

**PURPOSE**  
INVESTMENTS

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

**PURPOSE BEHAVIOURAL OPPORTUNITIES FUND**  
**(FORMERLY REDWOOD BEHAVIOURAL OPPORTUNITIES FUND)**  
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2018

## TABLE OF CONTENTS

This interim management report of fund performance (“MRFP”) contains financial highlights but does not contain interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by visiting our website at [www.purposeinvest.com](http://www.purposeinvest.com) or SEDAR at [www.sedar.com](http://www.sedar.com), by calling or by writing to us at Purpose Investments Inc., 130 Adelaide Street West, Suite 1700, P.O. Box 83, Toronto, Ontario M5H 3P5.

In addition, shareholders may also contact us using one of these methods to request copies of the Fund’s annual financial report, proxy voting policies and procedures, proxy voting disclosure records, and quarterly portfolio disclosures.

For more information on the Fund’s current and historical net asset value per share, please visit [www.purposeinvest.com](http://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.

Caution regarding forward-looking statements	Inside front cover
Interim management report of fund performance	1
Financial highlights	2
Summary of investment portfolio	5
Corporate information	Back cover

# 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.

Redwood Asset Management Inc. ("Redwood") was amalgamated into Purpose Investments Inc. ("Purpose"). The Fund changed its name to Purpose Behavioural Opportunities Fund effective May 2, 2018.

## INVESTMENT OBJECTIVES AND STRATEGIES

Purpose Behavioral Opportunities Fund (the "Fund") seeks to generate long-term capital growth. The Fund invests predominantly in equity securities of North-American issuers. It may also invest in securities of foreign issuers. The Fund utilizes a basket of different strategies, each researched and designed to take advantage of either an investor behavioural bias/weakness or structural inefficiency in the market.

Purpose Investments Inc. ("Purpose" or the "Manager") is the manager of the Fund. As noted, the Fund utilizes a basket of different strategies, each researched and designed to take advantage of either an investor behavioural bias/weakness or structural inefficiency in the market. Each specific strategy has been researched extensively and often perform independently of one another. The Fund diversifies across a number of different unique strategies to reduce overall volatility as some strategies work better in some market environments versus others. The allocation across strategies varies over time dependent on the available opportunities in each. Up to 60% of the Fund's portfolio may be invested in foreign securities.

## 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

On January 16, 2018, the Fund commenced operations with the listing of the shares on the Toronto Stock Exchange under ticker symbol BHAV and mutual fund series.

The net asset value per share as at:

Series	June 30, 2018 (\$)
ETF Shares	20.57
Series A	20.46
Series F	20.56

During the period ended June 30, 2018, the Fund did not pay a distribution.

With market dislocations showing no signs of easing up, the Fund Redwood Behavioural Opportunities Fund was launched in January 2018, in order to take advantage of these dislocations, capitalizing on mispriced assets/stocks caused by investor's emotions or behavioural biases. The Fund utilizes seven different levers to take advantage of these mispricing's, consisting of Unloved to Less Unloved, Earnings Overreaction, Emotional Cascade, Indexing Bias, Crowded Trades, Neglect and Herd Hedge. The Fund is managed by Craig Basinger at Richardson GMP Limited, a Toronto based firm whom managed two other mandates for Purpose Investments.

Over the measured time frame, the Fund showed positive performance of 3.30% since its inception in January. The most accretive lever used was the Earnings

Overreaction sleeve, which at times crept near 30% of the total portfolio. This strategy involved buying quality companies that temporarily experience a sizeable negative price reaction to earnings and shorting lower quality companies that experience an overreaction from positive earnings.

Redwood Asset Management Inc. ("Redwood") was amalgamated into Purpose Investments Inc. ("Purpose"). The Fund changed its name to Purpose Behavioural Opportunities Fund effective May 2, 2018.

## RECENT DEVELOPMENTS

During May, the Fund had a name change from Redwood Behavioural Opportunities Fund to Purpose Behavioural Opportunities Fund. No other material changes were implemented in the Fund. The investment mandate, and manager of the Fund continues to remain the same.

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 Fund. 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 Fund 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 from January 17, 2018 to June 30, 2018:

### NET ASSETS PER SHARE <sup>(1)</sup>

For the period from January 17, 2018 to June 30, 2018:

	2018 <sup>(a)</sup> (\$)
ETF Share	
<b>Net assets, beginning of period</b>	<b>20.00 <sup>(b)</sup></b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.25
Total expenses	(0.13)
Realized gains (losses) for the period	(0.15)
Unrealized gains (losses) for the period	0.71
Total increase (decrease) from operations <sup>(2)</sup>	0.68
<b>Net assets, end of period</b>	<b>20.57</b>

Notes:

(a) Information presented is for the period January 17, 2018 to June 30, 2018.

