward agreement at fair value (note 5)	5,174	3,370
Unrealized gain (loss) on forward currency contracts	–	235,069
Total assets	41,481,800	44,483,936
Liabilities		
Leverage (note 12)	15,300,000	14,325,160
Payables:		
Management fees (note 6)	61,139	54,371
Director & independent review committee fees (note 6)	18,642	11,730
Other accrued liabilities	231,618	190,776
Distributions	214,177	251,772
Capital units redeemed	77,591	1,088
Derivative liabilities:		
Unrealized loss on forward currency contracts	130,084	–
Total liabilities	16,033,251	14,834,897
Net assets attributable to holders of redeemable units	**25,448,549**	**29,649,039**
Net assets attributable to holders of redeemable units by class		
Class A	14,316,743	14,692,990
Class T	11,131,806	14,956,049
Total	25,448,549	29,649,039
Number of units outstanding (note 4)		
Class A	1,459,690	1,502,190
Class T	1,131,820	1,525,960
Net assets attributable to holders of redeemable units per unit		
Class A	9.81	9.78
Class T	9.84	9.80

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors of Purpose Investments Inc., as trustee and manager of June 2021 Investment Grade Bond Pool

Som Seif
Director
August 29, 2018

Scott Bartholomew
Director

STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

For the period from March 21, 2017 to June 30, 2017 and the year ended June 30, 2018:

	June 30, 2018 ($)	June 30, 2017 ($)
Income		
Net gains (losses) on investments and derivatives	104,774	47,169
Dividend income	1,091,773	481,683
Interest income for distribution purposes	142	–
Net realized gain (loss) on foreign exchange transactions	8,355	(16,705)
Net realized gain (loss) on sale of investments	(93,730)	–
Net realized gain (loss) on forward currency contracts	(154,152)	116,103
Net change in unrealized appreciation (depreciation) in value of investments	312,434	(525,536)
Net change in unrealized appreciation (depreciation) in value of forward currency contracts	(365,153)	210,583
Net change in unrealized appreciation (depreciation) on foreign exchange transactions	3,094	(4,905)
Net change in unrealized appreciation (depreciation) on equity forward agreement	1,804	1,538
Net gains (losses) on investments and derivatives	909,341	309,930
Foreign exchange gain (loss) on cash	37,028	(19,258)
Total revenue	946,369	290,672
Expenses		
Management fees (note 6)	177,552	83,733
Interest on loan facility and related expenses	150,962	31,587
UTF services fee (note 6)	87,744	47,141
Listing fees	18,384	9,249
Custodian and fund accounting fees	15,282	8,527
Audit fees	11,472	6,401
Independent review committee fees (note 6)	10,735	3,699
Recordkeeping fees	10,580	5,910
Unitholder reporting	7,773	3,556
Legal fees	7,647	4,267
Transaction costs (note 9)	3,187	1,779
Other expenses (note 6)	14,024	7,651
Total expenses	515,322	213,500
Increase (decrease) in net assets attributable to holders of redeemable units	**431,047**	**77,172**
Increase (decrease) in net assets attributable to holders of redeemable units by class (note 8)		
Class A	253,398	24,318
Class T	177,649	52,854
Total	431,047	77,172
Average number of units outstanding (note 8)		
Class A	1,480,016	1,515,829
Class T	1,332,773	1,677,790
Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 8)		
Class A	0.16	0.02
Class T	0.14	0.03

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION (unaudited)

For the period from March 21, 2017 to June 30, 2017 and the year ended June 30, 2018:

