2017

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2017

Offered by Educators Financial Group
Portfolio Adviser: HSBC Global Asset Management (Canada) Limited, Toronto, Ontario

Educators Mortgage & Income Fund

Educators
FINANCIAL GROUP

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 0.54%, versus the FTSE TMX Canada Short Term Bond Index (the "Benchmark") return of 0.25%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets increased by 2.2% to $203.7 million at the end of June 2017, up from $199.4 million at the end of December 2016.

Positive sentiment from the fourth quarter 2016 spilled into the New Year propelling many global equity markets to fresh all-time highs while putting continued pressure on government bonds. By the end of the first quarter however, the ebullience around the U.S. Administration's pro-growth fiscal agenda had moderated somewhat as market participants began to recognize the challenges associated with implementing significant policy change. For global fixed income markets the result was a modest rebound from Q4, 2016's worst quarterly performance in over a decade.

While economic growth in Canada started the year quite strongly, the data in the U.S. in Q2 was notably softer than the previous two quarters. This, coupled with ongoing concerns surrounding the ability of the Trump administration to deliver on its pro-growth and reflation agenda, put downward pressure on North American bond yields through most of the quarter. In June however, many key central banks including the U.S. Federal Reserve, the Bank of England and even the European Central Bank began to signal that global policy rates were likely to be moving higher in concert following years of aggressive, coordinated monetary stimulus. The messaging from the Bank of Canada took an abrupt about face, moving from an easing to a tightening bias in only a few weeks. This shift in tone from the global central banks sent yields sharply higher into quarter end. Overall, the increasing evidence of a more universal global expansion continues to provide a positive backdrop for equity markets and challenging outlook for fixed income assets going forward. For global fixed income markets this resulted in mixed returns across different sectors and terms.

The 5-year Government of Canada bond yield, commonly looked at as a proxy for the broad short term market, rose by 49 basis points to 1.11% in Q4 2016 and ended Q1 at 1.12% rose to 1.39% in the second quarter. The yield curve flattened in Q2, with the difference between 2 year and 10 year Government of Canada falling 21 bps to 66 bps on the quarter after starting the year at 98 bps.

Overall, short term government bond yields increased 31 bps in the first half of the year to 1.29%. Broad posted mortgage rates were unchanged year-to-date, with the yield on the FTSE/TMX Residential Mortgage Index steady at 3.39%. The yield differential between 5-year fixed mortgage rates and the 5-year Government of Canada bond therefore narrowed in Q2 to 325 bps from 352 bps at the end of Q1 and 353 at the end of 2016. Overall mortgages outperformed short-term government bonds in the first half of 2017 benefiting from their higher running yield and the narrowing of mortgage yield spreads.

Year-to-date the FTSE TMX Short Term Bond Index rose 0.25%, with some divergence in sector returns. Federal government, Provincial government and corporate bonds returned -0.15%, 0.23% and 0.81% respectively.

We believe that mortgage rates still represent attractive value at current levels. While the yield spread is now slightly tighter than its long term historical average, the incremental yield advantage is still considerable given the historically low interest rate environment. Asset quality in the Canadian residential mortgage market remains very strong. The current average delinquency rate across the country is ~0.30%, essentially unchanged year-to-date and close to the lower end of its long-term range.

The Fund's overweight positions in corporate bonds, including high-yield and emerging market bonds, helped performance in the first half of 2017. Residential mortgages also helped relative performance during this period, while the Fund's lower duration, or interest rate risk, had a small positive impact. The Fund's exposure to medium-term corporate bonds helped performance while security selection within corporate bonds was a small detractor from relative returns.

Recent Developments

While pro-growth policy initiatives (tax cuts, deregulation and infrastructure spending among others) in the US are expected to boost not only US but global growth in the next few years, the challenges of the legislative process have tempered expectations in recent months. The resumption of the US Federal Reserve's tightening of monetary policy, and likely rate hikes in Canada and the UK later this year, may also dampen expectations somewhat, but this global tightening cycle is expected to see rates raised at a measured pace. In addition, while global monetary policy appears set to move in a similar direction, central banks will stand ready to provide renewed support to their economies if need be. Expansionary Fiscal Policy which has been mostly absent in recent years is also now expected to support a number of economies around the world, Canada included, as the Liberal government's spending program picks up pace.

