

2018

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2018

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

Educators Dividend 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

The Fund's net assets increased by 2.1% to \$138.6 million at the end of June 2018, up from \$135.8 million at the end of December 2017.

Investment Performance

For the six-month period ending June 30, 2018 (the 'period'), the Educators Dividend Fund – Class A Series provided a return of 0.61%, versus the S&P/TSX 60 Index (the 'Benchmark') return of 2.15%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

During the period the Educators Dividend Fund (the 'Fund') underperformed the Benchmark. An overweight exposure to the Information Technology sector and an underweight allocation to the Telecommunication Services sector contributed to the performance. Top individual contributors to performance included holdings in The TJX Companies Inc., Visa Inc., and Microsoft Corp. The TJX Companies saw share price gains amid solid same-store-sales growth, a growing global footprint, and a unique operating model. Visa's stock rose after it posted positive results in revenue growth driven by an expansion of global payment volumes and the better-than-anticipated integration of its European operations. Microsoft continued to deliver superior stock performance amid strength across all of its business segments, expansion of its operating margins, and the delivery of a positive management outlook.

The first six months of the year started out rough for Canadian equities, particularly in the first quarter, but rebounded in the second quarter posting a year-to-date return of 2.1%, as measured by the Benchmark. Pipeline constraints in first quarter caused the discount on Canadian oil to widen, affecting the broad Canadian market and weakening investor sentiment. As a result, the Benchmark declined 4.6% over the first three months of 2018. However, in the second quarter of 2018, the Benchmark posted solid gains of 7.1%, as higher prices for West Texas Intermediate crude oil and relatively better pricing of domestic oil supported the Energy sector. In addition, the Organization of Petroleum Exporting Countries' most recent decision on oil production was well received by markets, lifting crude prices.

As a result, the Benchmark finished the first six months of 2018 up 2.1%. Canadian equities delivered mixed performance not only over the

period, but also across sectors. Stocks in the Information Technology sector had particularly strong performance, making a significant contribution to the Benchmark. However, the Financials sector declined slightly, given weaker sales activity in the housing market and recent regulatory changes in mortgage financing. In addition, the Bank of Canada (BoC) kept its policy interest rate unchanged since its January increase, tempering market expectations regarding the pace of future interest rate increases. The Materials sector posted a small gain, which also supported the Benchmark.

An underweight allocation to the Energy sector and overweight exposure to the Utilities sector detracted from the Fund's performance. Individual detractors from performance included an underweight position in Suncor Energy Inc. and overweight allocation to Intact Financial Corp. Suncor Energy's free cash flow generation has benefited from steadily rising oil prices, supported by the rebalance of global oil inventories. Intact Financials shares declined following weak results, which were driven by higher insurance claim severity and harsh weather. However, the portfolio manager's long-term outlook for the company remains unchanged. The company is the premier insurer in a fragmented market with significant market share growth potential, a top-tier management team, and a long track record of capital return through dividend increases and share buybacks.

The portfolio manager added a new position in The Walt Disney Co. The company's ownership of unique brands and media content supports a highly profitable business model that is difficult to replicate. It generates consistently growing free cash flow from its established franchises, which is then reinvested into the business to support production of new material, and also for capital deployment initiatives including share buybacks, dividend increases, and acquisitions. The Fund's holding in Suncor Energy Inc. was increased due to its high-quality asset base and significant free cash flow leverage to rising crude oil prices.

A number of holdings were eliminated during the period. Starbucks Corp. was sold given its lower growth expectations and sluggish momentum in Asia. BCE Inc. was exited as two-thirds of its business remains exposed to the wireline segment, which is facing a decline. Cineplex Inc. was sold as a result of a decline in box office revenues. Maxar Technologies Ltd. was eliminated as the result of ongoing

weakness in the commercial satellite market. In addition, Nutrien Ltd., Loblaw Companies Ltd., and Whitecap Resources Inc. were exited, given the prospect of better risk/reward opportunities.

Recent Developments

North American equity markets shrugged off the volatility from earlier in the year with robust performance in the second quarter. In fact, Canadian equities rose to new all-time highs driven by a domestic economy that has been helped by stronger U.S. demand, ongoing oil price recovery, a low unemployment rate, and decent earnings growth. Despite this, the outlook for the Canadian equity market has become more uncertain with rising trade tensions occurring at the same time as interest rate increases. Outside of these risks, the return expectation for domestic stocks remains positive but modest, driven in large part by earnings growth and dividend yield. The Canadian economy continues to be well supported and the risk of recession remains low, given the cautious path to interest rate normalization that the BoC is navigating.

