

AUDITED ANNUAL FINANCIAL STATEMENTS

EDUCATORS FINANCIAL GROUP INC.



EDUCATORS MONEY MARKET FUND
EDUCATORS MORTGAGE & INCOME FUND
EDUCATORS BOND FUND
EDUCATORS BALANCED FUND
EDUCATORS MONTHLY INCOME FUND
EDUCATORS DIVIDEND FUND
EDUCATORS GROWTH FUND
EDUCATORS NORTH AMERICAN DIVERSIFIED FUND

Dated: December 31, 2016

Educators Financial Group Inc. Funds

Audited Annual Financial Statements

December 31, 2016

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Management's Responsibility for Financial Reporting

March 16, 2017

The accompanying financial statements of the Educators Financial Group Inc. Funds (the "Funds") have been prepared by Educators Financial Group Inc. (the "Manager-Trustee"). The Manager-Trustee of the Funds is responsible for the information and representations contained in these financial statements.

The Manager-Trustee maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies which management believes are appropriate for the Funds are described in Note 2 to the financial statements.

The Board of Directors of Educators Financial Group Inc. is responsible for reviewing and approving the financial statements of the Funds and reviewing management's report of its financial reporting responsibilities.

Grant Thornton LLP, the external auditors of the Funds, have been appointed by the Board of Directors. Grant Thornton LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. Their auditors' report is set out below.

Signed "Chuck Hamilton"

Chuck Hamilton
Chief Executive Officer, Educators Financial Group Inc.

Signed "Stuart Mulcahy"

Stuart Mulcahy
Chief Financial Officer, Educators Financial Group Inc.

Independent Auditor's Report

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To the Unitholders of

Educators Money Market Fund
Educators Mortgage & Income Fund
Educators Bond Fund
Educators Balanced Fund
Educators Monthly Income Fund
Educators Dividend Fund
Educators Growth Fund
Educators North American Diversified Fund

Collectively referred to as “the Funds”

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the each of the Funds as at December 31, 2016 and December 31, 2015, and the financial performance and the cash flows of each of the Funds for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.



Markham, Canada
March 16, 2017

Chartered Professional Accountants
Licensed Public Accountants

Educators Money Market Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 29,886	\$ -
Interest receivable	22,653	15,516
Subscriptions receivable	382,177	87,916
Investments	<u>16,732,269</u>	<u>19,407,981</u>
Total assets	\$ 17,166,985	\$ 19,511,413
Liabilities		
Current liabilities		
Bank overdraft	-	50,207
Redemptions payable	29,919	19,393
Distributions payable	108	-
Amounts due to Manager-Trustee (Note 6)	<u>7,801</u>	<u>7,461</u>
Total liabilities	<u>37,828</u>	<u>77,061</u>
Net assets attributable to holders of redeemable units	\$ 17,129,157	\$ 19,434,352
Number of redeemable units outstanding (Note 3)	<u>1,712,916</u>	<u>1,943,435</u>
Net assets attributable to holders of redeemable units per unit	\$ 10.00	\$ 10.00

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Money Market Fund Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 101,665	\$ 147,753
Securities lending (Note 5)	3,117	4,368
Total income	<u>104,782</u>	<u>152,121</u>
Expenses		
Management fees (Note 6)	94,297	107,422
Harmonised sales tax	10,295	11,917
	<u>104,592</u>	<u>119,339</u>
Less expenses waived/absorbed by Manager-Trustee (Note 6)	(14,491)	(15,038)
Total expenses	<u>90,101</u>	<u>104,301</u>
Increase in net assets attributable to holders of redeemable units	\$ <u>14,681</u>	\$ <u>47,820</u>
Weighted average units outstanding during the year	<u>1,718,050</u>	<u>1,952,747</u>
Increase in net assets attributable to holders of redeemable units per unit	\$ <u>0.01</u>	\$ <u>0.02</u>

Educators Money Market Fund Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 19,434,352	\$ 20,163,139
Increase in net assets attributable to holders of redeemable units	14,681	47,820
Distributions to holders of redeemable units		
From net investment income	(15,286)	(47,677)
Total distributions to holders of redeemable units	<u>(15,286)</u>	<u>(47,677)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	8,090,754	8,589,593
Redemption of redeemable units	(10,409,744)	(9,365,768)
Reinvestments of distributions to holders of redeemable units	14,400	47,245
Net decrease from redeemable unit transactions	<u>(2,304,590)</u>	<u>(728,930)</u>
Net decrease in net assets attributable to holders of redeemable units	<u>(2,305,195)</u>	<u>(728,787)</u>
Net assets attributable to holders of redeemable units, end of year	\$ <u>17,129,157</u>	\$ <u>19,434,352</u>

See accompanying notes to the financial statements

Educators Money Market Fund

Statements of Cash Flows

Years ended December 31

	2016	2015
Cash Flow from Operating Activities		
Increase in net assets attributable to holders of redeemable units	\$ 14,681	\$ 47,820
Adjustments for:		
Purchase of investments	(59,646,352)	(70,821,242)
Proceeds from disposal of investments	62,322,064	71,479,972
(Increase) decrease in interest receivable	(7,137)	19,912
Increase (decrease) in amounts due to Manager-Trustee	340	(3,337)
Cash provided by operating activities	<u>2,683,596</u>	<u>723,125</u>
Cash Flow from Financing Activities		
Proceeds from redeemable units issued	7,796,493	8,551,465
Redemption of redeemable units	(10,399,218)	(9,363,932)
Distributions paid to holders of redeemable units, net of reinvested distributions	(778)	(445)
Cash used by financing activities	<u>(2,603,503)</u>	<u>(812,912)</u>
Increase (decrease) in cash	<u>\$ 80,093</u>	<u>\$ (89,787)</u>
(Bank overdraft) cash, beginning of year	<u>\$ (50,207)</u>	<u>\$ 39,580</u>
Cash (bank overdraft), end of year	<u>\$ 29,886</u>	<u>\$ (50,207)</u>
Supplemental cash flow information:		
Interest received	\$ 94,528	\$ 167,665

