2017

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2017

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, 2017, the Fund provided a return of 1.72%, versus the FTSE TMX Canada Universe Bond Index (the "Benchmark") return of 2.36%. 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 decreased by 1.0% to $10.0million at the end of June 2017, down from $10.1 million at the end of December 2016.

The Bank of Canada (BoC) kept the overnight rate unchanged at 0.50% over the past six months, in-line with market expectations. The BoC believes that the Canadian economy's adjustment to lower oil prices is largely complete and that recent economic data have been encouraging, including indicators of business investment, as well as strength in consumer spending and the housing sector. On the inflation front, all three measures of the BoC 'sindicators of core inflation remain below the 2% target and wage growth is still subdued. The Bank of Canada believes this is due to ongoing excess capacity in the economy as well as the temporary effect of declines in food prices due to intense retail competition. During June, Senior Deputy Governor Carolyn Wilkins delivered a rather hawkish assessment of the Canadian economy that started to pull forward market expectations for the first Bank of Canada rate increase. Governor Wilkins stated that the economic drag from lower oil prices is now largely fading and that the BoC`s 50 basis points of rate cuts in 2015 facilitated that adjustment. As growth continues, the Governing Council will be assessing whether all of the considerable monetary policy stimulus presently in place is still required. The markets interpreted that last statement to mean that the Bank of Canada will likely move into a tightening cycle. In three subsequent interviews Governor Stephen Poloz did not contradict Mrs. Wilkins' sentiments. While he is reluctant to provide any forward guidance, Governor Poloz repeatedly stated that economic data suggests that the interest rate cuts that the BoC did two years ago have done their job.

During both the first and second quarter of the year, the U.S. Federal Reserve hiked the Federal Funds rate by 25 basis points, currently to a target range of 1-1.25%. The Fed noted that the labour market has continued to strengthen and that economic activity has been rising moderately. While the Federal Reserve is maintaining its existing policy of reinvesting principal payments from its U.S. Treasury and MBS holdings, it currently expects to implement a balance sheet normalization program sometime this year, provided that the economy evolves broadly, as anticipated. Analysis of the dot plots indicates that the Federal Open Market Committee (FOMC) expects one more rate hike in 2017 and three 25 basis point rate hikes in 2018. Projections for the longer-run rate (i.e. terminal rate) remain centred around 3%, ranging from 2.5% to 3.5%.

For the six month period ending June 30, 2017, the FTSE TMX Canada Universe Bond Index increased by 2.36% on a total return basis. The Municipal, Provincial and Corporate sectors outperformed the Index returning 3.62%, 3.53% and 2.87%, respectively. The Federal sector underperformed the Index, returning 0.85%. Late in the period, in the wake of hawkish central bank comments, global interest rates increased and yield curves flattened. Yields across the Canadian curve increased on average during the period, with the front end of the curve increasing the most as it priced in imminent Bank of Canada rate increases. The long-end of the curve decreased, likely attributable in part to the lack of inflation.

The Fund underperformed the FTSE TMX Canada Bond Universe Index for the period. Decisions that detracted from performance include the following: (1) corporate security selection as corporate bond holdings in the mid part of the curve, where the Fund is significantly overweight, underperformed versus corporates in other areas of the curve; (2) provincial security selection, as some western provincial holdings (BC due to politics and Alberta due to a credit rating downgrade and commodity prices) underperformed versus their eastern counterparts; and (3) curve positioning. The yield curve flattened during the quarter as the Bank of Canada unexpectedly changed its monetary policy stance prepping markets for a hike. The Fund was positioned for the Bank of Canada to remain on hold with a steepener curve positioning. This underperformance was partially offset by government sector allocation, mainly attributable to an underweight in Government of Canada bonds, which significantly underperformed versus provincials during the period.

