

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 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

The Fund's net assets increased by 0.6% to \$96.1 million at the end of June 2018, up from \$95.5 million at the end of December 2017.

Investment Performance

For the six-month period ending June 30, 2018 (the 'period'), the Educators Growth Fund – Class A Series provided a return of 1.10%, versus the S&P/TSX Composite Total Return Index (the 'Benchmark') return of 1.95%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

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 1.9%, as measured by the Benchmark. Pipeline constraints in the 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 4.5% over the first three months of 2018. However, in the second quarter of 2018, the Benchmark posted solid gains of 6.8%, 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 1.9%. 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.

The Fund underperformed the Benchmark over the first half of 2018. Security selection within the Energy, Real Estate, and Consumer Staples sectors contributed to the Fund's performance over the period. Energy producers benefited from higher crude oil prices, while the

apartment Real Estate Investment Trusts (REIT), where the Fund has its exposure, were able to achieve higher rentals as a result of strong demand and limited supply. The stronger economy also helped to reduce delinquencies. Individual contributors to performance included a holding in Methanex Corp., a leading global producer of methanol. Prices remained higher than expected, leading to the company's high free cash flow, capital returns to shareholders, and a record-high for its share price. Higher crude oil prices, which increases demand for methanol as a fuel substitute, also aided returns for Methanex. CGI Group Inc. was another contributor to performance, as it benefited from a weaker Canadian dollar. The portfolio manager believes that its strong balance sheet should lead to better returns to shareholders.

Security selection in the Industrials sector detracted from the Fund's performance. Within the Industrials sector, airline stocks were weaker amid higher oil prices, while railway stocks, in which the Fund holds an underweight allocation, rebounded after a challenging winter. Individual detractors from performance included WestJet Airlines Ltd. and Pretium Resources Inc. WestJet's shares were impacted by investor concerns over a strike that pushed out bookings, and by higher oil prices. The company was also in the process of launching its low-cost carrier (Swoop) and engaging in international expansion. Lower gold prices, weaker-than-expected production, and concerns around the mineral grade of its mine impacted Pretium Resources shares.

The portfolio manager added a new position in West Fraser Timber Co. Ltd., North America's largest producer of lumber and a major producer of wood panels and market pulp. The multi-year outlook for lumber, wood panels, and pulp is very positive amid strong housing activity in the U.S. The company has a long track record with a solid balance sheet and best-in-class margins. Even at lower lumber prices, the company, in the portfolio manager's view, should generate a significant amount of free cash flow and be debt-free by the end of 2018. A new holding was also initiated in Constellation Software Inc., a diversified software holding company. Its current business is well diversified across public and private sectors as well as geographies, with revenues coming from the U.S., the U.K., Europe, and Canada. Its strategy is to acquire small- to medium-sized software companies in specific vertical markets at attractive valuations and manage them in a decentralized organizational structure. The company has executed this strategy

successfully over many years and continues to have a strong pipeline of acquisitions.

An existing position in Imperial Oil Ltd. was increased, as it appears well positioned to benefit from geopolitical risk and higher oil prices. The company's management reported above-consensus cash flow, and announced a share buyback and a 19% dividend increase for the second quarter of 2018.

Holdings in PrairieSky Royalty Ltd. and Restaurant Brands International Inc. were eliminated during the period. PrairieSky Royalty reported weak first-quarter results, with lower-than-expected volumes and higher-than-expected general and administrative expenses. The company's long-term prospects lag behind the prospects of its peers, particularly considering its high valuation. Restaurant Brands International continues to face deteriorating store economics, partly as a result of the class-action lawsuit by Tim Hortons franchisees and competitive pressures. In addition, the portfolio manager reduced the Fund's investments in rail companies after a challenging winter, reallocating the proceeds to the Information Technology sector and to REITs, both of which should have better growth potential.

Recent Developments

While the Canadian economy is faring well, the potential slowdown and inflationary effects from a trade war could disrupt its current growth trajectory. The effects of such trade disputes are difficult to forecast with any precision. As such, the portfolio manager anticipates greater volatility from the commodity-oriented Canadian stock market in the coming period, but still believes there are selective investment opportunities. The Fund's positioning in higher-quality, well-managed companies that can withstand turbulent times should, in the portfolio manager's view, contribute positively to its 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 2.5% and at the end of the period was approximately 2.2%.

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> <i>(Jun 30)</i>	<u>2017</u> <i>(Jun 30)</i>
<i>Total Brokerage Fees</i>	\$10,692	\$37,253
<i>Brokerage Fees Paid to BMO Capital Markets</i>	\$2,454	\$10,819

In the first six months 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.

Educators Growth 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	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70	\$17.42
Increase (decrease) from operations:						
Total revenue	\$0.26	\$0.56	\$0.50	\$0.52	\$0.49	\$0.43
Total expenses, including transaction costs [excluding distributions]	\$(0.23)	\$(0.47)	\$(0.44)	\$(0.44)	\$(0.45)	\$(0.39)
Realized gains (losses) for the period	\$0.65	\$2.28	\$0.71	\$0.89	\$1.50	\$1.57
Unrealized gains (losses) for the period	\$(0.44)	\$(0.37)	\$2.21	\$(1.44)	\$0.15	\$1.99
Total increase (decrease) from operations ⁽²⁾	\$0.24	\$2.00	\$2.98	\$(0.47)	\$1.69	\$3.60
Distributions:						
From net investment income (excluding dividends)	\$0.03	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$0.00	\$1.69	\$0.07	\$0.31	\$0.83	\$0.32
Return of capital	\$	\$--	\$--	\$--	\$--	\$0.01
Total Annual Distributions ⁽³⁾	\$0.03	\$1.69	\$0.07	\$0.31	\$0.83	\$--
Net Assets, end of period	\$24.21	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70

