2016

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Offered by Educators Financial Group
Portfolio Adviser: Beutel, Goodman & Company Ltd., Toronto, Ontario

Educators Balanced Fund

Educators
FINANCIAL GROUP

This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling 1.800.263.9541, by writing to us at Educators Financial Group, 2225 Sheppard Ave. East, Suite 1105, Toronto, Ontario, M2J 5C2, or by visiting our website at www.educatorsfinancialgroup.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

For the six-month period ending June 30, 2016, the Fund provided a return of 1.93%, versus a Benchmark return of 3.30%. The Benchmark comprises 40% FTSE TMX Canada Universe Bond Index, 35% S&P/TSX Composite Total Return Index, 12% S&P 500 Index (Canadian$) and 13% MSCI EAFE Total Return Index (Canadian$) (the "Benchmark"). Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund's net assets increased by 2.2% to $184.8 million at the end of June 2016, up from $180.8 million at the end of December 2015.

In the six months ending June 30, 2016 the Fund achieved a positive return, but underperformed its blended performance benchmark on a relative basis due to underperformance in Canadian equities, an overweight position in International equities, and underweight position in fixed income. The market began the year with a quick sell-off in January, which was driven by oil prices collapsing to the mid-$20's and a sell-off in the Chinese market just weeks after the first U.S. rate increase in nearly a decade. The market regained some footing by March, as a result of a recovery in oil prices, improving economic data, and the repositioning of central banks around the world to support global markets. In the second half of the period, two themes dominated: the flip flopping of expectations for a Federal Reserve ("Fed") rate hike, and the British referendum (Brexit). While the Fed ultimately decided to pass on a June rate increase, the U.K. vote derailed most central banks and capital markets, and resulted in sharp currency moves, and yields on government bonds around the globe - including U.K. gilts - being driven to historic lows. German and Japanese sovereigns out beyond 10 years moved even further into negative territory. In the U.S., the 30-year Treasury yield hit a record low of 2.2%. Gold was the other beneficiary of this shift to safe-haven investments, and it rose $65 in just the last five trading days of June. Against this background, the odds of tightening in the near-term by the U.S. Federal Reserve, or any other major central bank, fell to zero. The prospect of an indefinite extension of supportive monetary conditions allowed several equity markets, including Canada, the U.S. and even the U.K. to recoup their post-Brexit losses by the end of the period.

The S&P/TSX Composite advanced 9.8% in the first half of 2016 - the best return of any developed market so far this year. Market action was characterized by a strong rotation out of economically-sensitive stocks and into defensive and safe-haven investments leading up to and following the Brexit vote. The Canadian market's strong performance was largely due to a 57.3% gain for the Materials sector. This group has been led by a doubling in the price of gold and silver stocks, far out-stripping the 30% and 39% respective gains for the underlying commodities in Canadian dollar terms. Traditional yield plays, such as utility and pipeline stocks, also attracted investment flows. The Funds shortfall in the period is largely explained by lack of exposure to these expensive segments of the market. The Brexit vote impacted the Financials sector noticeably. Brookfield Asset Management fell on concerns over its U.K. exposure and Manulife and Great-West Lifeco declined on a combination of historic low bond yields and concerns over the impact of Brexit on their U.K. operations. As with Brookfield, we believe the risks have been exaggerated. In the Consumer Discretionary sector, Magna also lost ground on concerns over its European exposure. The vote has clearly injected uncertainty into that situation, but the portfolio adviser's analysis suggests that a short-lived earnings impact of 5% or less is most likely.

In U.S. equities, performance across various styles and market capitalization was mixed in 2016, as many growth-oriented and momentum-driven names that performed well in the back half of 2015 lost ground as investors recognized good fundamentals in many value-oriented names. Equities with safety and defensive characteristics, regardless of growth or value orientation, performed well during the period. The U.S. equity component outperformed the S&P500 C$ Index over the period. The outperformance in the period was largely attributable to stock selection, with notable contributions from Health Care names, Baxalta, Baxter, Johnson & Johnson, and Eli Lilly. Significant contribution came from oil field services company Halliburton, as its shares outpaced an improving Energy sector when its proposed acquisition of Baker Hughes was terminated. Security software provider Symantec also contributed significantly to performance, as the market reacted positively to the announced purchase of Blue Coat, the leader in Secure Web Gateway software.