Recent Developments
The Bank of Canada was strongly signaling that they would remove the 50 basis points of extraordinary stimulus that was required to help the economy through the commodity price decline. The Canadian economy continues to strengthen (six consecutive months of positive GDP growth) and Governor Poloz stated that the Bank's forecasts incorporate crude oil in the US$40-50 range. At the end of the period, the Canadian bond market had completely priced in two rate hikes by the BoC, likely in July/October and January/April. In July 2017, the Bank of Canada increased the overnight rate by 25 basis points, to 0.75%. Whether the Bank is just withdrawing the extraordinary stimulus or is embarking on a tightening cycle has yet to be determined. While there is no doubt that the Canadian economy is strong and that the slack in the economy is being used up, there are some dark clouds on the horizon. A significant amount of the strong growth has been led by the services sector, and not by manufacturing or by export, sectors that the Bank of Canada had expected to benefit from a lower Canadian dollar. As the Bank of Canada has repeatedly warned, consumer indebtedness is at very high levels. While a slowdown in the housing market will likely not lead to a rash of foreclosures in Canada as it did in the U.S., it will likely constrain consumer spending as mortgage payments take up a greater share of the consumers' wallet. There remains concern that anti-trade and "Buy America" policies, as well as differences in carbon regulations and corporate taxes could also disadvantage Canadian industry versus that of the U.S. These uncertainties are holding back business investments in Canada.

The Fund is positioned short duration versus the benchmark. The portfolio manager believes that as central banks have adjusted their biases to removing monetary policy stimulus (both through hiking interest rates and tapering Quantitative Easing) and balance sheets, interest rates will gradually rise in accordance. The Canadian bond market has fully price in two interest rate hikes by the Bank of Canada, in line with the portfolio manager's expectations, so there are no opportunities for rates to increase significantly in the short-end of the curve. The Fund is positioned for the yield curve to continue to flatten, as is reflective of tightening cycles. Projected return versus that of the benchmark remains positive. The Fund is overweight corporate bonds and is maintaining a defensive and safe haven positioning and remains overweight Canadian bank deposit notes in the short-end of the curve. The Fund is underweight Government of Canada bonds and is slightly underweight provincial bonds.

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 2017 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, 2017 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 2017	Year ended December 31 2016	2015	2014	2013	2012
Net Assets, beginning of year	$9.82	$9.93	$10.06	$9.78	$10.26	$10.35
Increase (decrease) from operations:						
Total revenue	$0.14	$0.29	$0.32	$0.32	$0.32	$0.38
Total expenses, including transaction costs [excluding distributions]	$(0.06)	$(0.13)	$(0.13)	$(0.13)	$(0.13)	$(0.13)
Realized gains (losses) for the period	$(0.02)	$0.08	$(0.02)	$(0.07)	$(0.10)	$0.01
Unrealized gains (losses) for the period	$0.11	$(0.19)	$(0.11)	$0.37	$(0.37)	$(0.08)
Total increase (decrease) from operations (2)	$0.17	$0.05	$0.06	$0.49	$(0.28)	$0.18
Distributions:						
From net investment income (excluding dividends)	$0.08	$0.17	$0.19	$0.20	$0.20	$0.26
From dividends	$--	$--	$--	$--	$--	$--
From capital gains	$--	$0.04	$--	$--	$--	$0.01
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions (3)	$0.08	$0.21	$0.19	$0.20	$0.20	$0.27
Net assets, end of year	$9.91	$9.82	$9.93	$10.06	$9.78	$10.26

(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-month period ended June 30 2017	Year ended December 31 2016	2015	2014	2013	2012
Total Net Asset Value (000's) (1)	$9,953	$10,140	$8,903	$8,868	$10,308	$14,338
Number of units outstanding (1)	1,004,682	1,032,691	896,328	881,460	1,053,598	1,397,723
Management expense ratio (2)	1.25%	1.25%	1.25%	1.25%	1.26%	1.26%
Management expense ratio before waivers or absorptions	1.25%	1.25%	1.25%	1.25%	1.26%	1.26%
Trading expense ratio (3)	--%	--%	--%	--%	--%	--%
Portfolio turnover rate (4)	3.37%	6.90%	9.17%	6.05%	6.96%	7.55%
Net Asset Value per unit	$9.91	$9.82	$9.93	$10.06	$9.78	$10.26

(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.

