2018

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2018

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

Educators Bond Fund

Educators
FINANCIAL GROUP

This annual 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 38.9% to $12.5 million at the end of June 2018, up from $9.0 million at the end of December 2017.

Investment Performance

For the six-month period ending June 30, 2018 (the 'period'), the Educators Bond Fund – Class A Series provided a return of 0.16%, versus the FTSE TMX Canada Universe Bond Index (the 'Benchmark') return of 0.61%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

During the period the Educators Bond Fund (the 'Fund') underperformed the FTSE TMX Canada Bond Universe Index.

The Bank of Canada (BoC) hiked the overnight rate by 25 basis points in the first quarter and kept the overnight rate unchanged at 1.25% in the second quarter. The BoC believes that economic data is supportive of its outlook for growth of 2% in the first half of 2018. The BoC also noted that while recent data points to some upside for the U.S. economy, ongoing uncertainty about trade policies is dampening global business investment and stresses are developing in some emerging market economies. Changes to the BoC's outlook statement were perceived as hawkish, with the removal of the word "cautious" in its approach to removing stimulus—though the wording was replaced by a "gradual approach" to policy adjustments, guided by incoming data. In particular, the BoC will continue to assess the economy's sensitivity to interest rate movements and the evolution of economic capacity. The BoC also removed the phrase *"some monetary accommodation will still be needed to keep inflation on target."* Some market analysts are interpreting the change to mean that the BoC is setting the stage for a rate hike in July, as inflation is running above the BoC's 2% target.

The U.S. Federal Reserve (Fed) hiked the federal funds rate by 25 basis points in the first quarter and another 25 basis points in the second quarter to a target range of 1.75-2%. The Fed believes that the labour market has continued to strengthen and that economic activity has been rising at a solid rate. The Fed expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labour market conditions, and inflation near the symmetric 2% objective over the medium term. The Fed removed its previous wording that *"the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run."* That wording had been in place since rate hikes started in December 2015. In a press conference that took place after the meeting of the Federal Open Market Committee *(FOMC)* in June, Federal Reserve Chairman Jerome Powell stated that the sentence was removed because a year from now, the funds rate should be at where the Fed thinks the neutral rate will be (2.75%).

The topical theme over the period was the prospect of a global trade war, as it looks like we are moving from rhetoric and negotiation posturing to a full-blown trade war. As President Trump's approval rating seems to be improving the tougher he gets on trade, it is likely that this is not just bluster, but the real deal. The trade rumblings came against a backdrop of relatively strong economic data, especially out of the U.S., with the Federal Reserve Board of Atlanta GDPNow indicator showing U.S. Q2/18 GDP is tracking at 4.1%. The economic backdrop provides credibility for the central banks to continue tightening monetary policy, albeit at a gradual and data-dependent pace. On the negative side, the Trump Administration launched a volley of trade shots during the second quarter, which elicited return fire from the countries impacted.

For the period the FTSE TMX Canada Universe Bond Index increased by 0.61% on a total return basis. The Corporate and Federal sectors outperformed the Index, returning 0.70% and 0.67% respectively. The Provincial sector underperformed the Index, returning 0.49%.

Government security selection added value, mainly attributable to an overweight position in the western provinces of Alberta and BC, which outperformed their eastern counterparts (mainly Ontario and Quebec). A short duration position added value as interest rates across the curve rose over the period. In addition, the Fund benefitted from the relative outperformance of corporates, both versus provincials, as well as the Fund's corporates versus other corporate sectors.

Recent Developments

The BoC 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 BoC's forecasts incorporate crude oil in the U.S. $40-$50 range. At the end of the period, the Canadian bond market had completely priced-in two rate hikes by the BoC (likely in July/October and January/April). In July 2017, the BoC increased the overnight rate by 25 basis points (to 0.75%). Whether the BoC is just withdrawing the extraordinary stimulus, or 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 challenges 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 in which the BoC had expected to benefit from a lower Canadian dollar). As the BoC has repeatedly warned, consumer indebtedness is at very high levels. While a slowdown in the housing market will not likely 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 consumers' wallets. There also remains concern that anti-trade and "Buy America" policies, as well as differences in carbon regulations and corporate taxes, could also disadvantage Canadian industry versus that of the U.S. These uncertainties are holding back business investment in Canada.

