2019

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2019

Offered by Educators Financial Group
Portfolio Manager: 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

The Fund's net assets increased by6.2% to $253.1 million at the end of June 2019, up from $238.4 million at the end of December 2018.

Investment Performance

For the period ending June 30, 2019 (the 'period'), the Educators Balanced Fund – Class A Series provided a return of 7.78%, versus a Benchmark return of 11.10%. 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"). Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Balanced portfolio achieved a positive return in the six months ending June 30, 2019, but underperformed its blended performance benchmark on a relative basis. At the asset class level, stock selection was the primary driver of relative underperformance within the Canadian, U.S., and international equity components of the portfolio. This was somewhat offset by an underweight position in fixed income, the largest contributor to performance in the period.

World equity markets rebounded in the January 1 to June 30, 2019 period, although it wasn't a smooth ride back up. After a sharp correction late last year, U.S. markets rose in January to deliver one of the best months in 30 years. Momentum continued through April amid rising oil prices, signs of the U.S. economy and job market continuing to expand solidly, and a perceived dovish U-turn in monetary policy by the U.S. Federal Reserve (the Fed). However, by May, the mood turned to somewhat risk-off due to some weakness in economic data and growing concern that a quick resolution to the U.S.-China trade war was unlikely. It rebounded in June as the prospect of rate cuts buoyed sentiment. As a result, the S&P 500 Index (C$) rose 13.4% in the period. At the beginning of July, the U.S. economic recovery from the Great Financial Crisis (at 121 months) officially became the longest economic expansion on record. In Canada, equities had an even stronger run in the period, with the S&P/TSX Composite Index posting a return of 16.2%, while international equity markets, as represented by the MSCI EAFE Index (C$), were up 9.1%. For the period, the FTSE Canada Universe Bond Index also increased by 6.5% on a total-return basis.

Within the Canadian equity component, the top contributors on an absolute-return basis included Toronto-Dominion Bank, Royal Bank of Canada, and Brookfield Asset Management Inc. Bank share prices rose, as market concerns about housing exposure propagated by U.S. short-sellers receded from the headlines, while Brookfield benefitted from the declining interest rate backdrop. The company continues to deploy capital effectively, as evidenced by the Oaktree Capital acquisition. Oaktree Capital is a credit management firm with an excellent reputation and strong investment track record.

On an absolute basis, SNC-Lavalin Group Inc. was the largest detractor. SNC's stock price declined notably, although it was a relatively small weight in the portfolio. Our initial investment thesis was based on two key components—the first being valuable concession assets, which provide the business model and investors with downside protection (or margin of safety). The second key component was profit recovery in its core Engineering and Construction business, which had been severely depressed. Our downside was based on the value of the infrastructure assets—mainly Highway 407— which had buttressed the stock price until the most recent operational difficulties. As a result of SNC's ongoing issues, the portfolio manager actively engaged with senior management and the Chair of the Board. They also held discussions with outside consultants (who were well-versed with the engineering and legal aspects surrounding SNC-Lavalin) to assist in our analysis of the company. In these discussions, the portfolio manager communicated concerns and suggestions that could result in more consistent levels of profitability and better free cash generation. They also withheld the proxy vote of 6 out of 11 directors, sending a clear message. This was in contrast to ISS's recommendation to vote for the entire slate of SNC-Lavalin's directors, and Beutel Goodman was *one of the only* institutional investors to do so. While it is disappointing when a business does not live up to expectations, the portfolio manager closely monitored SNC, voiced concerns with company management, and voted against status quo. Until recently, the stock had not breached its downside target. When it did, it triggered a full review which resulted in the position being fully sold.

Within the U.S equity component of the portfolio, contributors to absolute performance included Ameriprise Financial, Inc. and American Express Company. Ameriprise strengthened during the period amid positive analyst re-ratings and earnings reports, as well as the announced sale of its non-core property and casualty insurance business (which the portfolio manager believes represents a step by the company to limit its exposure to capital-intensive business). American Express rose on positive quarterly results and news that it had extended deals with existing partners Delta Air and Air Canada.

Detractors included Halliburton Company and Kellogg Company. Weakness in spending in the U.S. shale industry continued to weigh on Halliburton's revenues. However, with a growing international market and improvement in the U.S. market, the portfolio manager continues to believe the company has upside potential. Kellogg's share price declined in the period, due in part to lowered guidance and announcements of reorganization plans for its European and North American operations. However, the company continues to pay an attractive dividend, while also repurchasing stock—leading the portfolio manager to believe it will be rewarded for its efforts to reposition itself for sustainable growth.

