2020

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2020

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 decreased by 6.1% to $241.5 million at the end of June 2020, down from $257.3 million at the end of December 2019.

Investment Performance

For the period ending June 30, 2020 (the 'period'), the Educators Balanced Fund – Class A Series provided a negative return of 5.48%, versus a Benchmark return of negative 0.15%. 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.

Class E units of the Fund were launched on February 4, 2020. Due to policies issued by the Canadian Securities Administrators, investment performance data is not reported for funds in existence for less than one year.

The Fund underperformed its blended benchmark over the period on a net of fees basis. Underperformance was attributed to a combination of security selection and a relative overweight to equities, with the largest detraction coming from Canadian equities. The underweight to fixed income during a period of significant volatility also detracted, although this was offset somewhat by security selection within the asset class.

The period was one of unprecedented volatility across the globe. The new year and decade started out relatively positively, with equity markets trading higher amid easing political tensions and a Phase 1 trade agreement between China and the U.S. All-time highs were reached in February, as corporate earnings, positive trade news from China, and strong employment data buttressed equity markets. Then, intensifying concerns around COVID-19 *(declared a pandemic on March 11th)* and its potentially crippling effects on global growth, led to steep equity market declines. From its all-time peak on February 20th, to the period's trough reached on March 23rd, the S&P/TSX Composite Index dropped 36.7% as investors sold equities indiscriminately. Possibly the one thing that could be described as positive in the ensuing weeks was the speed with which central banks and governments moved to provide massive intervention and stimulus measures.

In Canada, multiple emergency rate cuts were announced in March, along with plans to support the economy and financial markets *(through quantitative easing measures and significant fiscal stimulus)*. This included help for Canada's oil and gas sector, which was decimated by an oil price war between Saudi Arabia and Russia, as well as the demand destruction caused by the pandemic's negative effects on economic activity. The relief measures have been somewhat successful at calming markets, despite the severity of the downturn.

Going into the second half of the year, labour data *(while less bad)*, remains weak; fears of a second wave of the pandemic abound; and agencies such as the OECD, World Bank, and IMF have provided extremely cautious outlooks for a global economic recovery. However, with stimulus measures in place, countries around the world cautiously reopening, a potential vaccine on the horizon, and improving data on the margin *(such as U.S. retail sales)*, equity markets appear focused on the positive. As a result, the S&P/TSX Composite Index returned -7.47%, the S&P 500 (C$) Index rose 1.80%, and the MSCI EAFE (C$) Index returned -6.88% *(all up considerably from their March 23rd troughs)*, while the FTSE Canada Universe Bond Index returned 7.53%.

Franco-Nevada Corp. and Cameco Corp. were the largest contributors on an absolute-return basis within the Canadian equity component. Franco-Nevada rose along with the gold price. Cameco performed well in the first half of the year, principally as a result of a significant increase in the uranium spot price. Major uranium producers, including Cameco, continue to limit mine supply in an effort to increase pricing and establish new long-term contracts with uranium purchasers.

Canadian Natural Resources Ltd., Cenovus Energy Inc., and Suncor Energy Inc. were among the weakest performers on an absolute-return basis during the period. They detracted amid a weakened outlook for oil prices, potentially for a significant period of time, due to the impact of COVID-19 on consumer demand and the breakdown of OPEC+ (OPEC and Russia) on oil supply.

Within the U.S. component, notable contributors to performance on an absolute-return basis included NortonLifeLock Inc. and AmerisourceBergen Corp.

Following the sale of its enterprise-security business to Broadcom, NortonLifeLock paid out a special dividend of $12 per share on January 31st and the stock held up during the subsequent market rout. The company has expanded its subscriber base sequentially, with its focus on one core business potentially leading to a better return on investment via improving core products, increased bundling, and geographic expansion.

Drug wholesale company AmerisourceBergen also contributed, as stocks in the Health Care sector proved more resilient than the broader market. Detractors included Omnicom Group Inc. and Harley-Davidson Inc. Advertising and specialty communications firm Omnicom weakened in the period, reflecting pandemic-related ad-spending cutbacks by companies across a broad range of industries. As has been the case for much of the equity market, COVID-19 negatively affected Harley-Davidson's share price in the period. As always, the portfolio manager continues to monitor all of the Fund's holdings and will act according to their process.

Within the international component, Software AG and Roche Holding Ltd. were among the top contributors on an absolute-return basis.

Software AG rose in tandem with the broader tech sector and on the back of positive earnings results. The company lowered guidance for 2020, which was not a surprise given the current market situation, but they noted they started to deliver on two significant deals.

Cutting-edge new therapies that Roche introduced to the market have recently helped to grow revenues in both the Pharmaceutical and Diagnostics divisions *(even as the company was facing a period of biosimilar challenges against some of its large, legacy oncology drugs)*. Margins and free cash flow generation also improved along with higher sales and Roche continues to maintain a high level of R&D investments to deepen its pipeline for the future.

