

2019

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2019

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 12.8% to \$95.3 million at the end of June 2019, up from \$84.5 million at the end of December 2018.

Investment Performance

For the period ending June 30, 2019 (the 'period'), the Educators Growth Fund – Class A Series provided a return of 14.96%, versus the S&P/TSX Composite Total Return Index (the 'Benchmark') return of 16.22%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

For the first six months of 2019, Canadian equities, as measured by the S&P/TSX Composite Index (TSX), returned 16.2%. The Bank of Canada (BoC) kept interest rates steady over the period. From a sector perspective, the strongest performers in the TSX were Information Technology and Healthcare. The latest Canadian year-over-year gross domestic product figures published in April were 1.50%. Canadian year-over-year inflation rose above the 12-month trend, as the latest data published in May reported inflation at 2.40%. Canadian unemployment data continued to improve, as the latest data published in May measured unemployment at 5.40%.

The Fund underperformed the TSX over the period. From a sector perspective, the main detractors from the Fund's performance were an underweight allocation to Healthcare and an overweight exposure to Materials. Security selection within the Information Technology and Communication Services sectors were other detractors. Rogers Communications Inc. also detracted from performance, as the company was negatively impacted by slowing wireless growth and fears of increased competitive activity. Additionally, Methanex Corp. detracted from performance amid weak oil and methanol prices. A lack of exposure to Shopify Inc. was a relative detractor from performance, as the stock rebounded on high revenue growth and the announcement of a fulfillment network.

On a more positive note, the Fund's overweight exposure to the Information Technology sector contributed to relative performance, as did stock selection within Energy and Industrials. Individual contributors to performance included Air Canada and Kirkland Lake Gold Inc. Air Canada continued to perform well amid robust consumer demand and the announcement of its acquisition of Air Transat, which should result in improved pricing power for cross-Atlantic routes and sunshine destinations. Kirkland Lake Gold's stock rose amid positive news on production and reserves, and as a result of rising gold bullion prices.

The portfolio manager added a new position in Empire Co. Ltd. There is positive investor sentiment on the company as a result of its turnaround efforts. It has reduced costs by rationalizing its supplier relationships, launched a discount brand in Western Canada, and improved its margins—leading to cash flow and dividend growth. An existing holding in Kirkland Lake Gold Inc. was increased as positive exploration and drilling results have resulted in larger reserves and cash flow growth.

Magna International Inc. was eliminated from the Fund amid expectations of slowing automotive sales as a result of slowing economic growth and tighter credit conditions. While Teck Resources Ltd.'s stock exemplifies an attractive valuation and high free cash flow, the company's profitability was reduced as commodity prices were modestly weaker around the start of the year. As a result, the Fund's exposure to the stock was trimmed.

Recent Developments

Global economic data has been incrementally weaker and the increased threat of tariffs and prolonged trade wars will not help improve the situation. The portfolio manager believes that there will be increased policy support to counteract this in the coming months.

The portfolio manager has reduced the Fund's exposure to the Materials sector (which could be impacted by lower economic growth) and increased the Fund's exposure to pipelines (which have greater potential for earnings growth, given their pricing power and development projects). The Fund's exposure to precious metals was also increased, as these funds have benefited from a weaker U.S. dollar and increased geopolitical tensions.

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

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 3.5% and at the end of the period was approximately 3.3%.

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>2019</u> (Jun 30)	<u>2019</u> (Jun 30)
Total Brokerage Fees	\$12,639	\$23,749
Brokerage Fees Paid to BMO Capital Markets	\$2,180	\$5,298

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.

Educators Growth 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	\$20.22	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70
Increase (decrease) from operations:						
Total revenue	\$0.30	\$0.55	\$0.56	\$0.50	\$0.52	\$0.49
Total expenses, including transaction costs [excluding distributions]	(\$0.22)	(\$0.46)	\$(0.47)	\$(0.44)	\$(0.44)	\$(0.45)
Realized gains (losses) for the period	\$0.24	\$1.03	\$2.28	\$0.71	\$0.89	\$1.50
Unrealized gains (losses) for the period	\$2.75	(\$3.80)	\$(0.37)	\$2.21	\$(1.44)	\$0.15
Total increase (decrease) from operations ⁽²⁾	\$3.07	(\$2.68)	\$2.00	\$2.98	\$(0.47)	\$1.69
Distributions:						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.05	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$1.00	\$1.69	\$0.07	\$0.31	\$0.83
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.05	\$1.00	\$1.69	\$0.07	\$0.31	\$0.83
Net Assets, end of period	\$23.19	\$20.22	\$23.97	\$23.71	\$20.79	\$21.58

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⁾	\$85,728	\$78,907	\$95,447	\$87,830	\$79,447	\$82,523
Number of units outstanding ⁽⁴⁾	3,696,216	3,901,914	3,981,738	3,704,213	3,821,905	3,823,911
Management expense ratio ⁽⁵⁾	1.96%	1.93%	1.93%	1.93%	1.93%	1.93%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio ⁽⁷⁾	0.03%	0.03%	0.04%	0.05%	0.06%	0.07%
Portfolio turnover rate ⁽⁸⁾	26.67%	44.76%	65.54%	27.81%	40.63%	36.95%
Net Asset Value per unit	\$23.19	\$20.22	\$23.97	\$23.71	\$20.79	\$21.58