Within the international equity component, Cie Gnrl des Etblsmnts Michelin SCA, Gjensidige Forsikring ASA, and Carlsberg A/S were notable contributors on an absolute-return basis. Michelin provided a positive trading update over the period that highlighted an increase in sales in a difficult market, with a strong contribution coming from newly acquired businesses. Norwegian insurance company Gjensidige Forsikring ASA advanced on strong earnings, as did Carlsberg, in addition to a 13% increase in the dividend. Despite the stock posting strong performance during the period, the portfolio manager believes it is still trading at attractive valuations.

Vodafone Group plc and Resona Holdings were among the detractors. Vodafone declined after a weak fiscal third quarter, guidance for lower 2019 earnings, and the Board's decision to cut the dividend by 40% to help hit the lower end of their targeted leverage range in three years. Resona's share price weakened considerably on disappointing earnings results. However, a year-over-year drop in net income was due largely to the decrease in one-off gains associated with the integration of Kansai Mirai Financial Group (announced in 2017). The portfolio manager believes that even with a sustainable ROE of 8%, the stock is still trading below its intrinsic value. In the meantime, it pays a 3.8% dividend and is building book value at 6% annually.

During the period, new equity positions in Gardner Denver Holdings Inc. and Suncor Energy Inc. were initiated. The Fund also added broadly to existing positions, while trimming positions in Quebecor Inc. and American Express. Additionally, the Fund completed a number of process-driven one-third sales, as AutoZone Inc., Carlsberg A/S, Air Liquide SA, Gjensidige, Ingersoll-Rand plc, Oracle Corp., Brookfield Asset Management, and Canadian Pacific Railway all reached respective target prices. Following a process-driven one-third sale of Eli Lilly and Co. in the fourth quarter of 2018, the portfolio manager established a new target price, which the stock subsequently surpassed again. As a result, following a second process-driven one-third sale in the first quarter, the position was fully sold. The Fund also fully exited SNC-Lavalin, IGM Financial Inc., and GEA Group AG, and eliminated the Fund's small position in small-cap equities on expectations of better risk-adjusted returns in both large cap Canadian and U.S. equities.

Performance of the fixed-income component of the portfolio was in line with the benchmark for the period. Duration slightly detracted in the year to date, as the portfolio was short duration amid bond yields generally falling. Sector allocation added value over the period (despite some concern over trade wars), as it has been risk-on for the credit markets for the majority of 2019. Government security selection also added value, as the Fund's overweight positions in the provinces of Ontario and Quebec (relative to the other provinces) have been positive contributors. Corporate security selection detracted, as higher-quality credit underperformed higher-beta credit due to continued strength in credit market sentiment.

Recent Developments

Looking forward, with recent strength in the equity markets, it has become more difficult—but not impossible—to find new, high-quality opportunities trading at deep discounts to intrinsic value relative to this point last year. To the portfolio management team, this represents a sign that overall market expectations are high and valuations, in aggregate, are no longer as attractive as they were. In addition, the strength of the broader equity markets amid escalated trade tensions, slowing global growth, potential easing by central banks, and other geopolitical concerns is a reason to be cautious. However, while it is harder to find new gems at a discount, the portfolio manager remains positive in its outlook for the portfolio, as the holdings remain attractively valued versus the market—especially versus what they view as the intrinsic value of individual positions. It is rare to have such distortions relative to both fundamental value and relative value, especially given our focus on higher-quality businesses versus the market (higher returns, cleaner balance sheets, sustainable free cash flow generation, etc.). This is what gives the portfolio manager confidence in its ability to protect capital in down markets and generate positive returns for unit holders over the long term.

On the bond side, the portfolio manager believes they are getting close to the end of the cycle. The economic expansion in the U.S. has continued into July, making it the longest expansion ever recorded. This recovery may indeed die of old age, but seems to be kept on life support by central banks wanting to prolong the economic cycle and engineer a potentially elusive soft landing. Equity markets and bond markets are currently at odds with each other regarding how the expected Fed rate cuts in the second half of the year will impact the economy. One will ultimately be proven right, leading to a correction in the loser's market. While caution is warranted, the portfolio manager will seek out opportunities to capitalize on, as they believe the risk of recession is less likely than the bond market currently implies.

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 general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

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 manager.

