2017

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2017

Offered by Educators Financial Group
Portfolio Adviser: Beutel, Goodman & Company Ltd., Toronto, Ontario

Educators Balanced 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

For the six-month period ending June 30, 2017, the Fund provided a return of 4.53%, versus a Benchmark return of 3.23%. The Benchmark comprises 40% FTSE TMX Canada Universe Bond Index, 35% S&P/TSX Composite Total Return Index, 12% S&P 500 Index (Canadian$) and 13% MSCI EAFE Total Return Index (Canadian$) (the "Benchmark"). Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund's net assets increased by 9.9% to $222.3 million at the end of June 2017, up from $202.2 million at the end of December 2016.

The Balanced portfolio achieved a positive return in the six months ending June 30, 2017, and outperformed its blended performance benchmark on a relative basis. An overweight position in U.S. and international equities and an underweight position in fixed income added value. The Canadian, U.S. and international equity components all outperformed their respective benchmarks, while the fixed income component slightly underperformed.

The Bank of Canada kept the overnight rate unchanged at 0.5% over the past six months, in-line with market expectations. The Bank believes that the Canadian economy's adjustment to lower oil prices is largely complete and that recent economic data have been encouraging, including indicators of business investment, as well as strength in consumer spending and the housing sector. On the inflation front, all three measures of the Bank's indicators of core inflation remain below the 2% target and wage growth is still subdued. The Bank believes this is due to ongoing excess capacity in the economy as well as the temporary effect of declines in food prices due to intense retail competition. During June, Senior Deputy Governor Carolyn Wilkins delivered a rather hawkish assessment of the Canadian economy that started to pull forward market expectations for the first Bank of Canada rate increase. Governor Wilkins stated that the economic drag from lower oil prices is now largely fading and that the Bank's 50 basis points of rate cuts in 2015 facilitated that adjustment. As growth continues, the Governing Council will be assessing whether all of the considerable monetary policy stimulus presently in place is still required. The markets interpreted that last statement to mean that the Bank will likely move into a tightening cycle. In three subsequent interviews Governor Stephen Poloz did not contradict Mrs. Wilkins' sentiments. While he is reluctant to provide any forward guidance, Governor Poloz repeatedly stated that economic data suggests that the interest rate cuts that the Bank did two years ago have done their job.

During both the first and second quarter of the year, the U.S. Federal Reserve hiked the Federal Funds rate by 25 basis points, currently to a target range of 1-1.25%. The Fed noted that the labour market has continued to strengthen and that economic activity has been rising moderately. While the Federal Reserve is maintaining its existing policy of reinvesting principal payments from its U.S. Treasury and MBS holdings, it currently expects to implement a balance sheet normalization program sometime this year provided that the economy evolves broadly, as anticipated. Analysis of the dot plots indicates that the Federal Open Market Committee (FOMC) expects one more rate hike in 2017 and three 25 basis point rate hikes in 2018. Projections for the longer-run rate (i.e. terminal rate) remain centered around 3%, ranging from 2.5% to 3.5%.

In Europe, the risk of a move to a far right, anti-euro sentiment has lessened. The markets were relieved that the populist, euro-skeptic parties did not win enough votes to make a difference in the Dutch and French elections. The snap British election did not deliver a stronger majority for Prime Minister Theresa May and may lead to a softer Brexit. German elections are in the fall and early polls show that Chancellor Angela Merkel is leading. The largest election risk likely lies with Italy where elections could be triggered this year and the anti-euro party has significant support. The European political backdrop has also been strengthened by economic growth and financial institution stability.

Moderate Economic momentum in China continues. China's official manufacturing PMI accelerated in June, beating expectations, while the Caixin China manufacturing PMI rose in May, indicating an expansion. Non-manufacturing PMI also rose, along with new export orders. The government is targeting 6.5% growth, although inherent risks including excess leverage and an overheated property market remain. In Japan, industrial output declined by 3.3% in May as inventories remained high, indicating a moderate economic recovery going forward. Q1 GDP also disappointed at only 1%, much weaker than initially estimated. Inflation remains stubbornly low, a challenge for the Bank of Japan, which revised down its inflation target to 1.4% for 2017. It plans to continue its accommodative policy with debt purchases.

For the first half of 2017, the S&P/TSX Composite Index had a return of 0.74%, a weak performer versus other developed markets. All sectors were positive, with the exception of two.

The main drag on the Index was the Energy sector, which fell 13.3%. The Materials sector was also negative, with returns of -0.69%. Consumer Discretionary led the Index, followed by Industrials and Utilities. With respect to the Canadian equity outperformance, added value was attributable to sector weighting effects, specifically underweight positions in the Energy and Materials sectors and overweight positions in Consumer Discretionary, Telecom and Financials sectors. Stock selection effects were negative on a net basis.

