

2023

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2023

Offered by Educators Financial Group
Portfolio Manager: HSBC Global Asset Management (Canada) Limited, Toronto, Ontario

Educators Mortgage & 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 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.

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, including international conflicts, 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, including any potential lingering impact of the COVID-19 pandemic on the Fund and/or its operations.

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.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The Fund's net assets decreased by 8.3% to \$88.0 million at the end of June 2023, down from \$96.0 million at the end of December 2022.

Investment Performance

For the year/period ending June 30, 2023 (*the period*), the Educators Mortgage & Income Fund – Class A Series provided a return of 0.84%, versus the FTSE Canada Short Term Bond Index (*the Benchmark*) return of 1.00%.

The Fund underperformed its Benchmark over the period. Unlike the Benchmark, the Fund's return is net of fees and expenses paid by the Fund. Detailed performance is provided under the heading "Past Performance" in this report. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund's investments performed well over the period, as higher-yielding mortgages and a shorter than benchmark term to maturity cushioned the Fund from the negative impacts of rising short-term interest rates. The Fund's returns are after the deduction of fees and expenses, while the benchmark's returns do not include any costs of investing. See the Past Performance section for the returns of other series of the Fund, which may vary due to differences in management fees and expenses.

Following the worst year on record for the benchmark FTSE Short Term Bond Index, absolute returns recovered modestly in the first six months of 2023. Despite the yield on the index increasing in the first six months of the year (which would put downward pressure on returns), the index posted a positive return owing to the historically elevated level of interest rates.

To continue its fight against persistently high core inflation the Bank of Canada (BoC) raised interest rates by 50 basis points since the beginning of 2023, with the overnight rate sitting at 4.75% by the end of the six-month period. These rate hikes followed the 400 basis points, or 4 percent, of rate hikes already implemented by the Bank of Canada over roughly nine months in 2022. Another 25 basis point hike occurred in July, which took the Bank's target rate to 5.0%. U.S. rates are already at 5.25% and another one or two hikes are expected in 2023.

In the first half of the year, the yield on 10-year Government of Canada bonds was roughly flat, while the yield for two-year Government of Canada bonds rose over 50 basis points. The Canadian yield curve hit its most inverted level on record in 2023 (where longer-term rates are lower than shorter-term rates), with a difference of over 130 basis points between 10-year and two-year bond yields in the second quarter. However, credit spreads, as measured by the difference in yields between government bonds and similar maturity corporate bonds, recovered after a weak 2022, moving closer to their long-term average.

Recent Developments

The global economy continues to hold up remarkably well within the context of the rate-tightening cycle. At a high level, a strong services sector has offset weakness in the manufacturing sector. Although inflation has moderated since the start of the year, it is decelerating more slowly than expected and definitely not enough to put an end to more rate hikes. The impact of rapidly rising rates on the economy remains a concern, and while our central scenario still anticipates a brief and shallow recession, the risk of a policy error (that is, too many rate hikes) is still present.

Mortgage rates in Canada are at their highest levels in over 15 years, providing a very compelling environment for fixed income investors. Following a recovery in credit spreads year to date, we trimmed the Fund's considerable overweight position in short-dated, high-quality corporate bonds. While corporate fundamentals remain resilient, we expect that a growing number of corporations will issue corporate bonds as we head into the fall, which should present opportunities for us. The Fund continues to have an overweight position in high-quality corporate bonds and five-year Government of Canada bonds given their attractive valuations. The HSBC Mortgage Fund also remains an attractive investment for the portfolio given its low duration and significant yield advantage compared to other short-duration alternatives.

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 the HSBC Mortgage Fund, Institutional Series which is a fund managed by the Fund's Portfolio Manager.

