

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 U.S. Equity 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 5.8% to \$109.3 million at the end of June 2020, down from \$116.0 million at the end of December 2019.

Investment Performance

For the period ending June 30, 2020 (the 'period') the Educators U.S. Equity Fund – Class A Series provided a negative return of 4.53% and the Class I Series provided a negative return of 3.58%, versus the S&P 500 Total Return Index (CAD\$) (the 'Benchmark') return of 1.49%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund underperformed the benchmark on a net of fees basis in the period. At the sector level, the main drivers of underperformance were a combination of stock selection and relative underweighting in Information Technology and Consumer Discretionary; stock selection in Communication Services and Materials; and stock selection and an overweighting in Industrials. Offsetting this somewhat were zero weightings in the underperforming Energy, Utilities, and Real Estate sectors, along with stock selection in Consumer Staples, Financials, and Health Care.

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 19th, to the period's trough reached on March 23rd, the S&P 500 Index dropped 27.28% 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 the U.S., 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. The relief measures have been largely successful at calming markets, despite the severity of the downturn. Going into the quarter, 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, equity markets appear focused on the positive. As a result, S&P 500 Index (C\$) performance rebounded somewhat from its trough to end the period with a total return of 1.80%.

At the individual security level, some of the main detractors in the period on an absolute-return basis were Omnicom Group Inc., Harley-Davidson Inc., and Flowserve Corp.

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.

Flowserve, a global leader in the manufacturing and aftermarket service of flow control systems such as pumps, valves, and seals, declined amid a double-whammy of COVID-19 and a collapse in oil prices in the period. As always, the portfolio manager continues to monitor all (*of the Fund's*) holdings and will act according to their process.

Individual contributors on an absolute-return basis included NortonLifeLock Inc, AmerisourceBergen Corp., and Oracle 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 investments via improving core products, increased bundling, and geographic expansion.

Drug wholesale company AmerisourceBergen also contributed, as stocks in the Health Care sectors proved more resilient than the broader market. Oracle, the global leader in enterprise software, rose in tandem with the broader Information Technology sector.

Given the unprecedented set of circumstances, many stocks in the portfolio unsurprisingly breached their downside targets. The portfolio manager worked quickly and tactically to separate the stocks that

required immediate attention, along with those caught in the drawdown related to uncertainty. Any businesses believed to potentially face balance sheet distress or whose structure and long-term fundamentals could be impacted by COVID-19 (*or the new oil-price dynamics*), were immediately reviewed. Although the list of stocks that required immediate attention was short, target-price adjustments were made for some, and the Fund exited two positions—LyondellBasell Industries NV and Wells Fargo & Co. Three process-driven, one-third sales were also conducted as Ingersoll-Rand plc (now Trane Technologies plc), NortonLifeLock, and KLA Corp. hit our target prices.

In addition, the portfolio manager took advantage of market swings to initiate positions in three new stocks: PPG Industries Inc., Wabtec Corp., and SEI Investments Company. Outperformers were cycled out early in the period and into some holdings that have been disproportionately affected by the events of the last few months. Of particular note, Parker Hannifin, Kimberly-Clark Corp., and Kellogg Company were trimmed, while the Fund added to positions in Flowserve Corp., Merck & Co., Inc., and American Express.

Recent Developments

There were notable changes to Beutel, Goodman & Company Ltd.'s U.S. and International Equity team in the period. On March 31, 2020, Mark Thomson, Managing Director, Equities, officially retired from the firm and on May 25, 2020, Ryan Fitzgerald, CFA, joined the firm 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, as markets look ahead to a V- or U-shaped recovery. However, the divergences being 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 their 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 (*as a value manager*) 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 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 is

believed to be well-positioned to outperform in the longer term and the portfolio manager will continue to closely monitor and apply their disciplined investment process.

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 U.S. Equity 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	\$21.28	\$17.64	\$18.59	\$20.18	\$18.56	\$19.13
Increase (decrease) from operations:						
Total revenue	\$0.90	\$0.51	\$0.45	\$0.45	\$0.40	\$0.43
Total expenses, including transaction costs [excluding distributions]	(\$0.34)	(\$0.48)	(\$0.43)	(\$0.44)	(\$0.41)	(\$0.42)
Realized gains (losses) for the period	\$0.07	\$0.72	\$0.84	\$4.34	\$0.94	\$0.12
Unrealized gains (losses) for the period	(\$1.61)	\$3.06	(\$1.19)	(\$2.27)	\$0.67	(\$0.68)
Total increase (decrease) from operations⁽²⁾	(\$0.98)	\$3.81	(\$0.33)	\$2.08	\$1.60	(\$0.55)
Distributions:						
From net investment income (excluding dividends)	\$--	\$0.05	\$0.01	\$--	\$--	\$--
From dividends	\$0.58	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$0.12	\$0.58	\$3.61	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions⁽³⁾	\$0.58	\$0.17	\$0.59	\$3.61	\$--	\$--
Net Assets, end of period	\$19.74	\$21.28	\$17.64	\$18.59	\$20.18	\$18.56

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⁾	\$95,738	\$103,370	\$92,385	\$99,517	\$95,876	\$94,454
Number of units outstanding ⁽⁴⁾	4,850,798	4,858,227	5,237,316	5,353,332	4,750,945	5,089,059
Management expense ratio ⁽⁵⁾	1.98%	1.97%	1.93%	1.93%	1.93%	1.93%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio ⁽⁷⁾	0.05%	0.03%	0.04%	0.10%	0.11%	0.15%
Portfolio turnover rate ⁽⁸⁾	16.72%	16.05%	29.27%	125.26%	70.96%	64.04%
Net Asset Value per unit	\$19.74	\$21.28	\$17.64	\$18.59	\$20.18	\$18.56

