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 U.S. Equity Fund

(formerly 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

The Fund's net assets decreased by 1.9% to $97.6 million at the end of June 2018, down from $99.5 million at the end of December 2017.

Investment Performance

For the six-month period ending June 30, 2018 (the 'period') the Educators U.S. Equity Fund – Class A Serises provided a return of negative 1.39%, versus the S&P 500 Total Return Index (CAD$) (the 'Benchmark') return of 7.46%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

During the period the Educators U.S. Equity Fund (the 'Fund') underperformed the Benchmark on a net of fees basis. The Benchmark had a positive return of 7.5% during the period, driven by the Information Technology, Energy, and Consumer Discretionary sectors. Momentum-driven names, including Apple, Facebook, Microsoft, Alphabet, Amazon, and Netflix were the greatest contributors to index performance. Defensive sectors, Telecommunications, and Consumer Staples were the largest laggards, with negative performance over the period.

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 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. second quarter/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.

Underperformance for the period was primarily the result of stock selection, with additional negative attribution from an underweight position in Information Technology and overweight in Telecommunications, Consumer Staples, and Industrials. Specific contributors to weak performance were software providers Oracle and Symantec in the Information Technology space, following intra-quarter earnings and corporate communication that dampened near-term visibility (despite both reporting solid earnings and cash flow). Parker Hannifin and Flowserve also detracted from results. Consumer names Campbell Soup and Harley-Davidson underperformed over the period. Campbell Soup lowered its full-year earnings outlook following the announcement of weakness in its Campbell Fresh business and unanticipated challenges in its newly acquired snacks business, Snyder Lance. News of the removal of Campbell's CEO also pressured the shares. Harley-Davidson shares continued to struggle, with negative price action influenced by the company's plan to move some production for non-U.S. demand overseas in response to proposed European tariff announcements.

Recent Developments

The growth and momentum aura that has driven market volatility early in the period continued into the second quarter, with downtrodden value stocks subjected to escalating investor anxiety, while overvalued growth stocks marched higher with increasing exuberance. Share price reaction to news flow around each of these groups was often exaggerated in both directions, causing the spread between growth and value indices to widen to unprecedented levels. Consequently, as value investors attracted with high conviction to out-of-favour names, this market environment has been particularly difficult, with little forgiveness being extended to high-quality franchises where negative sentiment has moved to the forefront. However, where there are challenges, there are often opportunities and new doors opening. These opportunities enabled the portfolio manager to once again demonstrate the value of its process, as investments in Baxter, United Technologies, and Teradyne, which had eclipsed prior targets (with the pre-requisite one-third sale), were re-evaluated and subsequently exited as new names were added to the fund. These new names, Amgen, Comcast, and Flowserve, reside in entirely different parts of the economy (Health Care, Communications, and Industrials), but share qualities that are consistent with the portfolio manager's affinity for high-quality franchises with above-average margins and returns, as well as free cash flow that finds its way back to shareholders.

As a result of these changes, sector exposures changed slightly compared to the prior period. Overweight positions in Health Care and Consumer Discretionary expanded further with the additions of Amgen and Comcast, while the complete sale of Teradyne and trims in Oracle and Amdocs further reduced the Fund's underweight exposure to Information Technology. Other sectors where we continue to be overweight include Consumer Staples, Industrials, and Telecommunication Services. Positions such as Kellogg, Parker Hannifin, and Verizon are among the Fund's highest conviction names in these areas. As always, sector weights continue to reflect bottom-up fundamentals, rather than specific investment calls on sectors.

All of the Fund's holdings in the portfolio continue to generate free cash flow, have strong balance sheets, and capital allocation policies that the portfolio manager feels strike the right balance between corporate needs and shareholder returns. High quality business models and company-specific catalysts factor into attractive risk/reward profiles, and importantly, downside protection. The Fund continues to incorporate a high concentration of companies with under-levered balance sheets and managements that are well-aligned with shareholders, which the portfolio manager expects will continue to lead to positive corporate actions such as share buy-backs, dividend increases, and value-enhancing deals.

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 each year ended December 31 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				
	2018	2017	2016	2015	2014	2013
Net Assets, beginning of period	$18.59	$20.18	$18.56	$19.13	$17.81	$15.04
Increase (decrease) from operations:						
Total revenue	$0.21	$0.45	$0.40	$0.43	$0.43	$0.38
Total expenses, including transaction costs [excluding distributions]	($0.21)	$(0.44)	$(0.41)	$(0.42)	$(0.41)	$(0.34)
Realized gains (losses) for the period	$0.23	$4.34	$0.94	$0.12	$1.20	$1.42
Unrealized gains (losses) for the period	($0.49)	$(2.27)	$0.67	$(0.68)	$0.09	$1.32
Total increase (decrease) from operations (2)	($0.26)	$2.08	$1.60	$(0.55)	$1.31	$2.78
Distributions:						
From net investment income (excluding dividends)	$0.01	$--	$--	$--	$--	$--
From dividends	$--	$--	$--	$--	$--	$0.01
From capital gains	$0.00	$3.61	$--	$--	$--	$--
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions (3)	$0.01	$3.61	$--	$--	$--	$0.01
Net Assets, end of period	$18.32	$18.59	$20.18	$18.56	$19.13	$17.81