See accompanying notes to the financial statements

Educators Money Market Fund

Schedule of Investments

As at December 31, 2016

Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Bankers' Acceptances						
335,000	Bank of Montreal	0.780%	3-Jan-2017	334,494	334,494	
340,000	Bank of Montreal	0.900%	25-Apr-2017	338,480	338,480	
275,000	Bank of Nova Scotia	0.851%	3-May-2017	273,928	273,928	
400,000	Bank of Nova Scotia	0.951%	7-Jun-2017	398,236	398,236	
675,000	Canadian Imperial Bank of Commerce	0.891%	7-Jul-2017	671,902	671,902	
450,000	Royal Bank of Canada	0.870%	22-Mar-2017	448,110	448,110	
243,000	Royal Bank of Canada	0.889%	28-Mar-2017	241,892	241,892	
275,000	Toronto Dominion Bank	0.799%	12-Jan-2017	274,478	274,478	
400,000	Toronto Dominion Bank	0.950%	17-Apr-2017	398,084	398,084	
				<u>3,379,604</u>	<u>3,379,604</u>	<u>19.73</u>
Discount Commercial Paper						
500,000	Clarity Trust	0.929%	6-Jan-2017	498,845	498,845	
650,000	OMERS Finance Trust	0.780%	6-Mar-2017	648,739	648,739	
				<u>1,147,584</u>	<u>1,147,584</u>	<u>6.70</u>
Treasury Bills						
275,000	Canada Treasury Bill	0.438%	4-Jan-2017	274,984	274,984	
335,000	Canada Treasury Bill	0.417%	5-Jan-2017	334,920	334,920	
780,000	Canada Treasury Bill	0.535%	12-Jan-2017	777,499	777,499	
1,800,000	Canada Treasury Bill	0.511%	26-Jan-2017	1,795,648	1,795,648	
1,065,000	Canada Treasury Bill	0.535%	9-Feb-2017	1,061,865	1,061,865	
700,000	Canada Treasury Bill	0.500%	23-Feb-2017	698,384	698,384	
1,450,000	Canada Treasury Bill	0.530%	9-Mar-2017	1,445,874	1,445,874	
760,000	Canada Treasury Bill	0.529%	23-Mar-2017	758,060	758,060	
670,000	Canada Treasury Bill	0.539%	6-Apr-2017	667,990	667,990	
348,000	Canada Treasury Bill	0.480%	20-Apr-2017	347,154	347,154	
190,000	Canada Treasury Bill	0.534%	18-May-2017	189,538	189,538	
1,340,000	Canada Treasury Bill	0.510%	1-Jun-2017	1,335,785	1,335,785	
700,000	Canada Treasury Bill	0.560%	15-Jun-2017	698,107	698,107	
1,825,000	Canada Treasury Bill	0.561%	29-Jun-2017	1,819,273	1,819,273	
				<u>12,205,081</u>	<u>12,205,081</u>	<u>71.25</u>
				<u>16,732,269</u>	<u>16,732,269</u>	<u>97.68</u>
Total Investments				<u>\$ 16,732,269</u>	<u>16,732,269</u>	<u>97.68</u>
Other Assets Less Liabilities					<u>396,888</u>	<u>2.32</u>
Net Assets Attributable to Holders of Redeemable Units					<u>\$ 17,129,157</u>	<u>100.00</u>

Educators Mortgage & Income Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 78,907	\$ 87,190
Interest receivable	722,795	791,246
Subscriptions receivable	465,710	115,920
Investments	<u>198,624,432</u>	<u>203,820,020</u>
Total assets	\$ <u>199,891,844</u>	\$ <u>204,814,376</u>
Liabilities		
Current liabilities		
Redemptions payable	269,283	259,378
Distributions payable	4,734	5,645
Amounts due to Manager-Trustee (Note 6)	192,833	206,141
Forward contracts (Note 10)	<u>4,194</u>	<u>27,417</u>
Total liabilities	<u>471,044</u>	<u>498,581</u>
Net assets attributable to holders of redeemable units	\$ <u>199,420,800</u>	\$ <u>204,315,795</u>
Number of redeemable units outstanding (Note 3)	<u>17,566,363</u>	<u>17,955,859</u>
Net assets attributable to holders of redeemable units per unit	\$ <u>11.35</u>	\$ <u>11.38</u>

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Mortgage & Income Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 6,104,614	\$ 6,639,605
Security lending (Note 5)	24,784	10,982
Other changes in fair value of investments:		
Net realized gain	615,350	339,632
Net realized gain (loss) on forward contracts	89,462	(301,375)
Net change in unrealized appreciation (depreciation) on forward contracts	23,223	(29,781)
Net change in unrealized depreciation	<u>(1,180,619)</u>	<u>(1,197,159)</u>
Total income	<u>5,676,814</u>	<u>5,461,904</u>
Expenses		
Management fees (Note 6)	2,211,640	2,274,561
Independent review committee fees	20,566	22,246
Withholding taxes	9,589	4,005
Harmonised sales tax	<u>271,887</u>	<u>279,874</u>
	2,513,682	2,580,686
Less expenses waived/absorbed by Manager-Trustee (Note 6)	<u>(105,626)</u>	<u>(108,352)</u>
Total expenses	<u>2,408,056</u>	<u>2,472,334</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 3,268,758</u>	<u>\$ 2,989,570</u>
Weighted average units outstanding during the year	<u>17,708,915</u>	<u>18,026,952</u>
Increase in net assets attributable to holders of redeemable units per unit	<u>\$ 0.18</u>	<u>\$ 0.17</u>