The international equity component outperformed the MSCI EAFE C$ Index in the period. Europe (excluding U.K.) was the worst-performing region, followed by Japan. Despite the turmoil of the referendum vote, the U.K. market actually finished ahead of the rest of Europe and the Index over the period. From a sector perspective, the only positive-performing sector in the Index was Energy, which was driven by a significant positive move in the oil price. Outperformance in the international equity component was attributable to both sector allocation and stock selection. An overweight position in Materials and underweight in Financials added value. The Information Technology sector was the largest contributor to stock selection. Atea, the Scandinavian IT provider, was a strong performer, reporting solid full year sales and flat EBITDA despite Norwegian market challenged by the energy downturn. The Consumer Staples sector was the second largest contributor to stock selection. The largest contribution in the sector came from FamilyMart, the Japanese convenience store operator, which significantly outperformed its peers due to speculation of a pending inclusion in the Nikkei 225 Index and the associated fund repositioning. Henkel, the German HPC and adhesives company, also outperformed the sector as investors again flocked to the safety of consumer staples stocks. Stock selection in Industrials added value, with strong performance from GEA Group, the German food and beverage capital equipment company, which showed solid results and record operating margins. Konecranes, the Finnish industrial crane manufacturer, added value when the stock reacted positively to the announcement that the company had entered into an agreement to acquire Terex's Materials Handling and Port Solutions business. The largest detractor in the sector was Vesuvius, the U.K.-based global leader in metal flow engineering, which reacted violently to the Brexit vote, and compounded ongoing weakness for its products serving the steel production and foundry markets.

Canadian interest rates declined over the six-month period ending June 30, 2016. First quarter GDP disappointed, coming in at 2.4% (annualized) below both the Bank of Canada and market forecasts of 2.8%. Most of the strength in GDP occurred during the first half of the quarter, with March data looking particularly weak. This does not represent a strong signal for the second quarter, which will be negatively impacted by the Alberta wildfires. The Bank of Canada's preliminary assessment is that fire-related destruction and the associated halt to oil production will cut approximately 1.25% off Q2/16 GDP, but will likely rebound in the third quarter as oil production resumes and reconstruction begins. Recent data on the trade balance indicates that exports are not currently delivering a hoped-for lift.

For the six-month period under review, the FTSE TMX Canada Bond Universe Index increased 4.05% on a total return basis. The Provincial and Municipal sectors both outperformed the Index, and the Federal sector underperformed. Yields decreased across the Canadian and U.S. curves. The flight to quality trade following the Brexit vote sent bond yields plummeting in both markets. Foreign transactions continue to influence the Canadian curve by buying Canadian product from asset managers, insurance companies and sovereign wealth funds whose domestic interest rates are negative seeking any sort of positive yield.

The fixed income component outperformed the FTSE TMX Canada Bond Universe Index for the period. Corporate security selection of safe haven corporate issues added value over the period, particularly in the energy and infrastructure sectors, which outperformed other corporate sectors and provincials. Our slight underweight versus the Index in long provincials detracted over the period, as the long portion of the provincial curve outperformed other areas of the provincial curve during the quarter.

Recent Developments

World equity markets were clearly unprepared for the negative result in the British referendum. As with any surprise, the portfolio adviser expects a period of volatility, while investors sort out exposures and adjust positions. Given the complex political issues involved, it is reasonable to expect this issue to drag on for some time. During this period, there is likely to be a continued bid for defensive equities, potentially stretching valuations to unsustainable levels. This is already the situation with many utility and consumer staple stocks, where downside risk is now significant.

