

2016

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Offered by Educators Financial Group
Portfolio Adviser: Foresters Asset Management Inc., Toronto, Ontario

Educators North American Diversified 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 2.50%, versus a Benchmark return of 7.16%. The Benchmark comprises 55% S&P/TSX Composite Total Return Index, 40% S&P 500 Total Return Index (U.S.\$) and 5% MSCI 1750 U.S. Small Cap Index (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 decreased by 0.7% to \$93.8 million at the end of June 2016, down from \$94.5 million at the end of December 2015.

At the end of the second quarter, the Fund was positioned with 49.7% in Canadian equities, 47.6% in U.S. equities (including 2.5% in U.S. small-cap equities), and 2.7% in cash.

The Fund seeks to minimize its exposure to currency fluctuations between the U.S. and Canadian dollars. To this end, since early 2013 it has maintained a forward contract to hedge its foreign currency exposure to movements in the U.S. dollar. During 2016, foreign currency markets have remained volatile, with the U.S. dollar depreciating by more than 7% against the Canadian dollar. As a result, the value of the currency forward contract increased in value, consistent with its function to offset exchange rate fluctuations.

Canadian and U.S. equity markets experienced significant volatility during the first half of 2016, mainly due to fluctuating commodity prices, as well as concerns over slowing global growth and rising political uncertainty. As a result of the appreciation in oil and gold prices, the S&P/TSX advanced 9.8% over the period, led by the Materials and Energy sectors. In addition, the interest-sensitive Telecommunications and Utilities sectors benefited from declining bond yields. A number of other sectors, including Financials, Consumer Products and Industrials, posted moderate positive

returns, while Health Care and Information Technology declined.

After five years of consistently outperforming Canadian markets, during the first half of 2016 U.S. markets were relatively subdued. The S&P 500 advanced by 3.84% in U.S. dollar terms. Large-cap U.S. equities benefited from positive performance in the commodity-driven Energy, Materials and Industrials sectors, and in the interest-sensitive Telecommunications and Utilities sectors. The Consumer Staples sector performed positively, while Health Care, Technology and Financials posted moderate negative returns. Because of the resilience of the U.S. economy and its broader exposure to attractive high-growth sectors, the Fund has maintained a slight U.S. overweight allocation, relative to the Benchmark.

For added diversification, the Fund includes a 2.5% allocation to the Vanguard U.S. Small-Cap Exchange Traded Fund (VB), which returned 5.0% in U.S. dollars over the period. The U.S. small-cap position was reduced from 5.0% to 2.5%, reflecting the portfolio manager's expectation that small-cap equities will underperform large-cap stocks in the later stages of the market cycle due to their greater economic sensitivity and higher risk profile.

Among the Canadian and U.S. large-cap holdings, the Fund was selectively overweight in the Information Technology, Consumer Staples, Consumer Discretionary and Health Care sectors, while more neutrally-positioned towards Industrials and Utilities. The Fund remained underweight in the more volatile Materials and Energy sectors, as well as the Telecommunications sector, and exposure to Financials was reduced over the period.

The Industrials sector contributed to performance, due to strong security selection, which included holdings in a leading operator of automotive collision repair centers with operations across North America, as well as a Canadian provider of engineering and construction

services. The construction sub-sector remains well-positioned for growth, as a result of increased government spending on infrastructure.

The Health Care sector was another positive contributor, mainly due to good stock selection, with strong performance generated by the Fund's holdings in a Canadian senior housing provider, a leading U.S.-based health insurer, and a major global provider of medical devices and technology.

The Consumer Discretionary sector also contributed positively, as holdings in online and dollar-store retailers, cable networks, and media and entertainment providers benefited from strong consumer demand and improving profitability.

The Fund's underweight positions in Energy and Materials were significant detractors to performance, as these sectors generally benefited from the appreciation in gold, oil and other commodity prices. Within the Energy sector, the Fund was defensively positioned earlier in the year, with higher exposure to integrated oil companies, pipelines, and high-quality energy producers. However, lower-quality producers, specifically those more leveraged to commodity prices, outperformed during the period. As significant production cuts across the sector begin to result in a more balanced oil and gas market, the Fund has selectively increased its exposure to the Energy sector, which should benefit from an improved commodity pricing environment.

