

# 2023

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2023

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](http://www.educatorsfinancialgroup.ca) or SEDAR at [www.sedar.com](http://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 increased by 0.3% to \$53.5 million at the end of June 2023, up from \$53.3 million at the end of December 2022.

#### Investment Performance

For the year/period ending June 30, 2023 (*the period*), the Educators Bond Fund – Class A Series provided a return of 2.44% versus the FTSE Canada Universe Bond Index (*the Benchmark*) return of 2.51%.

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.

During the early stages of the period, the regional banking crisis in the U.S. was top of mind for many investors. After Silicon Valley Bank and Signature Bank collapsed in March, First Republic Bank fell and was acquired by JP Morgan from the Federal Deposit Insurance Corporation at the end of April. The U.S. debt ceiling created another dilemma, causing short-term volatility in bond markets as the U.S. flirted with a technical default on its debt. Against this backdrop, the main focus for bond investors was the central bank tightening cycle. The Bank of Canada hiked the overnight rate to 4.75% by the end of the six-month period. The U.S. Federal Reserve has also tightened monetary policy by hiking the Federal Funds rate to 5-5.25% by the end of the period.

The Fund's long duration positioning relative to the benchmark contributed to performance in a volatile bond yield environment. Currently, the Fund is a little long duration relative to the benchmark. Curve positioning was positive due to tactical trading of the yield curve during the period. Sector allocation also contributed to performance as the Fund was overweight corporate bonds amid a tightening of spreads. Security selection in government bonds detracted from performance during the period as spreads widened in provincial bonds. Corporate security selection added value due to its High Yield exposure.

The portfolio management 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 byproduct of the team's investment process, market performance and general management activity, the Fund's weighting in federal and provincial government bonds increased over the period while weightings in term loans decreased over the period. The Fund's weighting in investment grade and high yield corporate bonds decreased over the period. The Fund's level of cash and cash equivalents decreased from the beginning of the period.

### Recent Developments

As disclosed in 2022, David Gregoris, Managing Director, Fixed Income officially retired at the end of June. Derek Brown is now Head of Fixed Income, overseeing the strategy and direction of Beutel Goodman's fixed income team. There has been no impact on the Fund as a result of these changes, nor does Beutel Goodman expect there to be.

During the review period, Independent Review Committee (IRC) member Gary Brent retired and was replaced by John Smeeton.

Market liquidity has become a significant concern, driven by three distinct forces: (i) the U.S. Treasury replenishing its Treasury General Account following the recent debt ceiling showdown; (ii) the Fed's continued quantitative tightening; and (iii) new banking regulations requiring banks to hold more cash post the regional banking crisis. Should these three forces further drain bank reserves, it could leave less lending capacity for businesses and consumers.

The debt ceiling bargaining also brought an end to the Biden administration's pandemic-era student loan moratorium, with payments due to restart this September. In late June, the Supreme Court also blocked the federal government's US\$400 billion plan to forgive up to \$20,000 in federal college loans per person. Student loan debt in the U.S. amounts to US\$1.7 trillion, and is held by approximately 43.8 million borrowers, so a resumption of student loan payments could have a significant impact on the economy.

In Canada, a recent report from the Canadian Federation of Independent Business (CFIB) revealed that almost 250,000 small businesses (19% of all small businesses in the country) may not survive to 2024 unless the federal government changes its deadline to repay Canada Emergency Business Account (CEBA) loans brought in during the pandemic.

As these situations demonstrate, the COVID-19 pandemic has had far-reaching and long-lasting consequences, both for the physical health of the world's population and for our economic and political systems.

At the end of 2022, many economists predicted a recession for Canada in 2023, but this has not materialized so far, with GDP and the labour market proving resilient. These are lagging indicators, however, and forward guidance by many companies suggests that the Bank of Canada's cycle of rate hikes will start to slow down the economy in the second half of 2023.

### Related Party Transactions

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 by retail investors.