With respect to equities, the portfolio adviser's analysis of current investments indicates that developments out of Britain represent a manageable risk to the longer-term value of the companies affected – even those domiciled in the U.K. Regarding the more general concern of slower global growth, the assumptions used in valuing economically-sensitive positions are already quite conservative. And at this point, the higher-quality cyclical stocks in the Fund have already discounted a challenging pricing environment and uncertain global growth. As a result, they typically offer a more attractive risk/reward profile than many of the so-called safe-haven investments currently leading the market. On the positive side, the confused state of affairs related to Brexit will keep central bankers on the sidelines for some time, prolonging the positive monetary backdrop for equity markets.

From a fixed income perspective, the portfolio adviser continues to believe that fixed income strategy must be set within a global framework, and while Canadian interest rates at their current low levels may look unattractive and are not wholly reflective of the underlying market conditions, global forces resulting from negative interest rates elsewhere will continue to repress the Canadian yield curve. It appears that flows of funds stemming from currency wars and unconventional monetary policies matter more than underlying fundamental economics currently. Bond markets appear to almost have completely disassociated themselves from underlying conditions. The current level of low interest rates would indicate that the Canadian economy is in a severe recession. Negative or zero interest rates globally continue to bolster the search for positive yield and will likely put downward pressure on Canadian interest rates. It is difficult at this time to see a catalyst for yields to increase significantly without an unexpected reversal in central bank monetary policies or an economic surprise. That being said, there will likely be periods where rates could spike up, but we believe that over a longer time frame interest rates will likely stay lower as long as central banks remain accommodating.

The Fund maintains a zero weight in the cash maturity bucket because the portfolio adviser believes that the Bank of Canada will keep an easing bias. Projected roll return versus that of the Index remains positive. The Fund remains underweight in Government of Canada bonds and overweight in corporate bonds, and has moved to a market weight in provincial bonds. With respect to corporate strategy, with interest rates at extremely low levels, it is tempting to reach for yield into lower quality credits to drive performance. The portfolio adviser has resisted the urge to relax disciplined credit standards to gain extra basis points and is not enticed to chase yield at the expense of the proper evaluation of credit risk. The widening of credit spreads post Brexit will likely create opportunities.

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 Fund 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 in North America and internationally, 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.

It should be stressed that the above-mentioned list of factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged 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.

Related Party Transactions
Pursuant to the Fund’s investment strategies included in the Fund’s Simplified Prospectus, the Fund may invest in other mutual funds, and for the period has invested in Beutel Goodman American Equity Fund, Class I; Beutel Goodman International Equity Fund, Class I; and Beutel Goodman Small Cap Fund, Class I, all of which are funds managed by the Fund’s portfolio adviser.

In the first six months of 2016 Educators Financial Group did not refer any conflict of interest matters to the Fund’s Independent Review Committee (IRC) and accordingly did not rely upon any recommendation of the IRC in respect of any related party transactions.

Educators Financial Group is the Manager and Trustee of the Fund. Educators Financial Group is a wholly-owned subsidiary of the Ontario Secondary School Teachers’ Federation (“OSSTF”). OSSTF may from time to time invest in units of the Fund.

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 six-month period ended June 30, 2016, and for each year ended December 31 for the past five years.

The Fund's Net Assets per Unit [1]

	Six months ended June 30	Year ended December 31				
	2016	2015	2014	2013	2012	2011
Net Assets, beginning of period	$17.11	$17.16	$16.38	$16.35	$15.81	$16.17
Increase (decrease) from operations:						
Total revenue	$0.18	$0.51	$0.50	$0.60	$0.51	$0.50
Total expenses, including transaction costs [excluding distributions]	$(0.16)	$(0.34)	$(0.33)	$(0.35)	$(0.32)	$(0.32)
Realized gains (losses) for the period	$0.04	$0.31	$0.39	$1.93	$0.20	$0.44
Unrealized gains (losses) for the period	$0.27	$(0.22)	$0.61	$(0.44)	$0.34	$(0.83)
Total increase (decrease) from operations [2]	$0.33	$0.26	$1.17	$1.74	$0.73	$(0.21)
Distributions:						
From net investment income (excluding dividends)	$--	$--	$0.01	$0.12	$0.02	$--
From dividends	$--	$0.15	$0.16	$0.17	$0.18	$0.18
From capital gains	$--	$0.18	$0.23	$1.41	$--	$--
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions [3]	$--	$0.33	$0.40	$1.70	$0.20	$0.18
Net Assets , end of period	$17.44	$17.11	$17.16	$16.38	$16.33	$15.81