Detractors for the period included TGS-NOPEC Geophysical Company and Atea ASA.

Despite a strong balance sheet and the company having a strong track record of free cash flow generation, TGS-NOPEC *(which acquires offshore seismic data and sells access to the processed data to oil and gas companies)* was caught in the broad tide of weakness of energy-equipment-and-services companies amid the dramatically falling price of oil and expectations of a pending dividend cut.

IT infrastructure company Atea lagged its tech sector peers in the period. In part as a result of market reaction to continued weakness in one of its geographic segments *(Denmark)*, in addition to the company's announcement that it would defer its April dividend.

In the fixed income component, the Fund's overweight allocation in corporate bonds contributed, particularly in the second half of the period, as credit spreads tightened significantly on the back of monetary and fiscal stimulus. Corporate security selection also added value, due largely to overweight positions in the energy and financials sectors, which rebounded in the second quarter. Government security selection was slightly negative, which was partly attributed to overweight positions in provincial bonds.

Duration detracted from performance, as the portfolio was short during the first half of the period as yields fell. However, this was offset somewhat by the positive contribution by a small long position that was held in April, as yields fell on the back of central bank bond-buying programs. An overweight position in the mid part of the yield curve contributed to the Fund's performance.

During the period, the Fund's asset mix was adjusted. The allocation to Canadian equities was reduced, with a corresponding increase to the other three components: U.S. equities, international equities, and fixed income.

Recent Developments

During the period, there were notable changes to Beutel, Goodman & Company Ltd.'s Canadian and U.S. & International Equity teams. On March 31, 2020, Mark Thomson, Managing Director, Equities, officially retired from the firm; on January 29, 2020, Vim Thasan, MBA, CFA, joined the company as Vice President, Canadian Equities; and on May 25, 2020, Ryan Fitzgerald, CFA, joined as Vice President, U.S. and International Equities. There has been no impact on the Fund as a result of the changes, nor is there expected to be.

The initial reaction to mass uncertainty in equity markets is mayhem, as everything typically goes down *(a scenario seen in the first quarter of the year)*. In the rebounds that generally follow, whether months or years later, valuation and quality *(historically)* have come back into favour. Reopening efforts by countries around the world appear to have prompted an optimistic rebound this time around, as markets look ahead to a V- or U-shaped recovery. However, the divergences seen in this rally do not seem to be based on valuations. As a result, the gap between *growth* and *value* continues to widen.

The portfolio manager does not yet think there are clear sightlines as to how the pandemic and other exogenous events will impact corporate structures, balance sheets, or even whole industries. There are still too many unknowns. That said, the wider the gap between growth and value gets, the more conviction the portfolio manager has in the outlook for the Fund. The market was expensive entering the drawdown and has returned almost to pre-COVID-19 levels, but the rally has been very uneven. Thus, while the broad market looks expensive, the opportunity set *(for value managers)* has actually expanded.

Although continued volatility is expected in the months ahead, both in markets and portfolio performance, the portfolio manager continues to trust in their process *(which has helped the Fund to navigate through many types of drawdowns)*. They are confident that the quality businesses held by the Fund are cheap, not only relative to their intrinsic values, but also relative to the value of the market overall. As a result, the portfolio manager believes the Fund is well positioned to outperform, regardless of how equity markets move.

On the fixed income side, the portfolio manager believes we are now entering another long expansion phase that should be generally positive for corporate balance sheets. It is recognized, however, that there are headline risks over the next several months, including a potential second wave of the virus. For this reason, the portfolio manager generally prefers corporate bonds to provincial bonds.

However, the portfolio manager does not currently expect to see significant further narrowing of credit spreads. While they remain positive on credit over the long term, they believe it is time to be selective. For this reason, the portfolio manager is focused on names they believe will be well supported through the recovery, such as utilities, financials, and telecommunication companies.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, risks, 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 forward-looking 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, unless required by applicable law.

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; and Beutel Goodman International Equity Fund, Class I, all of which are funds managed by the Fund’s portfolio manager.

In the first six months of 2020 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. As the Class E units of the Fund have recently been created no Financial Highlights are provided in this document, Financial Highlights will be provided in our next interim management report of fund performance (“MRFP). 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				
	2020	2019	2018	2017	2016	2015
Net Assets, beginning of period	$20.09	$18.18	$19.62	$18.11	$17.11	$17.16
Increase (decrease) from operations:						
Total revenue	$0.19	$0.53	$0.52	$0.47	$0.53	$0.51
Total expenses, including transaction costs [excluding distributions]	($0.18)	($0.37)	($0.37)	($0.36)	($0.34)	($0.34)
Realized gains (losses) for the period	$0.18	$0.58	$0.64	$0.36	$0.55	$0.31
Unrealized gains (losses) for the period	($1.34)	($1.54)	($1.62)	$1.18	$0.80	($0.22)
Total increase (decrease) from operations (2)	($1.15)	$2.28	($0.83)	$1.65	$1.54	$0.26
Distributions:						
From net investment income (excluding dividends)	$--	$--	$--	$--	$--	$--
From dividends	$--	$0.17	$0.14	$0.07	$0.19	$0.15
From capital gains	$--	$0.20	$0.46	$0.08	$0.34	$0.18
Return of capital	$--	$--	$--	$--	$--	$--
Total Annual Distributions (3)	$--	$0.37	$0.60	$0.15	$0.53	$0.33
Net Assets, end of period	$18.99	$20.09	$18.18	$19.62	$18.11	$17.11