The Fund is positioned at a 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 BoC, (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 in corporate bonds and is maintaining a defensive and "safe haven" positioning, and remains overweight in Canadian bank deposit notes in the short end of the curve. The Fund is underweight in Government of Canada bonds and is slightly underweight in 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

In the first six months of 2018 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. Currently Class I units of the Fund are not being offered to purchase.

Educators Bond Fund – Class A Series – Net Assets per Unit [1]

	Six months ended June 30	Year ended December 31				
	2018	2017	2016	2015	2014	2013
Net Assets, beginning of period	$9.84	$9.82	$9.93	$10.06	$9.78	$10.26
Increase (decrease) from operations:						
Total revenue	$0.14	$0.23	$0.29	$0.32	$0.32	$0.32
Total expenses, including transaction costs [excluding distributions]	($0.06)	$(0.12)	$(0.13)	$(0.13)	$(0.13)	$(0.13)
Realized gains (losses) for the period	($0.14)	$(0.37)	$0.08	$(0.02)	$(0.07)	$(0.10)
Unrealized gains (losses) for the period	$0.06	$0.40	$(0.19)	$(0.11)	$0.37	$(0.37)
Total increase (decrease) from operations [2]	$--	$0.14	$0.05	$0.06	$0.49	$(0.28)
Distributions:						
From net investment income (excluding dividends)	$0.07	$0.10	$0.17	$0.19	$0.20	$0.20
From dividends	$--	$--	$--	$--	$--	$--
From capital gains	$--	$--	$0.04	$--	$--	$--
Return of capital	$0.00	$0.02	$--	$--	$--	$--
Total Annual Distributions [3]	$0.07	$0.12	$0.21	$0.19	$0.20	$0.20
Net Assets, end of period	$9.78	$9.84	$9.82	$9.93	$10.06	$9.78

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31				
	2018	2017	2016	2015	2014	2013
Total Net Asset Value (000's) [4]	$7,974	$8,953	$10,140	$8,903	$8,868	$10,308
Number of units outstanding [4]	815,073	909,935	1,032,691	896,328	881,460	1,053,598
Management expense ratio [5]	1.25%	1.25%	1.25%	1.25%	1.25%	1.26%
Management expense ratio before waivers or absorptions [6]	1.25%	1.25%	1.25%	1.25%	1.25%	1.26%
Trading expense ratio [7]	--%	--%	--%	--%	--%	--%
Portfolio turnover rate [8]	159.40%	123.27%	6.90%	9.17%	6.05%	6.96%
Net Asset Value per unit	$9.78	$9.84	$9.82	$9.93	$10.06	$9.78

Educators Bond Fund – Class I Series – Net Assets per Unit [1]

	Six months ended June 30
	2018
Net Assets, beginning of period	$10.00
Increase (decrease) from operations:	
Total revenue	$0.13
Total expenses, including transaction costs [excluding distributions]	$0.00
Realized gains (losses) for the period	($0.04)
Unrealized gains (losses) for the period	$0.21
Total increase (decrease) from operations [2]	$0.30
Distributions:	
From net investment income (excluding dividends)	$0.14
From dividends	$--
From capital gains	$--
Return of capital	$0.00
Total Annual Distributions [3]	$0.14
Net Assets, end of period	$9.99

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30
	2018
Total Net Asset Value (000's) [4]	$4,542
Number of units outstanding [4]	454,420
Management expense ratio [5]	0.01%
Management expense ratio before waivers or absorptions [6]	0.00%
Trading expense ratio [7]	--
Portfolio turnover rate [8]	159.40%
Net Asset Value per unit	$9.99

(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.

(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 1.10% for the Class A Series. The Class I Series are identical in all respects 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 22.3% 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