(1) This information is derived from the Fund's interim financial report and audited annual financial statements.
For the financial year beginning after January 1, 2014, the financial highlights were derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").
For the financial year ended December 31, 2013, the financial highlights numbers were restated to comply with IFRS reporting.
For financial years beginning before January 1, 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with Canadian GAAP.
For financial years beginning after January 1, 2013, all references to "Net Assets" or "Net Assets per Unit" in these financial highlights are references to net assets attributable to holders of redeemable units determined in accordance with IFRS as presented in the financial statements of the Fund.

(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. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

(3) Distributions were either paid in cash or reinvested in additional units of the Fund.

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31				
	2016	2015	2014	2013	2012	2011
Total Net Asset Value (000's) [1]	$184,769	$180,771	$171,914	$152,046	$136,187	$136,552
Number of units outstanding [1]	10,595,026	10,565,315	10,017,434	9,280,357	8,327,242	8,625,141
Management expense ratio [2]	1.93%	1.93%	1.93%	1.90%	1.90%	1.90%
Management expense ratio before waivers or absorptions [3]	1.98%	1.98%	1.98%	1.98%	1.99%	1.99%
Trading expense ratio [4]	0.01%	0.01%	0.01%	0.15%	0.05%	0.06%
Portfolio turnover rate [5]	47.12%	104.56%	45.75%	207.27%	99.68%	100.28%
Net Asset Value per unit	$17.44	$17.11	$17.16	$16.38	$16.35	$15.83

(1) This information is provided as at June 30 or December 31 of the year shown.

(2) Management expense ratio is based on total expenses (excluding [distributions], commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The management expense ratio before waivers or absorptions shows what the management expense ratio of the Fund would have been if Educators Financial Group had not charged a lesser amount for its management fee.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser 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 a fund's portfolio turnover rates in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees
Educators Financial Group is the Manager-Trustee, promoter and principal distributor of the Fund, and is responsible for the day-to-day management and administration of the Fund.

The Manager-Trustee monitors and evaluates the performance of the Fund, and pays for the investment management services of the portfolio adviser, as well as all administrative services required by the Fund. As compensation for these services, Educators Financial Group is entitled to receive a fee, payable monthly and calculated daily, based on the Net Asset Value of the Fund, at the annual rate of 1.75%.

The Fund is responsible for paying any applicable tax owing on its management fee.

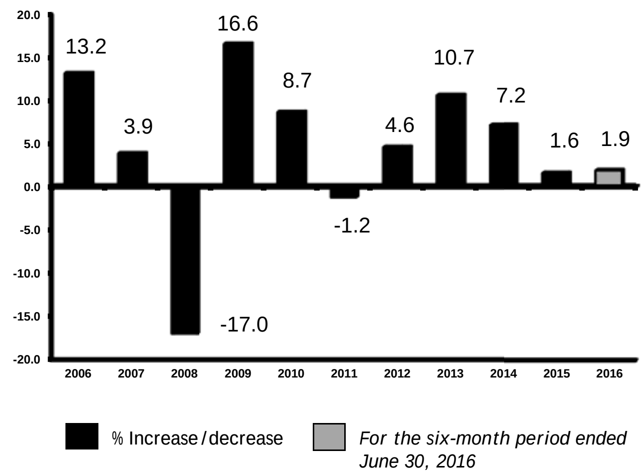
Approximately 13.8% of the management fees were used to pay for portfolio management services, with the remainder of the fees being allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

