2016

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

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

Educators Bond Fund

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 3.59%, versus the FTSE TMX Canada Universe Bond Index (the "Benchmark") return of 4.05%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets increased by 1.1% to $9.0 million at the end of June 2016, up from $8.9 million at the end of December 2015.

Canadian interest rates declined over the six-month period ending June 30, 2016. Investors returned from the holiday in early January in full panic and de-risk mode. Market concerns included: the fear that the Federal Reserve ("Fed") had made a policy mistake in hiking too soon; forecasts of a U.S. recession, caused by weak economic data and a strong trade-weighted U.S. dollar; weakening corporate profits, as seen in companies' year-end results; China's slowing economy, and uncertainty about how aggressively the administration would pursue Renminbi devaluation; continued decline in commodity prices; and stress on European financial institutions caused by the European Central Bank's zero interest rate policy.

These concerns led stocks significantly lower, placed downward pressure on bond yields, and led to a flight-to-quality bias. Market sentiment changed in March, mainly due to a more dovish Fed, better-than-expected economic data, and further monetary policy stimulus from the ECB. Equity markets reversed their decline, bond yields bounced back, and credit spreads – led by the reversal of the risk on trade plus a spike in the price of oil – became significantly tighter. This rebound was short-lived due to two themes that dominated the second half of the period: the flip-flopping of expectations for a Fed rate hike, and the U.K.'s EU referendum ("Brexit"). After many conflicting interpretations of Fed statements in the period, in the end, the Fed paused at the June meeting, and did not raise rates. The central bank appeared to be uncertain about various structural growth factors and remained cautious ahead of the Brexit vote.

The bond market remains more pessimistic than the Fed, pricing in a near zero percent chance of a rate hike in 2016, versus FOMC projections of one-to-two rate hikes for the remainder of the year. With the Bank of England prepared to ease after the Brexit vote, the only major central bank poised to hike is the Fed. Doubt has been thrown on the chance that the Fed will continue on its tightening course, with the concern being that the recent strength in the U.S. trade-weighted dollar will derail the economic recovery and tighten financial conditions. Immediate market reaction to Brexit was visceral, with a massive flight-to-quality trade that sent stocks plummeting, bond yields spiraling down, gold up, oil down, the euro and pound freefalling and the U.S. dollar appreciating. Credit spreads were wider, with the greatest impact on the financial sector. The markets had largely discounted the closeness of the poll results and were set up for the 'Remain' vote to prevail. After the knee-jerk reaction to Brexit dissipated, stock markets rebounded, the pound continued to test new lows, the U.S. dollar continued to strengthen, and bond yields remained low. Equities appeared to have taken comfort from central banks' assurance that they are poised to do whatever it takes to maintain financial stability. The promise of continued extraordinary monetary stimulus has kept interest rates from rising.

The Canadian economy outlook continues to be uncertain. As the Bank of Canada has noted, the economy is going through a significant and complex adjustment to the decline in commodity prices, which has led to a significant decline in business investment spending (mainly in the Energy sector) as well as a decrease in Canada's terms of trade. The overall housing market has remained strong driven by the hot markets of Vancouver and Toronto, but it is questionable whether this strength can be maintained. The Bank has cautioned Canadians numerous times over the level of consumer indebtedness. The hope for the Canadian economy lies in waiting for exports to fill the void and benefiting from the stronger U.S. economy and a weaker Canadian dollar. Canada also needs U.S. manufacturing to be stronger to feed its intermediate goods exports. The first quarter GDP disappointed, coming in at 2.4% (annualized), below the Bank of Canada and market forecasts of 2.8%. Most of the strength in GDP occurred during the first half of the quarter. March data looked particularly weak, and was not a strong send-off for the second quarter, which will also 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 that it will rebound in the third quarter when oil production resumes and reconstruction begins. The most recent data on the trade balance also highlights that exports are not currently delivering the required lift. Concern for the Canadian economy becomes heightened if the recent appreciation of the U.S. dollar causes the U.S. economy to stall. All is not doom and gloom but certainly the threat of a recession and/or low sustained growth hangs over the Canadian market and will likely at the very least keep the Bank of Canada on hold for 2016 and prepared to cut rates further and/or introduce unconventional monetary policies if required.

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, while the Federal sector underperformed. Yields decreased across the Canadian and U.S. curves. The flight-to-quality trade following Brexit sent bond yields plummeting in both markets. Seeking any sort of positive yield, foreign transactions continued to influence the Canadian curve by buying Canadian product from asset managers, insurance companies and sovereign wealth funds whose domestic interest rates are negative.

The Fund underperformed the FTSE TMX Canada Bond Universe Index for the period. Corporate security selection of safe haven corporate issues added value, particularly in the energy and infrastructure sectors, which outperformed not only other corporate sectors, but also 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

The portfolio adviser continues to believe that fixed income strategy must be set within a global framework, and while low Canadian interest rates 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 have almost 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 accommodative.

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 corporates, 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
Until such time as the Fund reaches a sufficient asset size to achieve appropriate portfolio diversification, the portfolio adviser intends to invest in I-Class units of the portfolio adviser's Income Fund (the “Underlying Fund”), another mutual fund managed by the portfolio adviser which has substantially similar investment objectives and strategies to the Fund.

The portfolio adviser invested almost all of the Fund’s net assets in the Underlying Fund, as discussed above and in the Fund’s disclosure documents. The Fund was not involved in any related party transactions other than as disclosed above.