In the first six months of 2023 Educators Financial Group did not refer any conflict of interest matters to the Fund's Independent Review Committee (*the 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 Mortgage & Income Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Six-months ended June 30	Year ended December 31				
	2023	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$10.69	\$11.34	\$11.58	\$11.25	\$11.09	\$11.22
Increase (decrease) from operations:						
Total revenue	\$0.19	\$0.28	\$0.26	\$0.30	\$0.32	\$0.32
Total expenses, including transaction costs [excluding distributions]	(\$0.07)	(\$0.14)	(\$0.14)	(\$0.14)	(\$0.14)	(\$0.13)
Realized gains (losses) for the period	(\$0.12)	(\$0.26)	\$0.04	\$0.09	\$0.01	(\$0.13)
Unrealized gains (losses) for the period	\$0.10	(\$0.43)	(\$0.27)	\$0.23	\$0.17	(\$0.01)
Total increase (decrease) from operations ⁽²⁾	\$0.10	(\$0.55)	(\$0.11)	\$0.48	\$0.36	\$0.05
Distributions:						
From net investment income (excluding dividends)	\$0.14	\$0.14	\$0.12	\$0.15	\$0.19	\$0.19
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.14	\$0.14	\$0.12	\$0.15	\$0.19	\$0.19
Net Assets, end of year/period	\$10.64	\$10.69	\$11.34	\$11.58	\$11.25	\$11.09

Ratios and Supplemental Data (based on Net Asset Value)

	Six-months ended June 30	Year ended December 31				
	2023	2022	2021	2020	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$86,205	\$94,184	\$130,448	\$144,701	\$129,221	\$140,483
Number of units outstanding ⁽⁴⁾	8,099,123	8,808,376	11,499,952	12,499,441	11,485,494	12,668,872
Management expense ratio ⁽⁵⁾	1.25%	1.25%	1.25%	1.25%	1.24%	1.19%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.25%	1.25%	1.25%	1.25%	1.25%	1.24%
Trading expense ratio ⁽⁷⁾	--%	--%	0.01%	--%	--%	--%
Portfolio turnover rate ⁽⁸⁾	36.56%	52.98%	32.19%	40.79%	24.71%	30.75%
Net Asset Value per unit	\$10.64	\$10.69	\$11.34	\$11.58	\$11.25	\$11.09



EDUCATORS MORTGAGE & INCOME FUND

Educators Mortgage & Income Fund – Class F Series – Net Assets per Unit ⁽¹⁾

	Six-months ended June 30	Year ending December 31	
	2023	2022	2021
Net Assets, beginning of year/period	\$9.32	\$9.89	\$10.00
Increase (decrease) from operations:			
Total revenue	\$0.17	\$0.25	\$0.10
Total expenses, including transaction costs [excluding distributions]	(\$0.02)	(\$0.04)	(\$0.02)
Realized gains (losses) for the period	(\$0.10)	(\$0.23)	\$0.03
Unrealized gains (losses) for the period	\$0.06	(\$0.31)	(\$0.15)
Total increase (decrease) from operations ⁽²⁾	\$0.11	(\$0.33)	(\$0.04)
Distributions:			
From net investment income (excluding dividends)	\$0.16	\$0.19	\$0.10
From dividends	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.16	\$0.19	\$0.10
Net Assets, end of year/period	\$9.27	\$9.32	\$9.89

Ratios and Supplemental Data (based on Net Asset Value)

	Six-months ended June 30	Year ending December 31	
	2023	2022	2021
Total Net Asset Value (000's) ⁽⁴⁾	\$1,758	\$1,780	\$1,508
Number of units outstanding ⁽⁴⁾	189,566	191,002	152,425
Management expense ratio ⁽⁵⁾	0.46%	0.46%	0.45%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.46%	0.46%	0.45%
Trading expense ratio ⁽⁷⁾	--%	--%	0.01%
Portfolio turnover rate ⁽⁸⁾	36.56%	52.98%	32.19%
Net Asset Value per unit	\$9.27	\$9.32	\$9.89

⁽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 and 0.40% for the Class F 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 12.4% of the total management fees collected from all Series excluding Class I Series, approximately 12.4% 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

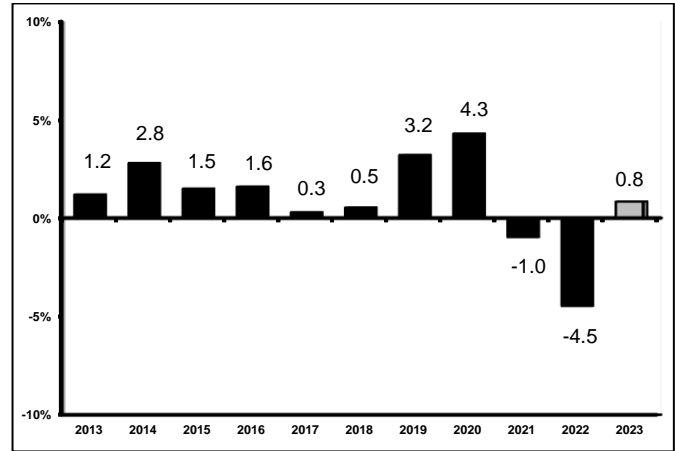
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

