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 Bond Fund

Educators
FINANCIAL GROUP

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 by 20.3% to $40.3 million at the end of June 2020, up from $33.5 million at the end of December 2019.

Investment Performance

For the period ending June 30, 2020 (the 'period'), the Educators Bond Fund – Class A Series provided a return of 6.62% and the Class I Series provided a return of 7.28%, versus the FTSE TMX Canada Universe Bond Index (the 'Benchmark') return of 7.53%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund underperformed the FTSE TMX Canada Bond Universe Index for the period on a net of fees basis. 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, markets appear focused on the positive.

For the period, the FTSE Canada Universe Bond Index increased by 7.53% on a total-return basis. In the first quarter, the Fund underperformed mainly as a result of its overweight position in corporate bonds. The COVID-19 pandemic and coincident shutdown of the economy sent corporate spreads significantly wider during the quarter.

During the second quarter, relative value opportunities began to emerge *(in both investment grade and high-yield)* and the Fund added to its weights. With the backdrop of central bank support, credit spreads tightened during the second quarter *(almost back to pre-pandemic levels)* and the Fund outperformed the Index.

However, the outperformance in the second quarter did not entirely offset the underperformance in the first quarter. The portfolio manager remains constructive on credit spreads going forward, as both central banks continue to support the corporate bond market and the economy continues to recover. The portfolio manager is focusing on higher-quality names and increasing the roll return of the portfolio.

Overall, credit allocation and selection were the primary detractors from relative returns. Duration detracted slightly from performance, as the Fund had a shorter duration during the first quarter as yields fell. This was offset somewhat by the positive contribution of a small long position that was held in April, as yields fell on the back of central bank bond-buying programs. Underperformance was also offset somewhat by the Fund's overweight position in the mid part of the yield curve.

Recent Developments

Effective January 2020, the Fund transitioned from core fixed income to core plus. The Fund's objective remains the same.

As countries continued with shelter-in-place orders and central banks and governments reacted with unprecedented monetary and fiscal stimulus, the portfolio manager believed the most probable outcome was a U-shaped recovery *(with the caveat that individual sectors could experience faster or slower growth)*. This remains as the portfolio manager's base-case scenario.

There are three types of recessions: cyclical, structural, and exogenous. The current recession is exogenous. That is, it is primarily related to external factors *(the pandemic and resultant global shutdown)*. Although this recession is anticipated to be the deepest since the Great Depression, the portfolio manager also thinks it could be one of the shortest on record, due to the way recessions are typically measured *(which is from the trough)*.

Despite continued uncertainty and the potential for further outbreaks to stall the global reopening process, at this point, given the extensive commitments to stimulus measures worldwide, the portfolio manager does not believe the Canadian economy is going to reach new bottoms. Rather, with a cautious, measured reopening underway, they expect the unemployment rate to rebound relatively quickly *(although it will likely be several years before a return to pre-pandemic levels)*.

In addition, while there has been a significant uptick in food inflation due to supply-chain issues related to COVID-19, the portfolio manager believes core inflation will remain muted for some time to come. Central banks are therefore expected to keep interest rates low until 2022. As a result, the portfolio manager believes the Canadian government bond yield curve will remain relatively flat over the next six months and then steepen as the recovery continues to unfold.

That being said, the portfolio manager does harbour concerns about the possible lingering effects of the recession. First and foremost, governments around the world have increased deficits to levels unseen outside of wartime and central banks have been adding significant amounts of monetary policy liquidity and asset purchase programs *(which will increase their balance sheets)*. If this cumulative debt is not paid down to a significant extent before the next economic crisis, there will be less support for fiscal policy. Relatedly, governments have in many cases supported COVID-19 affected workers and businesses through temporary income-replacement strategies, loans, and other initiatives. However, many of these types of financial assistance programs may soon come to an end. Should individuals and businesses suffer the effects of resultant wholesale changes to consumer spending and de-globalization, it could materially impede growth and reduce corporate margins.

Liquidity is abundant; in fact, the portfolio manager has never seen so much injected so quickly. It is their belief that this has helped shape the recovery up to this point. However, valuations now appear stretched in certain areas of both equity and credit markets. As a result, while they remain optimistic that the worst is behind us, the portfolio manager believes the next few quarters will be a relatively bumpy ride for investors. Markets will likely remain volatile into year-end; therefore, caution is warranted.

