

PURPOSE
INVESTMENTS

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

PURPOSE ENERGY CREDIT FUND
(FORMERLY ENERGY CREDIT OPPORTUNITIES INCOME FUND)
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2018

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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 or SEDAR at 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, unitholders 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.

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.

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INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund seeks to provide investors with a stable monthly distribution while providing unitholders with the opportunity for appreciation in the net asset value per unit.

Purpose Investments Inc. ("Purpose" or the "Manager") is the manager and trustee of the Fund. The Portfolio Advisor actively manages the portfolio, using fundamental security level analysis, selecting fixed income securities of issuers in the Energy Sector that it believes are temporarily undervalued, have the ability to continue to meet their obligations during periods of depressed oil pricing and corresponding reduction in earnings and that offer the potential for capital appreciation from the expected spread compression anticipated to accompany an increase in oil prices.

The portfolio is comprised of US dollar and Canadian dollar denominated securities. With respect to Class A units, substantially all of the portfolio's exposure to the US dollar is hedged back to the Canadian dollar.

The Fund may also employ leverage up to 25% of the total assets of the Fund.

RISK

The risks of investing in the Fund are disclosed in the Fund's prospectus and there were no meaningful changes in the portfolio that affected risk during the reporting period.

RESULTS OF OPERATIONS

The Fund is listed on the Toronto Stock Exchange under the ticker symbols PCF for the ETF Units and PCF.U for the ETF (USD) Units.

The net asset value per unit as at:

Class	June 30, 2018 (\$)	December 31, 2017 (\$)
ETF Unit	6.99	7.19
ETF Unit (USD)*	7.12	7.46
Class A	20.22	-
Class F	20.48	-

* All information is stated in Canadian dollars except Net Assets per unit for the Class U units which are stated in US dollars.

INVESTMENT PERFORMANCE

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

Month	ETF Units (\$)	ETF Units (USD) (\$)	Class A Units (\$)	Class F Units (\$)
January	0.0500	0.0480	0.0500	0.1000
February	0.0359	0.0360	0.0350	0.1030
March	0.0359	0.0360	0.0350	0.1030
April	0.0359	0.0360	0.0350	0.1030
May	0.0359	0.0370	0.0350	0.1030
June	0.0359	0.0370	0.0350	0.1030
Total	0.2295	0.2300	0.2250	0.5100

Through the first half of 2018, crude oil has outperformed equities, most commodities and more specifically, energy stocks and bonds. Capital markets appear unconvinced of the oil rally's staying power and have lagged the move in the underlying commodity.

Crude oil has been the beneficiary of firm global demand, as GDP growth remains on trend. In addition, supply volatility from significant producer countries, including Venezuela and Iran, is expected to continue in the coming months as the US government re-applies sanctions after backing out of the nuclear deal originally engineered by the Obama Administration.

In the first half of 2018, crude oil (West Texas Intermediate) was up 23% to \$74 per barrel compared with \$60 to start the year. Energy capital markets underperformed the sharp rise in crude oil, with US energy equities up 16% in the period (as measured by the SPDR Oil & Gas Exploration & Development ETF, XOP) and the Bloomberg Barclays High Yield Energy TR Index up 1.5% in the period. In the second quarter alone energy equities outperformed both crude oil and energy-related debt, with XOP returning 22% compared with a 2.5% return for energy high yield and 14% return for crude oil in the period.

Against this backdrop, the Fund had positive returns over the period.

The largest contributors to return were Weatherford 8.25% of 2023, Athabasca Oil 9.875% of 2022 and EP Energy 8.00% of 2024. Both Athabasca Oil and EP Energy bonds were new positions this year, and boast significant asset value protection and relatively high coupon rates. There were no notable detractors to performance.

RECENT DEVELOPMENTS

On February 14, 2018 Energy Credit Opportunities Income Fund (NEO:PCF.UN/PCF.U) completed its conversion into an actively managed open-end fund with ETF and mutual fund units. Upon the conversion, the Fund's name changed to Redwood Energy Credit Fund. The Class A units of Energy Credit Opportunities Income Fund converted into ETF Currency Hedged Units of Redwood Energy Credit Fund with ticker symbol PCF, and the Class U units of Energy Credit Opportunities Income Fund converted into U.S. dollar denominated ETF Non-Currency Hedged Units of Redwood Energy Credit Fund with ticker symbol PCF.U. The Fund also launched new Class A and Class F mutual fund units.

