

2021

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2021

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

Risk

The impact of the coronavirus (*COVID-19*) pandemic on the financial performance of the Fund's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. This public health crisis and the impact of *COVID-19* on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially affected.

Results of Operations

The Fund's net assets increased by 9.7% to \$287.1 million at the end of June 2021, up from \$261.8 million at the end of December 2020.

Investment Performance

For the year/period ending June 30, 2021 (the 'period'), the Educators Balanced Fund – Class A Series provided a return of 7.59%, versus a Benchmark return of 6.54%. The Benchmark comprises 40% FTSE 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").

The Fund outperformed 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.

Class F units of the Fund were first offered by prospectus dated May 14, 2021 however no Class F units had been offered for sale at June 30, 2021. Due to policies issued by the Canadian Securities Administrators, investment performance data is not reported for funds in existence for less than one year.

With vaccination rollouts gathering steam in many parts of the world and economies gradually opening up, there is much to be hopeful for in the months ahead. Equity markets rose steadily over the period, once again reaching all-time highs. Robust economic data, driven by re-openings and continued stimulus from central banks, are providing positive impetus. However, there may be concern that inflation is running hotter than expected, though equity markets continue to post strong returns. The months ahead will confirm whether we are truly on the path to a healthy recovery. Bond markets, meanwhile, saw some volatility over the

period. U.S. Treasuries and Government of Canada bonds sold off in February and early March, but reversed course in June, resulting in confusion and yields falling across all curves. Against this backdrop, the S&P/TSX Composite ended the period up 17.28%, the S&P 500 Index up 12.02% (C\$) and the MSCI EAFE Index up 5.78% (C\$). While the FTSE Canada Universe Bond Index declined 3.46% on a total return basis.

The equity portfolio of the Fund is divided into three portions: Canadian equities, U.S. equities, and international equities. Each of these portions recorded positive absolute returns and outperformed their respective benchmarks. Relative outperformance was attributed to a combination of stock selection and a relative overweight to equities, with international and U.S. equities being the largest contributors to relative performance. An underweight to fixed income also helped, as bonds recorded negative returns over the period.

Within the Canadian equity portion of the Fund, the top-performing sectors during the period, relative to its benchmark, were the Materials and Utilities sectors. A combination of both stock selection and an underweight position in the Materials sector, an area of relative weakness in the benchmark, contributed to the Fund's relative performance. An underweight position in the Utilities sector, an area of relative weakness in the benchmark, contributed to the Fund's relative performance. The Energy and Communication Services sectors were the largest detractors from relative performance. A combination of both stock selection and an underweight position in the Energy sector, an area of relative strength in the benchmark, detracted from the Fund's relative performance. Stock selection in the Communication Services sector detracted from relative performance.

Within the U.S. equity portion of the Fund, the top-performing sectors during the period, relative to its benchmark, were the Consumer Discretionary and Information Technology sectors. A combination of both stock selection and underweight positions in the Consumer Discretionary and Information Technology sectors, both areas of relative weakness in the benchmark, contributed to the Fund's relative performance. The Consumer Staples and Industrials sectors were the largest detractors from relative performance. A combination of both stock selection and an overweight position in the Consumer Staples sector, an area of relative weakness in the benchmark, detracted from the Fund's relative performance. Stock selection in the Industrials sector detracted from relative performance.

Within the international equity portion of the Fund, the top-performing sectors during the period, relative to its benchmark, were the Industrials and Information Technology sectors. Stock selection in Industrials and Information Technology contributed to the Fund's relative performance. Over the period, the top individual contributors to Fund performance included Toronto-Dominion Bank, Royal Bank of Canada, IMI plc, Magna International Inc., and American Express Co. The Energy sector was the largest detractor from relative performance. Stock selection in the Energy sector detracted from the Fund's relative performance. Over the period, the top individual detractors from Fund performance included TGS-NOPEC Geophysical Co. ASA, Campbell Soup Co., Verizon Communications, Canadian National Railway Co., and Shionogi & Co. Ltd.