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	$9.93	$10.06	$9.78	$10.26	$10.35	$10.00
Increase (decrease) from operations:						
Total revenue	$0.16	$0.32	$0.32	$0.32	$0.38	$0.38
Total expenses, including transaction costs [excluding distributions]	$(0.06)	$(0.13)	$(0.13)	$(0.13)	$(0.13)	$(0.10)
Realized gains (losses) for the period	$(0.01)	$(0.02)	$(0.07)	$(0.10)	$0.01	$0.10
Unrealized gains (losses) for the period	$0.26	$(0.11)	$0.37	$(0.37)	$(0.08)	$0.27
Total increase (decrease) from operations [(2)]	$0.35	$0.06	$0.49	$(0.28)	$0.18	$0.65
Distributions:						
From net investment income (excluding dividends)	$0.10	$0.19	$0.20	$0.20	$0.26	$0.25
From dividends	$--	$--	$--	$--	$--	$--
From capital gains	$--	$--	$--	$--	$0.01	$0.05
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions [(3)]	$0.10	$0.19	$0.20	$0.20	$0.27	$0.30
Net Assets , end of period	$10.19	$9.93	$10.06	$9.78	$10.26	$10.35

(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)]	$8,984	$8,903	$8,868	$10,308	$14,338	$6,495
Number of units outstanding [(1)]	881,826	896,328	881,460	1,053,598	1,397,723	627,771
Management expense ratio [(2)]	1.24%	1.25%	1.25%	1.26%	1.26%	1.27%
Management expense ratio before waivers or absorptions	1.24%	1.25%	1.25%	1.26%	1.26%	1.27%
Trading expense ratio [(3)]	--%	--%	--%	--%	--%	--%
Portfolio turnover rate [(4)]	2.16%	9.17%	6.05%	6.96%	7.55%	3.40%
Net Asset Value per unit	$10.19	$9.93	$10.06	$9.78	$10.26	$10.35

(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 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.

(4) 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 1.10%.

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

Approximately 21.4% of the management fees were used to pay for portfolio management services, with the remainder of the fees allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

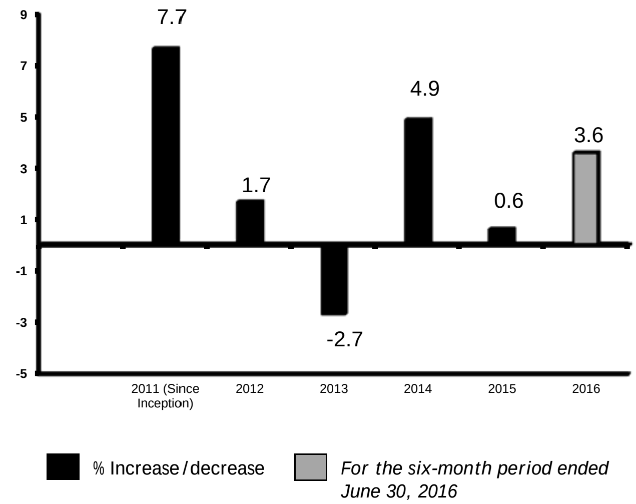
General

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

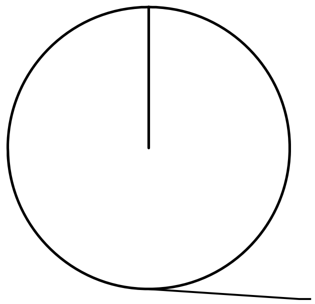
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's performance since inception 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 Holdings

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Beutel Goodman Income Fund – Class I			100.00%
Total Net Assets (000's) ………………………………			**$8,984**

Top 25 Holdings of Underlying Fund

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Government of Canada	3.50%	December 1, 2045	4.65%
Province of Ontario	2.60%	June 2, 2025	3.46%
Canada Housing Trust	1.95%	June 15, 2019	3.37%
Province of Ontario	2.90%	December 2, 2046	3.34%
Province of Ontario	2.85%	June 2, 2023	3.24%
Government of Canada	0.75%	March 1, 2021	3.21%
Government of Canada	1.50%	June 1, 2026	2.80%
Province of Ontario	3.50%	June 2, 2024	2.75%
Canada Housing Trust	4.10%	December 15, 2018	2.56%
Province of Ontario	3.15%	June 2, 2022	2.43%
Province of Ontario	4.20%	June 2, 2020	2.27%
Canada Housing Trust	1.25%	December 15, 2020	2.23%
Royal Bank of Canada	2.77%	December 11, 2018	2.07%
Government of Canada	0.25%	May 1, 2018	2.06%
Royal Bank of Canada	1.40%	April 26, 2019	1.90%
Province of Ontario	4.00%	June 2, 2021	1.88%
Canadian Imperial Bank of Commerce	1.70%	October 9, 2018	1.69%
Royal Bank of Canada	1.92%	July 17, 2020	1.65%
Province of Ontario	2.40%	June 2, 2026	1.48%
Toronto Dominion Bank	2.05%	March 8, 2021	1.48%
Province of Ontario	2.10%	September 8, 2018	1.42%
Royal Bank of Canada	2.03%	March 15, 2021	1.38%
Canada Housing Trust	1.25%	June 15, 2021	1.29%
Toronto Dominion Bank	2.62%	December 22, 2021	1.20%
Transcanada Pipeline	8.29%	February 5, 2026	1.17%
Total Net Assets (000's) ………………………………………………………………………….			**$878,818**

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.

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