Educators Mortgage & Income Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 204,315,795	\$ 205,272,513
Increase in net assets attributable to holders of redeemable units	3,268,758	2,989,570
Distributions to holders of redeemable units		
From net investment income	<u>(3,723,315)</u>	<u>(4,164,413)</u>
Total distributions to holders of redeemable units	<u>(3,723,315)</u>	<u>(4,164,413)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	26,337,570	33,125,668
Redemption of redeemable units	<u>(34,435,557)</u>	<u>(36,991,502)</u>
Reinvestments of distributions to holders of redeemable units	3,657,549	4,083,959
Net (decrease) increase from redeemable unit transactions	<u>(4,440,438)</u>	<u>218,125</u>
Net decrease in net assets attributable to holders of redeemable units	<u>(4,894,995)</u>	<u>(956,718)</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 199,420,800</u>	<u>\$ 204,315,795</u>

See accompanying notes to the financial statements

Educators Mortgage & Income Fund

Statements of Cash Flows

Years ended December 31

	2016	2015
Cash Flow from Operating Activities		
Increase in net assets attributable to holders of redeemable units	\$ 3,268,758	\$ 2,989,570
Adjustments for:		
Net realized gain on sale of investments	(615,350)	(339,632)
Net change in unrealized depreciation in value of investments	1,180,619	1,197,159
Net change in unrealized (appreciation) depreciation on forward contracts	(23,223)	29,781
Purchase of investments	(142,319,963)	(84,350,423)
Proceeds from disposal of investments	146,950,282	84,045,048
Decrease in interest receivable	68,451	269,127
Decrease in amounts due to Manager-Trustee	(13,308)	(13,840)
Cash provided by operating activities	<u>8,496,266</u>	<u>3,826,790</u>
Cash Flow from Financing Activities		
Proceeds from redeemable units issued	25,987,780	33,329,241
Redemption of redeemable units	(34,425,652)	(37,227,534)
Distributions paid to holders of redeemable units, net of reinvested distributions	(66,677)	(81,321)
Cash used by financing activities	<u>(8,504,549)</u>	<u>(3,979,614)</u>
Decrease in cash	<u>\$ (8,283)</u>	<u>\$ (152,824)</u>
Cash, beginning of year	<u>\$ 87,190</u>	<u>\$ 240,014</u>
Cash, end of year	<u>\$ 78,907</u>	<u>\$ 87,190</u>
Supplemental cash flow information:		
Interest received	\$ 6,173,065	\$ 6,908,732

