

2017

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2017

Offered by Educators Financial Group
Portfolio Adviser: Foresters Asset Management Inc., Toronto, Ontario

Educators North American Diversified 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 2.72%, versus a Benchmark return of 4.34%. The Benchmark comprises 55% S&P/TSX Composite Total Return Index, 40% S&P 500 Total Return Index (U.S.\$) and 5% MSCI 1750 U.S. Small Cap Index (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 decreased by 0.1% to \$95.8million at the end of June 2017, down from \$95.9 million at the end of December 2016.

At the end of the second quarter, the Fund was positioned with 57.2% in Canadian equities, 40.3% in U.S. equities, and 2.5% in cash. These weights have remained relatively consistent with the Fund's positioning since late 2016. At that time, the exposure to Canadian equities was increased to a slightly overweight position, relative to the Benchmark, in response to expectations that improving global growth would lead to improving fundamentals in the Energy and other resource-oriented sectors, which are better represented in Canada.

During the prior four years (2013-2016), the Fund had sought to minimize its exposure to currency fluctuations between U.S. and Canadian dollars. To accomplish this, the Fund held a forward contract to hedge its entire foreign currency exposure to movements in the U.S. dollar. Since November 2016, the Fund has adopted a more pro-active approach to managing its foreign currency exposure, in order to optimize risk-adjusted potential returns and as an additional source of portfolio diversification. As a result, the currency hedge was reduced to 50% of the Fund's exposure to USD-denominated holdings in late 2016, and it was further reduced to 30% in April 2017.

Following an extended period of significant appreciation against the Canadian dollar, the U.S. dollar has stabilized over the past 15 months, and modestly weakened by -3.6% during the first half of 2017. As a result, the currency forward contract posted a gain for the first two quarters, consistent with its function to partially offset exchange rate fluctuations.

Overall, global equity markets posted positive returns for the first half of 2017, in response to solid global economic data and strong corporate earnings growth. At the same time, a persistent pull-back in oil and gas prices exerted some negative pressure on energy-heavy markets, such as Canada. As a result, the S&P/TSX posted a modest total return of 0.7% for the first half of the year, which lagged the stronger returns posted by the U.S. and other developed markets. While the vast majority of Canadian sectors generated positive returns, this was largely offset by a 13.3% decline in Energy.

After significantly underperforming in Canada during 2016, the U.S. stock market outperformed during the first half of 2017, with the S&P 500 advancing by 9.3% in U.S. dollar terms, and 5.4% in Canadian dollar terms. As in Canada, most U.S. sectors posted solid positive returns, led by the Information Technology, Healthcare and Consumer Discretionary, while Energy and Telecommunications were the only two sectors with negative returns for two consecutive quarters.

For added diversification, the Fund includes an allocation to the Vanguard U.S. Small-Cap Exchange Traded Fund (VB), which returned 5.7% in U.S. dollars, over the period.

Among the Canadian and U.S. large cap holdings, the Fund is selectively overweight in the Financials, Energy, Industrials and Information Technology sectors, while underweight in the Telecommunications and Utilities sectors, and more neutrally positioned towards the remaining sectors.

During the first half of 2017, the Fund benefitted from its overweight position and good stock selection within the Information Technology sector, which was one of the strongest performing sectors during that period. As well, several of the Fund's holdings in the Consumer Electronics, Digital Media, Internet and Semiconductor sub-sectors posted strong returns, on the back of their solid financial results and attractive growth prospects.

Financials were another positive contributor, as the Fund's holdings in select asset managers and financial exchanges benefited from robust market conditions. The Fund also continued to increase its exposure to U.S. banks, as the portfolio manager believes they are well positioned to benefit from potential deregulation, U.S. tax reform, and leverage to rising interest rates. In the past few years the banks' financial positions have strengthened. The U.S. banks are well capitalized, which bodes well for rising share buybacks and dividends.

The Fund also benefited from good stock selection in the Industrials sector, as the Fund's holdings in transit bus manufacturing, home renovation products and waste management continued to deliver on their profitability and growth objectives, which resulted in improving stock valuations and returns.

Over this short period, the Fund was negatively impacted by its modest overweight position in Energy, which was gradually increased during 2016, in anticipation of recovering oil and gas prices, and improving sector fundamentals within a better balanced global market. However, following the strong rebound experienced in 2016, crude oil prices (WTI spot) declined 14.4% in the first half of 2017, while the S&P/TSX and the S&P500 Energy sub-sectors declined by 14.7% and 13.8% (in absolute price terms), respectively. The pullback reflected lingering market concerns, such as elevated inventories, rising U.S. shale drilling activity, and questions regarding Organization of the Petroleum Exporting Countries' (OPEC) willingness to sustain its production cut agreement. However, given the improved dynamics of global energy markets, the portfolio manager expects oil and gas prices to remain well-supported, resulting in continued recovery of profitability and cash flows for the sector.