(b) Initial offering price.

- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of shareholder 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 shareholders.
- Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of shares outstanding over the financial period.

### RATIOS AND SUPPLEMENTAL DATA

ETF Share	2018
Total net asset value (\$) (000s) <sup>(1)</sup>	3,086
Number of shares outstanding (000s) <sup>(1)</sup>	150
Management expense ratio <sup>(2)</sup>	1.15%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	1.90%
Trading expense ratio <sup>(3)</sup>	0.12%
Portfolio turnover rate <sup>(4)</sup>	76.89%
Closing market price (\$)	20.57

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's net asset value calculated for fund pricing purposes ("NAV") and is provided as at June 30, 2018.
- 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 an allocation of expenses from the underlying funds held in the portfolio. Without the allocation, the MER would be 1.12%.
- 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 series of shares of the Fund.
- The portfolio turnover rate is calculated at the portfolio level 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 Sub-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 series of shares of the Fund.

### NET ASSETS PER SHARE <sup>(1)</sup>

For the period from January 17, 2018 to June 30, 2018:

Series A	2018 <sup>(a)</sup> (\$)
<b>Net assets, beginning of period</b>	<b>20.00 <sup>(b)</sup></b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.28
Total expenses	(0.25)
Realized gains (losses) for the period	(0.36)
Unrealized gains (losses) for the period	1.21
Total increase (decrease) from operations <sup>(2)</sup>	0.88
<b>Net assets, end of period</b>	<b>20.46</b>

Notes:

(a) Information presented is for the period January 17, 2018 to June 30, 2018.

(b) Initial offering price.

- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of shareholder 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 shareholders.
- Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of shares outstanding over the financial period.

### RATIOS AND SUPPLEMENTAL DATA

Series A <sup>(5)</sup>	2018
Total net asset value (\$) (000s) <sup>(1)</sup>	1,233
Number of shares outstanding (000s) <sup>(1)</sup>	60
Management expense ratio <sup>(2)</sup>	2.27%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	3.02%
Trading expense ratio <sup>(3)</sup>	0.12%
Portfolio turnover rate <sup>(4)</sup>	76.89%

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's net asset value calculated for fund pricing purposes ("NAV") and is provided as at June 30, 2018.
- 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 an allocation of expenses from the underlying funds held in the portfolio. Without the allocation, the MER would be 2.24%.
- 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 series of shares of the Fund.
- The portfolio turnover rate is calculated at the portfolio level 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 Sub-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 series of shares of the Fund.
- The Series A shares and Series F shares of the Fund are not traded on a stock exchange.

**NET ASSETS PER SHARE <sup>(1)</sup>**

For the period from January 17, 2018 to June 30, 2018:

	2018 <sup>(a)</sup>
	(\$)
Series F	
<b>Net assets, beginning of period</b>	<b>20.00</b> <sup>(b)</sup>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.27
Total expenses	(0.14)
Realized gains (losses) for the period	(0.27)
Unrealized gains (losses) for the period	0.90
Total increase from operations <sup>(2)</sup>	0.76
<b>Net assets, end of period</b>	<b>20.56</b>

Notes:

(a) Information presented is for the period January 17, 2018 to June 30, 2018.

(b) Initial offering price.

- This information is derived from the Fund's financial statements prepared in accordance with IFRS. For purposes of shareholder 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 shareholders.
- Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of shares outstanding over the financial period.

**RATIOS AND SUPPLEMENTAL DATA**

Series F <sup>(5)</sup>	2018
Total net asset value (\$) (000s) <sup>(1)</sup>	910
Number of shares outstanding (000s) <sup>(1)</sup>	44
Management expense ratio <sup>(2)</sup>	1.15%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	1.90%
Trading expense ratio <sup>(3)</sup>	0.12%
Portfolio turnover rate <sup>(4)</sup>	76.89%

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund's net asset value calculated for fund pricing purposes ("NAV") and is provided as at June 30, 2018.
- 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 an allocation of expenses from the underlying funds held in the portfolio. Without the allocation, the MER would be 1.12%.
- 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 series of shares of the Fund.
- The portfolio turnover rate is calculated at the portfolio level 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 Sub-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 series of shares of the Fund.
- The Series A shares and Series F shares of the Fund are not traded on a stock exchange.