	June 30, 2018 ($)	June 30, 2017 ($)
Class A		
Net assets attributable to holders of redeemable units at beginning of period	14,692,990	–
Increase (decrease) in net assets attributable to holders of redeemable units	253,398	24,318
Redeemable unit transactions		
Proceeds from issuance of redeemable units	–	15,164,400
Unit exchanges	(214,160)	(32,876)
Payments for redemption of redeemable units	(187,040)	–
Issuance cost	–	(75,822)
Net increase (decrease) from redeemable unit transactions	(401,200)	15,055,702
Distributions paid or payable to holders of redeemable units		
From investment income	(228,445)	(117,272)
Total distributions to holders of redeemable units	(228,445)	(117,272)
Net increase (decrease) in net assets attributable to holders of redeemable units	(376,247)	14,962,748
Net assets attributable to holders of redeemable units at end of period	**14,316,743**	**14,962,748**

Class T		
Net assets attributable to holders of redeemable units at beginning of period	14,956,049	–
Increase (decrease) in net assets attributable to holders of redeemable units	177,649	52,854
Redeemable unit transactions		
Proceeds from issuance of redeemable units	–	16,932,892
Unit exchanges	208,971	32,218
Payments for redemption of redeemable units	(3,992,591)	(190,230)
Issuance cost	–	(83,164)
Net increase (decrease) from redeemable unit transactions	(3,783,620)	16,691,716
Distributions paid or payable to holders of redeemable units		
From investment income	(218,272)	(148,783)
Total distributions to holders of redeemable units	(218,272)	(148,783)
Net increase (decrease) in net assets attributable to holders of redeemable units	(3,824,243)	16,595,787
Net assets attributable to holders of redeemable units at end of period	**11,131,806**	**16,595,787**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (unaudited)

For the period from March 21, 2017 to June 30, 2017 and the year ended June 30, 2018:

	June 30, 2018 ($)	June 30, 2017 ($)
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	431,047	77,172
Adjustments for:		
Foreign exchange loss (gain) on cash	(37,028)	19,258
Purchase of investments	(1,112,784)	(45,773,279)
Proceeds from sale of investments	4,632,229	–
Net realized loss (gain) on sale of investments	93,730	–
Net change in unrealized depreciation (appreciation) in value of investments	(312,434)	525,536
Net change in unrealized depreciation (appreciation) in value of forward currency contracts	365,153	(210,583)
Net change in unrealized depreciation (appreciation) on equity forward agreement	(1,804)	(1,538)
Net change in non-cash working capital balances	80,204	(252,846)
	4,138,313	(45,616,280)
Cash Flows from (used in) Financing Activities		
Proceeds from issuance of units	–	32,097,292
Unit exchanges	(5,189)	(658)
Payments for units redeemed	(4,103,128)	(189,572)
Distributions to holders, net of reinvestments	(484,312)	–
Issue cost	–	(158,986)
Leverage	974,840	13,900,000
	(3,617,789)	45,648,076
Foreign exchange gain (loss) on cash	37,028	(19,258)
Net increase (decrease) in cash and cash equivalents	520,524	31,796
Cash and cash equivalents, at beginning of period	239,624	–
Cash and cash equivalents, at end of period	**797,176**	**12,538**
Interest received	1,124,390	81,291
Dividends received, net of withholding taxes	104,774	42,561
Interest paid	150,370	31,587

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF INVESTMENTS (unaudited)