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⁾	\$92,839	\$95,447	\$87,830	\$79,447	\$82,523	\$74,953
Number of units outstanding ⁽⁴⁾	3,834,923	3,981,738	3,704,213	3,821,905	3,823,911	3,620,896
Management expense ratio ⁽⁵⁾	1.93%	1.93%	1.93%	1.93%	1.93%	1.90%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio ⁽⁷⁾	0.02%	0.04%	0.05%	0.06%	0.07%	0.11%
Portfolio turnover rate ⁽⁸⁾	19.88%	65.54%	27.81%	40.63%	36.95%	54.08%
Net Asset Value per unit	\$24.21	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70

Educators Growth 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	\$0.65
Total expenses, including transaction costs [excluding distributions]	\$0.00
Realized gains (losses) for the period	\$0.17
Unrealized gains (losses) for the period	\$(0.06)
Total increase (decrease) from operations ⁽²⁾	\$0.76
Distributions:	
From net investment income (excluding dividends)	\$0.08
From dividends	\$--
From capital gains	\$0.00
Return of capital	\$--
Total Annual Distributions ⁽³⁾	\$0.08
Net Assets, end of period	\$10.11

Ratios and Supplemental Data (based on Net Asset Value)

Six months ended June 30	
2018	
Total Net Asset Value (000's) ⁽⁴⁾	\$3,272
Number of units outstanding ⁽⁴⁾	323,542
Management expense ratio ⁽⁵⁾	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.00%
Trading expense ratio ⁽⁷⁾	0.02%
Portfolio turnover rate ⁽⁸⁾	19.88%
Net Asset Value per unit	\$10.11

- ⁽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 1.75% for the Class A Series. The Class I Series is identical in all aspects 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 10.8% 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

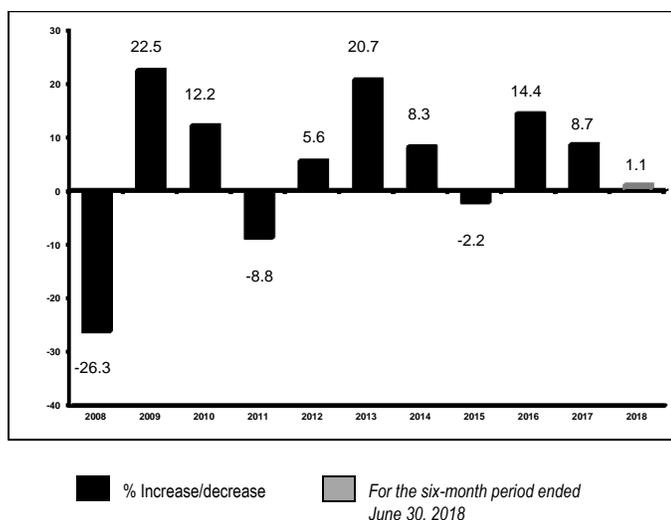
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

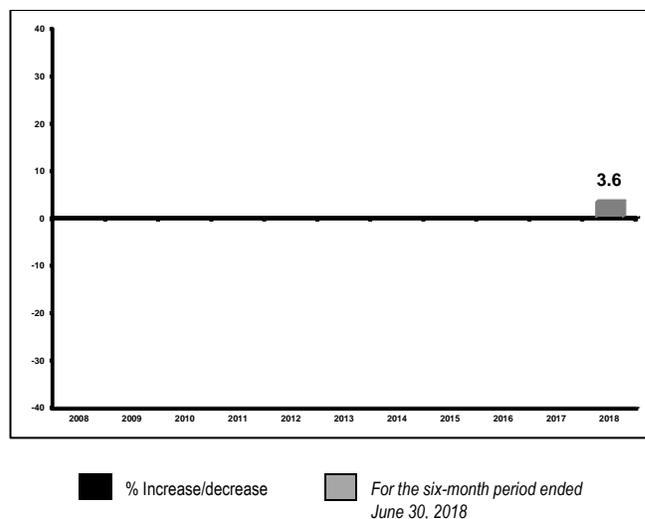
Year-by-Year Returns

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

Sector Mix	Percentage of Net Asset Value
Financials	31.11%
Energy	17.90%
Materials	14.21%
Industrials	7.44%
Consumer Discretionary	6.06%
Exchange-Traded Fund	5.85%
Information Technology	5.19%
Consumer Staples	4.73%
Utilities	2.80%
Telecommunication Services	1.96%
Real Estate	1.53%
Cash and Cash Equivalents	1.17%
Net Other Assets	0.05%



Top 25 Holdings

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	8.11%
Toronto-Dominion Bank	7.09%
Canadian Natural Resources Ltd.	4.74%
TransCanada Corp.	4.19%
Manulife Financial Corp.	4.12%
CGI Group Inc., Class A	3.48%
Magna International Inc.	3.39%
Bank of Nova Scotia	3.14%
Suncor Energy Inc.	3.11%
Teck Resources Ltd.	3.02%
Franco-Nevada Corp.	2.99%
Methanex Corp.	2.99%
BMO S&P 500 Index ETF	2.93%
Onex Corp.	2.67%
Imperial Oil Ltd.	2.64%
George Weston Ltd.	2.54%
Cenovus Energy Inc.	2.24%
Bank of Montreal	2.21%
Air Canada	2.18%
Wheaton Precious Metals Corp.	2.12%
Dollarama Inc.	2.07%
Brookfield Infrastructure Partners LP	1.97%
Rogers Communications Inc.	1.96%
BMO Low Volatility Canadian Equity ETF	1.93%
Canadian National Railway Co.	1.80%
Total Net Assets (000's)	\$96,111

The top 25 holdings represent approximately 79.63% of the total net assets of the Fund.

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.

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

