

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 Bond 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 9.9% to \$55.6 million at the end of June 2021, up from \$50.6 million at the end of December 2020.

Investment Performance

For the year/period ending June 30, 2021 (the 'period'), the Educators Bond Fund – Class A Series provided a negative return of 2.92% versus the FTSE Canada Universe Bond Index (the 'Benchmark') return of negative 3.46%.

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.

The period was a roller-coaster ride for investors. New lockdowns were enforced around the world amid the third wave of the pandemic and the emergence of new *COVID-19* variants. The weeks that followed were just as volatile, although after the violence and storming of the Capitol building on January 6, the swearing in of Joe Biden as the 46th President of the United States on January 20 proceeded peacefully.

One of the biggest stories specific to bond markets over the period was the sell-off in Treasuries and Government of Canada bonds in February and early March. The size of the moves was significant, with the U.S. 10-

year Treasury bond yield rising from 0.91% at the end of December to 1.75% in March and the Canadian 10-year soaring from 0.68% to 1.56% over the same timeframe. The rise in yields was driven primarily by the market pricing, in expectations for accelerated growth and, consequently, inflation moving to 2% - 2.5%.

As expected, the annual inflation rate in the U.S. has been rising steadily since March, attributable in large part to base effects. That is, due to the pandemic and resultant lockdowns in March and April 2020, prices fell significantly—providing a very low base from which to compare current pricing levels. However, despite a 2.6% increase in March and a 4.2% rise in April, yields remained relatively steady. It wasn't until May's print of 5.0%, which was released on June 10—a few days before the U.S. Federal Reserve's (Fed) June meeting, that concern set in.

Concern then appeared to morph into full-blown panic, as bond yields reversed course, resulting in confusion and yields falling across all curves. For the January 1 to June 30, 2021 period, the FTSE Canada Universe Bond Index declined by 3.46% on a total-return basis.

The Fund's exposure to corporate credit, including U.S.-dollar-denominated high-yield bonds, 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 the 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 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, changes that occurred in the Fund's portfolio during the reporting period included weighting in investment grade corporate bonds decreased, particularly in energy-related and cyclical sectors—reflecting the team's view to shift to a more defensive

positioning and weightings in provincial government bonds increased while federal government bonds decreased.

Recent Developments

Strong economic growth bodes well for risk assets, as the increase in consumer spending starts to reflect in quarterly earnings. However, while the backdrop remains strong, it also means that we are likely headed for a difficult credit environment in terms of spreads. Credit spreads tightened significantly in the second quarter, essentially erasing last year's credit-spread widening due to fears of a pandemic and the decline in commodity prices. As a result, 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.

With that said, the fund manager expects yields to rise, although in a flattening manner. As such, they believe 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 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

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 by retail investors.



EDUCATORS BOND FUND

Educators Bond 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	\$10.64	\$10.14	\$9.75	\$9.84	\$9.82	\$9.93
Increase (decrease) from operations:						
Total revenue	\$0.16	\$0.34	\$0.28	\$0.28	\$0.23	\$0.29
Total expenses, including transaction costs [excluding distributions]	(\$0.06)	(\$0.13)	(\$0.13)	(\$0.12)	(\$0.12)	(\$0.13)
Realized gains (losses) for the period	\$0.01	\$0.40	\$0.23	(\$0.15)	(\$0.37)	\$0.08
Unrealized gains (losses) for the period	(\$0.43)	\$0.32	\$0.06	\$0.01	\$0.40	(\$0.19)
Total increase (decrease) from operations⁽²⁾	(\$0.32)	\$0.93	\$0.44	\$0.02	\$0.14	\$0.05
Distributions:						
From net investment income (excluding dividends)	\$0.10	\$0.21	\$0.14	\$0.13	\$0.10	\$0.17
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$0.26	\$--	\$--	\$--	\$0.04
Return of capital	\$--	\$--	\$--	\$0.00	\$0.02	\$--
Total Annual Distributions⁽³⁾	\$0.10	\$0.47	\$0.14	\$0.13	\$0.12	\$0.21
Net Assets, end of year/period	\$10.23	\$10.64	\$10.14	\$9.75	\$9.84	\$9.82

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⁾	\$15,075	\$15,951	\$9,233	\$6,880	\$8,953	\$10,140
Number of units outstanding ⁽⁴⁾	1,473,858	1,498,675	910,353	705,316	909,935	1,032,691
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⁾	78.00%	200.45%	130.70%	199.01%	123.27%	6.90%
Net Asset Value per unit	\$10.23	\$10.64	\$10.14	\$9.75	\$9.84	\$9.82

(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.

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

	Six months ended June 30		Year ended December 31		
	2021	2020	2019	2018	2017
Net Assets, beginning of year/period	\$10.92	\$10.39	\$9.96	\$10.00	
Increase (decrease) from operations:					
Total revenue	\$0.16	\$0.35	\$0.29	\$0.28	
Total expenses, including transaction costs [excluding distributions]	\$--	\$--	\$--	\$0.00	
Realized gains (losses) for the period	\$0.01	\$0.41	\$0.21	(\$0.04)	
Unrealized gains (losses) for the period	(\$0.39)	\$0.35	\$0.01	\$0.12	
Total increase (decrease) from operations⁽²⁾	(\$0.22)	\$1.11	\$0.51	\$0.36	
Distributions:					
From net investment income (excluding dividends)	\$0.17	\$0.34	\$0.26	\$0.26	
From dividends	\$--	\$--	\$--	\$--	
From capital gains	\$--	\$0.27	\$--	\$--	
Return of capital	\$--	\$--	\$--	\$0.00	
Total Annual Distributions⁽³⁾	\$0.17	\$0.61	\$0.26	\$0.26	
Net Assets, end of year/period	\$10.49	\$10.92	\$10.39	\$9.96	

