

2018

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2018

Offered by Educators Financial Group
Portfolio Manager: HSBC Global Asset Management (Canada) Limited, Toronto, Ontario

Educators Monitored Conservative Portfolio



This interim management report of fund performance 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

Investment Objectives and Strategies

The investment objective of the Educators Monitored Conservative Portfolio (the "Fund") is to provide income with some potential for low to moderate capital growth. It does this by maintaining a balance of investments across several asset classes. The Fund invests primarily in mutual funds that invest in securities of Canadian and foreign governments and corporations. The asset mix is varied depending on the outlook for the economy and financial markets. The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders.

Risk

The risks of investing in the Fund remain as discussed in the Simplified Prospectus. Since inception of the Fund no changes affecting the overall level of risk of investing in the Fund were made to the Fund as at June 30, 2018.

Results of Operations

Investment Performance

Class A and Class I units of the Educators Monitored Conservative Portfolio were launched on January 4, 2018. Due to policies issued by the Canadian Securities Administrators, investment performance data is not reported for funds in existence for less than one year. The Fund's benchmark is a weighted composite consisting of the MSCI EAFE Index C\$ (net of withholding taxes) (5.5%), S&P 500 Index C\$ (net of withholding taxes) (6.5%), S&P/TSX Composite Index (16.0%), FTSE TMX Canada Universe Bond Index (51.5%), FTSE TMX Canada Short Term Bond Index (15.5%), and the FTSE TMX 91-Day T-Bill Index (5.0%).

During the period, the Fund held a modest overweight to Canadian equities and an underweight position in Canadian fixed income versus its benchmark, which benefitted relative returns. However, this was offset by negative security selection in the U.S. An overweight in foreign equities (including emerging market equities) and exposure to foreign bonds also weighed on benchmark-relative performance.

From a Canadian investor's perspective, absolute returns varied, but were mostly positive on a year-to-date basis. Canadian equities, as measured by the S&P/TSX Composite Index, returned 2.0% for the first half of the year, while the S&P 500 Index, the best-performing major

asset class, rose by 7.7%. Elsewhere, the MSCI Europe, Australasia, and Far East (EAFE) Index returned 2.5%; and the MSCI Emerging Market (EM) Index declined by 1.9%. The domestic bond market continued to face the headwinds of monetary stimulus removal and gained a modest 0.6%.

While the macro picture is somewhat less robust than it was at year-end, it remains quite positive (as do equity valuations) and market sentiment appears to be more influenced by geopolitical rhetoric. The Fund, therefore, remains tilted toward corporate assets (both equity and bonds).

Recent Developments

The market environment in the first half of 2018 has been more challenging than in 2017, despite continued positive fundamentals. Headwinds have included the gradual withdrawal of monetary policy stimulus, global trade tensions, moderating economic growth, and volatility in emerging markets.

However, we continue to see a fairly robust global expansion overall with low inflation and slowly rising rates. Valuations also remain modestly more attractive for some equity and credit markets than for government bonds and cash. Although we expect increased volatility compared to 2017, our views are fairly consistent with those held at the start of 2018.

Canadian growth also looks positive, as evidenced by strong employment, rising corporate profits, and higher commodity prices.

In the first half of 2018, the U.S. Federal Reserve increased rates by 50 basis points and the Bank of Canada increased its benchmark rate by 25 basis points. Two further hikes are expected in each market in the second half of 2018.

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

Pursuant to the Fund's investment strategies included in the Fund's Simplified Prospectus, the Fund may invest in other mutual funds and for the period has invested in HSBC Mortgage Fund, Institution Series; HSBC Emerging Markets Debt Fund, Institutional Series; HSBC International Equity Pooled Fund; HSBC Global High Yield Bond Pooled Fund; HSBC Global Inflation Linked Bond Pooled Fund; and HSBC Emerging Markets Pooled Fund which are funds managed by the Fund's Portfolio Manager.

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

As the Fund has recently been created no Financial Highlights are provided in this document. Financial Highlights will be provided in our next management report of fund performance ("MRFP") which will cover the Fund for the financial year ended December 31, 2018.

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 1.45% 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.

PAST PERFORMANCE

General

Regulatory restrictions limit publishing performance for investment funds with a history of less than one year.

SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)

As at June 30, 2018

Sector Mix	Percentage of Net Asset Value
Canadian Mutual funds	98.24%
Net Other Assets	1.69%
Cash	0.07%

Top Holdings

Security Name	Percentage of Net Asset Value
Educators Bond Fund, Class I	34.97%
HSBC Mortgage Fund, Institutional Series	16.35%
Educators Dividend Fund, Class I	10.44%
Educators Growth Fund, Class I	6.40%
Educators U.S. Equity Fund, Class I	5.94%
HSBC Emerging Markets Debt Fund, Institutional Series	5.60%
Educators Money Market Fund, Class I	5.10%
HSBC International Equity Pooled Fund	5.04%
HSBC Global High Yield Bond Pooled Fund	3.81%
HSBC Global Inflation Linked Bond Pooled Fund	2.96%
HSBC Emerging Markets Pooled Fund	1.63%
Total Net Assets (000's)	\$7,248

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. Information about the holdings of the HSBC Funds owned by the Fund is contained in their simplified prospectus, annual information form and fund facts documents available on SEDAR at www.sedar.com.

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