In May, the Fund name was changed from Redwood Energy Credit Opportunities Fund to Purpose Energy Credit Fund. The Manager is Sandy Liang, who has over 25 years of experience managing credit investments. Most recently, energy debt has been underperforming both equities and the commodity, with flat relative performance (vs the broader high yield market) in the latest rally.

The Manager believe this trend is due to a reversal and that high yield energy will play catch-up to the market to participate in the commodity rally on a lagged basis.

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 Statements of Comprehensive Income. There are no other related party transactions for the Fund.

INDEPENDENT REVIEW COMMITTEE

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

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

NET ASSETS PER UNIT ⁽¹⁾

ETF Units	2018 ^(a) (\$)	2017 (\$)	2016 (\$)	2015 ^(b) (\$)
Net assets, beginning of period	7.19	7.41	6.79	10.00 ^(c)
Agency and issue expenses	-	-	-	(0.65)
	7.19	7.41	6.79	9.35
Increase (decrease) from operations:				
Total revenue	0.21	0.53	0.57	0.37
Total expenses	(0.08)	(0.16)	(0.12)	(0.08)
Realized gains (losses) for the period	(0.02)	0.32	(1.10)	(1.02)
Unrealized gains (losses) for the period	(0.08)	(0.31)	1.84	(1.48)
Total increase (decrease) from operations ⁽²⁾	0.03	0.38	1.19	(2.21)
Distributions:				
From investment income	(0.23)	(0.60)	(0.31)	(0.23)
Return of capital	-	-	(0.29)	(0.14)
Total distributions ⁽³⁾	(0.23)	(0.60)	(0.60)	(0.37)
Net assets, end of period	6.99	7.19	7.41	6.79

Notes:

(a) Information presented is for the period January 1, 2018 to June 30, 2018.

(b) Information presented is for the period June 19, 2015 to December 31, 2015.

(c) Initial offering price.

- 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.
- Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of units outstanding over the financial period.
- Distributions were paid in cash or reinvested in additional units of the Fund.

RATIOS AND SUPPLEMENTAL DATA

ETF Units	2018	2017	2016	2015
Total net asset value (\$) (000s) ⁽¹⁾	21,190	16,059	21,235	20,390
Number of units outstanding (000s) ⁽¹⁾	3,033	2,233	2,866	3,001
Management expense ratio ⁽²⁾	2.12%	2.14%	1.80%	8.23%
Management expense ratio excluding issue costs and agency fees ⁽²⁾	2.12%	2.14%	1.80%	1.77%
Trading expense ratio ⁽³⁾	0.03%	0.03%	0.02%	0.01%
Portfolio turnover rate ⁽⁴⁾	37.36%	23.07%	30.55%	12.06%
Closing market price (\$)	7.00	6.82	7.20	6.10

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 December 31 of the year shown except 2018 which is shown as at June 30. 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.
- 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.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund's daily average NAV. The trading expense ratio is calculated at the portfolio level and applies to all classes of units of the Fund.
- The portfolio turnover rate is based on the lesser of purchases or proceeds of sales of securities for the period, excluding cash, short-term notes, and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the period. The Fund's portfolio turnover rate indicates how actively the Fund's investment advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the 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⁾

ETF Units (USD)	2018 ^(a) (\$)	2017 (\$)	2016 (\$)	2015 ^(b) (\$)
Net assets, beginning of period	9.38	10.15	9.59	10.00^(c)
Agency and issue expenses	-	-	-	(0.62)
	9.38	10.15	9.59	9.38
Increase (decrease) from operations:				
Total revenue	0.22	0.54	0.57	0.38
Total expenses	(0.09)	(0.17)	(0.13)	(0.09)
Realized gains (losses) for the period	0.05	0.08	(1.13)	(1.05)
Unrealized gains (losses) for the period	0.03	(0.45)	1.71	(0.38)
Total increase (decrease) from operations ⁽²⁾	0.21	-	1.03	(1.14)
Distributions:				
From investment income	(0.23)	(0.78)	(0.46)	(0.23)
Return of capital	-	-	(0.33)	(0.14)
Total distributions ⁽³⁾	(0.23)	(0.78)	(0.79)	(0.37)
Net assets, end of period	9.36	9.38	10.15	9.59
Net assets, end of period (USD)⁽⁴⁾	7.12	7.46	7.56	6.93

Notes:

(a) Information presented is for the period January 1, 2018 to June 30, 2018.