Educators Growth 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	\$8.50	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.13	\$0.24
Total expenses, including transaction costs [excluding distributions]	\$--	\$0.00
Realized gains (losses) for the period	\$0.12	\$0.31
Unrealized gains (losses) for the period	\$0.99	(\$2.21)
Total increase (decrease) from operations ⁽²⁾	\$1.24	(\$1.66)
Distributions:		
From net investment income (excluding dividends)	\$--	\$--
From dividends	\$0.12	\$--
From capital gains	\$--	\$0.53
Return of capital	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.12	\$0.53
Net Assets, end of period	\$9.75	\$8.50

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⁾	\$9,587	\$5,598
Number of units outstanding ⁽⁴⁾	983,493	658,596
Management expense ratio ⁽⁵⁾	0.01%	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%	0.01%
Trading expense ratio ⁽⁷⁾	0.03%	0.03%
Portfolio turnover rate ⁽⁸⁾	26.67%	44.76%
Net Asset Value per unit	\$9.75	\$8.50

⁽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 1.75% 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 13.0% 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

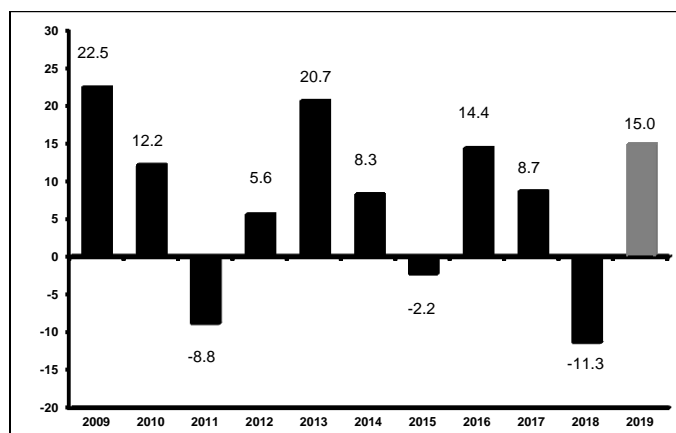
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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

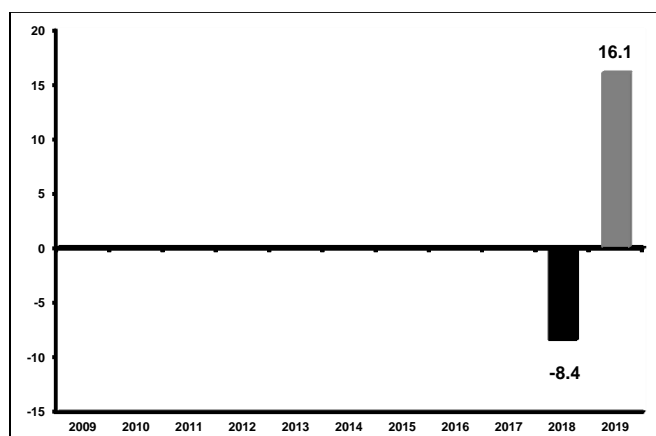
The bar chart shows the Fund's performance for each of its past 10 financial years and illustrates how the Fund's performance has changed for the 6-month period ended June 30, 2019 and for each 12-month period ending December 31. The chart shows, in percentage terms, how much an investment made on the 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 operations January 4, 2018

SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)

As at June 30, 2019

Sector Mix	Percentage of Net Asset Value
Financials	27.11%
Energy	15.68%
Industrials	12.41%
Materials	9.35%
Exchange-Traded Fund	7.18%
Information Technology	6.34%
Real Estate	4.99%
Communication Services	4.56%
Consumer Staples	3.88%
Consumer Discretionary	2.76%
Utilities	2.47%
Health Care	1.60%
Short-term Investments	1.41%
Net Other Assets	0.16%
Cash and Cash Equivalents	0.10%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	8.55%
Toronto-Dominion Bank	8.04%
TC Energy Corp.	4.50%
Canadian Natural Resources Ltd.	4.12%
Canadian Pacific Railway Ltd.	4.01%
BMO S&P 500 Index ETF	4.01%
Canadian National Railway Co.	3.74%
Manulife Financial Corp.	3.54%
CGI Inc.	3.49%
Enbridge Inc.	3.45%
Bank of Montreal	3.31%
Kirkland Lake Gold Ltd.	3.16%
Air Canada	2.91%
Constellation Software Inc.	2.85%
Canadian Apartment Properties Real Estate Investment Trust	2.67%
Rogers Communications Inc.	2.57%
Quebecor Inc.	2.00%
Cenovus Energy Inc.	1.99%
BMO Low Volatility Canadian Equity ETF	1.97%
Algonquin Power & Utilities Corp.	1.62%
Bausch Health Cos Inc.	1.60%
Empire Co Ltd.	1.53%
Teck Resources Ltd.	1.49%
Sun Life Financial Inc.	1.42%
Methanex Corp.	1.40%
Total Net Assets (000's)	\$95,315



The top 25 holdings represent approximately 79.94% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2019 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

