

# 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 Monthly Income 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 6.7% to \$63.8 million at the end of June 2019, up from \$59.8 million at the end of December 2018.

### Investment Performance

For the period ending June 30, 2019 (the 'period'), the Educators Monthly Income Fund – Class A Series provided a return of 10.49%, versus a Benchmark return of 13.15%. The Benchmark comprises 70% S&P/TSX Composite Total Return Index, 27% FTSE TMX Canada Bond Universe Index and 3% FTSE TMX Canada 91 Day Treasury Bill Index. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark.

Financial markets roared back to life in the first half of 2019 and equity indices fully recovered from the broad and swift sell-off experienced in the fourth quarter of 2018. Led by high-growth securities, the S&P/TSX Composite Total Return and the S&P500 Total Return indices recorded gains of 16.22% and 18.54%, respectively. Returns were driven by evidence of recovery supporting the Chinese economy, as monetary and fiscal stimulus measures taken by the Chinese government in 2018 started to bear fruit, reducing the risk of a global recession. In addition, the U.S. Federal Reserve's change in monetary policy direction (from raising rates to signaling the potential for interest rate cuts) took the market by surprise, further stimulating financial markets. Fixed income markets responded positively to these signals and to similar indications from other central banks that monetary stimulus will remain in place. Within the Canadian bond market, corporate spreads tightened with the Canadian investment grade index tightening by 0.34%, while the Canadian yield curve shifted lower in a parallel fashion by approximately 0.50%.

Although absolute performance was positive, the Fund underperformed its Benchmark during the period, due to the more conservative structure of the equity portfolio relative to the Benchmark, as the equity component of the Fund is primarily composed of higher quality, dividend-paying securities. Positive relative contributions to Fund performance from the Communications and Consumer Staples sectors were outweighed by negative relative performance in the Energy and Health Care sectors, and by the negative impact of the depreciation of the U.S. dollar on the Fund's U.S. currency holdings.

The equity portfolio benefited both from its underweight position and good stock selection in the Communications sector, as performance was enhanced by its holding of Comcast. The Consumer staples sector

was another positive contributor to relative performance, primarily as a result of the Fund's holding of Costco, which generated strong returns in the first half of the year.

The Energy and Healthcare sectors were the largest detractors from relative performance during the period. While the Energy sector contributed on an absolute basis, it detracted versus the Benchmark. Holdings in a biofuel provider and a crude oil refiner were negatively impacted by short-term factors. The Fund's healthcare holdings detracted from both absolute and relative performance, due to holdings of U.S. healthcare names which underperformed the Canadian Healthcare sector.

The fixed income portfolio of the Fund added slightly to performance over the period. The Energy and Communications sectors contributed to both absolute and relative performance, as they outperformed both the Corporate sector and the FTSE Canada Universe Index. These sectors benefitted from limited issuance and strong demand for high-quality, higher-yielding securities. The Fund's holdings in the Infrastructure sector and in short-term bonds detracted from performance, as they primarily hold shorter-maturity securities, which did not benefit from the extraordinarily strong rally in longer-dated corporate spreads.

The Fund's exposure to U.S. equities decreased slightly during the period, while its exposure to the U.S. dollar remained stable. The Canadian dollar rose 4.2% against the U.S. dollar during the period, impacting the value of the Fund's U.S. dollar holdings. To mitigate currency-driven volatility, the portfolio manager has taken a conservative approach and executed a Canadian dollar forward contract to maintain the U.S. dollar exposure at approximately 10% of the Fund. The forward contract enhanced performance during the period.

The Fund's asset mix remained relatively stable during the period. The Fund's holdings in equities were reduced from 70.4% to 69.3%, while the exposure to fixed income securities increased slightly. As of June 30th, the Fund held 27.6% of its assets in Canadian fixed income and preferred shares, including 3.9% in short-term Canadian fixed income, 54.9% in Canadian stocks, 14.1% in U.S. stocks, and 3.4% in cash and equivalents.

The portfolio manager continued to formally incorporate the principles of responsible investing and environmental, social, and governance

(ESG) factors within the investment process—excluding securities with material exposure to tobacco, weapons, gambling, and adult entertainment.

### Recent Developments

Risks to global growth remain elevated. Given the potential binary outcomes of geopolitical events and the possibility of significant impact on stock markets, the portfolio manager continues to hold a more conservative asset mix in 2019. Furthermore, the portfolio manager believes that the Fund's quality characteristics and depth of diversification leave it well-positioned to participate in potential returns, while managing geopolitical and economic uncertainties in both the long and short term. The Fund continues to be deeply diversified, exploiting opportunities throughout North America.

### 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

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 Manager, is an indirect wholly-owned subsidiary of The Independent Order of Foresters, which is not a publicly listed company.