HSBC forecasts full year growth of 2.3% for the U.S. economy in 2017 and 2.4% in 2018. Global growth is expected to increase by 2.7% in 2017 and 2.7% in 2018. In Canada, our forecast is for growth of 2.4% for 2017 and 1.7% for 2018. The consumer is less likely to add significantly to growth in 2017 while net exports and fiscal stimulus should be positive.

The Bank of Canada is now expected to begin to tighten monetary policy in the second half of the year. They have quickly moved from an easing to a tightening bias, stating that the two rate cuts initiated in 2015 to help alleviate the economic impact of the oil price correction has largely done their job. Additional, they have highlighted the time lag associated with monetary policy changes and the need to proactively deal with inflationary pressures. Thus, two rate hikes are now expected by the markets by early 2018.

At this point, with longer term yields expected to rise modestly over the next year, the objective will be to maintain the Fund's interest rate exposure at or slightly below the benchmark in the near term. With yields at the short end of the yield curve now discounting two rate hikes, we would expect that upward pressure on longer term yields will lead to a steepening of the yield curve.

Valuations in credit markets continue to look attractive, and we continue to prefer residential mortgages and corporate bonds over Government of Canada bonds and will look to remain overweight in these sectors. In the short-term, we feel that valuations in the mortgage market are attractive, particularly when compared with money market securities, and will continue to invest excess cash on opportunities.

Potential risks to our central outlook include disappointing global growth, a longer than expected road to recovery in the domestic economy, further weakness in commodity prices and heightened geopolitical concerns in the Eurozone.

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 HSBC Emerging Markets Debt Fund, Institutional Series; HSBC Mortgage Fund, Institution Series; and HSBC U.S. High Yield Bond Pooled Fund 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	Year ended December 31				
	2017	2016	2015	2014	2013	2012
Net Assets, beginning of year	$11.35	$11.38	$11.44	$11.38	$11.50	$11.46
Increase (decrease) from operations:						
Total revenue	$0.17	$0.35	$0.37	$0.38	$0.39	$0.40
Total expenses [excluding distributions]	$(0.07)	$(0.14)	$(0.14)	$(0.14)	$(0.14)	$(0.14)
Realized gains (losses) for the period	$(0.03)	$0.04	$0.00	$0.03	$(0.03)	$(0.08)
Unrealized gains (losses) for the period	($0.01)	($0.07)	$(0.06)	$0.05	$(0.09)	$0.11
Total increase (decrease) from operations [2]	$0.06	$0.18	$0.17	$0.32	$0.13	$0.29
Distributions:						
From net investment income (excluding dividends)	$0.10	$0.21	$0.23	$0.25	$0.25	$0.26
From dividends	$--	$--	$--	$--	$--	$--
From capital gains	$--	$--	$--	$--	$--	$--
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions [3]	$0.10	$0.21	$0.23	$0.25	$0.25	$0.26
Net Assets , end of year	$11.32	$11.35	$11.38	$11.44	$11.38	$11.49

(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	Year ended December 31				
	2017	2016	2015	2014	2013	2012
Net Asset Value (000's) [1]	$203,646	$199,421	$204,316	$205,273	$206,956	$207,194
Number of units outstanding [1]	17,996,732	17,566,363	17,955,859	17,939,038	18,192,370	18,021,968
Management expense ratio [2]	1.19%	1.19%	1.19%	1.19%	1.20%	1.20%
Management expense ratio before waivers or absorptions [3]	1.25%	1.25%	1.25%	1.25%	1.25%	1.26%
Trading expense ratio [4]	--	--	--	--	--	--
Portfolio turnover rate [5]	23.89%	59.84%	28.07%	27.89%	40.50%	32.41%
Net Asset Value per unit	$11.32	$11.35	$11.38	$11.44	$11.38	$11.50

(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 1.10%.

