

2016

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Offered by Educators Financial Group
Portfolio Advisor: BMO Asset Management Inc., Toronto, Ontario

Educators Growth 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 4.54%, versus the S&P/TSX Composite Total Return Index (the "Benchmark") return of 9.84%. 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 2.1% to \$81.1 million at the end of June 2016, up from \$79.4 million at the end of December 2015.

During the period, the S&P/TSX Composite Index ("Index") delivered a solid 9.8% return. The Materials sector was the primary driver of the Index's performance. Precious metals registered a particularly strong performance. Gold prices rose by 24.6% and silver soared by 35.1%, as global growth concerns and potential implications of the U.K.'s EU Referendum ("Brexit") weighed on investor risk sentiment. Meanwhile, as markets lowered the probability of a U.S. rate increase in 2016 after a weaker job report for May and the Brexit results, the opportunity cost of holding bullion fell, increasing investor appetite for this asset. The Energy sector was the Index's second-best performer. Despite a very weak market for oil in the first quarter, when prices declined below US\$30 per barrel, oil prices rebounded sharply amid production outages such as supply shortfalls in Nigeria's oil industry and wildfires in Canada. Natural gas also had a challenging first quarter, followed by a rebound in the second quarter when prices rose by 25.1%. The Financials sector added 5.1% as management at Canadian banks continued to worry whether credit losses related to oil price volatility would remain manageable, while focusing on delivering on positive operating leverage. However, the Health Care sector detracted from the Index's performance. While this sector represents a small weight in the overall Index, the significant decline in shares of Valeant Pharmaceuticals International, Inc. made a notable impact on the Index.

The Fund's underweight to the Materials sector, and the gold sub-sector in particular, was the primary detractor from relative performance for the period as the gold sub-sector almost doubled during the first six months of the year. Stock selection in the Financials and Materials sectors also detracted from the Fund's performance. Manulife Financial Corporation detracted from performance because of lower long-term interest rates and lower-than-expected financial results. Alphabet Inc. detracted from performance because of light first-quarter earnings, caused by higher costs and a modest slowdown in the internet search business. Moody's Corporation also detracted from performance as macroeconomic volatility negatively affected global bond issuance.

An underweight exposure to the Health Care sector, in particular a zero weighting in Valeant Pharmaceuticals International, Inc., contributed to the Fund's performance. Security selection in the Energy and Consumer Discretionary sectors also contributed to performance. Individual contributors included Franco-Nevada Corporation, which outperformed on a gold price rally and a royalty stream acquisition, and holdings in Canadian Natural Resources Limited and Peyto Exploration & Development Corp., both of which outperformed as a result of stronger oil and natural gas prices.

The portfolio manager added a new position in TransCanada Corporation because of its improving fundamental outlook, highlighted by its acquisition of Columbia Pipeline Group, Inc. This acquisition should have a positive impact on the company's asset quality, by providing better diversification and cash flow predictability, attractive earnings and accelerated growth potential. The Fund's existing shares of Intact Financial Corporation were increased because acquisition activity in the industry is likely to increase, and it is thought that the company's scale and strong balance sheet will provide an opportunity to lead that consolidation.

The Fund's position in CI Financial Corp. was eliminated because the portfolio manager believes that the company will face a muted growth outlook for sales, challenges from changes in regulations, fee pressure and competition from passive strategies. Suncor Energy Inc. was modestly reduced to fund other investment opportunities.

Recent Developments

The portfolio manager expects solid returns from Canadian stocks, especially those companies with good exposure to the strengthening U.S. economy. While the potential for macroeconomic challenges may cause short-term market volatility, the portfolio manager continues to believe that, on balance, the current environment will remain supportive to equities. The Fund will continue to focus on higher-quality companies with solid growth prospects and reasonable valuations, which should continue to generate attractive risk-adjusted returns for long-term investors.

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

BMO Asset Management Inc. (BMO AM), the Fund's Portfolio Adviser, is an affiliate of the BMO Financial Group. From time to time, BMO AM may on behalf of the Fund enter into transactions or arrangements with, or involving, other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio Adviser of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's Portfolio Adviser BMO AM. The maximum amount of BMO common shares held during the period in the Fund was approximately 3.3% and at the end of the period was approximately 2.4%.

Brokerage Fees

The Fund pays standard brokerage commissions at market rates to BMO Capital Markets, an affiliate of the Portfolio Adviser. The brokerage fees charged to the Fund were as follows:

	<u>2016</u> (June 30)	<u>2015</u> (Dec 31)
<i>Total Brokerage Fees</i>	\$22,790	\$47,475
<i>Brokerage Fees Paid to BMO Capital Markets</i>	\$2,326	\$5,183

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 2016	2015	2014	2013	2012	2011
Net Assets, beginning of period	\$20.79	\$21.58	\$20.70	\$17.42	\$16.47	\$18.05
Increase (decrease) from operations:						
Total revenue	\$0.26	\$0.52	\$0.49	\$0.43	\$0.40	\$0.41
Total expenses, including transaction costs [excluding distributions]	\$(0.21)	\$(0.44)	\$(0.45)	\$(0.39)	\$(0.34)	\$(0.36)
Realized gains (losses) for the period	\$0.15	\$0.89	\$1.50	\$1.57	\$0.29	\$0.10
Unrealized gains (losses) for the period	\$0.74	\$(1.44)	\$0.15	\$1.99	\$0.56	\$(1.74)
Total increase (decrease) from operations ⁽²⁾	\$0.94	\$(0.47)	\$1.69	\$3.60	\$0.91	\$(1.59)
Distributions:						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$0.31	\$0.83	\$0.32	\$--	\$--
Return of capital	\$--	\$--	\$--	\$0.01	\$--	\$--
Total Annual Distributions ⁽³⁾	\$--	\$0.31	\$0.83	\$--	\$--	\$--
Net Assets, end of period	\$21.73	\$20.79	\$21.58	\$20.70	\$17.41	\$16.47