The Fund's fixed-income portfolio outperformed the fixed-income portion of the Fund's benchmark, the FTSE Canada Universe Bond Index, over the period. The Fund's exposure to corporate credit was the most significant contributor to the Fund's relative performance. The Fund was overweight in corporate bonds amid a significant tightening of credit spreads, as central banks maintained their easier-for-longer stance to promote more stimulus and liquidity. Corporate security selection added value through the Fund's overweight position in the Financials and Energy sectors, namely pipelines and midstream companies. The Fund's yield-curve positioning added value in the first half of the period due to concentration in three- to seven-year bonds. However, the yield curve flattening over the second quarter of 2021 offset the value added and led to a negative result. Security selection in government bonds also detracted value in the latter half of the period, as peripheral provinces outperformed Ontario and Quebec.

The portfolio management team for the equity portion of the Fund (the equity team) employs a stock-selection process that is based on identifying securities trading at significant discounts to their business value. The Fund's country, sector, and stock weights are outcomes of the equity team's investment decisions based on bottom-up fundamentals and business quality. As a by-product of the equity team's bottom-up investment process, market performance, and general management activity, changes that occurred in the Fund's portfolio during the reporting period because of relative performance and the team's buy/sell activities included the Fund's weightings in Consumer Staples, Energy, and Health Care sector increased; Financials, Materials, and Information Technology sector decreased. New additions to the Fund over the period included TC Energy Corp., Alimentation Couche-Tard Inc., Fortis Inc., Brookfield Asset Management Reinsurance Partners Ltd., Polaris Inc., Biogen Inc., Shionogi & Co., Ltd., Nippon Telegraph and Telephone Corp., and ITV plc. The Fund's position in Canadian Natural Resources Ltd. was liquidated. Some of the more significant reductions from the Fund over the period included Royal Bank of Canada, American Express Co., CAE Inc., Nutrien Ltd., TE Connectivity Ltd., and Magna International Inc.

The portfolio management team for the fixed-income portion of the Fund (the fixed-income team) employs macroeconomic analysis, rigorous bottom-up credit research, and proprietary risk-management tools to search for opportunities where the market has mispriced risk and reward.

As a by-product of the team's investment process, market performance, and general management activity, the following changes that occurred in the Fund's portfolio during the reporting period included the Fund's weightings in provincial government bonds decreased, while the allocation to corporate bonds increased. By the end of the period, there were 92 equity holdings in the Fund, up from 84 at the beginning of the period. The Fund's level of cash and cash equivalents ended the period relatively unchanged.

Recent Developments

Optimism around a potential large infrastructure plan by President Biden in the U.S. and positive trends in vaccination rates in Canada—leading to a quicker-than-expected reopening of the economy, have likely contributed to the strong equity market performance. The market has, to a large extent, disregarded inflation concerns spurred by higher energy prices. While market observers may find that interesting, it simply serves as a reminder as to why the fund manager focuses on both their process and the companies in their portfolios, instead of attempting to forecast themes or time the markets. Given the fund manager's unique approach, their portfolios will never fit neatly into a predetermined bucket. Many of their largest equity holdings are only now trading at levels that approach where they were pre-pandemic in terms of market price. While the market has gotten more expensive, many of the fund's holdings remain undervalued relative to their targets.

With respect to fixed income, the fund manager believes we are entering a credit-picker's market—where caution is warranted as the risk of bubbles increases. While they believe there are still opportunities for some credits to continue to tighten, the fund manager has begun shifting to a more defensive positioning. They expect yields to rise, although in a flattening manner. As such, the fund manager is of the opinion that longer-dated bonds are currently overvalued, specifically 10-year bonds, and have moved to an underweight position, which has consequently shortened the duration of the portfolio. Although the Fund remains overweight in credit (in anticipation of a continued strong economic recovery), the fund manager has also moved to a shorter-duration positioning in this segment of the portfolio. As the expectation builds for rate hikes, they expect to continue to reduce duration. As rate hikes will likely only be implemented if economic growth is strong, the fund manager will initially want to be fully exposed to risk assets, although they recognize that as rates rise, financial conditions tighten. As always, the fund manager will monitor the situation and their credit allocation will be reflective of their macro views.