As at June 30, 2018

Security	Number of Shares/Units/ Par Value	Average cost ($)	Fair value ($)
Canadian Fixed Income – 111.2%			
Corporate – 111.2%			
Algonquin Power Co., Callable, 4.650%, 2022/02/15	1,500,000	1,640,130	1,575,696
Brookfield Infrastructure Finance ULC, Callable, 3.452%, 2022/03/11	2,600,000	2,698,167	2,627,099
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.420%, 2026/01/26	2,000,000	2,074,120	2,015,573
Chip Mortgage Trust, Series '16-1', Callable, 2.981%, 2021/11/15	1,000,000	1,011,690	985,287
Cogeco Cable Inc., Callable, 4.925%, 2022/02/14	500,000	548,570	530,415
Cominar REIT, Series '8', 4.250%, 2021/12/08	2,300,000	2,383,750	2,306,878
Crombie REIT, 3.962%, 2021/06/01	2,000,000	2,041,760	2,013,931
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.383%, 2026/12/16	2,029,000	2,064,731	2,034,507
EnerCare Solutions Inc., Series '17-1', Callable, 3.380%, 2022/02/21	1,365,000	1,395,726	1,373,251
First Quantum Minerals Ltd., Callable, 7.000%, 2021/02/15	850,000	1,129,878	1,130,722
Genworth MI Canada Inc., Zero Coupon, 2020/06/15	650,000	618,918	608,693
Genworth MI Canada Inc., Callable, 5.680%, 2020/06/15	400,000	438,680	418,551
Granite REIT Holdings L.P., Series '2', Callable, 3.788%, 2021/07/05	1,500,000	1,560,030	1,518,466
Morguard Corp., Series 'B', 4.013%, 2020/11/18	2,200,000	2,270,365	2,220,614
Precision Drilling Corp., Callable, 6.500%, 2021/12/15	800,000	1,058,084	1,079,328
Reliance L.P., 4.075%, 2021/08/02	1,700,000	1,756,219	1,739,226
SmartCentres REIT, Series 'Q', 2.876%, 2022/03/21	2,000,000	2,027,080	1,974,404
TransAlta Corp., 5.000%, 2020/11/25	608,000	636,280	630,659
Veresen Inc., Callable, 3.430%, 2021/11/10	1,500,000	1,520,115	1,521,480
		28,874,293	28,304,780
United States Fixed Income – 30.6%			
Corporate – 30.6%			
Century Aluminum Co., Callable, 7.500%, 2021/06/01	1,040,000	1,392,059	1,384,326
CenturyLink Inc., Callable, 6.450%, 2021/06/15	800,000	1,122,049	1,086,606
DriveTime Automotive Group Inc. / DT Acceptance Corp., Callable, 8.000%, 2021/06/01	825,000	1,077,407	1,100,855
Genworth Financial Inc., Callable, 7.200%, 2021/02/15	875,000	1,113,554	1,176,201
Jefferies Finance LLC / JFIN Co-Issuer Corp., Callable, 7.500%, 2021/04/15	800,000	1,071,410	1,072,754
Revlon Consumer Products Corp., Callable, 5.750%, 2021/02/15	825,000	1,107,640	816,151
Whiting Petroleum Corp., Callable, 5.750%, 2021/03/15	850,000	1,083,154	1,144,797
		7,967,273	7,781,690
Canadian Preferreds – 16.6%			
Financials – 16.6%			
Bank of Montreal, Preferred, Series '38', Variable Rate, Perpetual	82,800	2,162,053	2,171,016
Bank of Nova Scotia, Preferred, Series '38', Variable Rate, Perpetual	15,200	393,163	394,288
National Bank of Canada, Preferred, Series '36', Variable Rate, Perpetual	41,500	1,105,144	1,086,885
Toronto-Dominion Bank (The), Preferred, Series '14', Variable Rate, Perpetual	21,800	573,117	568,326
		4,233,477	4,220,515
Total Canadian Preferreds – 16.6%		4,233,477	4,220,515
Total Investments – 158.4%		41,075,043	40,306,985
Equity Forward Agreement – 0.0% (note 5)			5,174
Net Unrealized Gain (Loss) on Forward Currency Contracts (Schedule 1) – (0.5%)			(130,084)
Cash – 3.1%			797,176
Other Assets, Less Liabilities – (61.0%)			(15,530,702)
Net Assets – 100%			25,448,549

The accompanying notes are an integral part of the financial statements.