Recent Developments

Global equity markets posted positive returns for the first half of 2017, as a result of solid economic data and strong corporate earnings growth. While the U.S. market was boosted by gains in secular growth-oriented sectors such as Technology and Healthcare, the S&P/TSX in Canada lagged, due to a renewed weakness in Energy. Other pro-cyclical sectors also reversed some of the rally

experienced in 2016, as a result of weaker inflationary expectations, and the realization that political delays will likely push out President Trump's pro-growth agenda (tax cuts, infrastructure spending, etc.) into 2018 and beyond.

Based on continued positive leading indicators, the portfolio manager expects real GDP growth, in both Canada and the U.S., to remain at a measured annual pace in excess of 2%. While inflation expectations remain subdued, continued strength in the U.S. job market has been supportive of the tightening path adopted by the U.S. Federal Open Market Committee (FOMC), which has hiked interest rates four times since December 2015. In addition, the FOMC has indicated plans to start normalizing its bloated post-crisis balance sheet, which is another form of monetary tightening.

As a result of the improved global growth momentum, several other central banks, including the Bank of Canada, have recently adopted a more hawkish tone, pointing towards the gradual removal of highly stimulative monetary policies. However, given persistently low levels of inflation, any potential tightening is expected to occur at a relatively slow pace, greatly reducing the probability of a widespread recession. In addition, the rising acceptance of increased fiscal spending in the U.S. and other countries may provide further support to global economic growth. A sustained positive economic backdrop remains supportive of better earnings growth and visibility, which should bode well for equity markets, barring any unexpected shocks or disruptions.

The portfolio manager believes that, given the late stage of the business cycle and elevated political uncertainty, North American markets may continue to experience volatility during the remainder of 2017. These challenging conditions underscore the importance of an appropriately diversified and actively managed portfolio, to help navigate through the current environment.

Relative to the Benchmark, the Fund has maintained its slightly overweight position in Canadian equities, which provide a better selection of resource-oriented names. At the same time, its exposure to U.S. equities enables the Fund to reap the benefits of potential higher growth, and better diversification from sectors that are under-represented in the Canadian marketplace. Across both the Canadian and U.S. holdings, the primary focus of the Fund remains the active management of large cap equities, with a blend of growth and dividend income oriented companies. The portfolio manager continues to pursue investment opportunities in sectors with high-quality companies demonstrating above-average growth

prospects, strong balance sheets, and reasonable valuations.

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

On May 14, 2016, Foresters Financial, through Foresters Life Insurance Company, acquired 100 percent of the shares of Aegon Capital Management Inc.) and was renamed Foresters Asset Management Inc. (“FAM”)., FAM the Fund’s Portfolio Adviser, is an indirect wholly-owned subsidiary of The Independent Order of Foresters, which is not a publicly listed company.

In the first six month 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	\$20.18	\$18.56	\$19.13	\$17.81	\$15.04	\$14.45
Increase (decrease) from operations:						
Total revenue	\$0.24	\$0.40	\$0.43	\$0.43	\$0.38	\$0.38
Total expenses, including transaction costs [excluding distributions]	\$(0.22)	\$(0.41)	\$(0.42)	\$(0.41)	\$(0.34)	\$(0.29)
Realized gains (losses) for the period	\$0.72	\$0.94	\$0.12	\$1.20	\$1.42	\$(0.07)
Unrealized gains (losses) for the period	\$(0.18)	\$0.67	\$(0.68)	\$0.09	\$1.32	\$0.56
Total increase (decrease) from operations ⁽²⁾	\$0.56	\$1.60	\$(0.55)	\$1.31	\$2.78	\$0.58
Distributions:						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$--	\$0.01	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$--	\$--	\$--	\$--	\$0.01	\$--
Net Assets, end of year	\$20.73	\$20.18	\$18.56	\$19.13	\$17.81	\$15.03

