

# 2019

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2019

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

### Educators Money Market 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](http://www.educatorsfinancialgroup.ca) or SEDAR at [www.sedar.com](http://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 14.2% to \$20.1 million at the end of June 2019, up from \$17.6 million at the end of December 2018.

#### Investment Performance

For the period ending June 30, 2019 (the 'period'), the Educators Money Market Fund – Class A Series provided a return of 0.62%, versus the FTSE TMX Canada 91 Day Treasury Bill Index (the 'Benchmark') return of 0.81%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

As of June 30, 2019, the Fund held 22.1% of its investments in a combination of R-1 high-rated corporate paper, R-1 high-rated bank-sponsored asset-backed commercial paper, and banker's acceptances—with the balance of the portfolio invested in Government of Canada Treasury Bills. The term of the portfolio has remained in line with that of the Benchmark and averaged 90 days during the period.

In the first half of 2019, market sentiment became more cautious, as the Federal Reserve signaled its concern regarding uncertainties in the U.S. economic outlook. The ongoing trade war between the U.S. and China, and reservations around the new NAFTA deal (which has yet to be ratified in Congress), were specifically cited. Some uncertainty was removed, as a deal was reached on May 20th to end the U.S. tariffs on Canadian steel and aluminum, and as a result, Canada lifted its retaliatory countermeasures against the U.S.

The Bank of Canada (BoC) maintained its target for the overnight rate at 1.75% during the four 2019 policy announcements, ending with the May 29th release. The tone of the accompanying statements has been neutral to slightly dovish, even with positive economic data and growth both picking up during the second quarter. In the May 29th release, the BoC noted: "The recent escalation of trade conflicts is heightening uncertainty about economic prospects. In addition, trade restrictions introduced by China are having direct effects on Canadian exports." The BoC also noted that global trade risks have increased.

Economists were surprised to see the sharp cuts to the Canadian growth outlook during the period. The BoC revised the Canadian GDP outlook for the first quarter of 2019 to 1.3% (down from 1.7%) in its April Monetary Policy Report (MPR), noting recent data had indicated broad-based weakness in exports of goods. However, according to Bloomberg, after a strong month of growth in April driven by rebounding

oil output, the economy is on track for at least a 2% annualized growth in the second quarter.

Canada's labour market has continued to be strong with 247,500 jobs during the period, comprised mostly of full-time jobs, while the unemployment rate ticked up to 5.5% at the end of June.

Following the release of the April MPR, Consumer Price Index (CPI) inflation was expected to return to 2% during the second quarter of 2019. Surprisingly, May's headline had the CPI jumping 2.4% on a year-over-year basis, as compared to 2% in April. This was the highest annual rate since October 2018, boosted by increases in food and durable goods prices. As a result, Canada's currency appreciated as much as 0.3% against the U.S. dollar during the month.

Similar to the BoC, the Federal Open Market Committee (FOMC) left the Federal Funds rate unchanged in the 2.25%–2.5% range in each of the first four meetings in 2019. In the June 19th statement, the pledge to be "patient" was dropped and some of the recent communications from Federal Reserve Chair Jerome Powell were reiterated, suggesting that the FOMC will "closely monitor" incoming developments and will "act as appropriate to sustain the expansion". The markets expect the Federal Reserve to cut rates at least twice by the end of this year.

In response to the economic releases and signals from central banks during the first quarter, the short-term Canadian treasury yield curve declined, flattened, and inverted. Through the second quarter, the curve continued to flatten—with yields of securities maturing in three months remaining relatively unchanged, while six-month yields fell by approximately 0.08% and one-year yields as well by approximately 0.17%. At the end of June, markets had priced in a 32.5% chance of a BoC interest rate cut by December 2019.

During the period, the Fund continued to maintain a neutral duration, versus its Benchmark, to mitigate interest rate risk.

### Recent Developments

Markets are expected to continue to tread cautiously into the summer months. For the BoC, the combination of the strong wages and hours worked, the low jobless rate, inflation at target, and a recent pick-up in economic growth supports its stance to *not* impose interest rate cuts. Economists are waiting to see how soon the Federal Reserve will begin cutting rates, given the low inflation and inverted yield curve in the U.S.