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)	$95,118	$99,517	$95,876	$94,454	$101,688	$93,476
Number of units outstanding (4)	5,192,511	5,353,332	4,750,945	5,089,059	5,316,626	5,249,793
Management expense ratio (5)	1.93%	1.93%	1.93%	1.93%	1.93%	1.90%
Management expense ratio before waivers or absorptions (6)	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio (7)	0.05%	0.10%	0.11%	0.15%	0.15%	0.21%
Portfolio turnover rate (8)	12.41%	125.26%	70.96%	64.04%	97.70%	135.21%
Net Asset Value per unit	$18.32	$18.59	$20.18	$18.56	$19.13	$17.81

Educators U.S. Equity 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	$0.11
Total expenses, including transaction costs [excluding distributions]	($0.02)
Realized gains (losses) for the period	$0.47
Unrealized gains (losses) for the period	$(0.28)
Total increase (decrease) from operations (2)	$0.28
Distributions:	
From net investment income (excluding dividends)	$0.07
From dividends	$0.01
From capital gains	$0.00
Return of capital	$--
Total Annual Distributions (3)	$0.08
Net Assets, end of period	$9.69

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30
	2018
Total Net Asset Value (000's) (4)	$2,497
Number of units outstanding (4)	257,720
Management expense ratio (5)	0.01%
Management expense ratio before waivers or absorptions (6)	0.00%
Trading expense ratio (7)	0.05%
Portfolio turnover rate (8)	12.41%
Net Asset Value per unit	$9.69

(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 1.75% 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 26.9% 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

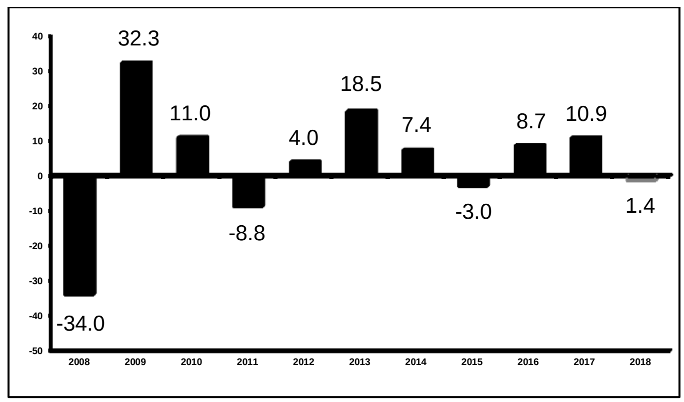
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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

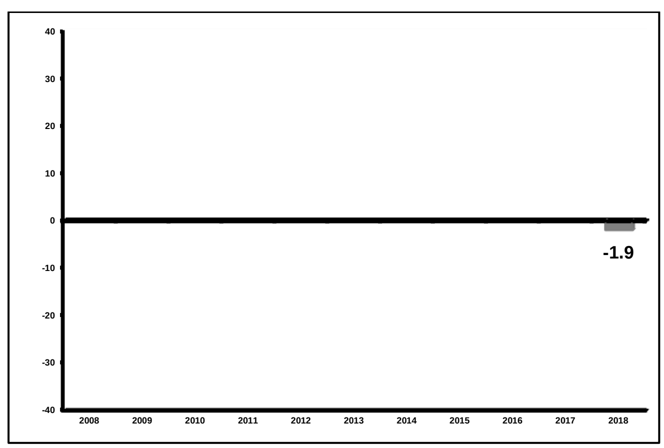
The bar chart shows the Fund's performance for each of its past 10 financial years and illustrates how the Fund's performance has changed for the period ended June 30, 2018 and for each 12-month period ending December 31. The chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

Annual Returns – Class A Series



% Increase/decrease *For the six-month period ended June 30, 2018*

Annual Returns – Class I Series (1)



% Increase/decrease *For the six-month period ended June 30, 2018*

(1) The Class I Series commenced operations January 4, 2018

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

Sector Mix	Percentage of Net Asset Value
Consumer Discretionary	18.45%
Health Care	16.63%
Industrials	13.08%
Financials	12.92%
Information Technology	12.13%
Consumer Staples	10.36%
Telecommunication Services	6.85%
Materials	4.17%
Energy	4.01%
Cash and Cash Equivalents	1.40%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Vulcan Materials Co.	6.85%
AutoZone Inc.	5.69%
AmerisourceBergen Corp.	5.45%
Eli Lilly & Co.	5.22%
Parker-Hannifin Corp.	5.21%
American Express Co.	5.21%
Omnicom Group Inc.	5.21%
Oracle Corp.	5.20%
Kellogg Co.	5.19%
Ingersoll-Rand PLC	4.49%
Amdocs Ltd.	4.23%
LyondellBasell Industries NV	4.17%
Harley-Davidson Inc.	4.04%
Halliburton Co.	4.01%
Ameriprise Financial Inc.	3.97%
Comcast Corp.	3.52%
Amgen Inc.	3.46%
Campbell Soup Co.	3.00%
Symantec Corp.	2.70%
Flowserve Corp.	2.30%
Procter & Gamble Co.	2.16%
JPMorgan Chase & Co.	2.12%
Wells Fargo & Co.	1.63%
Merck & Co Inc.	1.58%
Allegion PLC	1.08%
Total Net Assets (000's)	**$97,614**

The top 25 holdings represent approximately 97.69% 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.

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