2019

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2019

Offered by Educators Financial Group
Portfolio Manager: 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

The Fund's net assets increased by 40.8% to $22.1 million at the end of June 2019, up from $15.7 million at the end of December 2018.

Investment Performance

For the period ending June 30, 2019 (the 'period'), the Educators Bond Fund – Class A Series provided a return of 5.92%, versus the FTSE TMX Canada Universe Bond Index (the 'Benchmark') return of 6.52%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund underperformed the FTSE TMX Canada Bond Universe Index for the six-month period ending June 30, 2019, on a net of fees basis.

During the January 1 to June 30, 2019 period, central banks paused—with the U.S. Federal Reserve (the Fed) opting to leave the federal funds rate unchanged at the target range of 2.25%-2.50%—while the Bank of Canada (BoC) maintained the overnight rate at 1.75%.

The Fed pointed to slower growth of household spending and business fixed investment in March, with the view that sustained expansion of economic activity, strong labour market conditions, and inflation near the 2% target is the most likely outcome. However, by the end of the period, despite a still-strong labour market and moderate growth in economic activity, the Fed noted that muted inflation and increased uncertainty around the baseline outlook for continued economic growth are cause for close monitoring and action that is *"appropriate to sustain the expansion"*. In addition, analysis of June's dot plots (the Fed's method of conveying its interest rate outlook through a series of data points on a graph) indicated that positions changed significantly from March, with one of the Committee's 17 members projecting one rate cut in 2019 and seven members projecting two. Previously, 11 out of the 17 members were projecting no rate hike in 2019.

During the period, the BoC also maintained the cautious tone struck in its December 2018 monetary policy release. However, amid a pickup in the economy in the second quarter, the BoC highlighted the beginning of a potential recovery in the oil sector, a more stable national housing market, and continued strong job growth. After hovering near or at the 2% target in March and April, headline inflation rose year-over-year in May to 2.4%, driven mostly by the cost of food and transportation. While part of the strength in inflation data could be attributed to a temporary "Raptors effect", core inflation also rose year-over-year to 2.1% in May from 1.5% in April. However, the Bank tempered optimism, noting that while the slowdown in Canada in late 2018 and early 2019 had proven temporary, global trade risks had grown, particularly those stemming from the U.S.-China dispute. The increasingly dovish tone from the BoC (and the Fed) has led bond markets to price in one to two rate cuts in Canada this year.

For the first half of 2019, the FTSE Canada Universe Bond Index increased by 6.52% on a total-return basis. Duration slightly detracted in the year-to-date, as the portfolio was short duration amid bond yields generally falling. Sector allocation added value over the period (despite some concerns over trade wars), as it has been risk-on for the credit markets for the majority of 2019. Government security selection also added value, as the Fund's overweight positions in the provinces of Ontario and Quebec (relative to the other provinces) has been a positive contributor. Corporate security selection detracted, as higher-quality credit underperformed higher-beta credit due to continued strength in credit market sentiment.

Recent Developments

Central banks have advanced from a 'wait-and-see' approach to broadly signaling an easing of monetary policy. Equity and bond markets both rallied in response, but on different outlooks. On one hand, the bond market is pricing in up to four rate cuts through the end of 2020, and the yield curve remains inverted. Historically, yield curve inversions have tended to signal recession, although the timing can vary from six months after the curve inverts to up to two years. The bond market appears to believe that weakening U.S. economic data is leading to a recession, which is why yields have fallen. In addition, in more recent cycles, an inversion alone is not enough to predict a recession—although the longer an inversion lasts, the greater the risk of a recession. This may also explain why the Fed is signaling rate cuts, as the Fed chair Jerome Powell could possibly be trying to influence the yield curve.

The equity market, on the other hand, appears to accept that while there are signs that economic data is deteriorating, it is not yet recessionary. Overall it remains optimistic the Fed will make two "insurance" cuts to extend the economic cycle. There is, in our opinion, validity to this perspective. A recession is technically two quarters of negative GDP growth and the U.S. economy still appears a long way from two quarters of contraction. The portfolio manager also notes that no sitting U.S. President has been re-elected in the midst of a recession and believes President Trump could enact new fiscal stimulus measures and/or continue to pressure the Fed with his tweets to continue the U.S. expansion.