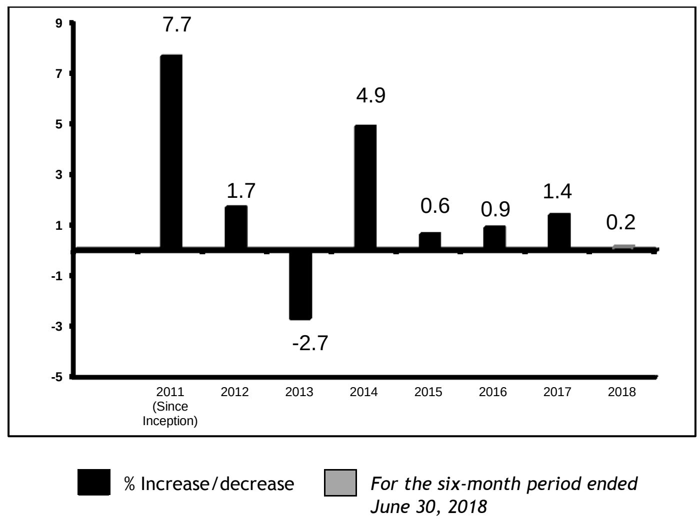
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

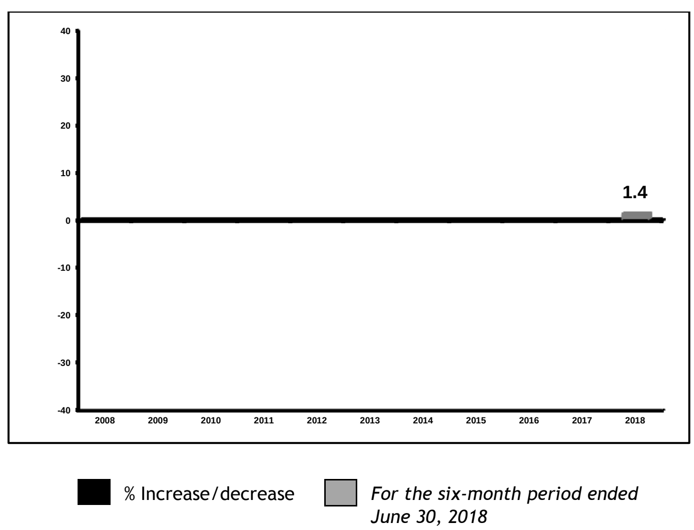
Year-by-Year Returns

The bar chart shows the Fund's performance since inception and illustrates how the Fund's performance has changed for the 6-month period ended June 30, 2018 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 operation January 4, 2018

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)
As at June 30, 2018

Sector Mix	Percentage of Net Asset Value
Government Bonds	53.55%
Corporate Bonds	42.18%
Asset-Backed Securities	2.80%
Cash and Cash Equivalents	0.99%
Net Other Assets	0.48%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Canadian Government Bond, 2.75%, December 1, 2048	6.07%
Province of Ontario, 2.90%, June 2, 2028	4.81%
Province of Ontario, 2.60%, June 2, 2025	3.44%
Canadian Government Bond, 1.25%, September 1, 2018	3.20%
Province of Quebec, 2.75%, September 1, 2028	3.10%
Canadian Government Bond, 2.00%, June 1, 2028	2.94%
Province of Alberta, 2.90%, December 1, 2028	2.88%
Toronto-Dominion Bank, 2.05%, March 8, 2021	2.80%
Province of Ontario, 2.80%, June 2, 2048	2.42%
Royal Bank of Canada, 2.03% March 15, 2021	2.37%
Province of Quebec, 4.50%,December 1, 2020	2.29%
Canadian Government Bond, 1.25%, February 1, 2020	2.16%
Bank of Nova Scotia, 2.27%, January 13, 2020	2.13%
Canadian Imperial Bank of Commerce, 2.04%, March 21, 2022	2.03%
Bank of Montreal, 2.10%, October 6, 2020	2.03%
Toronto-Dominion Bank, 3.22%, July 25, 2029	1.96%
Canadian Government Bond, 1.00%, September 1, 2022	1.90%
Province of Ontario, 2.60%, September 8, 2023	1.89%
Province of British Columbia, 2.80%, June 18, 2048	1.82%
Royal Bank of Canada, 3.04%, July 17, 2024	1.73%
Canadian Imperial Bank of Commerce, 1.90%, April 26, 2021	1.64%
Bank of Montreal, 2.27%, July 11, 2022	1.58%
Province of Quebec, 5.00%, December 1, 2041	1.51%
Canadian Natural Resources Ltd., 2.05%, June 1, 2020	1.44%
Canadian Mortgage Pools, 1.62%, March 1, 2022	1.35%
Total Net Assets (000's)	**$12,515**

The top 25 holdings represent approximately 61.49% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2018 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

Educators
FINANCIAL GROUP