See accompanying notes to the financial statements

Educators Mortgage & Income Fund Schedule of Investments

As at December 31, 2016

Par Value or No. of Units	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Treasury Bills						
250,000	Canadian Treasury Bill	0.480%	9-Feb-2017	249,816	249,816	
1,410,000	Canadian Treasury Bill	0.444%	6-Apr-2017	1,408,039	1,408,039	
				<u>1,657,855</u>	<u>1,657,855</u>	0.83
Canadian Bonds						
Asset-Backed						
1,875,000	Canadian Mortgage Pools	1.300%	1-Aug-2021	1,831,700	1,818,138	
1,400,000	Canadian Mortgage Pools	1.370%	1-Nov-2021	1,379,892	1,377,253	
1,925,000	Institutional Mortgage Securities Canada Inc.	1.936%	12-Sep-2024	1,786,747	1,749,948	
1,200,000	MCAP CMBS Issuer Corp.	2.341%	12-Apr-2054	1,122,925	1,125,616	
300,000	MCAP CMBS Issuer Corp.	2.804%	12-Apr-2054	299,993	302,022	
300,000	MCAP CMBS Issuer Corp.	3.202%	12-Apr-2054	299,994	302,400	
300,000	MCAP CMBS Issuer Corp.	3.600%	12-Apr-2054	296,789	299,487	
2,710,000	MCAP RMBS Issuer Corp.	2.171%	15-Apr-2019	1,723,645	1,726,295	
890,000	Real Estate Asset Liquidity Trust	1.856%	12-Sep-2021	873,428	860,855	
750,000	Real Estate Asset Liquidity Trust	5.198%	12-Mar-2046	801,968	756,376	
2,075,000	Real Estate Asset Liquidity Trust	2.557%	12-Oct-2049	1,956,347	1,971,270	
1,696,000	Schooner Trust	5.192%	12-Jun-2022	35,028	33,167	
				<u>12,408,456</u>	<u>12,322,827</u>	6.18
Corporate Bonds						
2,000,000	Bank of Montreal	3.340%	8-Dec-2025	2,035,130	2,037,748	
620,000	Bank of Montreal	3.320%	1-Jun-2026	619,913	630,298	
730,000	Bank of Nova Scotia	2.090%	9-Sep-2020	729,934	737,504	
480,000	Bank of Nova Scotia	1.900%	2-Dec-2021	479,866	476,555	
1,160,000	Brookfield Asset Management Inc.	5.300%	1-Mar-2021	1,256,002	1,279,693	
840,000	Brookfield Infrastructure Finance ULC	3.538%	30-Oct-2020	840,000	859,793	
700,000	Brookfield Infrastructure Finance ULC	3.452%	11-Mar-2022	698,681	711,112	
2,920,000	Cameco Corp.	5.670%	2-Sep-2019	3,204,056	3,129,591	
1,675,000	Canadian Imperial Bank of Commerce	3.420%	26-Jan-2026	1,709,739	1,707,371	
1,010,000	Canadian Natural Resources Ltd.	3.050%	19-Jun-2019	1,017,116	1,030,810	
670,000	Canadian Natural Resources Ltd.	2.890%	14-Aug-2020	682,944	678,929	
2,020,000	Canadian Western Bank	3.077%	14-Jan-2019	2,068,342	2,058,167	
675,000	Canadian Western Bank	2.751%	29-Jun-2020	675,000	679,128	
1,000,000	CDP Financial Inc.	4.600%	15-Jul-2020	1,034,719	1,101,272	
720,000	Empire Life Insurance Co.	3.383%	16-Dec-2026	720,000	722,139	
250,000	Enbridge Gas Distribution Inc.	4.040%	23-Nov-2020	275,913	271,254	
1,030,000	Enbridge Income Fund	4.100%	22-Feb-2019	1,085,002	1,078,783	
1,025,000	Equitable Bank	2.595%	7-Apr-2017	1,025,951	1,027,124	
675,000	Equitable Group Inc.	5.399%	23-Oct-2017	675,000	687,682	
850,000	First Capital Realty Inc.	3.950%	5-Dec-2022	898,238	897,509	
250,000	Ford Credit Canada Ltd.	2.939%	19-Feb-2019	250,000	254,768	
550,000	Ford Credit Canada Ltd.	2.580%	10-May-2021	546,783	546,222	
2,005,000	General Motors Financial of Canada Ltd.	3.080%	22-May-2020	2,024,725	2,032,846	
3,675,000	Genworth MI Canada Inc.	5.680%	15-Jun-2020	4,179,388	3,969,757	
330,000	Granite REIT Holdings LP	3.788%	5-Jul-2021	337,895	338,614	
235,000	HCN Canadian Holdings-1 LP	3.350%	25-Nov-2020	235,875	241,673	
875,000	Home Trust Co.	2.280%	6-Mar-2018	868,224	872,907	
2,540,000	Home Trust Co.	3.400%	10-Dec-2018	2,559,263	2,567,621	
1,210,000	Husky Energy Inc.	5.000%	12-Mar-2020	1,246,594	1,311,383	
1,500,000	Intact Financial Corp.	5.410%	3-Sep-2019	1,552,890	1,644,463	
2,000,000	Manufacturers Life Insurance Co.	2.926%	29-Nov-2023	2,018,400	2,033,356	
300,000	Manufacturers Life Insurance Co.	2.100%	1-Jun-2025	298,650	298,758	
1,025,000	National Bank of Canada	1.809%	26-Jul-2021	1,017,835	1,016,493	
575,000	Pembina Pipeline Corp.	3.770%	24-Oct-2022	610,650	603,528	
200,000	Penske Truck Leasing Canada Inc.	3.650%	1-Feb-2018	204,586	203,840	
2,280,000	Royal Bank of Canada	3.310%	20-Jan-2026	2,318,756	2,314,156	
2,250,000	Saputo Inc.	2.196%	23-Jun-2021	2,249,823	2,250,896	
430,000	Sun Life Financial Inc.	5.590%	30-Jan-2023	455,654	447,846	
250,000	Sun Life Financial Inc., Floating Rate Note	2.600%	25-Sep-2025	249,838	252,172	
1,000,000	Suncor Energy Inc.	3.100%	26-Nov-2021	1,053,890	1,042,730	
1,950,000	TMX Group Ltd.	4.461%	3-Oct-2023	2,150,577	2,125,995	
1,525,000	Toronto-Dominion Bank	2.692%	24-Jun-2025	1,530,438	1,522,153	