### Educators Bond Fund – Class A Series – Net Assets per Unit <sup>(1)</sup>

	Six-months ended June 30	Year ended December 31				
	2023	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$8.72	\$10.24	\$10.64	\$10.14	\$9.75	\$9.84
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.17	\$0.32	\$0.32	\$0.34	\$0.28	\$0.28
Total expenses, including transaction costs [excluding distributions]	(\$0.06)	(\$0.11)	(\$0.13)	(\$0.13)	(\$0.13)	(\$0.12)
Realized gains (losses) for the period	(\$0.41)	(\$0.37)	\$--	\$0.40	\$0.23	(\$0.15)
Unrealized gains (losses) for the period	\$0.50	(\$1.32)	(\$0.46)	\$0.32	\$0.06	\$0.01
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	\$0.20	(\$1.48)	(\$0.27)	\$0.93	\$0.44	\$0.02
<b>Distributions:</b>						
From net investment income (excluding dividends)	\$0.14	\$0.19	\$0.17	\$0.21	\$0.14	\$0.13
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$0.02	\$0.26	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	\$0.14	\$0.19	\$0.19	\$0.47	\$0.14	\$0.13
<b>Net Assets, end of year/period</b>	\$8.80	\$8.72	\$10.24	\$10.64	\$10.14	\$9.75

### 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) <sup>(4)</sup>	\$7,678	\$7,163	\$11,823	\$15,951	\$9,233	\$6,880
Number of units outstanding <sup>(4)</sup>	872,600	821,326	1,154,946	1,498,675	910,353	705,316
Management expense ratio <sup>(5)</sup>	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Trading expense ratio <sup>(7)</sup>	--%	--%	--%	--%	--%	--%
Portfolio turnover rate <sup>(8)</sup>	101.22%	82.01%	129.98%	200.45%	130.70%	199.01%
Net Asset Value per unit	\$8.80	\$8.72	\$10.24	\$10.64	\$10.14	\$9.75



EDUCATORS BOND FUND

**Educators Bond Fund – Class I Series – Net Assets per Unit <sup>(1)</sup>**

	Six-months ended June 30	Year ended December 31				
	2023	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$8.93	\$10.49	\$10.92	\$10.39	\$9.96	\$10.00
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.18	\$0.33	\$0.32	\$0.35	\$0.29	\$0.28
Total expenses, including transaction costs [excluding distributions]	\$--	\$--	\$--	\$--	\$--	\$--
Realized gains (losses) for the period	(\$0.43)	(\$0.40)	(\$0.01)	\$0.41	\$0.21	(\$0.04)
Unrealized gains (losses) for the period	\$0.54	(\$1.13)	(\$0.32)	\$0.35	\$0.01	\$0.12
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.29</b>	<b>(\$1.20)</b>	<b>(\$0.01)</b>	<b>\$1.11</b>	<b>\$0.51</b>	<b>\$0.36</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	\$0.19	\$0.33	\$0.32	\$0.34	\$0.26	\$0.26
From dividends	\$--	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$0.02	\$0.27	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.19</b>	<b>\$0.33</b>	<b>\$0.34</b>	<b>\$0.61</b>	<b>\$0.26</b>	<b>\$0.26</b>
<b>Net Assets, end of year/period</b>	<b>\$9.01</b>	<b>\$8.93</b>	<b>\$10.49</b>	<b>\$10.92</b>	<b>\$10.39</b>	<b>\$9.96</b>

**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) <sup>(4)</sup>	\$44,739	\$45,075	\$48,289	\$34,651	\$24,219	\$8,848
Number of units outstanding <sup>(4)</sup>	4,966,435	5,048,652	4,601,941	3,173,583	2,329,983	888,105
Management expense ratio <sup>(5)</sup>	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Trading expense ratio <sup>(7)</sup>	--%	--%	--%	--%	--%	--%
Portfolio turnover rate <sup>(8)</sup>	101.22%	82.01%	129.98%	200.45%	130.70%	199.01%
Net Asset Value per unit	\$9.01	\$8.93	\$10.49	\$10.92	\$10.39	\$9.96