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, including the potential 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.

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 2021 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 F 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			
	2021	2020	2019	2018	2017	2016
Net Assets, beginning of year/period	\$20.38	\$20.09	\$18.18	\$19.62	\$18.11	\$17.11
Increase (decrease) from operations:						
Total revenue	\$0.17	\$0.63	\$0.53	\$0.52	\$0.47	\$0.53
Total expenses, including transaction costs [excluding distributions]	(\$0.20)	(\$0.37)	(\$0.37)	(\$0.37)	(\$0.36)	(\$0.34)
Realized gains (losses) for the period	\$0.50	\$0.82	\$0.58	\$0.64	\$0.36	\$0.55
Unrealized gains (losses) for the period	\$1.08	(\$0.16)	(\$1.54)	(\$1.62)	\$1.18	\$0.80
Total increase (decrease) from operations⁽²⁾	\$1.55	\$0.92	\$2.28	(\$0.83)	\$1.65	\$1.54
Distributions:						
From net investment income (excluding dividends)	\$--	\$0.07	\$--	\$--	\$--	\$--
From dividends	\$--	\$0.20	\$0.17	\$0.14	\$0.07	\$0.19
From capital gains	\$--	\$0.49	\$0.20	\$0.46	\$0.08	\$0.34
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions⁽³⁾	\$0.00	\$0.76	\$0.37	\$0.60	\$0.15	\$0.53
Net Assets, end of year	\$21.93	\$20.38	\$20.09	\$18.18	\$19.62	\$18.11

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30		Year ended December 31			
	2021	2020	2019	2018	2017	2016
Total Net Asset Value (000's) ⁽⁴⁾	\$273,994	\$250,171	\$257,306	\$238,381	\$245,879	\$202,168
Number of units outstanding ⁽⁴⁾	12,495,992	12,275,259	12,805,897	13,109,688	12,529,872	11,162,886
Management expense ratio ⁽⁵⁾	1.87%	1.87%	1.87%	1.87%	1.91%	1.93%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.87%	1.87%	1.87%	1.87%	1.95%	1.98%
Trading expense ratio ⁽⁷⁾	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%
Portfolio turnover rate ⁽⁸⁾	37.17%	80.68%	56.44%	65.59%	71.81%	82.03%
Net Asset Value per unit	\$21.93	\$20.38	\$20.09	\$18.18	\$19.62	\$18.11



EDUCATORS BALANCED FUND

Educators Balanced Fund – Class E Series – Net Assets per Unit ⁽¹⁾

	Six months ended June 30	Year ended December 31
	2021	2020
Net Assets, beginning of year/period	\$10.96	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.09	\$0.27
Total expenses, including transaction costs [excluding distributions]	(\$0.09)	(\$0.10)
Realized gains (losses) for the period	\$0.27	\$0.44
Unrealized gains (losses) for the period	\$0.58	\$0.83
Total increase (decrease) from operations ⁽²⁾	\$0.85	\$1.44
Distributions:		
From net investment income (excluding dividends)	\$--	\$0.05
From dividends	\$--	\$0.15
From capital gains	\$--	\$0.26
Return of capital	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.00	\$0.46
Net Assets, end of year/period	\$11.82	\$10.96

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30	Year ended December 31
	2021	2020
Total Net Asset Value (000's) ⁽⁴⁾	\$13,119	\$11,663
Number of units outstanding ⁽⁴⁾	1,110,120	1,063,819
Management expense ratio ⁽⁵⁾	1.50%	1.50%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.50%	1.50%
Trading expense ratio ⁽⁷⁾	0.02%	0.02%
Portfolio turnover rate ⁽⁸⁾	37.17%	80.68%
Net Asset Value per unit	\$11.82	\$10.96

⁽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 1.65% for the Class A Series, 1.32% for the Class E Series and 0.70% 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 12.2% of the total management fees collected from all Series 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