Educators Mortgage & Income Fund Schedule of Investments

As at December 31, 2016

Par Value or No. of Units	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
1,040,000	Toronto-Dominion Bank, Floating Rate Note	2.982%	30-Sep-2025	1,031,467	1,047,262	
2,405,000	WestJet Airlines Ltd.	3.287%	23-Jul-2019	2,423,346	2,452,533	
				<u>53,147,093</u>	<u>53,194,434</u>	<u>26.67</u>
Government Bonds						
2,500,000	Canada Housing Trust No. 1	2.250%	15-Dec-2025	2,619,527	2,522,203	
11,775,000	Canada Housing Trust No. 1	1.900%	15-Sep-2026	11,823,224	11,444,474	
2,500,000	Canadian Government Real Return Bond	6.603%	1-Dec-2021	4,838,454	4,717,570	
1,350,000	Province of Alberta Canada	1.350%	1-Sep-2021	1,349,231	1,331,853	
				<u>20,630,436</u>	<u>20,016,100</u>	<u>10.04</u>
				<u>86,185,985</u>	<u>85,533,361</u>	<u>42.89</u>
Canadian Mutual Funds						
374,549	HSBC Global High Yield Bond Pooled Fund			3,131,492	3,080,968	
7,925,414	HSBC Mortgage Fund, Institutional Series			84,611,793	84,924,775	
				<u>87,743,285</u>	<u>88,005,743</u>	<u>44.14</u>
Foreign Bonds						
United Kingdom						
1,420,000	Aviva PLC	4.500%	10-May-2021	1,458,470	1,484,780	
3,645,000	BAA Funding Ltd.	4.000%	3-Jul-2019	3,737,223	3,835,192	
2,230,000	BP Capital Markets PLC	3.497%	9-Nov-2020	2,270,126	2,344,830	
				<u>7,465,819</u>	<u>7,664,802</u>	<u>3.84</u>
United States						
3,780,000	AT&T Inc.	3.825%	25-Nov-2020	3,863,082	3,975,510	
1,950,000	Citigroup Inc.	3.390%	18-Nov-2021	2,025,810	2,031,424	
380,000	Citigroup Inc.	4.650%	11-Oct-2022	379,050	381,747	
3,900,000	Goldman Sachs Group Inc.	5.200%	19-Apr-2022	4,023,932	3,835,685	
775,000	JPMorgan Chase & Co.	1.876%	22-Feb-2021	803,833	768,219	
3,200,000	Merrill Lynch & Co. Inc.	5.290%	30-May-2022	3,250,509	3,156,123	
825,000	QVC Inc.	4.850%	1-Apr-2024	914,999	1,113,879	
500,000	Wells Fargo & Co.	2.222%	15-Mar-2021	502,440	500,084	
				<u>15,763,655</u>	<u>15,762,671</u>	<u>7.90</u>
				<u>23,229,474</u>	<u>23,427,473</u>	<u>11.74</u>
Total Investments				<u>198,816,599</u>	<u>198,624,432</u>	<u>99.60</u>
Total Investments				<u>\$ 198,816,599</u>	<u>198,624,432</u>	<u>99.60</u>
Other Assets Less Liabilities					<u>796,368</u>	<u>0.40</u>
Net Assets Attributable to Holders of Redeemable Units					<u>\$ 199,420,800</u>	<u>100.00</u>

Educators Bond Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Subscriptions receivable	\$ 18,755	\$ 2,316
Due from brokers	-	12,251
Investments	<u>10,143,665</u>	<u>8,910,817</u>
Total assets	\$ 10,162,420	\$ 8,925,384
Liabilities		
Current liabilities		
Bank overdraft	5,786	-
Redemptions payable	6,172	12,563
Distributions payable	77	-
Amounts due to Manager-Trustee (Note 6)	<u>10,318</u>	<u>9,369</u>
Total liabilities	<u>22,353</u>	<u>21,932</u>
Net assets attributable to holders of redeemable units	\$ 10,140,067	\$ 8,903,452
Number of redeemable units outstanding (Note 3)	<u>1,032,691</u>	<u>896,328</u>
Net assets attributable to holders of redeemable units per unit	\$ 9.82	\$ 9.93

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Bond Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 270,931	\$ 281,807
Other changes in fair value of investments:		
Net realized gain (loss)	69,512	(13,351)
Net change in unrealized depreciation	(181,069)	(99,710)
Total income	<u>159,374</u>	<u>168,746</u>
Expenses		
Management fees (Note 6)	101,704	98,114
Independent review committee fees	958	960
Harmonised sales tax	12,996	12,567
Total expenses	<u>115,658</u>	<u>111,641</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 43,716</u>	<u>\$ 57,105</u>
Weighted average units outstanding during the year	<u>921,727</u>	<u>884,526</u>
Increase in net assets attributable to holders of redeemable units per unit	<u>\$ 0.05</u>	<u>\$ 0.06</u>

Educators Bond Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 8,903,452	\$ 8,868,143
Increase in net assets attributable to holders of redeemable units	43,716	57,105
Distributions to holders of redeemable units		
From net investment income	(156,221)	(169,482)
From net realized gains	(38,968)	-
Total distributions to holders of redeemable units	<u>(195,189)</u>	<u>(169,482)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	2,464,274	1,379,260
Redemption of redeemable units	(1,271,211)	(1,401,030)
Reinvestments of distributions to holders of redeemable units	195,025	169,456
Net increase from redeemable unit transactions	<u>1,388,088</u>	<u>147,686</u>
Net increase in net assets attributable to holders of redeemable units	<u>1,236,615</u>	<u>35,309</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 10,140,067</u>	<u>\$ 8,903,452</u>

See accompanying notes to the financial statements

Educators Bond Fund

Statements of Cash Flows

Years ended December 31

		2016		2015
Cash Flow from Operating Activities				
Increase in net assets attributable to holders of redeemable units	\$	43,716	\$	57,105
Adjustments for:				
Net realized (gain) loss on sale of investments		(69,512)		13,351
Net change in unrealized depreciation in value of investments		181,069		99,710
Purchase of investments		(2,055,023)		(949,375)
Proceeds from disposal of investments		722,869		819,781
Increase (decrease) in amounts due to Manager-Trustee		949		(685)
Cash (used) provided by operating activities		(1,175,932)		39,887
Cash Flow from Financing Activities				
Proceeds from redeemable units issued		2,447,835		1,383,291
Redemption of redeemable units		(1,277,602)		(1,423,119)
Distributions paid to holders of redeemable units, net of reinvested distributions		(87)		(59)
Cash provided (used) by financing activities		1,170,146		(39,887)
Decrease in cash	\$	(5,786)	\$	-
Cash, beginning of year	\$	-	\$	-
Bank overdraft, end of year	\$	(5,786)	\$	-

See accompanying notes to the financial statements

Educators Bond Fund Schedule of Investments

As at December 31, 2016

No. of Units	Description	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
	Canadian Mutual Funds			
834,794	Beutel Goodman Income Fund, Class I	10,592,396	10,143,665	100.04
	Total Investments	<u>\$ 10,592,396</u>	10,143,665	100.04
	Other Liabilities Less Assets		(3,598)	(0.04)
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 10,140,067</u>	<u>100.00</u>