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RATIOS AND SUPPLEMENTAL DATA

ETF Units USD ⁽³⁾	2018	2017	2016	2015
Total net asset value (\$) (000s) ⁽¹⁾	1,242	1,244	5,380	5,061
Number of units outstanding (000s) ⁽¹⁾	133	133	530	528
Management expense ratio ⁽²⁾	2.26%	2.22%	1.88%	8.63%
Management expense ratio excluding issue costs and agency fees ⁽²⁾	2.26%	2.22%	1.88%	1.85%
Trading expense ratio ⁽³⁾	0.03%	0.03%	0.02%	0.01%
Portfolio turnover rate ⁽⁴⁾	37.36%	23.07%	30.55%	12.06%
Closing market price (USD)	7.18	7.56	8.69	7.70

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NET ASSETS PER UNIT ⁽¹⁾

For the period from February 14, 2018 to June 30, 2018:

Class A	2018 ^(a) (\$)
Net assets, beginning of period	20.00^(b)
Increase (decrease) from operations:	
Total revenue	0.41
Total expenses	(0.11)
Realized gains (losses) for the period	(0.41)
Unrealized gains (losses) for the period	0.29
Total increase (decrease) from operations ⁽²⁾	0.18
Distributions:	
From investment income	(0.23)
Total distributions ⁽³⁾	(0.23)
Net assets, end of period	20.22

Notes:

(a) Information presented is for the period February 14, 2018 to June 30, 2018.

(b) Initial offering price.

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RATIOS AND SUPPLEMENTAL DATA

Class A	2018
Total net asset value (\$) (000s) ⁽¹⁾	817
Number of units outstanding (000s) ⁽¹⁾	40
Management expense ratio ⁽²⁾	2.03%
Management expense ratio excluding issue costs and agency fees ⁽²⁾	2.03%
Trading expense ratio ⁽³⁾	0.03%
Portfolio turnover rate ⁽⁴⁾	37.36%

Notes:

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NET ASSETS PER UNIT ⁽¹⁾

For the period from February 14, 2018 to June 30, 2018:

Class F	2018 ^(a) (\$)
Net assets, beginning of period	20.00 ^(b)
Increase (decrease) from operations:	
Total revenue	0.43
Total expenses	(0.09)
Realized gains (losses) for the period	0.01
Unrealized gains (losses) for the period	0.63
Total increase (decrease) from operations ⁽²⁾	0.98
Distributions:	
From investment income	(0.51)
Total distributions ⁽³⁾	(0.51)
Net assets, end of period	20.48

Notes:

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- Distributions were paid in cash or reinvested in additional units of the Fund.

RATIOS AND SUPPLEMENTAL DATA

Class F	2018
Total net asset value (\$) (000s) ⁽¹⁾	1
Number of units outstanding (000s) ⁽¹⁾	-
Management expense ratio ⁽²⁾	1.65%
Management expense ratio excluding issue costs and agency fees ⁽²⁾	1.65%
Trading expense ratio ⁽³⁾	0.03%
Portfolio turnover rate ⁽⁴⁾	37.36%

Notes:

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MANAGEMENT FEES

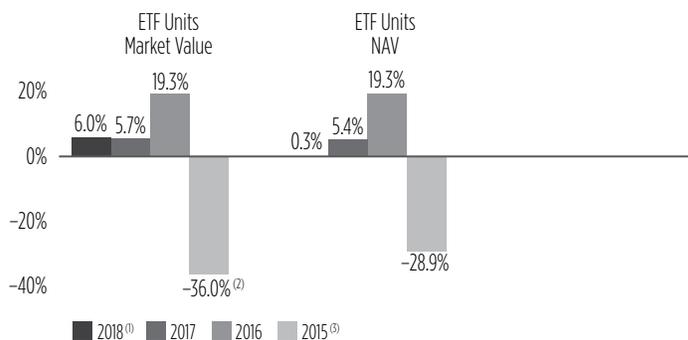
Purpose manages and administers the business, operations and affairs of the Fund. As compensation for the services it provides to the Fund, Purpose is entitled to receive an annual management fee in an amount equal to 0.70% of the NAV of the Class ETF units, Class ETF (USD) units and Class F units and 1.20% of the NAV of the Class A units. The management fees are calculated daily and paid monthly in arrears. Purpose utilizes 100% of the management fees to pay investment advisory fees, general and administrative expenses and earn revenue.

