

2018

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2018

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

Educators Monthly Income 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 decreased by 3.5% to \$63.0 million at the end of June 2018, down from \$65.3 million at the end of December 2017.

Investment Performance

For the six-month period ending June 30, 2018 (the 'period'), the Educators Monthly Income Fund – Class A Series provided a return of negative 0.02%, versus a Benchmark return of 1.57%. The Benchmark comprises 70% S&P/TSX Composite Total Return Index, 27% FTSE TMX Canada Bond Universe Index and 3% FTSE TMX Canada 91 Day Treasury Bill Index. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark.

As of June 30, 2018, the Fund held 21.4% in Canadian fixed income, 57.0% in Canadian stocks, 17.9% in U.S. stocks, and 3.7% in cash and equivalents.

Globally, equity market returns were modest in the first six months of 2018, with most markets only recovering to positive territory late in the period, masking significant volatility experienced during this time. Markets reacted to two dichotomies: to fears (such as the impact of rising interest rates, trade barriers, and negative rhetoric among global leaders) and to positive market news (such as earnings growth and economic data, rising energy prices, and supportive fundamentals).

Despite higher oil prices, the Canadian dollar slipped nearly 4.5% during the period, primarily due to ongoing trade disputes with the U.S., including disappointment surrounding NAFTA negotiations and the introduction of punitive tariffs. Pipeline and rail transportation bottlenecks have created uncertainty around Canada's ability to benefit from rising oil prices and have resulted in lower realized prices for Canadian oil companies than those received by their counterparts in other parts of the world. Finally, the impact of government regulatory changes, combined with slowly rising interest rates, served to depress a very hot Canadian housing market during the first half of the year. Despite these headwinds, the Canadian economy has continued to perform well, demonstrating both strong employment and economic growth.

The equity portfolio of the Fund underperformed its Benchmark during the period. The Fund benefited from the overweight position and good stock selection in the Energy sector. Top contributors included pipeline

holdings, a company that converts wood waste into biofuel, and a gasoline distributor. The Financials sector was another positive contributor to relative performance, primarily as a result of the Fund's U.S. bank holdings. Within the Telecommunications sector, the Fund's relative underweight position and stock selection both served to enhance performance, as this defensive sector underperformed the Benchmark in the face of rising interest rates.

The Industrials and Consumers sectors were the greatest detractors from relative performance during the period, as the Fund's holdings were impacted by market concerns that margins would peak in the face of rising input prices and tariff-related concerns. The negative impact of the Fund's underweight position in rail companies was somewhat offset by strong stock selection in the category. The Fund's consumer holdings also detracted from relative performance due to weak sales growth and margin pressures. The positions were exited in favour of undervalued, higher-quality companies with visible growth and well-defined competitive advantages.

Within the fixed-income portfolio, the Fund benefitted from its overweight position in BBB-rated securities, as compared to the Benchmark. Returns were driven by investors' continued search for higher-yielding investments, given low interest rates overall. On a sector basis, the Industrials sub-sector continued to outperform the overall corporate sector due to low issuance and market demand. The Fund benefitted from its overweight position on both an absolute and relative basis. The Securitization sub-sector also performed strongly and enhanced the relative performance of the Fund. Overall, the shorter maturities of securities in this sub-sector protected them against the market's volatility. The Financials sub-sector was the worst performing sector during the period due to significant issuance of Canadian bank deposit notes, which affected prices in the secondary market. The Fund's overweight position in this sub-sector detracted from performance.

The Fund's exposure to U.S. equities increased during the period, reflecting bottom-up security selection and improved diversification for the portfolio. The portfolio manager has taken a conservative approach to currency and executed a Canadian dollar forward currency contract in the first quarter to maintain the U.S. dollar exposure at approximately 10% of the Fund.

During the first half of the year, significant changes were made to increase the quality of the equity holdings. A number of small holdings that did not meet the portfolio manager's required risk/reward hurdles were eliminated. In the Consumer Staples and Discretionary sectors, securities facing secular challenges and shifting consumer preferences were sold and replaced with higher-quality companies with sustainable growth, supported by clear competitive advantages. Two stocks with significant exposure to tobacco and weapons production, and another with some practices considered to be controversial, were eliminated—as the Fund formally integrated values-based investment principles. In the Industrials sector, exposure was rotated to higher-quality beneficiaries of an anticipated increase in infrastructure and construction spending. High-quality health care holdings provided good exposure to targeted secular growth with reasonable valuations. In the Energy sector, diversification was enhanced through the elimination of non-core pipeline and power holdings to make way for a biofuel provider, a refiner, and a specialty pipe coating/pipe maintenance company. Within Financials, domestic bank exposure was reduced and an insurer with good exposure to the U.S. market was added.

The corporate weight of the fixed income portfolio was trimmed during the period, in an effort to reduce risk in the Fund during a time of significant market volatility. The Fund continued to remain overweight in corporate bonds (as compared to the Benchmark), in order to benefit from the greater return potential of this sector. To mitigate interest rate risk during the period, The Fund continued to maintain a neutral duration versus its Benchmark.

Recent Developments

Fundamentals remain supportive for equity markets. Global economic growth has been positive, corporate earnings growth is very strong, inflation and interest rates—while rising—continue to bolster valuations, dividends are well supported and generally rising, and balance sheets support further share buybacks. Unfortunately, while return potential is high, risk levels are also elevated. If interest rates rise faster than expected, equity valuations (which are benign in the current environment) could become expensive, and earnings growth could be impacted. Growing trade protectionist policies and dramatic geopolitical events could have a materially negative impact on global growth. Given this backdrop, we believe the equity portfolio's quality characteristics and depth of diversification leave it well positioned to respond to uncertainties in both the long and short term. The Fund continues to be deeply diversified, exploiting equity opportunities throughout North America.