Ratios and Supplemental Data (based on Net Asset Value)

	Six months ended June 30		Year ended December 31		
	2021	2020	2019	2018	2017
Total Net Asset Value (000's) ⁽⁴⁾	\$40,520	\$34,651	\$24,219	\$8,848	
Number of units outstanding ⁽⁴⁾	3,862,549	3,173,583	2,329,983	888,105	
Management expense ratio ⁽⁵⁾	0.01%	0.01%	0.01%	0.01%	
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%	0.01%	0.01%	0.01%	
Trading expense ratio ⁽⁷⁾	--	--	--	--	
Portfolio turnover rate ⁽⁸⁾	78.00%	200.45%	130.70%	199.01%	
Net Asset Value per unit	\$10.49	\$10.92	\$10.39	\$9.96	

(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 0.45% for the Class F 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 60.6% 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

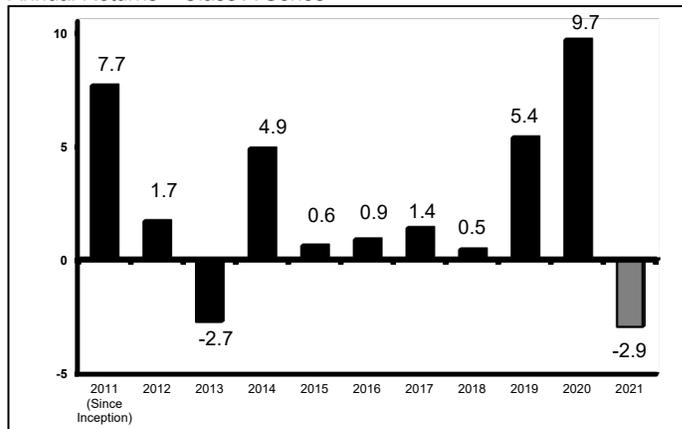
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

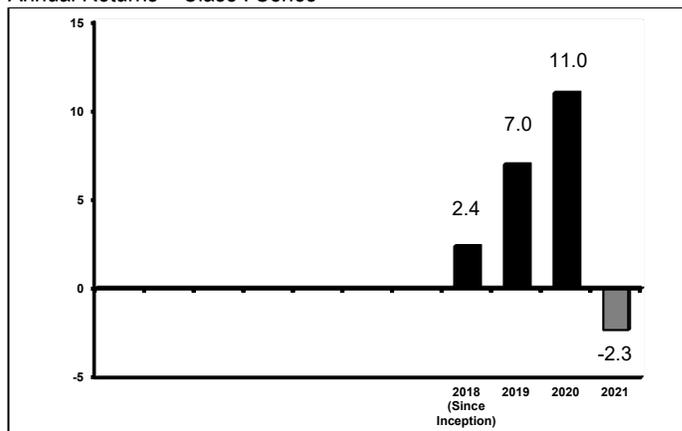
Year-by-Year Returns

The bar chart shows the Fund's annual performance 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⁾



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

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

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.

SUMMARY OF INVESTMENT PORTFOLIO

(Based on Net Asset Value)

As at June 30, 2021

Sector Mix	Percentage of Net Asset Value
Corporate Bonds	62.24%
Government Bonds	31.64%
Short-term Investments	3.26%
Asset-Backed Securities	1.67%
Net Other Assets	0.40%
Cash and Cash Equivalents	0.40%
Preferred Shares	0.39%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Province of Ontario, 1.90%, December 2, 2051	5.26%
Province of Ontario, 2.40%, June 2, 2026	3.89%
Canadian Government Bond, 2.00%, December 1, 2051	3.87%
Province of Alberta, 2.05%, June 1, 2030	3.14%
Canadian Government Bond, 1.50%, June 1, 2023	3.09%
Province of Quebec, 3.50%, December 1, 2045	2.56%
Canadian Imperial Bank of Commerce, 1.96%, April 21, 2031	2.51%
TransCanada PipeLines Ltd., 7.90%, April 15, 2027	2.47%
Royal Bank of Canada, 4.00%, February 24, 2081	2.13%
Parkland Corp., 3.88%, June 16, 2026	2.01%
Bank of America Corp., 1.98%, September 15, 2027	1.99%
Province of Quebec, 3.50%, December 1, 2048	1.85%
Royal Bank of Canada, 4.50%, November 24, 2080	1.80%
Province of Alberta, 3.10%, June 1, 2050	1.79%
Canadian Treasury Bill, 0.11%, September 2, 2021	1.74%
Bank of Montreal, 4.30%, November 26, 2080	1.72%
Canadian Mortgage Pools, 1.84%, December 1, 2022	1.54%
Canadian Treasury Bill, 0.15%, September 30, 2021	1.48%
Province of Quebec, 3.10%, December 1, 2051	1.36%
Royal Bank of Canada, 1.59%, May 4, 2026	1.36%
Westcoast Energy Inc., 8.85%, July 21, 2025	1.36%
Royal Bank of Canada, 2.88%, December 23, 2029	1.35%
Enbridge Gas Distribution Inc., 7.60%, October 29, 2026	1.33%
Videotron Ltd., 3.63%, June 15, 2028	1.32%
Bell Canada Inc., 1.65%, August 16, 2027	1.32%
Total Net Assets (000's)	\$55,595

The top 25 holdings represent approximately 54.25% of the total net assets of the 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.

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