Educators Balanced Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ -	\$ 331,827
Interest and dividends receivable	469,758	439,935
Subscriptions receivable	514,269	257,593
Due from brokers	719,630	1,248,071
Investments	<u>201,506,513</u>	<u>180,172,225</u>
Total assets	\$ <u>203,210,170</u>	\$ <u>182,449,651</u>
Liabilities		
Current liabilities		
Bank overdraft	6,501	-
Due to brokers	482,642	1,261,495
Redemptions payable	197,938	97,782
Distributions payable	38,556	24,479
Amounts due to Manager-Trustee (Note 6)	<u>316,058</u>	<u>294,932</u>
Total liabilities	<u>1,041,695</u>	<u>1,678,688</u>
Net assets attributable to holders of redeemable units	\$ <u>202,168,475</u>	\$ <u>180,770,963</u>
Number of redeemable units outstanding (Note 3)	<u>11,162,886</u>	<u>10,565,315</u>
Net assets attributable to holders of redeemable units per unit	\$ <u>18.11</u>	\$ <u>17.11</u>

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Balanced Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 3,599,714	\$ 3,072,628
Dividends	2,047,987	2,162,007
Securities lending (Note 5)	16,187	6,729
Other changes in fair value of investments:		
Net realized gain	5,868,065	3,138,586
Net change in unrealized appreciation (depreciation)	8,475,234	(2,212,795)
	<u>20,007,187</u>	<u>6,167,155</u>
Expenses		
Management fees (Note 6)	3,271,048	3,147,159
Independent review committee fees	19,367	19,503
Transaction costs	21,445	18,259
Withholding taxes	2,853	(1,290)
Harmonised sales tax	409,682	394,198
	<u>3,724,395</u>	<u>3,577,829</u>
Less expenses waived/absorbed by Manager-Trustee (Note 6)	(95,219)	(91,358)
Total expenses	<u>3,629,176</u>	<u>3,486,471</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 16,378,011</u>	<u>\$ 2,680,684</u>
Weighted average units outstanding during the year	<u>10,661,919</u>	<u>10,204,626</u>
Increase in net assets attributable to holders of redeemable units per unit	<u>\$ 1.54</u>	<u>\$ 0.26</u>

Educators Balanced Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 180,770,963	\$ 171,914,337
Increase in net assets attributable to holders of redeemable units	16,378,011	2,680,684
Distributions to holders of redeemable units		
From net investment income	(2,103,279)	(1,588,063)
From net realized gains	(3,656,992)	(1,816,329)
Total distributions to holders of redeemable units	<u>(5,760,271)</u>	<u>(3,404,392)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	26,966,029	27,142,782
Redemption of redeemable units	(21,909,322)	(20,943,065)
Reinvestments of distributions to holders of redeemable units	5,723,065	3,380,617
Net increase from redeemable unit transactions	<u>10,779,772</u>	<u>9,580,334</u>
Net increase in net assets attributable to holders of redeemable units	<u>21,397,512</u>	<u>8,856,626</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 202,168,475</u>	<u>\$ 180,770,963</u>

See accompanying notes to the financial statements

Educators Balanced Fund

Statements of Cash Flows

Years ended December 31

	2016	2015
Cash Flow from Operating Activities		
Increase in net assets attributable to holders of redeemable units	\$ 16,378,011	\$ 2,680,684
Adjustments for:		
Net realized gain on sale of investments	(5,868,065)	(3,138,586)
Net change in unrealized (appreciation) depreciation in value of investments	(8,475,234)	2,212,795
Purchase of investments	(183,156,777)	(224,263,149)
Proceeds from disposal of investments	175,915,376	216,167,280
(Increase) decrease in interest and dividends receivable	(29,823)	7,881
Increase (decrease) in amounts due to Manager-Trustee	21,126	(1,672)
Cash used by operating activities	<u>(5,215,386)</u>	<u>(6,334,767)</u>
Cash Flow from Financing Activities		
Proceeds from redeemable units issued	26,709,353	27,050,871
Redemption of redeemable units	(21,809,166)	(20,940,967)
Distributions paid to holders of redeemable units, net of reinvested distributions	(23,129)	(28,342)
Cash provided by financing activities	<u>4,877,058</u>	<u>6,081,562</u>
Decrease in cash	\$ <u>(338,328)</u>	\$ <u>(253,205)</u>
Cash, beginning of year	\$ <u>331,827</u>	\$ <u>585,032</u>
(Bank overdraft) cash, end of year	\$ <u>(6,501)</u>	\$ <u>331,827</u>
Supplemental cash flow information:		
Dividends received, net of withholding taxes	\$ 2,058,792	\$ 2,131,745
Interest received	\$ 3,558,823	\$ 3,112,160