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

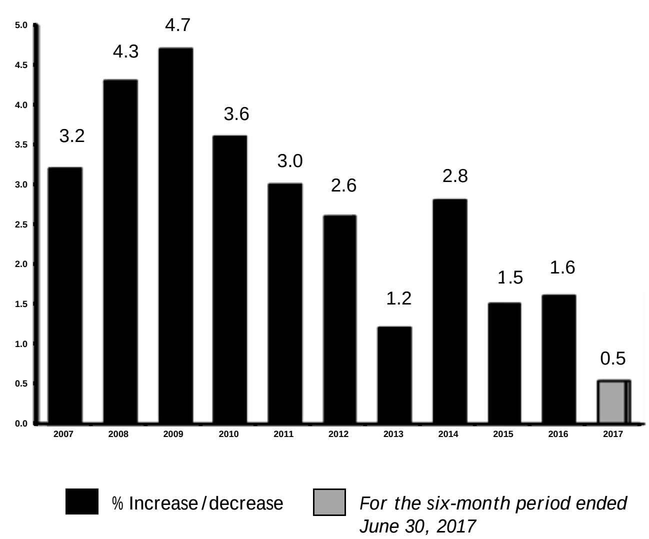
Approximately 12.0% of the management fees were used to pay for portfolio management services, with the remainder of the fees allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

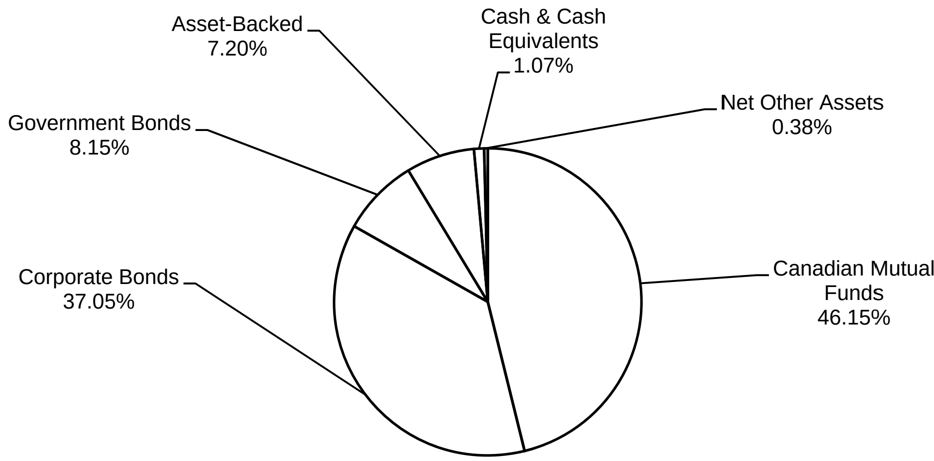
General
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. 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 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
HSBC Mortgage Fund, Institution Series	1.90%		43.18%
Canada Housing Trust No. 1	2.25%	September 15, 2026	3.85%
Canada Housing Trust No. 1	5.68%	December 15, 2025	1.98%
Genworth MI Canada Inc.		June 15, 2020	1.90%
HSBC Emerging Markets Debt Fund, Institutional Series	1.81%		1.72%
Merrill Lynch & Co Inc.	3.83%	May 30, 2022	1.56%
AT&T Inc.	4.00%	November 25, 2020	1.44%
Heathrow Funding Ltd.		July 3, 2019	1.35%
HSBC Global High Yield Bond Pooled Fund	3.31%		1.24%
Royal Bank of Canada	3.50%	January 20, 2026	1.15%
BP Capital Markets PLC	2.20%	November 9, 2020	1.15%
Saputo Inc.	4.50%	June 23, 2021	1.11%
Aviva PLC	3.31%	May 10, 2021	1.11%
Canadian Natural Resources Ltd.	1.90%	February 11, 2022	1.09%
Bank of Nova Scotia	4.46%	December 2, 2021	1.08%
TMX Group Ltd.	2.20%	October 3, 2023	1.04%
Province of Alberta Canada	3.08%	June 1, 2026	1.03%
Canadian Western Bank	3.39%	January 14, 2019	1.01%
Citigroup Inc.	3.10%	November 18, 2021	0.99%
Suncor Energy Inc.	2.56%	November 26, 2021	0.95%
Real Estate Asset Liquidity Trust	2.58%	October 12, 2049	0.95%
Ford Credit Canada Ltd.	1.37%	May 10, 2021	0.94%
Canadian Mortgage Pools	3.29%	November 1, 2021	0.94%
WestJet Airlines Ltd.	5.30%	July 23, 2019	0.90%
Brookfield Asset Management Inc.	1.90%	March 1, 2021	0.87%
Total Net Assets (000's) ……………………………………………………………………………			**$203,646**

The top 25 holdings represent approximately 74.53% 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 HSBC 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.

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