⁽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
Total Net Asset Value (000's) ⁽¹⁾	\$95,843	\$95,876	\$94,454	\$101,688	\$93,476	\$79,742
Number of units outstanding ⁽¹⁾	4,623,408	4,750,945	5,089,059	5,316,626	5,249,793	5,302,458
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%	1.98%
Trading expense ratio ⁽⁴⁾	0.08%	0.11%	0.15%	0.15%	0.21%	0.09%
Portfolio turnover rate ⁽⁵⁾	20.14%	70.96%	64.04%	97.70%	135.21%	41.21%
Net Asset Value per unit	\$20.73	\$20.18	\$18.56	\$19.13	\$17.81	\$15.04

⁽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 10.2% 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

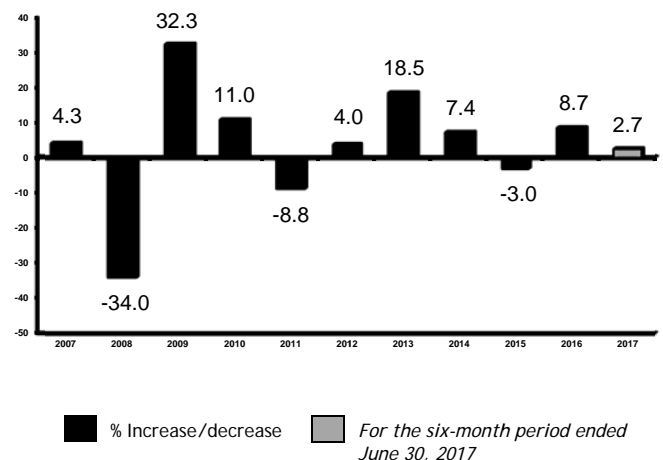
General

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.

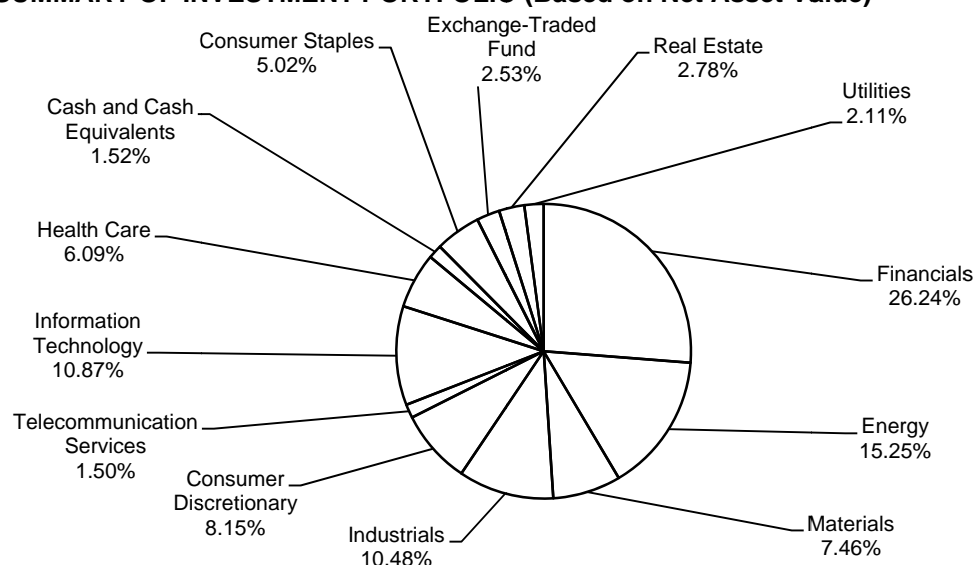
The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

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 20, 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	Percentage of Net Asset Value
Royal Bank of Canada	4.27%
Toronto-Dominion Bank	3.22%
Bank of Nova Scotia	2.98%
Vanguard Small-Cap ETF	2.53%
Enbridge Inc.	2.47%
Suncor Energy Inc.	2.34%
Canadian National Railway Co.	2.24%
Bank of Montreal	1.95%
JPMorgan Chase & Co.	1.94%
Manulife Financial Corp.	1.88%
Canadian Natural Resources Ltd.	1.85%
TransCanada Corp.	1.79%
Alimentation Couche-Tard Inc.	1.49%
Canadian Pacific Railway Ltd.	1.48%
CGI Group Inc.	1.47%
Agnico Eagle Mines Ltd.	1.43%
Apple Inc.	1.35%
Brookfield Asset Management Inc.	1.33%
Alphabet Inc.	1.26%
Amazon.com Inc.	1.18%
BlackRock Inc.	1.15%
Franco-Nevada Corp.	1.12%
Union Pacific Corp.	1.12%
Comcast Corp.	1.11%
Bank of America Corp.	1.10%
Total Net Assets (000's)	\$95,844

The top 25 holdings represent approximately 46.05% 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.

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