EDUCATORS BOND FUND

**Educators Bond Fund – Class F Series – Net Assets per Unit <sup>(1)</sup>**

	Six-months ended June 30	Year ended December 31	
	2023	2022	2021
Net Assets, beginning of year/period	\$8.40	\$9.88	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	\$0.17	\$0.31	\$0.08
Total expenses, including transaction costs [excluding distributions]	(\$0.02)	(\$0.04)	(\$0.01)
Realized gains (losses) for the period	(\$0.40)	(\$0.38)	(\$0.01)
Unrealized gains (losses) for the period	\$0.49	(\$0.88)	\$0.11
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.24</b>	<b>(\$0.99)</b>	<b>\$0.17</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	\$0.16	\$0.27	\$0.13
From dividends	\$--	\$--	\$--
From capital gains	\$--	\$--	\$0.01
Return of capital	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.16</b>	<b>\$0.27</b>	<b>\$0.14</b>
<b>Net Assets, end of year/period</b>	<b>\$8.47</b>	<b>\$8.40</b>	<b>\$9.88</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Six-months ended June 30	Year ended December 31	
	2023	2022	2021
Total Net Asset Value (000's) <sup>(4)</sup>	\$1,034	\$1,101	\$619
Number of units outstanding <sup>(4)</sup>	122,001	131,135	62,729
Management expense ratio <sup>(5)</sup>	0.51%	0.51%	0.51%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.51%	0.51%	0.51%
Trading expense ratio <sup>(7)</sup>	--%	--%	--%
Portfolio turnover rate <sup>(8)</sup>	101.22%	82.01%	129.98%
Net Asset Value per unit	\$8.47	\$8.40	\$9.88

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund.

<sup>(4)</sup> This information is provided as at June 30 or December 31 of the year shown.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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 133.4% of the total management fees collected from all Series excluding Class I Series, approximately 21.7% 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**

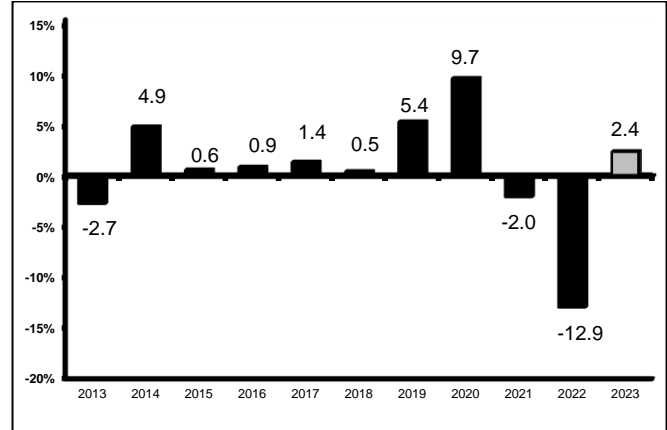
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

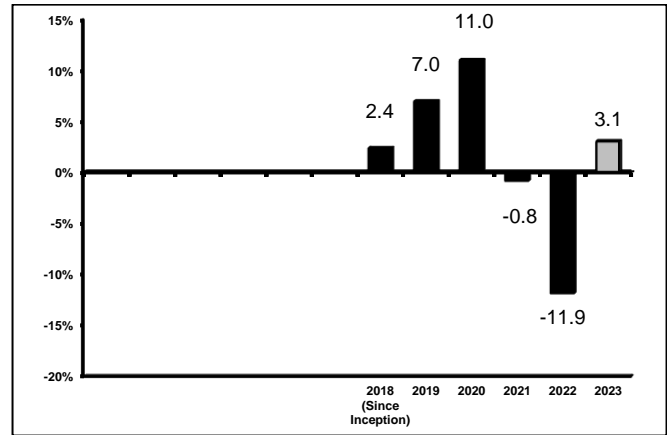
**Year-by-Year Returns**

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.