SCHEDULE 1 – FOREIGN FORWARD CURRENCY CONTRACTS

For the period ended June 30, 2018:

Counterparty	S&P Credit Rating for Counterparty	Settlement Date	Currency Buys	Par Value ($)	Currency Sells	Par Value ($)	Par Value ($)	Par Value ($)	Unrealized Gain (Loss) ($)
Velocity	Unrated	9/19/18	CAD	9,262,539	USD	7,154,142	0.772	0.762	(130,084)
									(130,084)

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

1. THE FUND

June 2021 Investment Grade Bond Pool (the "Fund") is an investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated February 24, 2017. The manager and trustee of the Fund is Purpose Investments Inc. (the "Manager" or "Purpose"). The registered office of the Fund is located at 130 Adelaide Street West, Suite 1700 Toronto, Ontario M5H 3P5.

On March 21, 2017, the Fund commenced operations with the listing of Canadian dollar denominated Class T units on the Toronto Stock Exchange ("TSX") and the issuance of non-TSX listed Class A units. On December 28, 2017, June 2021 Investment Grade Bond Pool – Class T changed listing venue from Toronto Stock Exchange (TSX) to Aequitas NEO Exchange Inc. under the ticker symbol RBP.UN.

The Fund's financial statements includes the *Schedule of Investments* as at June 30, 2018 and the *Statement of Financial Position* as at June 30, 2018 and December 31, 2017, and the *Statement of Comprehensive Income*, the *Statement of Changes in Financial Position* and the *Statement of Cash Flows* for the period from March 21, 2017 to June 31, 2017 and the period ended June 30, 2018 (the "financial statement").

The financial statements were approved for issuance by the Manager on August 29, 2018.

2. INVESTMENT OBJECTIVES

The Fund investment objectives are to: (i) return to holders of Units ("Unitholders"), including through Principal Distributions (as defined below), the original issue price of $10.00 per Unit on or before June 30, 2021 (the "Scheduled Termination Date"); and (ii) generate over the term of the Fund an average annual total return after fees and expenses of 3.10% for investors in the initial public offering who purchased Class A Units and 3.55% for investors in the initial public offering who purchased Class T Units, by investing primarily in debt securities of Canadian and U.S. companies ("Eligible Debt Securities").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, 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 unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates. The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Manager has concluded that the Fund has met the additional characteristics of an investment entity within IFRS 10, *Consolidated Financial Statements*.

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency.

FINANCIAL INSTRUMENTS

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). On initial adoption of IFRS 9, there was no impact to the financial statements of the Fund. Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial instruments are recognized in the Statement of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled and expires. As such, investment purchase and sale transactions are recorded as of the trade date. Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Net unrealized gain (loss).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to receivables in respect of amounts receivables for portfolio securities sold and other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Fund includes in this category amounts relating to payables in respect of amounts payable for portfolio securities purchased and other accrued liabilities.

A financial asset or a financial liability is recognized when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Valuation of financial instruments

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statements of Financial Position at fair value upon initial recognition. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss. Loans and receivables and other financial liabilities (other than those classified as fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments that are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in unrealized appreciation (depreciation) on investments. The applicable period change in unrealized appreciation (depreciation) on investments is included on the Statement of Comprehensive Income. The average cost of portfolio investments represents the sum of the average cost of each portfolio investment. For the purposes of determining the average cost of each portfolio investment, the purchase price of the portfolio investment acquired by the Fund is added to the average cost of the particular portfolio investment immediately prior to the purchase. The average cost of a portfolio investment is reduced by the number of shares or units sold multiplied by the average cost of the portfolio investment at the time of the sale. The average cost per share or unit of each portfolio investment sold is determined by dividing the average cost of the portfolio investment by the number of shares or units held immediately prior to the sale transaction. Transaction costs incurred in portfolio transactions are excluded from the average cost of investments and are recognized immediately in net income and are presented as a separate expense item in the financial statements. Realized gains and losses from the sale of portfolio investments are also calculated based on the average costs, excluding transaction costs, of the related investment.

NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

Loans and receivables and other financial liabilities (other than those classified as fair value through profit or loss) are measured at amortized cost.

The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount before discount.