- ⁽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 2016	2015	2014	2013	2012	2011
Total Net Asset Value (000's) ⁽¹⁾	\$81,090	\$79,447	\$82,523	\$74,953	\$60,391	\$62,248
Number of units outstanding ⁽¹⁾	3,731,655	3,821,905	3,823,911	3,620,896	3,465,993	3,773,940
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⁾	0.06%	0.06%	0.07%	0.11%	0.15%	0.16%
Portfolio turnover rate ⁽⁵⁾	13.42%	40.63%	36.95%	54.08%	74.46%	59.44%
Net Asset Value per unit	\$21.73	\$20.79	\$21.58	\$20.70	\$17.42	\$16.49

- ⁽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 12.0% 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.

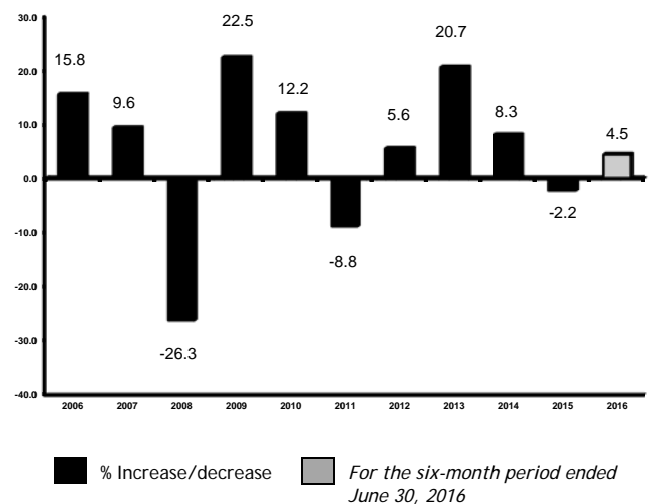
PAST PERFORMANCE

General

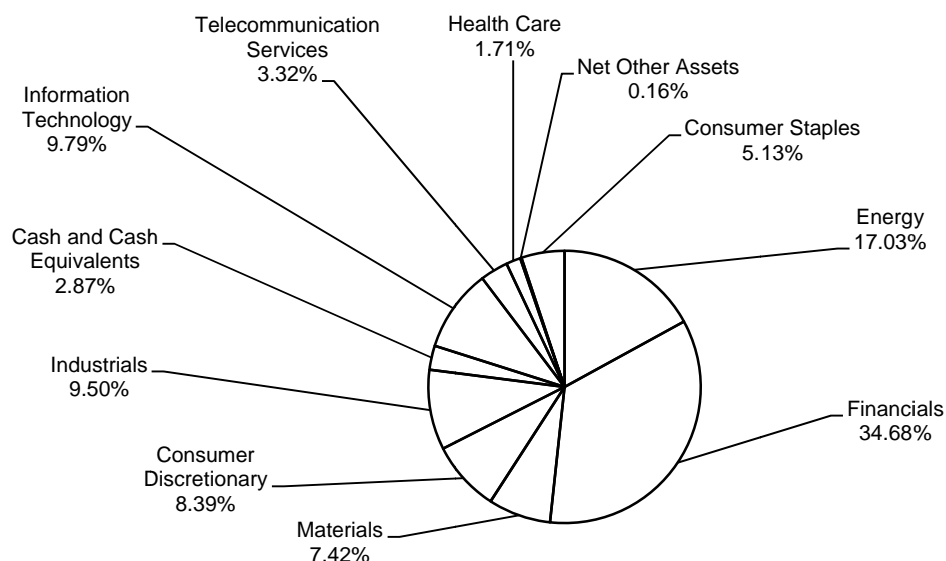
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns 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	Percentage of Net Asset Value
Toronto-Dominion Bank	7.16%
Franco-Nevada Corp.	5.50%
Canadian National Railway Co.	5.16%
Bank of Nova Scotia	4.60%
Intact Financial Corp.	4.48%
Brookfield Asset Management Inc.	4.40%
Canadian Natural Resources Ltd.	4.21%
CGI Group Inc., Class A	3.68%
Alimentation Couche-Tard Inc.	3.59%
Rogers Communications Inc.	3.32%
Onex Corp.	3.15%
Cenovus Energy Inc.	2.55%
Bank of Montreal	2.36%
Cineplex Inc.	2.33%
Canadian Pacific Railway Ltd.	2.30%
Peyto Exploration & Development Corp.	2.27%
Dollarama Inc.	2.17%
Alphabet Inc.	2.14%
Pembina Pipeline Corp.	2.12%
TransCanada Corp.	2.02%
MacDonald, Dettwiler & Associates Ltd.	1.93%
Sun Life Financial Inc.	1.92%
Agrium Inc.	1.92%
Descartes Systems Group Inc.	1.91%
Manulife Financial Corp.	1.80%
Total Net Assets (000's)	\$81,090

The top 25 holdings represent approximately 78.99% 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.

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