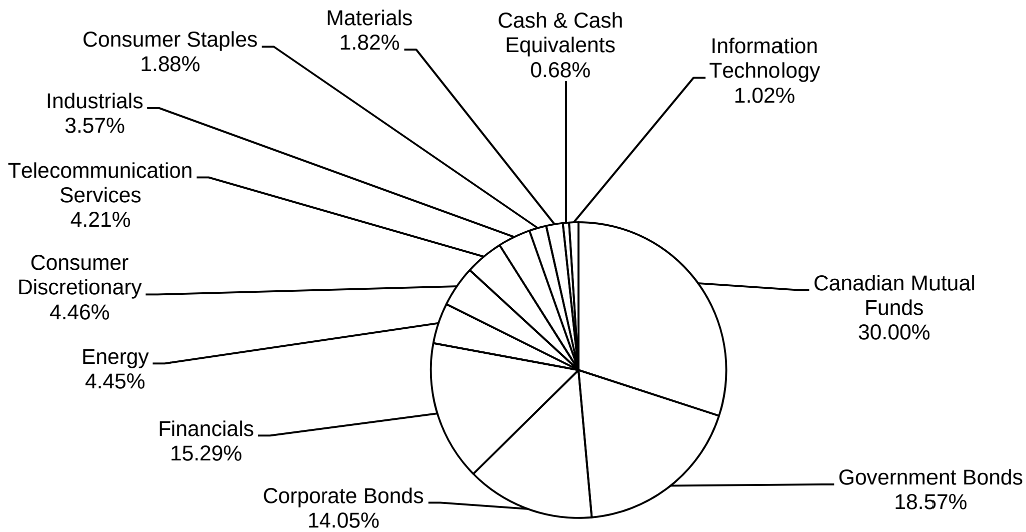
General
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns
The bar chart shows the Fund's performance for each of its past 10 financial years and illustrates how the Fund's performance has changed for the 6-month period ended June 30, 2016 and each 12-month period ending December 31. The chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)



Top 25 Holdings

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Beutel Goodman International Equity Fund, Class I			13.49%
Beutel Goodman American Equity Fund, Class I			13.46%
Toronto-Dominion Bank			3.45%
Royal Bank of Canada			3.45%
Beutel Goodman Small Cap Fund, Class I			3.06%
Rogers Communications Inc.			2.96%
Bank of Nova Scotia			2.42%
Canadian Natural Resources Ltd.			1.97%
Cenovus Energy Inc.			1.79%
Brookfield Asset Management Inc.			1.70%
Canadian Imperial Bank of Commerce			1.54%
Canadian Government Bond	3.50%	December 1, 2045	1.50%
Canadian Tire Corp., Ltd., Class A			1.41%
Magna International Inc.			1.40%
Great-West Lifeco Inc.			1.37%
Canadian National Railway Co.			1.28%
TELUS Corp.			1.25%
Province of Ontario	2.90%	December 2, 2046	1.20%
Molson Coors Canada Inc.			1.11%
Canada Housing Trust No. 1	1.95%	June 15, 2019	1.10%
Agrium Inc.			1.09%
Province of Ontario	2.60%	June 2, 2025	1.09%
Province of Ontario	2.85%	June 2, 2023	1.03%
Open Text Corp.			1.02%
Manulife Financial Corp.			1.01%
Total Net Assets (000's) ……………………………………………………………………………			**$184,769**

The top 25 holdings represent approximately 66.15% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2016 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the Beutel Goodman Funds owned by the Fund is contained in their simplified prospectus, annual information form and fund facts documents available on SEDAR at www.sedar.com.

EDUCATORS FINANCIAL GROUP

2225 Sheppard Ave. East
Suite 1105
Toronto, Ontario M2J 5C2

Telephone: 416.752.6843
1.800.263.9541

Fax: 416.752.6649
1.888.662.2209

E-Mail: info@educatorsfinancialgroup.ca

Web: www.educatorsfinancialgroup.ca

Educators
FINANCIAL GROUP