Despite these uncertainties, the portfolio manager believes we are now entering another long expansion phase that will be generally positive for corporate balance sheets. Although headline risks remain, including a potential second wave of the virus, 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, they are 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

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

Educators Bond 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	$10.14	$9.75	$9.84	$9.82	$9.93	$10.06
Increase (decrease) from operations:						
Total revenue	$0.17	$0.28	$0.28	$0.23	$0.29	$0.32
Total expenses, including transaction costs [excluding distributions]	($0.06)	($0.13)	($0.12)	($0.12)	($0.13)	($0.13)
Realized gains (losses) for the period	$0.25	$0.23	($0.15)	($0.37)	$0.08	($0.02)
Unrealized gains (losses) for the period	$0.30	$0.06	$0.01	$0.40	($0.19)	($0.11)
Total increase (decrease) from operations (2)	$0.66	$0.44	$0.02	$0.14	$0.05	$0.06
Distributions:						
From net investment income (excluding dividends)	$0.11	$0.14	$0.13	$0.10	$0.17	$0.19
From dividends	$--	$--	$--	$--	$--	$--
From capital gains	$--	$--	$--	$--	$0.04	$--
Return of capital	$--	$--	$0.00	$0.02	$--	$--
Total Annual Distributions (3)	$0.11	$0.14	$0.13	$0.12	$0.21	$0.19
Net Assets, end of period	$10.70	$10.14	$9.75	$9.84	$9.82	$9.93

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)	$10,168	$9,233	$6,880	$8,953	$10,140	$8,903
Number of units outstanding (4)	950,464	910,353	705,316	909,935	1,032,691	896,328
Management expense ratio (5)	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Management expense ratio before waivers or absorptions (6)	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Trading expense ratio (7)	--	--	--	--	--	--
Portfolio turnover rate (8)	133.90%	130.70%	199.01%	123.27%	6.90%	9.17%
Net Asset Value per unit	$10.70	$10.14	$9.75	$9.84	$9.82	$9.93

Educators Bond Fund – Class I Series – Net Assets per Unit (1)

	Six months ended June 30	Year ended December 31	
	2020	2019	2018
Net Assets, beginning of period	$10.39	$9.96	$10.00
Increase (decrease) from operations:			
Total revenue	$0.17	$0.29	$0.28
Total expenses, including transaction costs [excluding distributions]	$--	$--	$0.00
Realized gains (losses) for the period	$0.25	$0.21	($0.04)
Unrealized gains (losses) for the period	$0.34	$0.01	$0.12
Total increase (decrease) from operations (2)	$0.76	$0.51	$0.36
Distributions:			
From net investment income (excluding dividends)	$0.18	$0.26	$0.26
From dividends	$--	$--	$--
From capital gains	$--	$--	$--
Return of capital	$--	$--	$0.00
Total Annual Distributions (3)	$0.18	$0.26	$0.26
Net Assets, end of period	$10.97	$10.39	$9.96

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31	
	2020	2019	2018
Total Net Asset Value (000's) (4)	$30,156	$24,219	$8,848
Number of units outstanding (4)	2,750,180	2,329,983	888,105
Management expense ratio (5)	--%	0.01%	0.01%
Management expense ratio before waivers or absorptions (6)	--%	0.01%	0.01%
Trading expense ratio (7)	--	--	--
Portfolio turnover rate (8)	133.90%	130.70%	199.01%
Net Asset Value per unit	$10.97	$10.39	$9.96

(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 1.10% for the Class A Series. The Class I Series are 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 70.0% 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