See accompanying notes to the financial statements

Educators Balanced Fund Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Treasury Bills						
950,000	Canadian Treasury Bill	0.529%	23-Mar-2017	948,830	948,830	
75,000	Canadian Treasury Bill	0.539%	6-Apr-2017	74,911	74,911	
				<u>1,023,741</u>	<u>1,023,741</u>	<u>0.51</u>
Canadian Bonds						
Corporate Bonds						
56,000	AltaGas Ltd.	4.550%	17-Jan-2019	59,005	59,079	
34,000	AltaGas Ltd.	4.070%	1-Jun-2020	36,005	36,129	
186,000	AltaGas Ltd.	3.720%	28-Sep-2021	195,236	196,473	
139,000	AltaGas Ltd.	3.840%	15-Jan-2025	139,764	144,467	
72,000	AltaGas Ltd.	5.160%	13-Jan-2044	70,920	75,914	
171,000	AltaLink LP	2.747%	29-May-2026	170,878	170,682	
121,000	AltaLink LP	5.381%	26-Mar-2040	155,594	151,274	
178,000	AltaLink LP	3.717%	3-Dec-2046	178,000	176,374	
18,000	AltaLink LP	4.446%	11-Jul-2053	20,590	19,929	
980,000	Bank of Montreal	2.100%	6-Oct-2020	996,457	990,938	
1,260,000	Bank of Montreal	1.880%	31-Mar-2021	1,270,844	1,258,748	
751,000	Bank of Montreal	1.610%	28-Oct-2021	746,533	737,034	
478,000	Bank of Nova Scotia	2.750%	13-Aug-2018	490,844	488,656	
60,000	Bank of Nova Scotia	2.400%	28-Oct-2019	61,763	61,309	
203,000	Bank of Nova Scotia	1.900%	2-Dec-2021	202,943	201,543	
142,000	Bell Canada Inc.	3.500%	10-Sep-2018	147,494	146,756	
539,000	Bell Canada Inc.	2.000%	1-Oct-2021	538,336	533,230	
123,000	Bruce Power LP	2.844%	23-Jun-2021	123,000	125,010	
937,000	Canadian Imperial Bank of Commerce	1.700%	9-Oct-2018	941,858	942,461	
373,000	Canadian Imperial Bank of Commerce	2.350%	24-Jun-2019	382,047	380,734	
627,000	Canadian Imperial Bank of Commerce	1.850%	14-Jul-2020	628,354	629,105	
597,000	Canadian Imperial Bank of Commerce	1.900%	26-Apr-2021	596,690	596,780	
435,000	Canadian Imperial Bank of Commerce	1.640%	12-Jul-2021	434,823	428,843	
3,000	Centra Gas Ontario Inc.	8.650%	19-Oct-2018	3,466	3,349	
2,000	CIBC Capital Trust, Floating Rate Note	9.976%	30-Jun-2108	2,402	2,352	
205,000	CU Inc.	3.763%	19-Nov-2046	205,000	204,264	
125,000	CU Inc.	4.947%	18-Nov-2050	153,984	149,792	
73,000	CU Inc.	3.857%	14-Nov-2052	68,737	72,588	
66,000	CU Inc.	4.558%	7-Nov-2053	76,428	74,361	
116,000	Emera Inc.	2.900%	16-Jun-2023	116,000	115,677	
936,000	Enbridge Gas Distribution Inc.	5.160%	4-Dec-2017	983,637	970,618	
113,000	Enbridge Gas Distribution Inc.	4.040%	23-Nov-2020	121,893	122,607	
35,000	Enbridge Gas Distribution Inc.	9.850%	2-Dec-2024	52,675	51,037	
74,000	Enbridge Gas Distribution Inc.	3.310%	11-Sep-2025	76,090	77,499	
15,000	Enbridge Gas Distribution Inc.	7.600%	29-Oct-2026	20,499	20,409	
69,000	Enbridge Gas Distribution Inc.	6.900%	15-Nov-2032	97,368	94,478	
242,000	Enbridge Gas Distribution Inc.	4.950%	22-Nov-2050	268,133	287,138	
65,000	Enbridge Pipelines Inc.	4.490%	12-Nov-2019	70,305	70,376	
295,000	Enbridge Pipelines Inc.	6.350%	17-Nov-2023	361,548	357,091	
72,000	Enbridge Pipelines Inc.	8.200%	15-Feb-2024	94,976	94,090	
104,000	Enbridge Pipelines Inc.	3.000%	10-Aug-2026	104,164	103,120	
148,000	Enbridge Pipelines Inc.	5.330%	6-Apr-2040	162,312	170,479	
98,000	Enbridge Pipelines Inc.	4.130%	9-Aug-2046	98,700	95,649	
51,000	FortisAlberta Inc.	5.370%	30-Oct-2039	59,991	62,481	
75,000	FortisAlberta Inc.	3.340%	21-Sep-2046	74,195	67,833	
54,000	FortisAlberta Inc.	4.800%	27-Oct-2050	63,364	62,519	
44,000	FortisBC Energy Inc.	6.950%	21-Sep-2029	57,640	59,806	
87,000	FortisBC Energy Inc.	6.500%	1-May-2034	121,200	117,065	
108,000	FortisBC Energy Inc.	5.900%	26-Feb-2035	140,550	138,037	
52,000	FortisBC Inc.	5.000%	24-Nov-2050	63,377	61,326	
65,000	Hydro One Inc.	4.390%	26-Sep-2041	73,112	71,233	
93,000	Hydro One Inc.	5.000%	19-Oct-2046	114,967	113,241	
35,000	Inter Pipeline Ltd.	3.776%	30-May-2022	37,463	37,233	
766,000	Inter Pipeline Ltd.	2.608%	13-Sep-2023	766,003	758,401	