**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 1.00% of the NAV of the ETF shares, 2.00% of the Series A shares and 1.00% of the Series F shares. The management fees are calculated daily and paid monthly in arrears. Purpose utilizes 100% of the management fees to pay investment sub-advisory fees, service fees to registered dealers of Series A shareholders, general and administrative expenses and earn revenue.

The Fund may from time to time invest in other investment funds which are related funds managed by Purpose. An investment is made where it is an efficient and cost effective way for the Fund to execute its investment strategy. The investment may only be made on the basis that there will be no duplication of management fees.

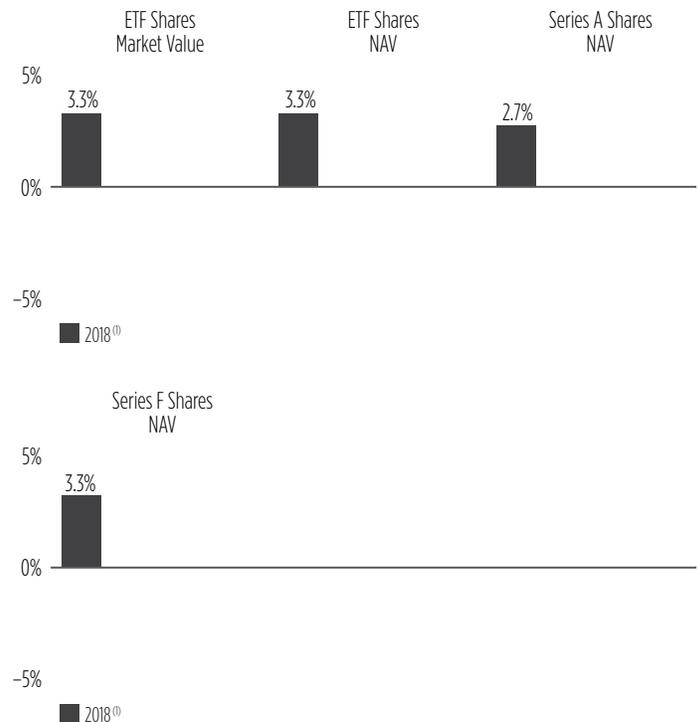
**PAST PERFORMANCE**

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**

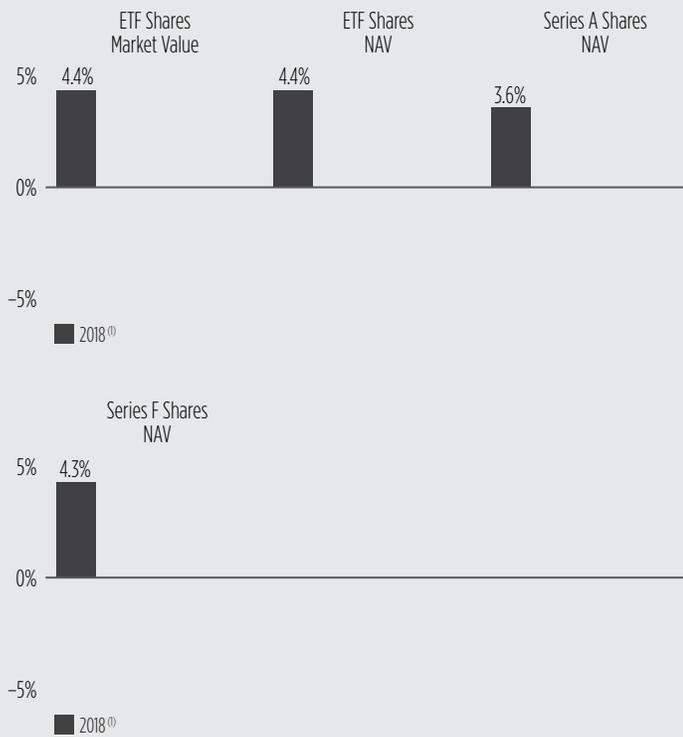
The bar charts show the performance of each Series of shares for the financial period in percentage terms, indicating how much an investment made on the first day of the period would have grown or decreased by the last day of the period.