The U.S. equity component's outperformance in the period was due to security selection. Sector allocation effects were slightly negative, as positive effects from an underweight position in Energy and an overweight position in Health Care were slightly outweighed by negative effects from an overweight position in Telecommunications and an underweight position in Consumer Discretionary. Industrial names Ingersoll-Rand, Caterpillar, Parker Hannifin and Allegion provided significant alpha, with double digit returns over the period. Stock selection in Information Technology also added significant value. Oracle was the largest contributor over the period, as changes to their business model in the cloud space continues to progress. Holdings in Symantec, Teradyne, and Cadence also outperformed over the period.

The international equity component outperformed the MSCI EAFE C$ Index in the period. On a regional basis, Europe excluding U.K was the best performing region, finishing ahead of the benchmark. Outperformance in the international equity component was primarily attributable to stock selection. Sector allocation effects were slightly positive, as negative effects from overweight positions in Materials and Telecommunications were outweighed by positive effects from an underweight position in Energy and overweight positon in Information Technology. The Financials sector was the largest contributor to stock selection. Deutsche Boerse performed well post the collapse of the deal to combine with LSE, aided further by more clarity on the company's stand-alone growth plans. Selection in Information Technology also added significant value. Atea was the largest contributor to performance over the period as it continued to climb higher in profit growth and cash generation. In Materials, outperformance was due to significant contributions from Akzo Nobel and Norsk Hydro. Akzo Nobel jumped on news that PPG had submitted a proposal to acquire the company and then climbed further following a second bid. Norsk Hydro was also a strong contributor, as it followed the price of aluminum higher.

The FTSE TMX Canada Universe Bond Index increased by 2.36% on a total return basis. The Municipal, Provincial and Corporate sectors outperformed the Index returning 3.62%, 3.53% and 2.87%, respectively. The Federal sector underperformed the Index, returning 0.85%. Late in the period, in the wake of hawkish central bank comments, global interest rates increased and yield curves flattened. Yields across the Canadian curve increased on average during the period, with the front end of the curve increasing the most as it priced in imminent Bank of Canada rate increases. The long-end of the curve decreased, likely attributable in part to the lack of inflation.

The fixed income component underperformed the FTSE TMX Canada Bond Universe Index for the period. Decisions that detracted from performance include the following: (1) corporate security selection as corporate bond holdings in the mid part of the curve, where the Fund is significantly overweight, underperformed versus corporates in other areas of the curve; (2) provincial security selection, as some western provincial holdings (BC due to politics and Alberta due to a credit rating downgrade and commodity prices) underperformed versus their eastern counterparts; and (3) curve positioning. The yield curve flattened during the quarter as the Bank of Canada unexpectedly changed its monetary policy stance prepping markets for a hike. The Fund was positioned for the Bank of Canada to remain on hold with a steepener curve positioning. This underperformance was partially offset by government sector allocation, mainly attributable to an underweight in Government of Canada bonds, which significantly underperformed versus provincials during the period.

Recent Developments

The strengthening pace of the developed market economic growth in the first half of 2017 is likely to be further driven by both industrial production and fixed asset investments, which have been lacking in previous years. Europe in particular stands out as delivering positive surprises - reflected in the strength of both the equity markets and currencies in the first half of the year – and looks set to continue to grow above its recent sub-historical trend line for the rest of the year. Inflation in Europe has also been steadily picking up, given the strength of private consumption across the Eurozone. In Japan too, a clear growth improvement was evident in the first half of the year, although tepid consumer spending might keep GDP growth momentum range-bound. Given the emerging broad economic activity strength in the last few quarters, most central banks in developed countries, including Canada, are sounding more hawkish in tone in their outlooks. But despite this, GDP in most major countries remains stubbornly anchored to the lowly 2% level, meaning that with the exception of Canada and the U.S., we are not expecting any of the major international central banks - ECB and BOJ in particular - to tighten monetary policy any time soon.

With respect to equities, while finding new opportunities that meet their high hurdle rate remains a challenge, the portfolio manager is quite excited about the opportunities in the portfolio, which is very different versus the broad market on both quality and revaluation potential. The portfolio manager's strictly value-oriented approach and process leads them to consistently refresh the portfolio with quality businesses that have been ignored and mispriced by the market. The portfolio manager is comfortable that this diversified portfolio with high quality names can generate strong returns, with or without exuberant global economic growth.