PAST PERFORMANCE

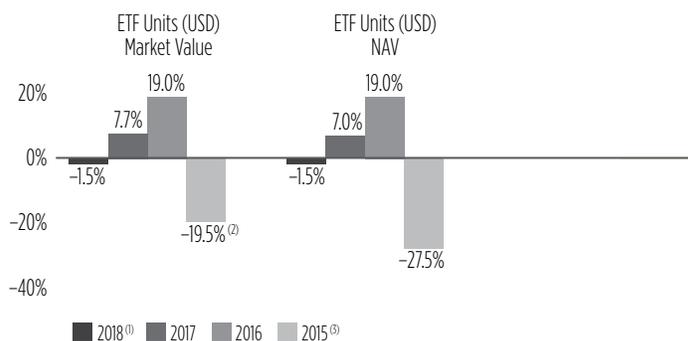
Please note that the performance information shown in this section assumes that all distributions made by the Fund, if any, in the period shown were reinvested in additional securities of the Fund. It does not take into account sales, redemptions, distributions or other optional charges, or income taxes 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

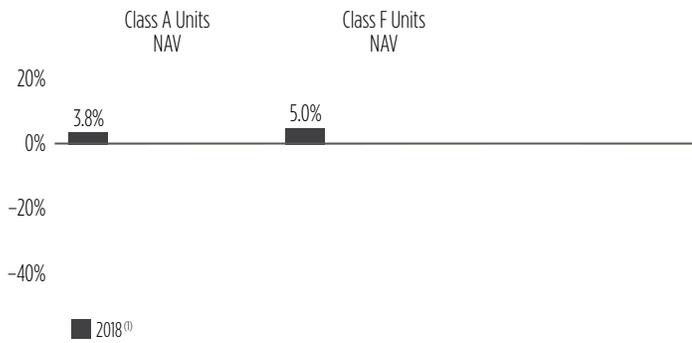
The bar charts show the performance of each Class of units for the financial period in percentage terms, indicating how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



- Return for the period from January 1, 2018 to June 30, 2018.
- Return for the period June 19, 2015 to December 31, 2015
- Total year-by-year return is calculated using the December 31, 2015 bid price.



- Return for the period from January 1, 2018 to June 30, 2018.
- Return for the period June 19, 2015 to December 31, 2015
- Total year-by-year return is calculated using the December 31, 2015 bid price.



1. Return for the period from February 14, 2018 to June 30, 2018.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2018

ASSET MIX

	% of Fund's Net Asset Value
US Fixed Income	72.77
Canadian Fixed Income	8.02
Cash and Cash Equivalents	20.66
Net Other Assets	(1.45)
Total Net Asset Value	100.00

TOP 25 HOLDINGS

	% of Fund's Net Asset Value
Cash and Cash Equivalents	20.66
Athabasca Oil Corp.	5.85
EP Energy LLC / Everest Acquisition Finance Inc.	5.74
Moss Creek Resources Holdings Inc.	5.42
QEP Resources Inc.	4.63
Range Resources Corp.	4.57
Murphy Oil Corp.	4.51
Genesis Energy L.P. / Genesis Energy Finance Corp.	4.46
Continental Resources Inc.	4.31
Shelf Drilling Holdings Ltd.	4.29
Whiting Petroleum Corp.	3.91
WPX Energy Inc.	3.84
Transocean Inc.	3.05
Newfield Exploration Co.	2.99
Antero Resources Corp.	2.85
Weatherford International Ltd.	2.81
Parsley Energy LLC / Parsley Finance Corp.	2.79
Hadrian Merger Sub Inc.	2.76
Gulfport Energy Corp.	2.74
Tesoro Logistics L.P.	2.73
Extraction Oil & Gas Inc.	2.71
Nuvista Energy Ltd.	2.17
Rose Rock Midstream L.P. / Rose Rock Finance Corp.	1.66

For investments in other investment funds, their prospectus and other information is available at www.sedar.com. The investment portfolio may change due to ongoing portfolio transactions. An updated listing is available quarterly.

FUND INFORMATION

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CIBC Mellon Trust Company
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REGISTRAR AND TRANSFER AGENT

TSX Trust Company
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AEQUITAS NEO EXCHANGE LISTING

Ticker Symbols:
ETF Units – PCF
ETF (USD) Units – PCF.U

INDEPENDENT REVIEW COMMITTEE OF PURPOSE ENERGY CREDIT FUND (FORMERLY ENERGY CREDIT OPPORTUNITIES INCOME FUND)

DOUGLAS G. HALL

Chair of the Independent Review Committee

RANDALL C. BARNES

Member of the Independent Review Committee

JEAN M. FRASER

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