The Fund measures its financial instruments, such as equities, bonds and other interest-bearing investments and derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability.

The fair values of each specific type of investments and derivatives are determined in the following manner:

Portfolio investments

Portfolio investments listed on recognized public securities exchanges are valued using their last traded market price on the securities exchange when the price falls within the day's bid-ask spread. In the circumstance when the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions or a different point within the bid-ask spread that management determines to be more representative of fair value.

Derivatives

Valuation of forward currency contracts

The Fund may enter into forward currency contracts for hedging purposes or to establish an exposure to a particular currency. Forward currency contracts are valued at fair value of the gain or loss, if any, that would be realized on the valuation date if the position in the forward currency contracts were to be closed out. The gain or loss on forward currency contracts is included in the Statement of Comprehensive Income.

Valuation of equity forward agreement

The value of a forward agreement is the gain or loss that would be realized if, on the valuation date, the position was closed out. The forward agreement is valued each day by applying the value of the collateral portfolio versus the value of the underlying holdings of the forward agreement. The difference in the valuation is recorded in the Statements of Financial Position as the forward agreement, at fair value. When the equity forward agreements are closed out, any gains or losses realized are included in net realized gain or loss on equity forward agreement.

Other financial assets and liabilities

All trade receivables and other accounts receivable are designated as receivables. They are recorded at amortized cost, which approximates their fair value. Similarly, all trade payables and accrued expenses are designated as financial liabilities and are recorded at amortized cost, which approximates their fair value.

INCOME RECOGNITION

Interest income for distribution purposes

The interest for distribution purposes shown on the Statement of Comprehensive Income represents the interest received by the Fund accounted for on an accrual basis.

Dividend revenue

Dividend revenue is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income.

Securities lending

The Fund may lend portfolio securities in order to earn additional revenue from fees paid by the counterparty, which is included on the Statement of Comprehensive Income. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date.

The market value of the loaned securities is determined on the close of any valuation date and any additional required collateral is delivered to the Fund on the next business day. The securities on loan continue to be included on the Schedule of Investments and are included in the total value on the Statements of Financial Position in Investments at fair value.

REDEEMABLE PARTICIPATING UNITS

Redeemable participating units are classified as financial liabilities and are redeemable at the unitholder's option at prices based on the Fund's NAV per unit at the time of redemption. The amounts are continuously measured at their redemption value prior to discounts. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified and presented as a financial liability.

FUNCTIONAL AND PRESENTATION CURRENCY

The Fund's functional currency is the Canadian dollar (unless otherwise noted), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Canadian dollars (unless otherwise noted). Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the Canadian dollar, unless otherwise noted.

FOREIGN CURRENCY TRANSLATIONS

Transactions during the year, including purchases and sales of securities, income and expenses, are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date.

Foreign currency transaction gains and losses on financial instruments classified as fair value through profit or loss are included in profit or loss in the Statement of Comprehensive Income as part of the "net gains on investments and derivatives".

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based the assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Statements of Financial Position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statements of Financial Position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, Purpose is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. Purpose has assessed

NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

4. REDEEMABLE PARTICIPATING UNITS

The Fund is authorized to issue an unlimited number of classes of units and an unlimited number of units of each class. The units are redeemable and transferable. Each unit of a Class entitles the holder to the same rights and privileges in relation to any other unitholder of that class, subject to the terms and conditions of the declaration of trust. Unitholders are entitled to vote at all meetings of all unitholders and at all meetings of unitholders of the same Class as the units held. Class A units, and Class T units rank equally with respect to the payment of distributions. The realized and unrealized gains or losses and income and common expenses of the Fund are allocated on each valuation date to the unitholders in proportion to the respective prior day net asset value of each Class of units at the date on which the allocation is made. All Class specific expenses do not require an allocation.

The Class T units are listed on the NEO Exchange ("NEO") under the ticker symbols RBP.UN. The Class A units are not listed on any exchange.