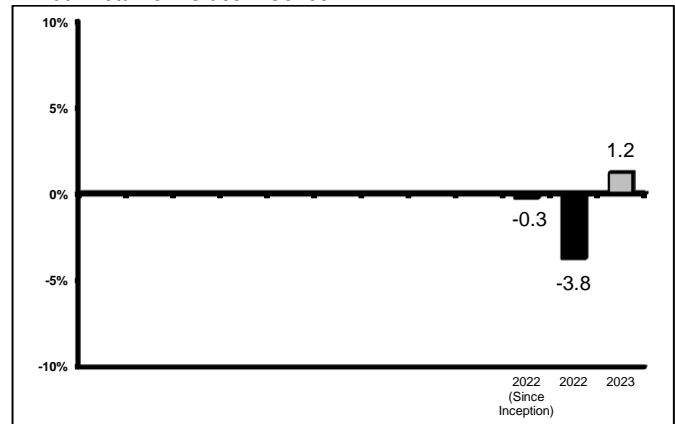
Year-by-Year Returns

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 F Series ⁽¹⁾



■ % Increase/decrease □ For the six-month period ended June 30, 2023

⁽¹⁾ The Class F Series commenced operation May 14, 2021

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, 2023

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	47.74 %
Corporate Bonds	36.56 %
Government Bonds	11.93 %
Preferred Shares	2.07 %
Asset-Backed Securities	0.78 %
Short-term investments	0.47 %
Net Other Assets (Liabilities)	0.34 %
Cash and Cash Equivalents	0.11 %

Top 25 Holdings

Security Name	Percentage of Net Asset Value
HSBC Mortgage Fund, Institutional Series	47.74 %
Canada Housing Trust No. 1, 3.10%, June 15, 2028	11.93 %
Toronto-Dominion Bank, 3.11%, April 22, 2030	4.67 %
Royal Bank of Canada, 5.01%, February 1, 2033	3.24 %
Granite REIT Holdings LP, 3.06%, June 4, 2027	3.21 %
Bank of Montreal, 4.31%, June 1, 2027	2.25 %
Bank of America Corp., 2.09%, March 16, 2026	1.77 %
Toronto-Dominion Bank	1.66 %
Dream Summit Industrial LP, 2.25%, January 12, 2027	1.53 %
Brookfield Asset Management Inc., 4.82%, January 28, 2026	1.46 %
MCAP Commercial LP, 3.74%, August 25, 2025	1.32 %
Bank of America Corp., 3.62%, March 16, 2028	1.09 %
MCAP Commercial LP, 4.15%, June 17, 2024	1.05 %
First National Financial Corp., 2.96%, November 17, 2025	1.03 %
AIMCo Realty Investors LP, 2.20%, November 4, 2026	1.02 %
Royal Bank of Canada, 4.61%, July 26, 2027	0.98 %
Dream Summit Industrial LP, 2.15%, September 17, 2025	0.95 %
OMERS Realty Corp., 4.54%, April 9, 2029	0.89 %
Citigroup Inc., 4.09%, June 9, 2025	0.88 %
Dream Industrial Real Estate Investment Trust, 2.06%, June 17, 2027	0.79 %
Brookfield Infrastructure Finance ULC, 4.19%, September 11, 2028	0.67 %
Royal Bank of Canada, 3.37%, September 29, 2025	0.65 %
CARDS II Trust, 3.13%, November 15, 2024	0.62 %
Royal Bank of Canada, 4.63%, May 1, 2028	0.61 %
Bank of Montreal, 5.04%, May 29, 2028	0.61 %
Total Net Assets (000's)	\$87,963

The top 25 holdings represent approximately 92.62% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at June 30, 2023 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the HSBC 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