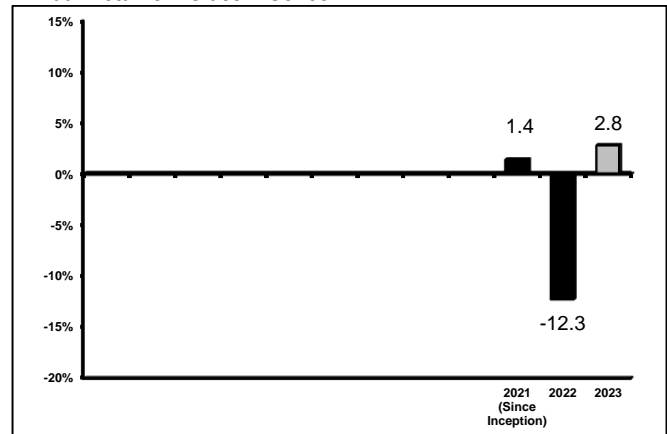
Annual Returns – Class A Series



Annual Returns – Class I Series <sup>(1)</sup>



Annual Returns – Class F Series <sup>(2)</sup>



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

<sup>(1)</sup> The Class I Series commenced operation January 4, 2018

<sup>(2)</sup> The Class F Series commenced operation May 14, 2021

## SUMMARY OF INVESTMENT PORTFOLIO

(Based on Net Asset Value)

As at June 30, 2023

Sector Mix	Percentage of Net Asset Value
Government Bonds	54.07 %
Corporate Bonds	42.87 %
Short-term investments	3.26 %
Cash and Cash Equivalents	0.10 %
Net Other Assets (Liabilities)	(0.30) %

### Top 25 Holdings

Security Name	Percentage of Net Asset Value
Province of Ontario, 3.65%, June 2, 2033	8.14 %
Canadian Government Bond, 2.75%, June 1, 2033	4.34 %
Canadian Government Bond, 2.50%, December 1, 2032	4.28 %
Canadian Government Bond, 2.00%, December 1, 2051	4.25 %
Canadian Government Bond, 3.50%, March 1, 2028	3.29 %
Province of Ontario, 4.65%, June 2, 2041	3.22 %
Province of Quebec, 3.60%, September 1, 2033	3.05 %
Province of Alberta, 2.05%, June 1, 2030	2.94 %
Province of Ontario, 3.45%, June 2, 2045	2.10 %
Province of Quebec, 3.50%, December 1, 2045	2.06 %
PSP Capital Inc., 5.33%, August 31, 2023	1.96 %
407 International Inc., 6.47%, July 27, 2029	1.80 %
Enbridge Gas Inc., 7.60%, October 29, 2026	1.79 %
Province of Ontario, 4.70%, June 2, 2037	1.77 %
TransCanada PipeLines Ltd., 7.90%, April 15, 2027	1.76 %
Bell Canada, 3.60%, September 29, 2027	1.46 %
New Economy Assets Phase 1 Sponsor LLC, 1.91%, October 20, 2061	1.43 %
Province of Alberta, 3.10%, June 1, 2050	1.39 %
Canadian Imperial Bank of Commerce, 5.05%, October 7, 2027	1.34 %
Bank of America Corp., 1.53%, December 6, 2025	1.34 %
Canadian Treasury Bill, 4.79%, August 17, 2023	1.30 %
Canadian Government Bond, 5.00%, June 1, 2037	1.30 %
Province of Ontario, 2.70%, June 2, 2029	1.29 %
AltaGas Ltd., 7.35%, August 17, 2082	1.29 %
Province of Ontario, 1.90%, December 2, 2051	1.25 %
<b>Total Net Assets (000's)</b>	<b>\$53,450</b>

The top 25 holdings represent approximately 60.14% 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.



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