Whether through insurance cuts to engineer a soft landing and buoy equity markets or a way to reverse or lessen the yield curve inversion to stave off recession, it appears the Fed is possibly beholden to the markets. As a result, the portfolio manager believes the Fed could cut rates by 25 to 50 bps in the second half of 2019. In the U.S., the portfolio manager does not believe that the bond market's prediction of up to four rate cuts by the end of 2020 is likely. Rather, they would expect the Fed to either cut rates twice and successfully engineer a soft landing, or cut rates up to six or seven times as the economy falls into a recession (and/or inflation remains persistently below the Fed's 2% target). Should the Fed start lowering rates, the portfolio manager believes the BoC will be forced to follow suit with at least one cut this year. Canada has seen a recent uptick in inflation and strong wage and job growth, and Governor Poloz's view that the economic slowdown in Q4/18 and Q1/19 would prove transitory appears to be correct. However, the BoC cannot maintain the current overnight rate of 1.75% in the face of easing by the Fed and other central banks. Failure to react could spur a dramatic appreciation in the Canadian dollar, putting downward pressure on inflation and impacting Canada's competitiveness. The Bank of Canada, under Governor Poloz, has historically targeted the Canadian dollar with monetary policy. The portfolio manager believes Poloz will take a wait-and-see approach, watching for the impact of a U.S. rate cut on the currency, as opposed to preempting the Fed and cutting first.

The portfolio manager believes we are getting close to the end of the cycle, as the economic expansion in the U.S. has continued into July—making it the longest expansion ever recorded. This recovery may indeed die of old age, but seems to be kept on life support by central banks wanting to prolong the economic cycle and engineer a potentially elusive soft landing. With equity markets and bond markets at odds with each other, one will ultimately be proven right, leading to a correction in the loser's market. While caution is warranted, the portfolio manager will seek out opportunities to capitalize on, in the belief that the risk of recession is less likely than the bond market currently implies.

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 general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

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

In the first six months of 2019 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 Bond Fund – Class A Series – Net Assets per Unit [1]

	Six months ended June 30	Year ended December 31				
	2019	2018	2017	2016	2015	2014
Net Assets, beginning of period	$9.75	$9.84	$9.82	$9.93	$10.06	$9.78
Increase (decrease) from operations:						
Total revenue	$0.14	$0.28	$0.23	$0.29	$0.32	$0.32
Total expenses, including transaction costs [excluding distributions]	($0.06)	($0.12)	$(0.12)	$(0.13)	$(0.13)	$(0.13)
Realized gains (losses) for the period	$0.16	($0.15)	$(0.37)	$0.08	$(0.02)	$(0.07)
Unrealized gains (losses) for the period	$0.34	$0.01	$0.40	$(0.19)	$(0.11)	$0.37
Total increase (decrease) from operations [2]	$0.58	$0.02	$0.14	$0.05	$0.06	$0.49
Distributions:						
From net investment income (excluding dividends)	$0.08	$0.13	$0.10	$0.17	$0.19	$0.20
From dividends	$--	$--	$--	$--	$--	$--
From capital gains	$--	$--	$--	$0.04	$--	$--
Return of capital	$--	$0.00	$0.02	$--	$--	$--
Total Annual Distributions [3]	$0.08	$0.13	$0.12	$0.21	$0.19	$0.20
Net Assets, end of period	$10.25	$9.75	$9.84	$9.82	$9.93	$10.06

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31				
	2019	2018	2017	2016	2015	2014
Total Net Asset Value (000's) [4]	$7,845	$6,880	$8,953	$10,140	$8,903	$8,868
Number of units outstanding [4]	765,183	705,316	909,935	1,032,691	896,328	881,460
Management expense ratio [5]	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Management expense ratio before waivers or absorptions [6]	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Trading expense ratio [7]	--%	--%	--%	--%	--%	--%
Portfolio turnover rate [8]	86.63%	199.01%	123.27%	6.90%	9.17%	6.05%
Net Asset Value per unit	$10.25	$9.75	$9.84	$9.82	$9.93	$10.06

Educators Bond Fund – Class I Series – Net Assets per Unit [1]

	Six months ended June 30	Year ended December 31
	2019	2018
Net Assets, beginning of period	$9.96	$10.00
Increase (decrease) from operations:		
Total revenue	$0.14	$0.28
Total expenses, including transaction costs [excluding distributions]	$--	$0.00
Realized gains (losses) for the period	$0.16	($0.04)
Unrealized gains (losses) for the period	$0.36	$0.12
Total increase (decrease) from operations [2]	$0.36	$0.36
Distributions:		
From net investment income (excluding dividends)	$0.14	$0.26
From dividends	$--	$--
From capital gains	$--	$--
Return of capital	$--	$0.00
Total Annual Distributions [3]	$0.14	$0.26
Net Assets, end of period	$10.47	$9.96

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31
	2019	2018
Total Net Asset Value (000's) [4]	$14,214	$8,848
Number of units outstanding [4]	1,357,120	888,105
Management expense ratio [5]	0.01%	0.01%
Management expense ratio before waivers or absorptions [6]	0.01%	0.01%
Trading expense ratio [7]	--	--
Portfolio turnover rate [8]	86.63%	199.01%
Net Asset Value per unit	$10.47	$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 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 1.10% for the Class A Series. The Class I Series are identical in all respects 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 49.5% of the total management fees collected from all series 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