Similarly, the Fund was underweight in the Materials sector, which was the top-performing sector in the S&P/TSX with a 52.3% increase year-to-date. The strong performance reflected the significant strength of gold stocks, declining interest rates, volatile currency markets, and a lift in global macro risks. Given our expectations of further high volatility within the sector, the Fund will continue to limit its exposure, while focusing on high-quality companies with strong fundamentals.

The Financials sector also detracted, mainly due to unfavourable stock selection. Increased market volatility, widening credit spreads and renewed expectations of "lower for longer" interest rates translated into weak relative performance across the Fund's holdings in the banking, capital markets and life insurance sub-sectors. This was partially offset by positive performance across the REIT holdings.

Recent Developments

Despite a volatile start for 2016, equity markets in both Canada and the U.S. have posted positive returns year-

to-date, with the help of a significant rebound in commodity prices. While global growth has been slower than expected, the portfolio manager expects it to remain positive, led by the U.S. economy. However, political uncertainty has increased, as a result of the recent U.K./EU Referendum ("Brexit"), as well as the upcoming U.S. presidential election. Concurrently, central banks across the globe are maintaining highly accommodative monetary policies, which reduce the probability of a widespread recession. Recent improvements in commodity prices and increased fiscal spending may provide further support to resource-oriented economies like Canada.

The portfolio manager believes that, given macro-economic factors, North American markets will continue to experience significant volatility in 2016. These challenging conditions underscore the importance of an appropriately-diversified and actively-managed portfolio to help navigate through the current environment.

Relative to the Benchmark, the Fund continues to maintain a slight overweight position in U.S. equities, which enables it to reap the benefits of potential higher growth and better diversification from sectors the portfolio manager believes are under-represented in the Canadian marketplace. Across both the Canadian and U.S. holdings, the primary focus of the Fund remains the active management of large-cap equities, with a blend of growth and dividend income oriented companies. The portfolio manager continues to pursue investment opportunities in sectors with high quality companies demonstrating above-average growth prospects, strong balance sheets and reasonable valuations.

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

On May 14, 2016, Foresters Financial, through Foresters Life Insurance Company, acquired 100 percent of the shares of Aegon Capital Management Inc.) and was renamed Foresters Asset Management Inc. ("FAM")., FAM the Fund's Portfolio Adviser, is an indirect wholly-owned subsidiary of The Independent Order of Foresters, which is not a publicly listed company.

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	\$18.56	\$19.13	\$17.81	\$15.04	\$14.45	\$15.84
Increase (decrease) from operations:						
Total revenue	\$0.19	\$0.43	\$0.43	\$0.38	\$0.38	\$0.33
Total expenses, including transaction costs [excluding distributions]	\$(0.19)	\$(0.42)	\$(0.41)	\$(0.34)	\$(0.29)	\$(0.31)
Realized gains (losses) for the period	\$0.32	\$0.12	\$1.20	\$1.42	\$(0.07)	\$0.74
Unrealized gains (losses) for the period	\$0.13	\$(0.68)	\$0.09	\$1.32	\$0.56	\$(2.14)
Total increase (decrease) from operations ⁽²⁾	\$0.45	\$(0.55)	\$1.31	\$2.78	\$0.58	\$(1.38)
Distributions:						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$0.01	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$--	\$--	\$--	\$0.01	\$--	\$--
Net Assets , end of period	\$19.02	\$18.56	\$19.13	\$17.81	\$15.03	\$14.45

⁽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⁾	\$93,787	\$94,454	\$101,688	\$93,476	\$79,742	\$86,624
Number of units outstanding ⁽¹⁾	4,929,828	5,089,059	5,316,626	5,249,793	5,302,458	5,988,211
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%	1.98%	1.98%
Trading expense ratio ⁽⁴⁾	0.11%	0.15%	0.15%	0.21%	0.09%	0.11%
Portfolio turnover rate ⁽⁵⁾	35.73%	64.04%	97.70%	135.21%	41.21%	47.89%
Net Asset Value per unit	\$19.02	\$18.56	\$19.13	\$17.81	\$15.04	\$14.47