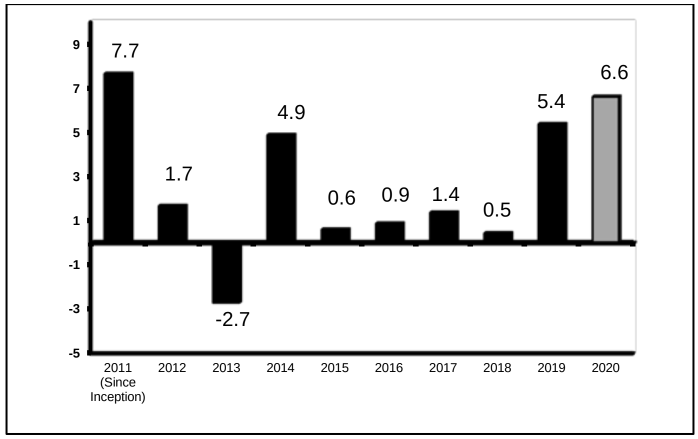
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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

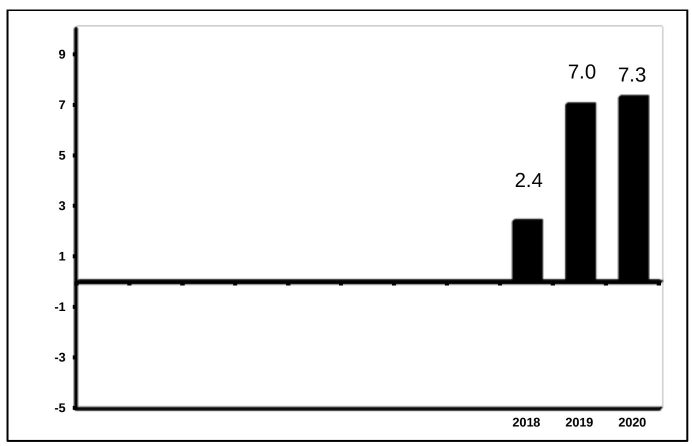
The bar chart shows the Fund's annual performance since inception for each of the years shown and for the six-month period and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

Annual Returns – Class A Series



% Increase/decrease *For the six-month period ended June 30, 2020*

Annual Returns – Class I Series (1)



% Increase/decrease *For the six-month period ended June 30, 2020*

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

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)
As at June 30, 2020

Sector Mix	Percentage of Net Asset Value
Corporate Bonds	60.31%
Government Bonds	32.31%
Cash and Cash Equivalents	3.63%
Asset-Backed Securities	2.98%
Short-term Investments	0.50%
Net Other Assets	0.27%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Province of Quebec, 3.10%, December 1, 2051	4.93%
Province of Alberta, 2.05%, June 1, 2030	4.23%
Pembina Pipeline Corp., 2.99%, January 22, 2024	3.39%
Province of Ontario, 2.65%, December 2, 2050	3.09%
TransCanada Pipelines Ltd., 7.90%, April 15, 2027	3.01%
Canadian Mortgage Pools, 1.84%, December 1, 2022	2.73%
Toronto-Dominion Bank, 3.59%, September 14, 2028	2.52%
Province of Ontario, 2.90%, June 2, 2049	2.29%
Province of Quebec, 3.50%, December 1, 2048	2.25%
Brookfield Infrastructure Finance ULC, 3.32%, Feb. 22, 2024	2.25%
Royal Bank of Canada, 2.88%, December 23, 2029	2.12%
Pembina Pipeline Corp., 3.71%, August 11, 2026	1.98%
Westcoast Energy Inc., 8.85%, July 21, 2025	1.97%
Province of Ontario, 2.60%, June 2, 2025	1.88%
Parkland Corp/Canada, 6.00%, June 23, 2028	1.81%
Bank of Montreal, 2.85%, March 6, 2024	1.78%
Toronto-Dominion Bank, 3.11%, April 22, 2030	1.69%
Province of Ontario, 2.40%, June 2, 2026	1.60%
Canadian Government Bond, 2.75%, December 1, 2048	1.58%
CU Inc., 4.95%, November 18, 2050	1.56%
Inter Pipeline Ltd., 6.63%, November 19, 2079	1.48%
TransCanada Trust, 4.65%, May 18, 2077	1.45%
Enbridge Gas Inc., 7.60%, October 29, 2026	1.44%
Superior Plus LP, 5.13%, August 27, 2025	1.42%
Amsted Industries Inc., 5.63%, July 1, 2027	1.37%
Total Net Assets (000's)	$40,325

The top 25 holdings represent approximately 55.82% 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.

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