The Bank of Canada was strongly signaling that they would remove the 50 basis points of extraordinary stimulus that was required to help the economy through the commodity price decline. The Canadian economy continues to strengthen (six consecutive months of positive GDP growth) and Governor Poloz stated that the Bank's forecasts incorporate crude oil in the US$40-50 range. At the end of the period, the Canadian bond market had completely priced in two rate hikes by the

Bank, likely in July/October and January/April. In July 2017, the Bank of Canada increased the overnight rate by 25 basis points, to 0.75%. Whether the Bank is just withdrawing the extraordinary stimulus or is embarking on a tightening cycle has yet to be determined. While there is no doubt that the Canadian economy is strong and that the slack in the economy is being used up, there are some dark clouds on the horizon. A significant amount of the strong growth has been led by the services sector, and not by manufacturing or by the export sectors that the Bank of Canada had expected to benefit from a lower Canadian dollar. As the Bank of Canada has repeatedly warned, consumer indebtedness is at very high levels. While a slowdown in the housing market will likely not lead to a rash of foreclosures in Canada as it did in the U.S., it will likely constrain consumer spending as mortgage payments take up a greater share of the consumers' wallet. There remains concern that anti-trade and "Buy America" policies, as well as differences in carbon regulations and corporate taxes that could also disadvantage Canadian industry versus that of the U.S. These uncertainties are holding back business investments in Canada.

From a fixed income perspective, the Fund is positioned short duration versus the benchmark. The portfolio manager believes that as central banks have adjusted their biases to removing monetary policy stimulus, both through hiking interest rates and tapering QE and balance sheets, interest rates will gradually rise in accordance. The Canadian bond market has fully priced in two interest rate hikes by the Bank of Canada, in line with the portfolio manager's expectations, so there are no opportunities for rates to increase significantly in the short-end of the curve. The Fund is positioned for the yield curve to continue to flatten, as is reflective of tightening cycles. Projected roll return versus that of the benchmark remains positive. The Fund is overweight corporate bonds and is maintaining a defensive and safe haven positioning and remains overweight Canadian bank deposit notes in the short-end of the curve. The Fund is underweight Government of Canada bonds and is slightly underweight provincial bonds.

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 Beutel Goodman American Equity Fund, Class I; Beutel Goodman International Equity Fund, Class I; and Beutel Goodman Small Cap Fund, Class I, all of which are funds managed by the Fund's portfolio adviser.

In the first six months of 2017 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 ended June 30, 2017 and for each year ended December 31 for the past five years.

The Fund's Net Assets per Unit [(1)]

	Six months ended June 30 2017	Year ended December 31 2016	2015	2014	2013	2012
Net Assets, beginning of year	$18.11	$17.11	$17.16	$16.38	$16.35	$15.81
Increase (decrease) from operations:						
Total revenue	$0.16	$0.53	$0.51	$0.50	$0.60	$0.51
Total expenses, including transaction costs [excluding distributions]	$(0.18)	$(0.34)	$(0.34)	$(0.33)	$(0.35)	$(0.32)
Realized gains (losses) for the period	$0.21	$0.55	$0.31	$0.39	$1.93	$0.20
Unrealized gains (losses) for the period	$0.61	$0.80	$(0.22)	$0.61	$(0.44)	$0.34
Total increase (decrease) from operations [(2)]	$0.80	$1.54	$0.26	$1.17	$1.74	$0.73
Distributions:						
From net investment income (excluding dividends)	$--	$--	$--	$0.01	$0.12	$0.02
From dividends	$--	$0.19	$0.15	$0.16	$0.17	$0.18
From capital gains	$--	$0.34	$0.18	$0.23	$1.41	$--
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions [(3)]	$--	$0.53	$0.33	$0.40	$1.70	$0.20
Net Assets , end of year	$18.93	$18.11	$17.11	$17.16	$16.38	$16.33

(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.

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30 2017	Year ended December 31 2016	2015	2014	2013	2012
Total Net Asset Value (000's) [(1)]	$222,336	$202,168	$180,771	$171,914	$152,046	$136,187
Number of units outstanding [(1)]	11,744,586	11,162,886	10,565,315	10,017,434	9,280,357	8,327,242
Management expense ratio [(2)]	1.93%	1.93%	1.93%	1.93%	1.90%	1.90%
Management expense ratio before waivers or absorptions [(3)]	1.98%	1.98%	1.98%	1.98%	1.98%	1.99%
Trading expense ratio [(4)]	0.01%	0.01%	0.01%	0.01%	0.15%	0.05%
Portfolio turnover rate [(5)]	39.98%	82.03%	104.56%	45.75%	207.27%	99.68%
Net Asset Value per unit	$18.93	$18.11	$17.11	$17.16	$16.38	$16.35

(1) This information is provided as at June 30 or December 31 of the year shown.

(2) 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.

(3) 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.