The fixed income portion of the Fund will continue to have a neutral duration position as compared to its Benchmark. The portfolio manager will continue to place significant emphasis on quality, balance sheet strength, and liquidity. The focus will remain on companies with low earnings volatility and high earnings visibility, while adjusting exposure to individual sectors and credit quality ranges to enhance returns and provide downside protection in changing market conditions.

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 Manager, 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 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 Monthly Income 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	\$10.33	\$10.12	\$9.92	\$10.29	\$9.96	\$9.85
Increase (decrease) from operations:						
Total revenue	\$0.16	\$0.33	\$0.29	\$0.30	\$0.33	\$0.34
Total expenses, including transaction costs [excluding distributions]	(\$0.07)	(\$0.15)	(\$0.15)	(\$0.16)	(\$0.15)	(\$0.14)
Realized gains (losses) for the period	\$0.28	\$0.27	\$--	\$0.41	\$0.04	(\$0.09)
Unrealized gains (losses) for the period	(\$0.38)	\$0.36	\$0.67	(\$0.39)	\$0.67	\$0.77
Total increase (decrease) from operations ⁽²⁾	(\$0.01)	\$0.81	\$0.81	\$0.16	\$0.89	\$0.88
Distributions:						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.08	\$0.16	\$0.14	\$0.14	\$0.18	\$0.21
From capital gains	\$0.01	\$0.02	\$--	\$0.12	\$--	\$--
Return of capital	\$0.21	\$0.42	\$0.46	\$0.34	\$0.46	\$0.51
Total Annual Distributions ⁽³⁾	\$0.30	\$0.60	\$0.60	\$0.60	\$0.64	\$0.72
Net Assets, end of period	\$10.02	\$10.33	\$10.12	\$9.92	\$10.29	\$9.96

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⁾	\$63,018	\$65,293	\$54,721	\$49,881	\$40,835	\$29,633
Number of units outstanding ⁽⁴⁾	6,290,038	6,323,244	5,408,281	5,030,870	3,968,159	2,976,702
Management expense ratio ⁽⁵⁾	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%
Trading expense ratio ⁽⁷⁾	0.09%	0.05%	0.09%	0.10%	0.06%	0.13%
Portfolio turnover rate ⁽⁸⁾	42.03%	62.06%	74.21%	77.75%	44.85%	102.91%
Net Asset Value per unit	\$10.02	\$10.33	\$10.12	\$9.92	\$10.29	\$9.96

⁽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 1.15% for the Class A Series. The Class I Series is identical on 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 14.7% of the total management fees collected 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.

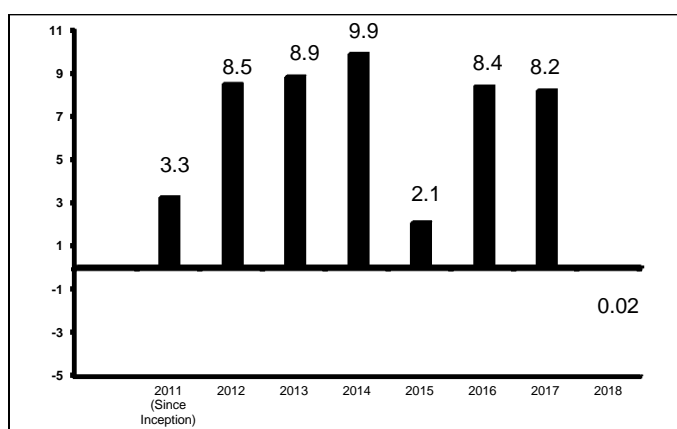
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance of different fund series may vary for a number of reasons, including differences in management fees and expenses. Please remember 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 since inception 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



■ % Increase/decrease ■ For the six-month period ended June 30, 2018

Annual Returns – Class I Series

Currently Class I units of the Fund are not being offered to purchase.

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)

As at June 30, 2018

Sector Mix	Percentage of Net Asset Value
Financials	25.99%
Energy	16.77%
Corporate Bonds	12.68%
Industrials	9.17%
Materials	6.13%
Government Bonds	5.46%
Information Technology	5.38%
Consumer Discretionary	3.68%
Utilities	3.39%
Real Estate	2.51%
Telecommunication Services	1.58%
Asset-Backed Securities	1.52%
Health Care	1.49%
Consumer Staples	0.31%
Cash and Cash Equivalents	3.11%
Net Other Assets	0.83%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	3.78%
Bank of Nova Scotia	3.69%
Royal Bank of Canada	3.59%
Manulife Financial Corp.	3.43%
Bank of Montreal	3.06%
Pembina Pipeline Corp.	2.78%
Government of Canada, 2.75%, December 1, 2048	2.73%
Canadian Natural Resources Ltd.	2.45%
Suncor Energy Inc.	2.31%
Bank of America Corp.	1.97%
Vermilion Energy Inc.	1.91%
Pinnacle Renewable Holdings Inc.	1.81%
Microsoft Corp.	1.73%
Home Depot Inc.	1.71%
Aecon Group Inc.	1.68%
KeyCorp	1.67%
Sun Life Financial Inc.	1.59%
Brookfield Asset Management Inc.	1.59%
Rogers Communications Inc.	1.58%
Masco Corp.	1.56%
Keyera Corp.	1.55%
Teck Resources Ltd.	1.54%
Park Lawn Corp.	1.53%
TransCanada Corp.	1.49%
Agnico Eagle Mines Ltd.	1.38%
Total Net Assets (000's)	\$63,018

The top 25 holdings represent approximately 54.11% 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.

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