Reflecting this outlook, the Fund remains biased toward high-quality businesses in the Financials, Information Technology, and Consumer-related sectors, which are able to grow free cash flow and dividend streams. Investing in companies with lower earnings variability and solid business models works to mitigate overall equity risk through the economic cycle. The portfolio manager believes that the prospect of higher North American interest rates is unlikely to bring an end to the strong market for dividend stocks, which should remain attractive to investors searching for safe havens and greater yield.

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 manager, 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 manager of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's portfolio manager BMO AM. The maximum amount of BMO common shares held during the period in the Fund was approximately 3.8% and at the end of the period was approximately 3.7%.

Brokerage Fees

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

	<u>2018</u> (Jun 30)	<u>2017</u> (June 30)
<i>Total Brokerage Fees</i>	\$19,752	\$29,969
<i>Brokerage Fees Paid to BMO Capital Markets</i>	\$1,522	\$2,008

In the first six month of 2018 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 and for the past five years. Currently Class I units of the Fund are not being offered to purchase.

Educators Dividend Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Six months ended June 30		Year ended December 31			
	2018	2017	2016	2015	2014	2013
Net Assets, beginning of period	\$28.74	\$25.86	\$23.19	\$24.39	\$21.98	\$19.01
Increase (decrease) from operations:						
Total revenue	\$0.37	\$0.73	\$0.68	\$0.72	\$0.69	\$0.64
Total expenses, including transaction costs [excluding distributions]	\$(0.25)	\$(0.49)	\$(0.44)	\$(0.44)	\$(0.43)	\$(0.36)
Realized gains (losses) for the period	\$0.15	\$0.74	\$0.58	\$(0.55)	\$(0.08)	\$0.13
Unrealized gains (losses) for the period	\$(0.09)	\$1.99	\$2.01	\$(0.77)	\$2.36	\$2.81
Total increase (decrease) from operations ⁽²⁾	\$0.18	\$2.97	\$2.83	\$(1.04)	\$2.54	\$3.22
Distributions:						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.10	\$0.08	\$0.16	\$0.17	\$0.16	\$0.22
From capital gains	\$--	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.10	\$0.08	\$0.16	\$0.17	\$0.16	\$0.22
Net Assets, end of period	\$28.81	\$28.74	\$25.86	\$23.19	\$24.39	\$21.98

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30		Year ended December 31			
	2018	2017	2016	2015	2014	2013
Total Net Asset Value (000's) ⁽⁴⁾	\$137,261	\$135,781	\$114,203	\$100,434	\$100,510	\$82,763
Number of units outstanding ⁽⁴⁾	4,765,028	4,725,267	4,415,490	4,330,034	4,121,188	3,765,817
Management expense ratio ⁽⁵⁾	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.81%	1.81%	1.81%	1.81%	1.81%	1.81%
Trading expense ratio ⁽⁷⁾	0.03%	0.02%	0.04%	0.02%	0.01%	0.05%
Portfolio turnover rate ⁽⁸⁾	9.32%	12.77%	19.37%	16.80%	9.01%	28.43%
Net Asset Value per unit	\$28.81	\$28.74	\$25.86	\$23.19	\$24.39	\$21.98

Educators Dividend Fund – Class I Series – Net Assets per Unit ⁽¹⁾

	Six months ended June 30
	2018
Net Assets, beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	\$0.17
Total expenses, including transaction costs [excluding distributions]	\$0.00
Realized gains (losses) for the period	\$0.00
Unrealized gains (losses) for the period	\$0.55
Total increase (decrease) from operations ⁽²⁾	\$0.72
Distributions:	
From net investment income (excluding dividends)	\$--
From dividends	\$0.10
From capital gains	\$--
Return of capital	\$--
Total Annual Distributions ⁽³⁾	\$0.10
Net Assets, end of period	\$10.06

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30
	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$1,382
Number of units outstanding ⁽⁴⁾	137,323
Management expense ratio ⁽⁵⁾	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.00%
Trading expense ratio ⁽⁷⁾	0.03%
Portfolio turnover rate ⁽⁸⁾	9.32%
Net Asset Value per unit	\$10.06

⁽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.

- (4) This information is provided as at June 30 or December 31 of the year shown.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager 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 manager, 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 1.60% for the Class A Series. The Class I Series is identical in all respect to the Class A Series, except that there is no management fee payable by the Fund in respect of the Class I units.