⁽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 10.2% 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

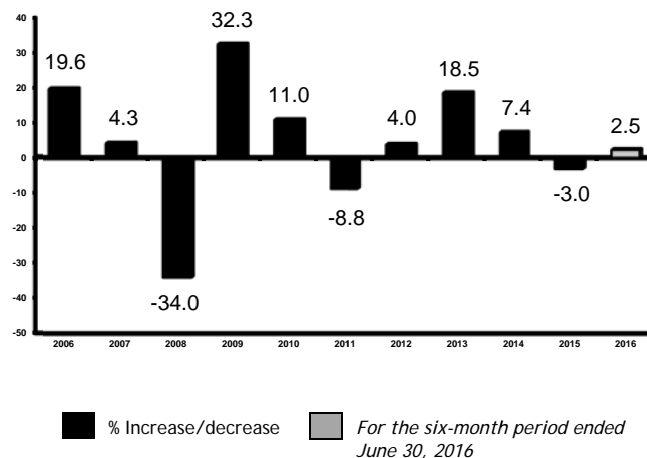
General

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

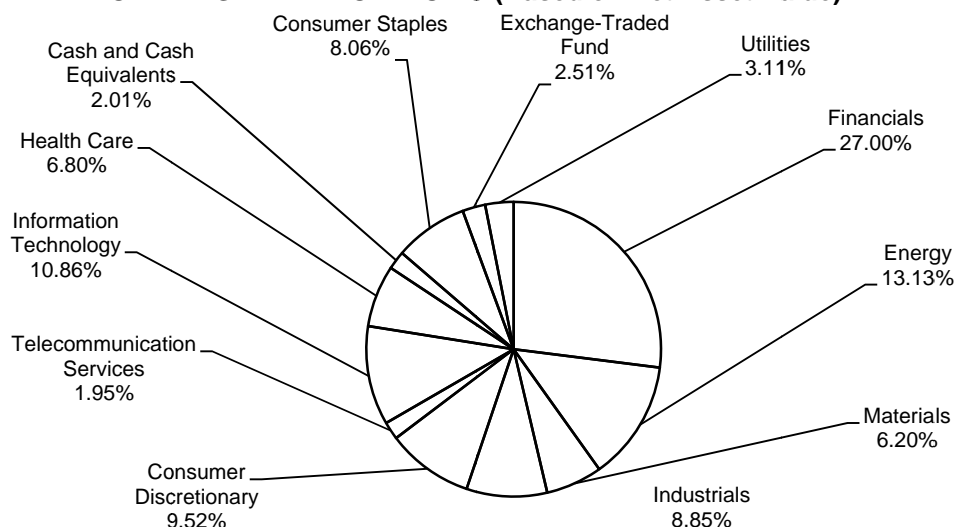
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

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	3.43%
Royal Bank of Canada	3.22%
Vanguard Small-Cap ETF	2.51%
Suncor Energy Inc.	1.99%
Canadian National Railway Co.	1.88%
Agnico Eagle Mines Ltd.	1.84%
Alphabet Inc.	1.75%
Visa Inc.	1.63%
Microsoft Corp.	1.63%
JPMorgan Chase & Co.	1.54%
Rogers Communications Inc.	1.53%
Canadian Natural Resources Ltd.	1.53%
Bank of Nova Scotia	1.53%
Bank of Montreal	1.51%
Enbridge Inc.	1.47%
Lockheed Martin Corp.	1.34%
General Electric Co.	1.32%
NextEra Energy Inc.	1.32%
TransCanada Corp.	1.30%
CGI Group Inc., Class A	1.29%
Costco Wholesale Corp.	1.26%
Johnson & Johnson	1.23%
Medtronic PLC	1.23%
Honeywell International Inc.	1.22%
Exxon Mobil Corp.	1.22%
Total Net Assets (000's)	\$93,787

The top 25 holdings represent approximately 41.72% 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