In the first six months of 2019 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 Balanced Fund – Class A Series – Net Assets per Unit [1]

	Six months ended June 30	Year ended December 31				
	2019	2018	2017	2016	2015	2014
Net Assets, beginning of period	$18.18	$19.62	$18.11	$17.11	$17.16	$16.38
Increase (decrease) from operations:						
Total revenue	$0.17	$0.52	$0.47	$0.53	$0.51	$0.50
Total expenses, including transaction costs [excluding distributions]	($0.18)	($0.37)	$(0.36)	$(0.34)	$(0.34)	$(0.33)
Realized gains (losses) for the period	$0.14	$0.64	$0.36	$0.55	$0.31	$0.39
Unrealized gains (losses) for the period	($1.29)	($1.62)	$1.18	$0.80	$(0.22)	$0.61
Total increase (decrease) from operations [2]	$1.42	($0.83)	$1.65	$1.54	$0.26	$1.17
Distributions:						
From net investment income (excluding dividends)	$--	$--	$--	$--	$--	$0.01
From dividends	$--	$0.14	$0.07	$0.19	$0.15	$0.16
From capital gains	$--	$0.46	$0.08	$0.34	$0.18	$0.23
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions [3]	$--	$0.60	$0.15	$0.53	$0.33	$0.40
Net Assets, end of period	$19.60	$18.18	$19.62	$18.11	$17.11	$17.16

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31				
	2019	2018	2017	2016	2015	2014
Total Net Asset Value (000's) [4]	$253,063	$238,381	$245,879	$202,168	$180,771	$171,914
Number of units outstanding [4]	12,912,025	13,109,688	12,529,872	11,162,886	10,565,315	10,017,434
Management expense ratio [5]	1.87%	1.87%	1.91%	1.93%	1.93%	1.93%
Management expense ratio before waivers or absorptions [6]	1.87%	1.87%	1.95%	1.98%	1.98%	1.98%
Trading expense ratio [7]	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Portfolio turnover rate [8]	31.98%	65.59%	71.81%	82.03%	104.56%	45.75%
Net Asset Value per unit	$19.60	$18.18	$19.62	$18.11	$17.11	$17.16

(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 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 1.65% for the Class A Series. The Class I Series is 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 12.4% of the total management fees collected 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

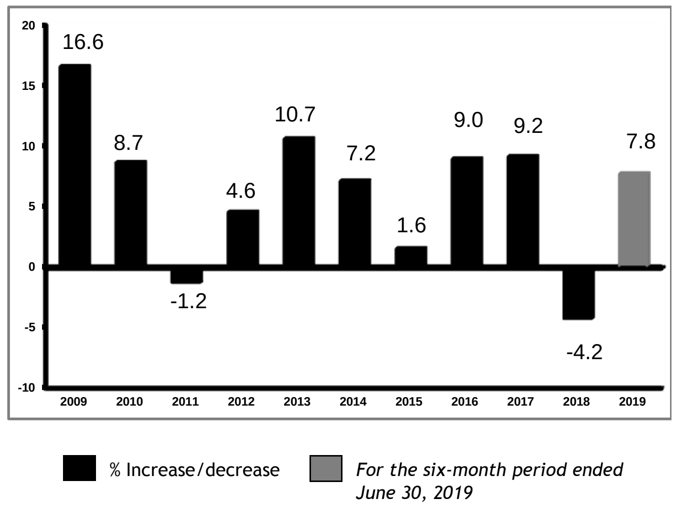
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. 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 6-month period ended June 30, 2019 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

Currently Class I units of the Fund are not being offered to purchase.

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)
As at June 30, 2019

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	37.02%
Government Bonds	16.29%
Financials	13.59%
Corporate Bonds	12.85%
Communication Services	3.96%
Consumer Staples	3.36%
Energy	2.57%
Consumer Discretionary	2.57%
Industrials	2.41%
Materials	2.22%
Short-Term Investments	1.24%
Information Technology	1.05%
Asset-Backed Securities	0.86%
Net Other Assets	0.01%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Beutel Goodman American Equity Class I Fund	18.54%
Beutel Goodman International Equity Class I	18.49%
Royal Bank of Canada	3.12%
Toronto-Dominion Bank	2.95%
Rogers Communications Inc.	2.66%
Province of Ontario, 2.40%, June 2, 2026	2.19%
Canadian Government Bond, 2.25%, June 1, 2029	1.87%
Metro Inc.	1.69%
Nutrien Ltd.	1.61%
Brookfield Asset Management Inc.	1.59%
Magna International Inc.	1.53%
Canadian Natural Resources Ltd.	1.48%
Province of Ontario, 2.60%, June 2, 2025	1.40%
Bank of Nova Scotia	1.40%
Sun Life Financial Inc.	1.33%
Bank of Montreal	1.10%
Open Text Corp.	1.05%
Canadian National Railway Co.	1.05%
Canadian Tire Corp Ltd.	1.03%
Canadian Government Bond, 2.75%, December 1, 2048	1.03%
Province of Ontario, 2.70%, June 2, 2029	0.96%
Great-West Lifeco Inc.	0.79%
Canadian Imperial Bank of Commerce, 2.04%, March 21, 2022	0.79%
Saputo Inc.	0.78%
TELUS Corp.	0.74%
Total Net Assets (000's)	**$253,063**

The top 25 holdings represent approximately 71.17% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2019 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

Educators
FINANCIAL GROUP