

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 U.S. Equity 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 8.6% to \$106.0 million at the end of June 2019, up from \$97.6 million at the end of December 2018.

Investment Performance

For the period ending June 30, 2019 (the 'period') the Educators U.S. Equity Fund – Class A Series provided a return of 10.24%, versus the S&P 500 Total Return Index (CAD\$) (the 'Benchmark') return of 13.07%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund underperformed the Index on a net of fees basis. At the sector level, relative underperformance was driven in large part by security selection in Information Technology, Communication Services, Energy, and Consumer Staples. This was offset somewhat by contributions to performance primarily derived from stock selection in the Financials and Industrials sectors, as well as a relative underweight exposure in Healthcare and a zero weighting in Utilities (as those sectors underperformed the broader index).

After a sharp correction late last year, U.S. markets rebounded in the January 1 to June 30, 2019 period. In January, equities saw one of the best months in 30 years and momentum continued through April amid rising oil prices, signs of the U.S. economy and job market continuing to expand solidly, and a perceived dovish U-turn in monetary policy by the U.S. Federal Reserve (the Fed). However, by May, the mood turned to somewhat risk-off amid some weakness in economic data and growing concern that a quick resolution to the U.S.-China trade war was unlikely. It then rebounded in June, as the prospect of rate cuts buoyed sentiment. As a result, the S&P 500 Index (C\$) rose 13.4% in the period and as July began, the U.S. economic recovery from the Great Financial Crisis (at 121 months) officially became the longest economic expansion on record.

At the individual security level, notable contributors to performance on an absolute-return basis included Ameriprise Financial, Inc., American Express Company, and Oracle Corporation. Ameriprise strengthened during the period amid positive analyst re-ratings and earnings reports, as well as the announced sale of its non-core property and casualty insurance business (which the portfolio manager believes represents a step by the company to limit its exposure to capital-intensive business). American Express rose on positive quarterly results and news that it had extended deals with existing partners Delta Air and Air Canada.

With a record number of new card additions, greater card acceptance at merchants and a continued shift to online retail, the portfolio manager believes the future looks positive for the company. Oracle rebounded off December lows, due in part to a return of positive momentum for tech stocks and, in June, a strong first-quarter earnings report. The stock's strength in the period resulted in it reaching our target price, and the portfolio manager consequently completed a process-driven one-third sale and a full valuation review of the stock.

Halliburton Company, Kellogg Company, and Amgen, Inc. were among the main detractors on an absolute-return basis. Weakness in spending in the U.S. shale industry continued to weigh on Halliburton's revenues. However, with a growing international market and improvement in the U.S. market, the portfolio manager continues to believe the company has upside potential. Kellogg's share price declined in the period, due in part to lowered guidance and announcements of reorganization plans for its European and North American operations. However, the company continues to pay an attractive dividend while also repurchasing stock—leading the portfolio manager to believe it will be rewarded for its efforts to reposition itself for sustainable growth. Although biopharmaceutical company Amgen Inc. largely met 2018 earnings expectations, its share price also fell during the period following management's guidance for a decline in sales in 2019 (due to a number of biologics facing patent expiration and hence competition from generic brands). In addition, investors were disappointed with first-quarter growth in newer products, specifically the launch of drugs Aimovig® (for migraines) and the cardio drug Repatha®. However, investors are too focused on the short term and are failing to recognize that Amgen is investing heavily in its pipeline, and returning cash to shareholders. The portfolio manager consequently added to the position in the stock, on the resulting weakness.

During the period, a new position was initiated in Gardner Denver Holdings Inc., a leading global provider of mission-critical flow control and compression equipment. The Fund also added to existing positions in Cummins Inc., Kellogg, Amgen, Amdocs Limited, Halliburton Company, Symantec Corp., BlackRock Inc., AmerisourceBergen Corp., and Harley-Davidson Inc.

Following a process-driven one-third sale of Eli Lilly and Co. in the fourth quarter of 2018, the portfolio manager established a new target price—which the stock subsequently surpassed again. As a result, following a second process-driven one-third sale in the first quarter, the position was fully sold. During the period, the portfolio manager also

completed process-driven sales of AutoZone Inc., Ingersoll-Rand plc, and Oracle Corp., and trimmed our position in American Express.