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31				
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Total Net Asset Value (000’s) (4)	$231,320	$257,306	$238,381	$245,879	$202,168	$180,771
Number of units outstanding (4)	12,180,711	12,805,897	13,109,688	12,529,872	11,162,886	10,565,315
Management expense ratio (5)	1.87%	1.87%	1.87%	1.91%	1.93%	1.93%

Management expense ratio before waivers or absorptions [6]	1.87%	1.87%	1.87%	1.95%	1.98%	1.98%
Trading expense ratio [7]	0.03%	0.01%	0.01%	0.01%	0.01%	0.01%
Portfolio turnover rate [8]	56.85%	56.44%	65.59%	71.81%	82.03%	104.56%
Net Asset Value per unit	$18.99	$20.09	$18.18	$19.62	$18.11	$17.11

(1) This information is derived from the Fund's interim financial report and audited annual financial statements.
For financial years 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").
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 rate 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 and 1.32% for the Class E 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 12.2% 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

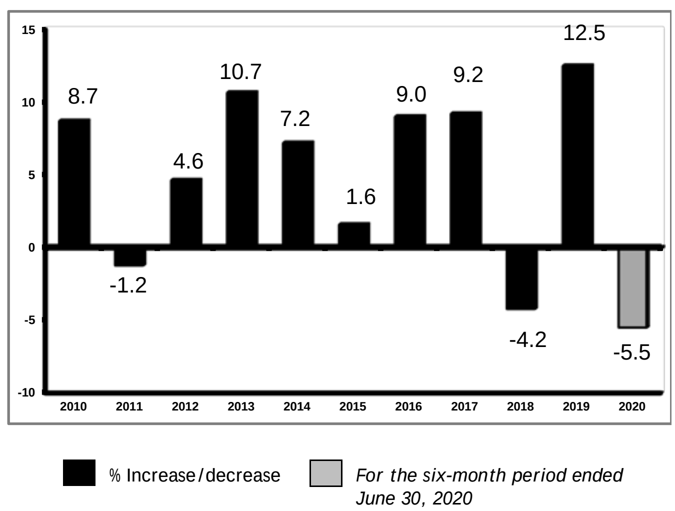
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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 annual performance for each of the years shown and for the six-month period and illustrates how the Fund's performance has changed from year to year. The bar 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 E Series

Regulatory restrictions limit publishing performance for investment funds with a history of less than one year.

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, 2020

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	36.57%
Government Bonds	17.98%
Corporate Bonds	14.43%
Financials	10.83%
Industrials	3.83%
Communication Services	3.50%
Consumer Staples	2.88%
Materials	2.47%
Consumer Discretionary	2.00%
Energy	1.64%
Short-Term Investments	1.37%
Information Technology	0.95%
Cash and Cash Equivalents	0.85%
Utilities	0.46%
Asset-Backed Securities	0.24%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Beutel Goodman American Equity Fund, Class I	18.52%
Beutel Goodman International Equity Fund, Class I	18.06%
Royal Bank of Canada	2.67%
Toronto-Dominion Bank	2.45%
Rogers Communications Inc.	2.19%
Province of Ontario, 2.65%, December 2, 2050	1.65%
Magna International Inc.	1.51%
Canadian Government Bond, 1.50%, May 1, 2022	1.47%
Canadian National Railway Co.	1.43%
Brookfield Asset Management Inc.	1.33%
Metro Inc/CN	1.29%
Sun Life Financial Inc.	1.29%
Province of Quebec, 3.10%, December 1, 2051	1.18%
Canadian Treasury Bill, 0.21%, September 17, 2020	1.15%
Nutrien Ltd.	1.06%
Province of Ontario, 2.60%, September 8, 2023	0.99%
Canadian Pacific Railway Ltd.	0.98%
Canadian Tire Corp Ltd.	1.96%
Open Text Corp.	0.95%
Province of Ontario, 2.60%, June 2, 2027	0.93%
Province of Ontario, 2.40%, June 2, 2026	0.93%
Province of Ontario, 3.50%, June 2, 2043	0.85%
Province of Alberta, 2.90%, December 1, 2028	0.85%
Bank of Montreal	0.84%
Canadian Government Bond, 0.50%, September 1, 2025	0.82%
Total Net Assets (000's)	$241,490

The top 25 holdings represent approximately 66.35% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2020 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