A holder of Class A units may convert Class A units into Class T units on a weekly basis at an exchange ratio determined by dividing the net asset value calculated for fund pricing purposes ("Net Asset Value") per unit of the unit Class so converted by the Net Asset Value per unit of the unit Class to be issued on conversion with an early exchange fee being applied to the exchange ratio for the first 30 months.

The Fund will terminate on June 30, 2021 (the "Scheduled Termination Date"), provided that the Manager may extend the Scheduled Termination Date by a maximum of 180 days if the Manager would be unable to convert all of the Fund's assets to cash and the Manager determines it would be in the interests of unitholders to do so. Subject to the foregoing, the Fund's investments will be liquidated prior to the Scheduled Termination Date at the then available market prices. It is expected that most of the Portfolio Securities will mature and the principal amounts thereof, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of units, generally will be distributed to unitholders as Principal Distributions prior to the Scheduled Termination Date. See "Distribution Policy – Quarterly Principal Distributions".

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 418,600 units at an average price of $9.60 over the year ended June 30, 2018.

Changes in outstanding units during the period ended June 30, 2018 and December 31, 2017 are summarized as follows:

	Number of Units	
	Class A	Class T
Issued	1,516,440	1,693,289
Issued in exchange for other class	–	13,972
Redeemed	–	(181,301)
Redeemed in exchange for other class	(14,250)	–
Outstanding, December 31, 2017	1,502,190	1,525,960
Issued in exchange for other class	–	21,461
Redeemed	(20,700)	(415,601)
Redeemed in exchange for other class	(21,800)	–
Outstanding, June 30, 2018	1,459,690	1,131,820

5. EQUITY FORWARD AGREEMENT

The Fund has entered into a forward agreement (the "Forward Agreement") with the National Bank Financial Inc. ("the Counterparty"), which has a credit rating of A according to Standard & Poor's. The Fund is exposed to the credit risk associated with the Counterparty. As at June 30, 2018, the Fund has pledged collateral with a market value of $180,000 (December 31, 2017– $242,392). The obligations of the Counterparty to the Fund under the Forward Agreement will be determined by reference to the performance of the Fund. The change in the fair value of the Fund's Equity Forward Agreement is directionally consistent with the change in the nonforward net asset value of the Fund.

6. MANAGEMENT FEES, UTF SERVICES FEE AND OTHER EXPENSES

The Class A units are charged a management fee at an annual rate of 0.75% and Class T units are charged 0.75% of the Net Asset Value of the Fund plus applicable taxes. The management fee is accrued daily and paid monthly in arrears. The Investment Advisor is paid a fee by the Manager from these management fees.

The Fund will pay the UTF Service Provider a fee of 0.25% per annum of the NAV attributable to the Class T Units, calculated daily and payable quarterly, and 0.85% per annum of the NAV attributable to the Class A Units, calculated daily and payable quarterly (collectively, the "UTF Services Fee"), plus applicable taxes.

The manager is also entitled to an amount equal to the Contingent Agents Fee. The Contingent Agents Fee is the annual deferred compensation paid by the Manager 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 is also responsible for various expenses relating to its operations and management. These expense may include, without limitation, items such as financial reporting, mailing, printing, trustee fees, custodial fees, transfer agent fees, legal fees, valuation agent fees, audit fees, regulatory fees, and Independent Review Committee costs. The Fund is also responsible for all taxes, commissions and other costs of securities transactions and any extraordinary expenses that it may incur or that may be incurred on its behalf from time to time. Except for interest and bank charges paid or payable directly by the Fund, the Manager incurs such expenses on the Fund's behalf and is then reimbursed by the Fund for such expenses. The Fund's common operating expenses are allocated to unit classes based on the average daily Net Asset Value of each class.

7. INCOME TAXES AND WITHHOLDING TAXES

The Fund qualifies and intends to continue to qualify as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is subject to tax on its investment income, including net realized capital gains, for any tax year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of its tax year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains will be distributed to unitholders on a tax year basis such that no Canadian income taxes are payable by the Fund. As a result thereof, no provision for income taxes is made in these financial statements.