**OVERALL PORTFOLIO**



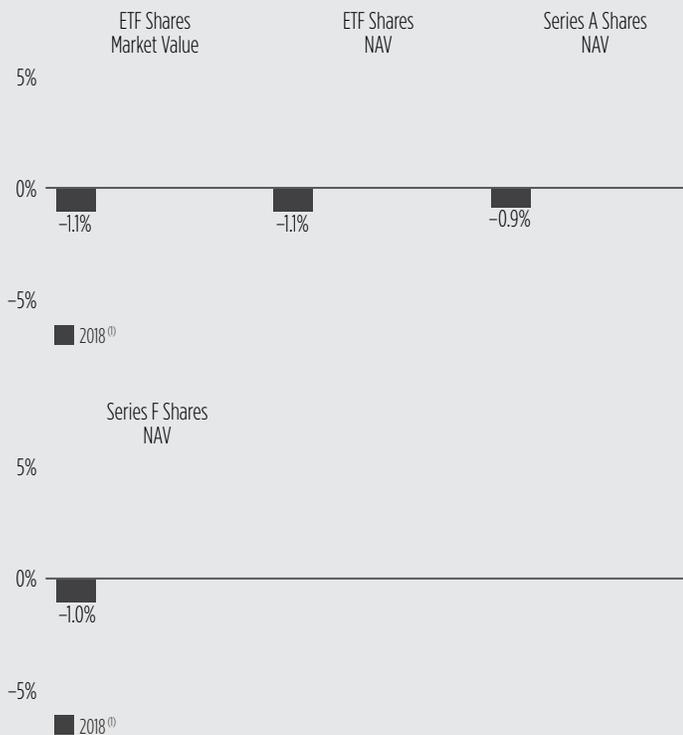
- Return for the period from January 17, 2018 to June 30, 2018.

**LONG PORTFOLIO**



1. Return for the period from January 17, 2018 to June 30, 2018.

**SHORT PORTFOLIO**



1. Return for the period from January 17, 2018 to June 30, 2018.

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2018

### SECTOR MIX

	% of Fund's Net Asset Value
<b>Long Positions</b>	
Exchange Traded Funds	35.0
Industrials	11.4
Information Technology	10.1
Consumer Discretionary	9.2
Energy	7.4
Financials	5.8
Utilities	4.9
Consumer Staples	3.4
Materials	1.9
Real Estate	1.0
Health Care	0.8
Telecommunication Services	0.8
Equity Put Options	0.7
Equity Call Options	0.1
Cash and Cash Equivalents	8.3
Net Other Assets	2.0
<b>Short Positions</b>	
Materials	(0.4)
Consumer Discretionary	(2.4)
<b>Total Net Asset Value</b>	<b>100.00</b>

### TOP 25 HOLDINGS

	% of Fund's Net Asset Value
iShares Core S&P/TSX Capped Composite Index ETF	27.7
Cash and Cash Equivalents	8.3
SPDR S&P 500 ETF Trust	7.3
TransAlta Renewables Inc.	1.4
United Natural Foods Inc.	1.3
TransCanada Corp.	1.2
Stars Group Inc. (The)	1.2
Tractor Supply Co.	1.2
Kirby Corp.	1.1
Exxon Mobil Corp.	1.0
Fastenal Co.	1.0
Spirit MTA REIT	1.0
PPL Corp.	1.0
Union Pacific Corp.	1.0
Tiffany & Co.	1.0
Texas Instruments Inc.	1.0
Freeport-McMoRan Inc.	1.0
Macy's Inc.	0.9
Celestica Inc.	0.9
American International Group Inc.	0.9
Perspecta Inc.	0.9
General Electric Co.	0.9
Stella-Jones Inc.	0.9
Thomson Reuters Corp.	0.9
Power Corp. of Canada	0.9

For investments in other investment funds, their prospectus and other information is available at [www.sedar.com](http://www.sedar.com). 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 1700, P.O. Box 83  
Toronto, ON M5H 3P5

## INVESTMENT SUB-ADVISOR

Richardson GMP Limited  
145 King Street West, Suite 1400  
Toronto, ON M5H 1J8

## LEGAL COUNSEL

Fasken Martineau DuMoulin LLP  
333 Bay Street  
Toronto, ON M5H 2T6

## AUDITOR

Ernst & Young LLP  
EY Tower  
100 Adelaide Street West, P.O. Box 1  
Toronto, ON M5H 0B3

## CUSTODIAN

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

## REGISTRAR AND TRANSFER AGENT

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

## TORONTO STOCK EXCHANGE LISTING

Ticker Symbol: BHAV

## BOARD OF DIRECTORS AND INDEPENDENT REVIEW COMMITTEE OF PURPOSE FUND CORP.

### SOM SEIF

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

### 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

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

### SCOTT BARTHOLOMEW

Chief Financial Officer, Chief Operating Officer and Director

### CAITLIN GOSSAGE

Chief Compliance Officer

### JEFF MITELMAN

Director