Recent Developments

The momentum market continues, driven much more by sentiment than any kind of fundamental metrics. Investors are also crowding into areas of the market viewed as “safe”—paying up for companies perceived as offering stable growth. However, the portfolio manager is starting to see signs that investors are looking for valuation ceilings. While a gap between growth and value persists, the margin is narrowing. Over a trailing five-year period, the Russell 1000 Value Index has underperformed the Russell 1000 Growth Index by 44%. However, over the past year, that gap has shrunk to 3.1%. As a result, the portfolio manager believes fundamentals may become much more important in the months ahead.

While the number of new opportunities in the U.S. equity universe is not as large as experienced last year, the portfolio manager believes the portfolio itself remains attractively positioned (versus the intrinsic values of the holdings as well as the broad market). It is rare for both these measures to be so far out of line, and thus our conviction remains high.

The portfolio manager is cognizant of the increasing noise about economic weakness in U.S., as well as global markets, trade tensions, and geopolitical uncertainty. However, the portfolio manager is ultimately a bottom-up stock-picker and will always remain focused on fundamentals. All of the holdings in the portfolio continue to generate free cash flow, along with strong balance sheets and capital allocation policies that the portfolio manager feels strike the right balance between corporate needs and shareholder returns. The Fund continues to focus on high-quality business models and company-specific catalysts that factor into attractive risk/reward profiles and, importantly, downside protection.

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.

Educators U.S. Equity 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	\$17.64	\$18.59	\$20.18	\$18.56	\$19.13	\$17.81
Increase (decrease) from operations:						
Total revenue	\$0.25	\$0.45	\$0.45	\$0.40	\$0.43	\$0.43
Total expenses, including transaction costs [excluding distributions]	(\$0.23)	(\$0.43)	(\$0.44)	(\$0.41)	(\$0.42)	(\$0.41)
Realized gains (losses) for the period	\$0.61	\$0.84	\$4.34	\$0.94	\$0.12	\$1.20
Unrealized gains (losses) for the period	\$1.19	(\$1.19)	(\$2.27)	\$0.67	(\$0.68)	\$0.09
Total increase (decrease) from operations⁽²⁾	\$1.82	(\$0.33)	\$2.08	\$1.60	(\$0.55)	\$1.31
Distributions:						
From net investment income (excluding dividends)	\$--	\$0.01	\$--	\$--	\$--	\$--
From dividends	\$0.05	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$0.58	\$3.61	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions⁽³⁾	\$0.05	\$0.59	\$3.61	\$--	\$--	\$--
Net Assets, end of period	\$19.40	\$17.64	\$18.59	\$20.18	\$18.56	\$19.13

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⁾	\$97,568	\$92,385	\$99,517	\$95,876	\$94,454	\$101,688
Number of units outstanding ⁽⁴⁾	5,029,038	5,237,316	5,353,332	4,750,945	5,089,059	5,316,626
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%	0.04%	0.10%	0.11%	0.15%	0.15%
Portfolio turnover rate ⁽⁸⁾	9.20%	29.27%	125.26%	70.96%	64.04%	97.70%
Net Asset Value per unit	\$19.40	\$17.64	\$18.59	\$20.18	\$18.56	\$19.13

Educators U.S. Equity 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	\$9.42	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.14	\$0.24
Total expenses, including transaction costs [excluding distributions]	(\$0.03)	(\$0.04)
Realized gains (losses) for the period	\$0.34	\$0.57
Unrealized gains (losses) for the period	\$0.55	(\$0.98)
Total increase (decrease) from operations⁽²⁾	\$1.00	(\$0.21)
Distributions:		
From net investment income (excluding dividends)	\$--	\$0.03
From dividends	\$0.12	\$0.00
From capital gains	\$--	\$0.36
Return of capital	\$--	\$--
Total Annual Distributions⁽³⁾	\$0.12	\$0.39
Net Assets, end of period	\$10.36	\$9.42

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⁾	\$8,433	\$5,207
Number of units outstanding ⁽⁴⁾	814,142	552,851
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%	0.04%
Portfolio turnover rate ⁽⁸⁾	9.20%	29.27%
Net Asset Value per unit	\$10.36	\$9.42