The portfolio manager continues to focus on selecting securities with maturities that present the most attractive yields and on diversifying the Fund to include non-government short-term investments, which provide a yield in excess of treasury bills, while maintaining a duration that is in line with that of the Benchmark. Within the Fund, the portfolio manager continues to take advantage of yield-enhancing opportunities as they arise. The Fund will continue to hold 20%-30% in a combination of commercial paper, provincial guaranteed paper, bank-sponsored asset-backed commercial paper, and banker's acceptances, to complement the Fund's holdings of Government of Canada treasury bills.

### 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

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.

#### Educators Money Market Fund – Class A Series – Net Assets per Unit<sup>(1)</sup>

	Six months ended June 30	Year ended December 31				
	2019	2018	2017	2016	2015	2014
Net Assets, beginning of period	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.09	\$0.15	\$0.08	\$0.06	\$0.08	\$0.10
Total expenses, including transaction costs [excluding distributions]	\$(0.03)	\$(0.06)	\$(0.06)	\$(0.05)	\$(0.06)	\$(0.06)
Realized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--	\$--
Unrealized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--	\$--
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$0.06</b>	<b>\$0.09</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.02</b>	<b>\$0.04</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	\$0.06	\$0.09	\$0.02	\$0.01	\$0.02	\$0.04
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>\$0.06</b>	<b>\$0.09</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.02</b>	<b>\$0.04</b>
<b>Net Assets, end of period</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>

#### 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) <sup>(4)</sup>	\$17,733	\$15,959	\$14,624	\$17,129	\$19,434	\$20,163
Number of units outstanding <sup>(4)</sup>	1,773,265	1,595,937	1,462,438	1,712,916	1,943,435	2,016,314
Management expense ratio <sup>(5)</sup>	0.61%	0.59%	0.58%	0.53%	0.53%	0.59%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.62%	0.62%	0.62%	0.61%	0.61%	0.62%
Trading expense ratio <sup>(7)</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Net Asset Value per unit	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

**Educators Money Market Fund – Class I Series – Net Assets per Unit <sup>(1)</sup>**

	Six months ended June 30	Year ended December 31
	2019	2018
Net Assets, beginning of period	\$10.00	\$10.00
Total revenue	\$0.10	\$0.17
Total expenses, including transaction costs [excluding distributions]	\$--	\$0.00
Realized gains (losses) for the period	\$--	\$--
Unrealized gains (losses) for the period	\$--	\$--
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.10</b>	<b>\$0.17</b>
<b>Distributions:</b>		
From net investment income (excluding dividends)	\$0.10	\$0.15
From dividends	\$--	\$--
From capital gains	\$--	\$--
Return of capital	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.10</b>	<b>\$0.15</b>
<b>Net Assets, end of period</b>	<b>\$10.00</b>	<b>\$10.00</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Six months ended June 30	Year ended December 31
	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$2,377	\$1,602
Number of units outstanding <sup>(4)</sup>	237,720	160,159
Management expense ratio <sup>(5)</sup>	--	--
Management expense ratio before waivers or absorptions <sup>(6)</sup>	\$--	\$--
Trading expense ratio <sup>(7)</sup>	N/A	N/A
Net Asset Value per unit	\$10.00	\$10.00

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund.

<sup>(4)</sup> This information is provided as at June 30 or December 31 of the year shown.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

**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, the Manager-Trustee is entitled to receive a fee payable monthly, calculated daily, and based on the Net Asset Value of the Fund, at a maximum annual rate of 0.55% 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 21.7% 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**

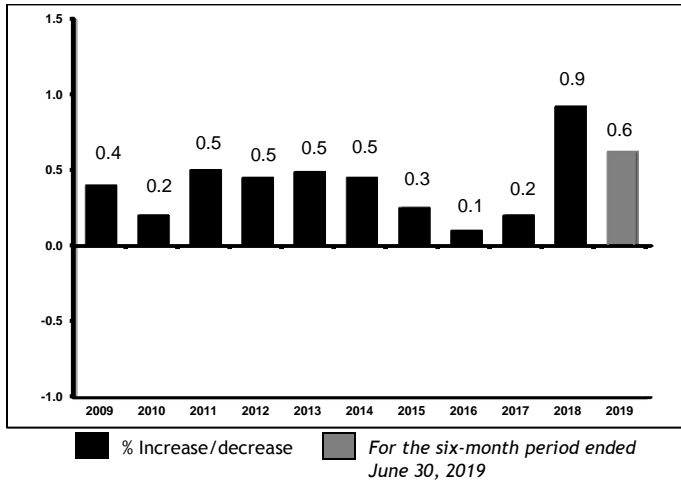
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. 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.