(4) 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.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser 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 adviser, 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%.

The Fund is responsible for paying any applicable tax owing on its management fee.

Approximately 13.4% of the management fees 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

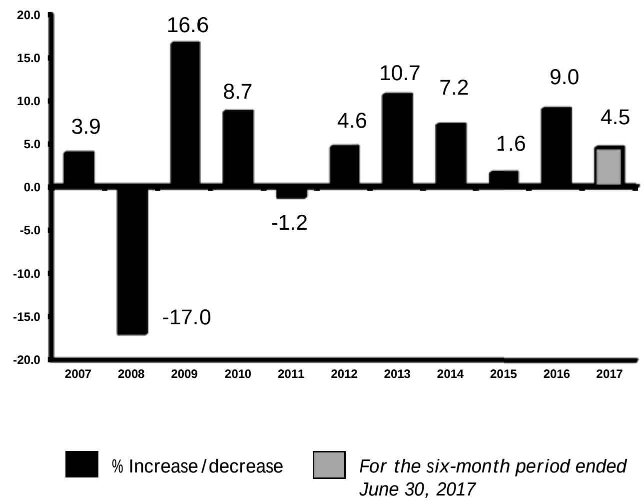
General

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.

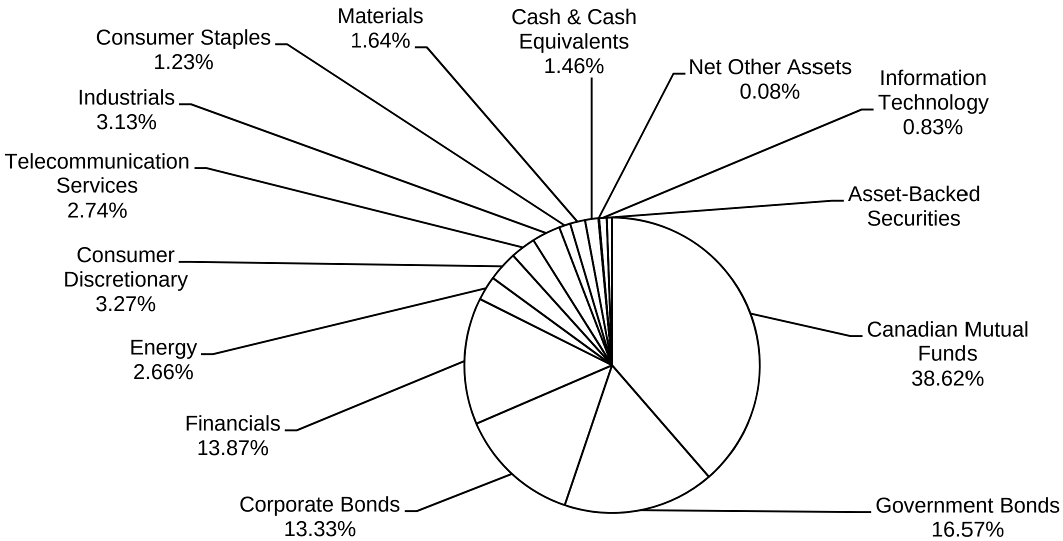
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

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, 2017 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.



SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)



Top 25 Holdings

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Beutel Goodman International Equity Fund, Class I			19.09%
Beutel Goodman American Equity Fund, Class I			16.90%
Royal Bank of Canada			3.07%
Toronto-Dominion Bank			2.94%
Beutel Goodman Small Cap Fund, Class I			2.62%
Bank of Nova Scotia			2.16%
Government of Canada	2.75%	December 1, 2048	1.84%
Rogers Communications Inc.			1.77%
Government of Canada	1.25%	August 1, 2017	1.58%
Government of Canada	0.75%	May 1, 2019	1.57%
Brookfield Asset Management Inc.			1.56%
Magna International Inc.			1.45%
Canadian Natural Resources Ltd.			1.32%
Canadian Imperial Bank of Commerce			1.21%
Canadian National Railway Co.			1.18%
Province of Ontario	2.80%	June 2, 2048	1.13%
Canadian Tire Corp Ltd.			1.07%
Great-West Lifeco Inc.			1.05%
TELUS Corp.			0.97%
Province of Quebec	3.50%	December 1, 2048	0.94%
Agrium Inc.			0.92%
Province of Ontario	4.20%	June 2, 2020	0.89%
Bell Canada Inc.	4.40%	March 16, 2018	0.83%
Open Text Corp.			0.83%
Province of Ontario	6.20%	June 2, 2031	0.82%
Total Net Assets (000's) ……………………………………………………………………………			**$222,336**

The top 25 holdings represent approximately 69.71% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2017 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the Beutel Goodman 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.

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