Educators U.S. Equity 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	\$11.37	\$9.42	\$10.00
Increase (decrease) from operations:			
Total revenue	\$0.47	\$0.27	\$0.24
Total expenses, including transaction costs [excluding distributions]	(\$0.07)	(\$0.05)	(\$0.04)
Realized gains (losses) for the period	\$0.04	\$0.39	\$0.57
Unrealized gains (losses) for the period	(\$0.78)	\$1.63	(\$0.98)
Total increase (decrease) from operations⁽²⁾	(\$0.34)	\$2.24	(\$0.21)
Distributions:			
From net investment income (excluding dividends)	\$--	\$0.24	\$0.03
From dividends	\$0.42	\$--	\$--
From capital gains	\$--	\$0.07	\$0.36
Return of capital	\$--	\$--	\$--
Total Annual Distributions⁽³⁾	\$0.42	\$0.30	\$0.39
Net Assets, end of period	\$10.54	\$11.37	\$9.42

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⁾	\$13,564	\$12,591	\$5,207
Number of units outstanding ⁽⁴⁾	1,286,996	1,107,668	552,851
Management expense ratio ⁽⁵⁾	--%	0.01%	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	--%	0.01%	0.01%
Trading expense ratio ⁽⁷⁾	0.05%	0.03%	0.04%
Portfolio turnover rate ⁽⁸⁾	16.72%	16.05%	29.27%
Net Asset Value per unit	\$10.54	\$11.37	\$9.42

(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 1.75% 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 29.0% 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 periods shown were reinvested in additional units of the Fund.

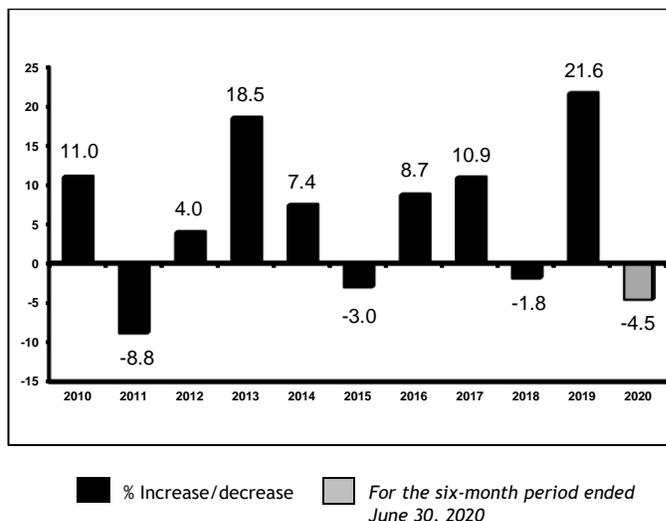
The performance information does not take into account sales, redemption, distribution, or other optional charges that would have

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.

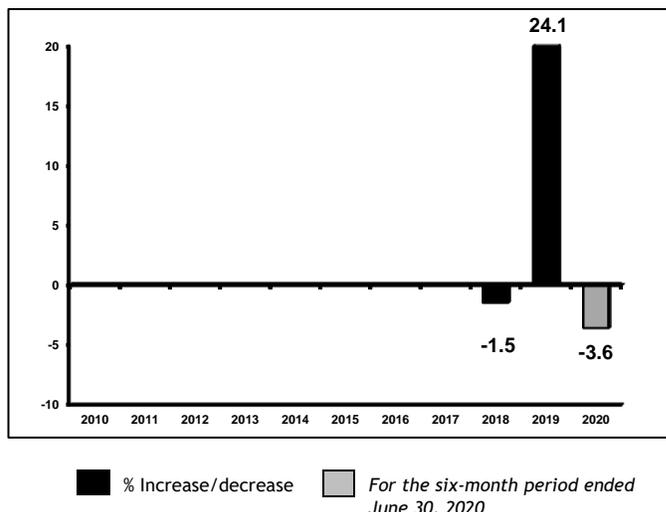
Year-by-Year Returns

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 I Series (1)



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



SUMMARY OF INVESTMENT PORTFOLIO

(Based on Net Asset Value)

As at June 30, 2020

Sector Mix	Percentage of Net Asset Value
Industrials	17.45%
Financials	16.27%
Information Technology	14.84%
Communication Services	13.80%
Health Care	13.73%
Consumer Staples	12.09%
Consumer Discretionary	5.59%
Materials	3.26%
Short-term Investments	2.08%
Net Other Assets	0.89%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
AmerisourceBergen Corp.	5.60%
Oracle Corp.	5.47%
Ameriprise Financial Inc.	5.41%
Amgen Inc.	4.88%
Verizon Communications Inc.	4.86%
Kellogg Co.	4.77%
Omnicom Group Inc.	4.72%
Amdocs Ltd.	4.71%
Cummins Inc.	4.55%
BlackRock Inc.	4.54%
American Express Co.	4.32%
Comcast Corp.	4.21%
Ingersoll-Rand PLC	4.18%
Kimberly-Clark Corp.	4.11%
PPG Industries Inc.	3.26%
Harley-Davidson Inc.	3.26%
Merck & Co. Inc.	3.25%
NortonLifeLock Inc.	3.24%
Campbell Soup Co.	3.22%
Parker-Hannifin Corp.	2.91%
Westinghouse Air Brake Technologies Corp.	2.88%
AutoZone Inc.	2.33%
Flowserve Corp.	1.69%
JPMorgan Chase & Co.	1.54%
KLA Corp.	1.42%
Total Net Assets (000's)	\$109,303

The top 25 holdings represent approximately 95.33% 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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