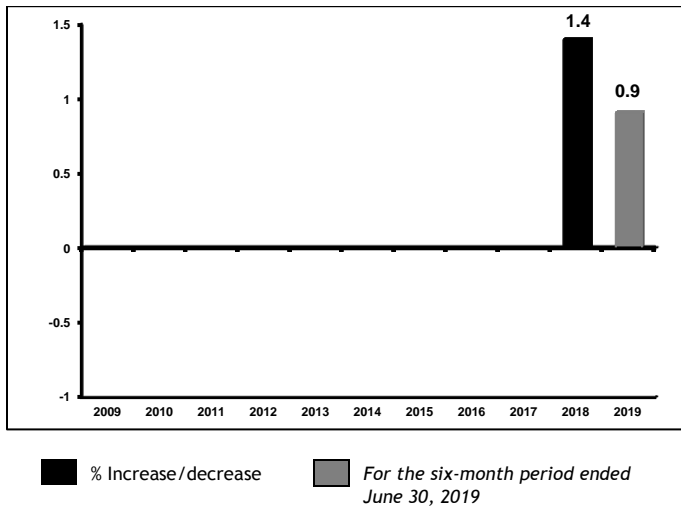
**Year-by-Year Returns**

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 <sup>(1)</sup>



<sup>(1)</sup> The Class I Series commenced operations January 4, 2018

**SUMMARY OF INVESTMENT PORTFOLIO**  
**(Based on Net Asset Value)**

As at June 30, 2019

Sector Mix	Percentage of Net Asset Value
Treasury Bills	75.46%
Bankers' Acceptances	15.80%
Discount Commercial Paper	5.62%
Net Other Assets	3.02%
Cash and Cash Equivalents	0.10%

**Top Holdings**

Security Name	Percentage of Net Asset Value
Canadian Treasury Bill, 1.66%, September 19, 2019	15.11%
Canadian Treasury Bill, 1.66%, October 3, 2019	12.86%
Canadian Treasury Bill, 1.67%, December 12, 2019	11.00%
Canadian Treasury Bill, 1.51%, July 11, 2019	8.49%
Canadian Treasury Bill, 1.72%, October 31, 2019	6.93%
Canadian Treasury Bill, 1.68%, August 22, 2019	6.50%
Canadian Treasury Bill, 1.66%, September 5, 2019	6.42%
Canadian Treasury Bill, 1.66%, November 14, 2019	5.10%
Bank of Montreal, 1.84%, July 29, 2019	2.97%
Clarity Trust, 1.90%, August 22, 2019	2.23%
Bank of Nova Scotia, 1.88%, November 20, 2019	2.12%
Canadian Treasury Bill, 1.68%, November 28, 2019	2.07%
Toronto-Dominion Bank, 2.29%, July 2, 2019	2.01%
OMERS Finance Trust, 1.79%, July 3, 2019	1.99%
Canadian Imperial Bank of Commerce, 2.25%, September 30, 2019	1.96%
Royal Bank of Canada, 1.86%, August 30, 2019	1.85%
Canadian Imperial Bank of Commerce, 1.85%, December 2, 2019	1.28%
Royal Bank of Canada, 1.84%, October 11, 2019	1.24%
Toronto-Dominion Bank, 1.86%, August 30, 2019	1.23%
Bank of Nova Scotia, 1.96%, September 9, 2019	1.13%
Canadian Treasury Bill, 1.69%, December 27, 2019	0.99%
OMERS Finance Trust, 1.79%, July 26, 2019	0.81%
OMERS Finance Trust, 1.79%, July 16, 2019	0.60%

**Total Net Assets (000's) \$20,110**

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.

**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](mailto:info@educatorsfinancialgroup.ca)

Web: [www.educatorsfinancialgroup.ca](http://www.educatorsfinancialgroup.ca)