(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 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 28.4% 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

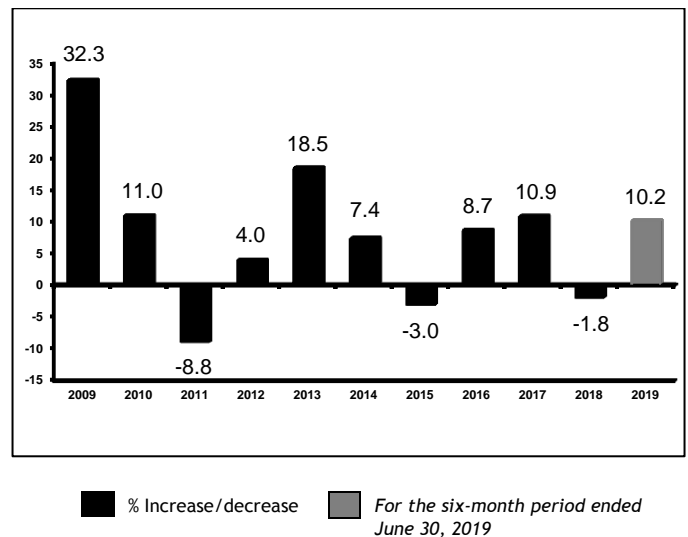
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

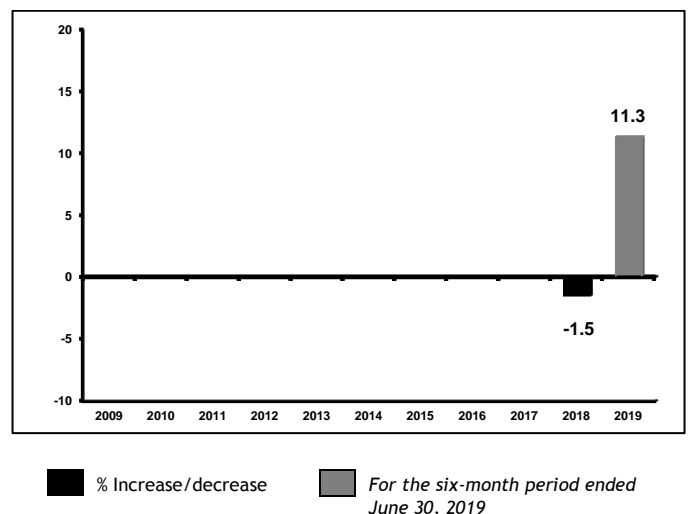
Year-by-Year Returns

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



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, 2019

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.

Sector Mix	Percentage of Net Asset Value
Industrials	16.96%
Information Technology	16.29%
Communication Services	15.91%
Financials	15.85%
Consumer Staples	11.30%
Health Care	10.85%
Consumer Discretionary	6.10%
Energy	2.46%
Materials	2.45%
Short-term Investments	1.76%
Cash and Cash Equivalents	0.04%
Net Other Assets	0.03%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Verizon Communications Inc.	5.96%
Omnicom Group Inc.	5.40%
AmerisourceBergen Corp.	5.09%
American Express Co.	4.99%
Parker-Hannifin Corp.	4.96%
Amdocs Ltd.	4.67%
Ameriprise Financial Inc.	4.57%
Comcast Corp.	4.54%
Kimberly-Clark Corp.	4.53%
Amgen Inc.	4.42%
KLA-Tencor Corp.	4.35%
Kellogg Co.	4.07%
Cummins Inc.	4.05%
Harley-Davidson Inc.	3.87%
Symantec Corp.	3.86%
Oracle Corp.	3.42%
BlackRock Inc.	2.95%
Flowserve Corp.	2.72%
Campbell Soup Co.	2.69%
Gardner Denver Holdings Inc.	2.66%
Ingersoll-Rand PLC	2.56%
Halliburton Co.	2.46%
LyondellBasell Industries NV	2.45%
AutoZone Inc.	2.23%
JPMorgan Chase & Co.	2.08%

Total Net Assets (000's) **\$106,000**

The top 25 holdings represent approximately 95.55% of the total net assets of the Fund.

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