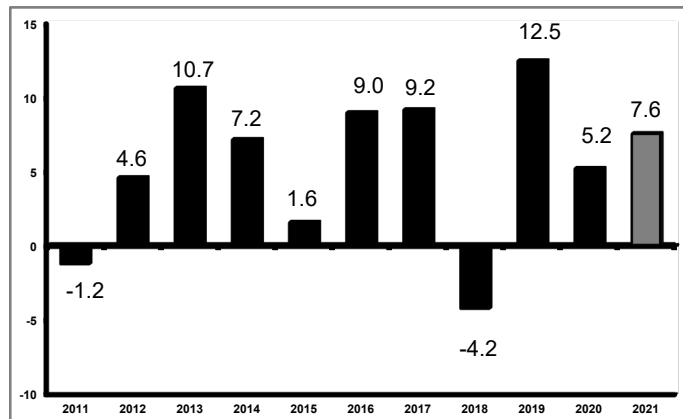
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

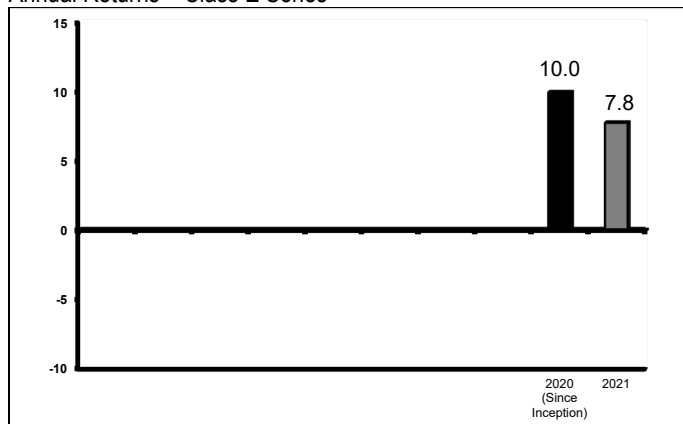
Year-by-Year Returns

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 ⁽¹⁾



■ % Increase/decrease ■ For the six-month period ended June 30, 2021

⁽¹⁾ The Class E Series commenced operation February 4, 2020

Annual Returns – Class F Series

Regulatory restrictions limit publishing performance for investment funds with a history of less than one year. As at June 30, 2021 no Class F units had been offered to purchase.

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, 2021

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	37.89%
Corporate Bonds	16.14%
Government Bonds	15.17%
Financials	10.35%
Consumer Staples	3.76%
Industrials	3.17%
Consumer Discretionary	2.73%
Communication Services	2.71%
Energy	2.53%
Materials	2.23%
Short-Term Investments	1.04%
Utilities	1.04%
Information Technology	0.97%
Cash and Cash Equivalents	0.13%
Asset-Backed Securities	0.07%
Net Other Assets	0.07%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Beutel Goodman American Equity Fund, Class I	19.94%
Beutel Goodman International Equity Fund, Class I	17.94%
Toronto-Dominion Bank	2.76%
Canadian Government Bond, 1.50%, June 1, 2023	2.53%
Royal Bank of Canada	1.71%
Rogers Communications Inc.	1.67%
Brookfield Asset Management Inc.	1.51%
TC Energy Corp.	1.35%
Canadian National Railway Co.	1.33%
Sun Life Financial Inc.	1.18%
Alimentation Couche-Tard Inc.	1.15%
Province of Ontario, 3.45%, June 2, 2045	1.04%
Magna International Inc.	1.01%
Open Text Corp.	0.97%
Metro Inc.	0.95%
Province of Quebec, 3.10%, December 1, 2051	0.93%
Canadian Tire Corp Ltd.	0.93%
Province of Ontario, 1.90%, December 2, 2051	0.88%
CCL Industries Inc.	0.87%
Suncor Energy Inc.	0.86%
Manulife Financial Corp.	0.79%
Restaurant Brands International Inc.	0.79%
Nutrien Ltd.	0.78%
Province of Ontario, 2.60%, September 8, 2023	0.75%
Onex Corp.	0.75%

Total Net Assets (000's)

\$287,113

The top 25 holdings represent approximately 65.37% of the total net assets of the Fund.



EDUCATORS BALANCED FUND

The summary of investment portfolio of the Fund is as at June 30, 2021 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