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

Approximately 13.3% of the total management fees collected from all series 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

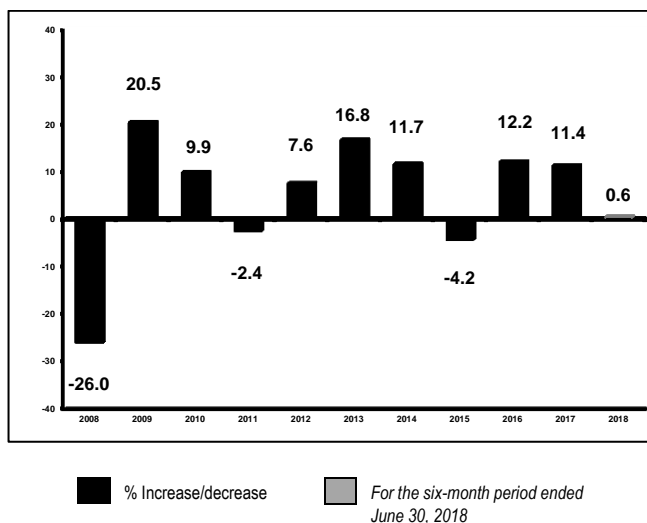
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance of different fund series may vary for a number of reasons, including differences in management fees and expenses. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

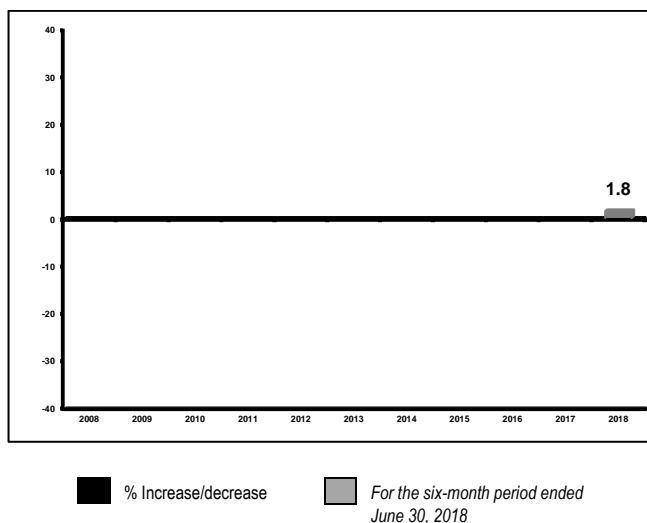
Year-by-Year Returns

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, 2018 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.

Annual Returns – Class A Series



Annual Returns – Class I Series ⁽¹⁾



⁽¹⁾ The Class I Series commenced operations January 4, 2018

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)

As at June 30, 2018

The summary of investment portfolio of the Fund is as at June 30, 2018 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

Sector Mix	Percentage of Net Asset Value
Financials	38.80%
Energy	14.72%
Information Technology	11.23%
Industrials	7.99%
Consumer Staples	5.65%
Utilities	4.92%
Consumer Discretionary	4.13%
Materials	3.04%
Real Estate	2.07%
Telecommunication Services	1.65%
Health Care	1.50%
Commercial Services & Supplies	1.20%
Media	1.01%
Cash and Cash Equivalents	2.09%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	7.78%
Royal Bank of Canada	7.22%
Bank of Nova Scotia	6.90%
Brookfield Asset Management Inc.	4.34%
Canadian National Railway Co.	4.23%
Enbridge Inc.	3.78%
Manulife Financial Corp.	3.75%
Bank of Montreal	3.74%
Microsoft Corp.	3.14%
Suncor Energy Inc.	3.14%
Visa Inc.	2.99%
JPMorgan Chase & Co.	2.70%
Waste Connections Inc.	2.61%
TransCanada Corp.	2.57%
Dollarama Inc.	2.47%
Brookfield Infrastructure Partners LP	2.46%
Texas Instruments Inc.	2.42%
Intact Financial Corp.	2.37%
Pembina Pipeline Corp.	2.09%
Costco Wholesale Corp.	1.84%
TJX Cos Inc.	1.66%
Rogers Communications Inc.	1.65%
CCL Industries Inc.	1.65%
Alimentation Couche-Tard Inc.	1.61%
Activision Blizzard Inc.	1.59%
Total Net Assets (000's)	\$138,643

The top 25 holdings represent approximately 80.70% of the total net assets of the Fund.

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