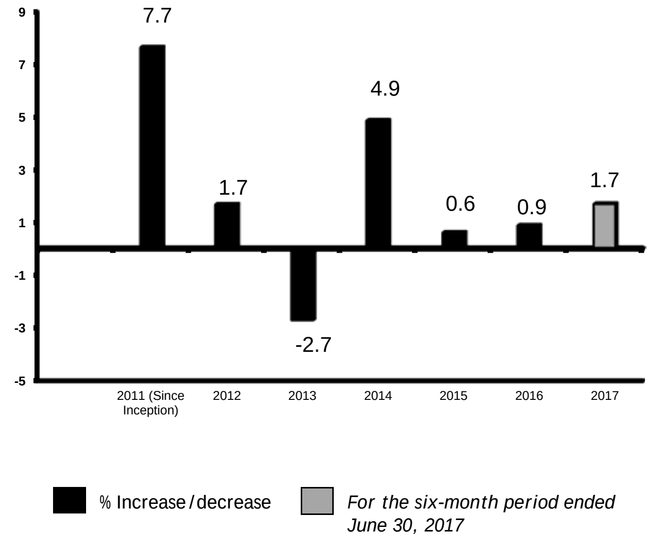
Approximately 20.8% of the management fees were used to pay for portfolio management services, with the remainder of the fees allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

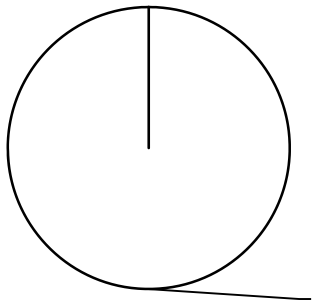
General
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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, 2017 and for 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) ………………………………			**$9,953**

Top 25 Holdings of Underlying Fund

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Government of Canada	0.75%	May 1, 2019	6.76%
Government of Canada	2.75%	December 1, 2048	5.27%
Province of Ontario	2.80%	June 2, 2048	4.30%
Government of Canada	1.50%	September 1, 2017	3.16%
Province of Quebec	3.50%	December 1, 2048	3.04%
Bell Canada	4.40%	March 16, 2018	2.77%
Province of Ontario	2.60%	June 2, 2025	2.69%
Province of Ontario	3.50%	June 2, 2024	2.57%
TD Bank DPNT	2.56%	June 24, 2020	2.21%
Province of Ontario	6.20%	June 2, 2031	2.15%
Bank of Montreal DPNT	2.10%	October 6, 2020	2.07%
Province of Ontario	4.00%	June 2, 2021	2.00%
Bank of Montreal DPNT	1.88%	March 31, 2021	1.96%
Province of Quebec	4.50%	December 1, 2020	1.93%
Government of Canada	0.50%	March 1, 2022	1.77%
Province of Ontario	4.20%	June 2, 2020	1.65%
Province of Quebec	2.75%	September 1, 2027	1.62%
Royal Bank of Canada DPNT	1.92%	July 17, 2020	1.55%
Royal Bank of Canada DPNT	2.03%	March 15, 2021	1.50%
Bank of Montreal DPNT	1.61%	October 28, 2021	1.46%
TD Bank DPNT	2.05%	March 8, 2021	1.38%
TD Bank DPNT	1.99%	March 23, 2022	1.36%
Province of Alberta	2.35%	June 1, 2025	1.28%
Bank of Nova Scotia DPNT	2.29%	June 28, 2024	1.28%
CIBC DPNT	1.90%	April 26, 2021	1.22%
Total Net Assets (000's) ……………………………………………………………………………			**$777,081**

The summary of investment portfolio of the Fund is as at June 30, 2017 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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