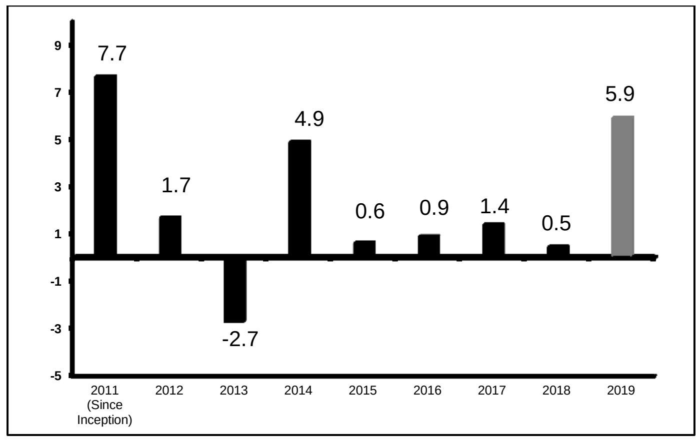
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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

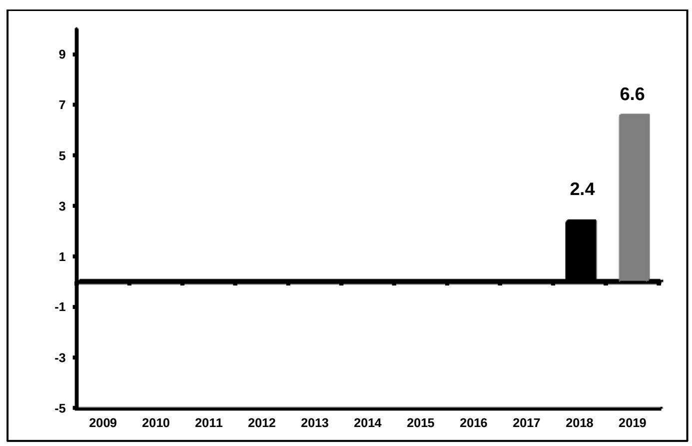
The bar chart shows the Fund's performance since inception and illustrates how the Fund's performance has changed for the 6-month period ended June 30, 2019 and for each 12-month period ending December 31. The chart shows, in percentage terms, how much an investment made on the first day of each financial 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, 2019*

Annual Returns – Class I Series (1)



% Increase/decrease *For the six-month period ended June 30, 2019*

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

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)
As at June 30, 2019

Sector Mix	Percentage of Net Asset Value
Government Bonds	54.14%
Corporate Bonds	42.14%
Asset-Backed Securities	2.41%
Short-term Investments	1.24%
Net Other Liabilities	0.07%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Province of Ontario, 2.40%, June 2, 2026	6.90%
Canadian Government Bond, 2.25%, June 1, 2029	6.64%
Province of Ontario, 2.60%, June 2, 2025	4.76%
Province of Ontario, 2.70%, June 2, 2029	4.28%
Canadian Government Bond, 2.75%, December 1, 2048	4.00%
Canadian Imperial Bank of Commerce, 2.04%, March 21, 2022	2.48%
Bank of Montreal, 2.85%, March 6, 2024	2.36%
Province of Alberta, 2.90%, December 1, 2028	2.14%
Province of Quebec, 2.30%, September 1, 2029	2.09%
Toronto-Dominion Bank, 2.85%, March 8, 2024	1.97%
Bank of Montreal, 1.61%, October 28, 2021	1.92%
Province of Ontario, 2.80%, June 2, 2048	1.87%
Canadian Government Bond, 1.50%, June 1, 2026	1.78%
Province of Quebec, 3.50%, December 1, 2048	1.66%
Lower Mattagami Energy LP, 4.33%, May 18, 2021	1.60%
Province of Ontario, 2.60%, September 8, 2023	1.54%
Royal Bank of Canada, 2.35%, July 2, 2024	1.49%
Royal Bank of Canada, 3.30%, September 26, 2023	1.44%
Province of Quebec, 5.00%, December 1, 2041	1.44%
Province of British Columbia, 2.95%, December 18, 2028	1.44%
Toronto-Dominion Bank, 3.59%, September 14, 2028	1.40%
Toronto-Dominion Bank, 3.01%, May 30, 2023	1.40%
Canadian Government Real Return Bond, 6.96%, December 1, 2021	1.40%
Canadian Imperial Bank of Commerce, 3.29%, January 15, 2024	1.35%
Province of Quebec, 3.10%, December 1, 2051	1.32%
Total Net Assets (000's)	**$22,060**

The top 25 holdings represent approximately 60.67% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2019and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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