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 Monthly Income 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	\$9.07	\$10.33	\$10.12	\$9.92	\$10.29	\$9.96
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.16	\$0.31	\$0.33	\$0.29	\$0.30	\$0.33
Total expenses, including transaction costs [excluding distributions]	(\$0.07)	(\$0.15)	(\$0.15)	(\$0.15)	(\$0.16)	(\$0.15)
Realized gains (losses) for the period	\$0.12	\$0.44	\$0.27	\$--	\$0.41	\$0.04
Unrealized gains (losses) for the period	\$0.74	(\$1.27)	\$0.36	\$0.67	\$(0.39)	\$0.67
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.95</b>	<b>(\$0.67)</b>	<b>\$0.81</b>	<b>\$0.81</b>	<b>\$0.16</b>	<b>\$0.89</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.30	\$0.16	\$0.16	\$0.14	\$0.14	\$0.18
From capital gains	\$--	\$0.45	\$0.02	\$--	\$0.12	\$--
Return of capital	\$--	\$--	\$0.42	\$0.46	\$0.34	\$0.46
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.30</b>	<b>\$0.61</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.64</b>
Net Assets, end of period	\$9.72	\$9.07	\$10.33	\$10.12	\$9.92	\$10.29

**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>	\$63,828	\$59,836	\$65,293	\$54,721	\$49,881	\$40,835
Number of units outstanding <sup>(4)</sup>	6,567,541	6,596,034	6,323,244	5,408,281	5,030,870	3,968,159
Management expense ratio <sup>(5)</sup>	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.31%	1.31%	1.31%	1.31%	1.31%	1.31%
Trading expense ratio <sup>(7)</sup>	0.05%	0.07%	0.05%	0.09%	0.10%	0.06%
Portfolio turnover rate <sup>(8)</sup>	29.64%	78.88%	62.06%	74.21%	77.75%	44.85%
Net Asset Value per unit	\$9.72	\$9.07	\$10.33	\$10.12	\$9.92	\$10.29

- (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 1.15% for the Class A Series. The Class I Series is identical on 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 15.1% of the total management fees collected 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**

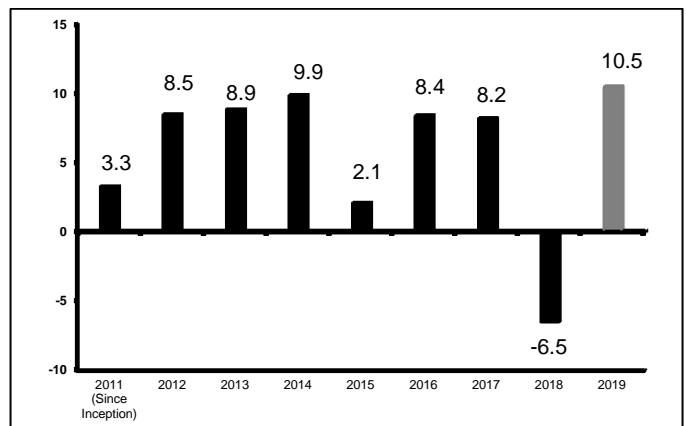
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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, 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



■ % Increase/decrease    ■ For the six-month period ended June 30, 2019

**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
Financials	22.62%
Energy	16.85%
Corporate Bonds	14.12%
Industrials	6.67%
Materials	6.39%
Government Bonds	5.86%
Real Estate	4.11%
Canadian Mutual Funds	3.89%
Consumer Discretionary	3.45%
Short-term Investments	3.23%
Information Technology	3.21%
Communication Services	2.83%
Utilities	2.23%
Asset-Backed Securities	2.02%
Consumer Staples	1.55%
Health Care	0.74%
Cash and Cash Equivalents	0.15%
Net Other Assets	0.08%

**Top 25 Holdings**

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	4.56%
Royal Bank of Canada	4.44%
IMAXX Short Term Bond Fund Class O (AFM5000)	3.89%
Enbridge Inc.	3.51%
Canadian Government Bond, 2.75%, December 1, 2048	3.41%
Bank of Nova Scotia	3.34%
Manulife Financial Corp.	2.62%
Suncor Energy Inc.	2.55%
Agnico Eagle Mines Ltd.	2.32%
Pembina Pipeline Corp.	2.26%
Brookfield Asset Management Inc.	1.98%
BCE Inc.	1.79%
Canadian Natural Resources Ltd.	1.76%
Canadian National Railway Co.	1.68%
Bank of Montreal	1.68%
Microsoft Corp.	1.67%
Park Lawn Corp.	1.56%
Aecon Group Inc.	1.52%
Canadian Treasury Bill, September 5, 2019	1.49%
Marathon Petroleum Corp.	1.48%
Algonquin Power & Utilities Corp.	1.44%
Vermilion Energy Inc.	1.38%
Teck Resources Ltd.	1.31%

Waste Connections Inc.	1.30%
Allied Properties Real Estate Investment Trust	1.29%
<b>Total Net Assets (000's)</b> .....	<b>\$63,828</b>

The top 25 holdings represent approximately 56.23% 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.

**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)