As at December 31, 2017, the Fund had no capital or non-capital losses for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains. Non-capital losses may be utilized to reduce taxable income over the twenty years following the year in which they arise.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

8. INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

Increase (decrease) in net assets from operations attributable to holders of redeemable units per unit of each Class is calculated by dividing the Increase (decrease) in net assets attributable to holders of redeemable units from operations (excluding distributions), as reported in the Statement of Comprehensive Income, by the weighted average number of units in issue during the related period.

9. BROKERAGE COMMISSIONS

Commissions paid to brokers in connection with portfolio transactions are included in transaction costs in the Fund's Statement of Comprehensive Income. Brokerage business is allocated based on which broker can deliver to the Fund the best trade execution.

Soft dollar arrangements are when trades are allocated to brokers that provide or pay for, in addition to transaction execution, investment research, statistical or other similar services. The Investment Advisor does not use soft dollar arrangements when selecting brokers for trade execution for the Fund.

10. FAIR VALUE INVESTMENTS

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment, considering factors specific to the asset or liability. The Fund's hierarchy for disclosing the fair value of its financial instruments is based on the inputs summarized below:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuation techniques with significant unobservable market inputs.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

The following inputs were used in valuing the Fund's investments and derivatives at fair values as at June 30, 2018:

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial assets				
Bonds	–	36,086,470	–	36,086,470
Preferred shares	4,220,515	–	–	4,220,515
Equity forwards	–	5,174	–	3,370
Currency forwards	–	9,262,539	–	9,262,539
Total financial assets	4,220,515	45,354,183	–	49,574,698
Financial liabilities				
Currency forwards	–	9,392,623	–	9,392,623
Total financial liabilities	–	9,392,623	–	9,392,623
Total financial assets and liabilities	4,220,515	35,961,560	–	40,182,075

The following inputs were used in valuing the Fund's investments and derivatives at fair values as at December 31, 2017:

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial assets				
Bonds	–	39,338,846	–	39,338,846
Preferred shares	4,268,880	–	–	4,268,880
Equity forwards	–	3,370	–	3,370
Currency forwards	–	11,416,223	–	11,416,223
Total financial assets	4,268,880	50,758,439	–	55,027,319
Financial liabilities				
Currency forwards	–	11,181,154	–	11,181,154
Total financial liabilities	–	11,181,154	–	11,181,154
Total financial assets and liabilities	4,268,880	39,577,285	–	43,846,165

During the periods ended June 30, 2018 and December 31, 2017 there were no transfers of assets between Level 1, Level 2 and Level 3.

11. FINANCIAL RISKS

In the normal course of business the Fund is exposed to a variety of financial risks: market price risk, interest rate risk, currency risk, credit risk and liquidity risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, and the market and company news related to specific securities held by the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions.

The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

Market price risk

Market price risk arises primarily from uncertainties about the future market prices of instruments held. Market price fluctuations may be caused by factors specific to an individual investment, or factors affecting all securities traded in a market or industry sector. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Fund does not have any significant exposure to equity securities as of June 30, 2018.

Interest rate risk

Interest rate risk arises from interest-bearing financial instruments where the values of those instruments fluctuate due to changes in market interest rates.

As at June 30, 2018 and December 31, 2017 the Fund had exposure to debt instruments by maturity as follows:

Maturity	**2018 % of fixed-income assets**	2017 % of fixed-income assets
1 to 3 years	41.03	9.87
3 to 5 years	47.75	70.71
Greater than 5 years	11.22	19.41

As at June 30, 2018the overall portfolio duration was 4.69 (December 31, 2017 – 2.90). If interest rates were to increase by 1% with all other variables held constant the Fund would decrease by $1.7 million (December 31, 2017 – $1.1 million and if interest rates were to decrease by 1% the Fund would increase by $1.7 million (December 31, 2017 – $1.1 million).

NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of financial instruments denominated in other currencies will fluctuate due to changes in exchange rates. Forward currency and swap contracts and options may be utilized by the Fund to hedge against currency fluctuations. The Fund's exposure to currency risk relates primarily to cash and investments which are denominated in US dollars.

The table below summarizes the Fund's direct exposure to the US dollar as at June 30, 2018 and December 31, 2017 including the fair value of currency contracts that are used to hedge the foreign currency risk:

	June 30, 2018		December 31, 2017	
	Fair Value ($)	**% of Net Assets**	Fair Value ($)	% of Net Assets
Foreign currency and debt instruments*	9,856,773		11,274,711	
Forward currency contracts	(9,392,623)		(11,181,154)	
Net exposure	464,150	1.8	93,557	0.3

* The Fund's foreign investments are generally in US dollar securities even if the companies are non-US companies.

If the Canadian dollar weakened or strengthened by 5% as at June 30, 2018 in relation to the US dollar, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately $0.2 million (December 31, 2017 – $0.0 million). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Portfolio concentration risk

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Manager manages the risk through diversification and a thorough understanding of each investment in the portfolio.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to discharge an obligation or commitment that it has entered into with the Fund.

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The Fund's main exposure to credit risk is its trading of listed securities. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

As at June 30, 2018 and December 31, 2017, the Fund invested in debt instruments with the following Standard & Poor's credit ratings:

	June 30, 2018		December 31, 2017	
Bond Ratings	**% of Total Bonds**	**% of Net Assets**	% of Total Bonds	% of Net Assets
AAA	2.7	3.9	2.5	3.3
A	5.6	8.0	10.3	13.7
BBB	57.6	81.6	55.5	73.6
Below BBB	34.1	48.3	31.7	42.1
Total	100.0	141.8	100.0	132.7

Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk mainly arises from the Fund's exposure to monthly and annual redemptions. Sufficient notification is required for redemption requests to allow the Manager to sell investments to raise cash to fund redemptions. In addition, the Fund retains sufficient cash positions to meet its daily cash requirements. All liabilities are due within three months except for the loan facility.

12. LEVERAGE

The Fund may employ leverage in an amount up to 30% 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 period ended June 30, 2018, the minimum and maximum amount borrowed was $14,800,000 and $15,700,000 (December 31, 2017 – $nil and $14,800,000), respectively; the percentage of total assets of the Fund that the borrowing represented at June 30, 2018 was 36% (December 31, 2017 – 32%); and the terms of the borrowing were based on the Federal Funds rate plus a spread. As at June 30, 2018, the interest rate was 2.37% (December 31, 2017 – 1.75%). The borrowings were used to purchase additional securities in the portfolio. Investments are used as collateral against the borrowed funds.

13. CAPITAL MANAGEMENT

The Fund considers its capital to consist of its issued and outstanding units.

The Fund's investment objectives are outlined in note 2.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in note 11 while maintaining sufficient liquidity to meet distributions and redemptions. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders. The Fund is not subject to any externally imposed capital requirements.

14. DISTRIBUTIONS

The Fund pays regular cash distributions to its unitholders on a monthly basis. The Fund does not have a fixed monthly distribution amount. The amounts of monthly distributions are based on the Manager's assessment of anticipated income received from the portfolio holdings.

15. RELATED PARTY TRANSACTIONS

Redwood is deemed to be a related party as Manager of the Fund. Please refer to note 6 above for fees paid to Redwood. There are no other related party transactions for the Fund.

The Manager has appointed the Independent Review Committee (IRC) as required by National Instruments 81-107 *Independent Review Committee for Investment Fund*. 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 Fund. The fees for services rendered to the Fund are reported in the Statement of Comprehensive Income.

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Ticker Symbol:
Class T Units – RBP.UN

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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

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