Educators Balanced Fund Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
246,000	Inter Pipeline Ltd.	3.484%	16-Dec-2026	246,000	249,609	
148,000	Inter Pipeline Ltd.	4.637%	30-May-2044	144,789	149,741	
287,000	Lower Mattagami Energy LP	2.307%	21-Oct-2026	286,997	274,515	
108,000	Lower Mattagami Energy LP	4.176%	23-Feb-2046	109,843	115,091	
200,000	Nova Scotia Power Inc.	6.950%	25-Aug-2033	285,728	273,849	
805,000	Royal Bank of Canada	2.770%	11-Dec-2018	831,067	825,779	
1,256,000	Royal Bank of Canada	1.920%	17-Jul-2020	1,259,427	1,261,949	
657,000	Royal Bank of Canada	2.030%	15-Mar-2021	658,967	659,469	
346,000	Royal Bank of Canada	1.583%	13-Sep-2021	344,287	339,022	
625,000	Royal Bank of Canada	2.333%	5-Dec-2023	625,000	620,776	
225,000	Royal Bank of Canada	3.310%	20-Jan-2026	229,312	228,371	
319,000	Toronto-Dominion Bank	2.447%	2-Apr-2019	326,831	325,936	
417,000	Toronto-Dominion Bank	1.693%	2-Apr-2020	420,472	417,041	
474,000	Toronto-Dominion Bank	2.563%	24-Jun-2020	489,137	487,244	
916,000	Toronto-Dominion Bank	2.045%	8-Mar-2021	919,559	921,392	
757,000	Toronto-Dominion Bank	2.621%	22-Dec-2021	781,378	777,855	
605,000	Toronto-Dominion Bank	1.909%	18-Jul-2023	606,318	588,711	
410,000	TransCanada PipeLines Ltd.	3.690%	19-Jul-2023	437,072	439,813	
54,000	TransCanada PipeLines Ltd.	3.300%	17-Jul-2025	55,258	56,048	
579,000	TransCanada PipeLines Ltd.	8.290%	5-Feb-2026	805,666	785,905	
29,000	TransCanada PipeLines Ltd.	7.310%	15-Jan-2027	37,810	37,406	
130,000	TransCanada PipeLines Ltd.	7.900%	15-Apr-2027	176,585	173,948	
140,000	TransCanada PipeLines Ltd.	6.280%	26-May-2028	174,804	170,735	
134,000	TransCanada PipeLines Ltd.	8.210%	25-Apr-2030	192,464	181,283	
22,000	TransCanada PipeLines Ltd.	8.230%	16-Jan-2031	31,511	30,595	
22,000	TransCanada PipeLines Ltd.	8.200%	15-Aug-2031	31,566	30,645	
41,000	TransCanada PipeLines Ltd.	4.350%	6-Jun-2046	41,797	41,733	
12,000	Union Gas Ltd.	4.850%	25-Apr-2022	13,592	13,630	
59,000	Union Gas Ltd.	8.650%	10-Nov-2025	84,491	83,586	
139,000	Union Gas Ltd.	2.810%	1-Jun-2026	140,411	138,898	
248,000	Union Gas Ltd.	5.200%	23-Jul-2040	309,798	300,052	
87,000	Veresen Inc.	3.430%	10-Nov-2021	86,992	87,383	
20,000	Westcoast Energy Inc.	8.500%	4-Sep-2018	22,655	22,092	
161,000	Westcoast Energy Inc.	5.600%	16-Jan-2019	175,181	172,784	
139,000	Westcoast Energy Inc.	9.900%	10-Jan-2020	171,869	168,961	
158,000	Westcoast Energy Inc.	4.570%	2-Jul-2020	171,540	170,817	
209,000	Westcoast Energy Inc.	3.883%	28-Oct-2021	221,073	222,940	
41,000	Westcoast Energy Inc.	8.850%	21-Jul-2025	56,417	57,336	
214,000	Westcoast Energy Inc.	3.770%	8-Dec-2025	214,288	221,552	
304,000	Westcoast Energy Inc.	7.300%	18-Dec-2026	394,692	390,920	
96,000	Westcoast Energy Inc.	7.150%	20-Mar-2031	126,566	121,941	
				26,037,367	25,874,970	12.80
Government Bonds						
1,952,000	Canada Housing Trust No. 1	1.950%	15-Jun-2019	2,017,271	1,995,565	
918,000	Canada Housing Trust No. 1	1.250%	15-Jun-2021	921,594	910,335	
592,000	Canadian Government Bond	1.500%	1-Mar-2017	593,674	592,948	
1,190,000	Canadian Government Bond	0.500%	1-Nov-2018	1,187,669	1,184,734	
317,000	Canadian Government Bond	0.500%	1-Feb-2019	314,645	315,243	
726,000	Canadian Government Bond	1.750%	1-Sep-2019	751,621	743,396	
559,000	Canadian Government Bond	0.750%	1-Sep-2021	547,918	549,822	
573,000	Canadian Government Bond	0.500%	1-Mar-2022	552,590	553,137	
1,472,000	Canadian Government Bond	1.500%	1-Jun-2026	1,488,396	1,444,474	
1,940,000	Canadian Government Bond	2.750%	1-Dec-2048	2,190,579	2,131,686	
297,000	CPPIB Capital Inc.	1.100%	10-Jun-2019	297,680	296,279	
535,000	Province of Alberta	2.200%	1-Jun-2026	521,384	519,694	
672,000	Province of Alberta	2.350%	1-Jun-2025	675,550	667,985	
133,000	Province of Alberta	3.500%	1-Jun-2031	142,066	139,141	
46,000	Province of Alberta	3.900%	1-Dec-2033	50,904	50,052	
650,000	Province of British Columbia	2.250%	1-Mar-2019	674,930	666,897	
221,000	Province of British Columbia	2.850%	18-Jun-2025	231,694	230,808	
300,000	Province of British Columbia	5.700%	18-Jun-2029	400,950	392,003	
483,000	Province of British Columbia	6.350%	18-Jun-2031	708,528	677,792	

Educators Balanced Fund Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
68,000	Province of British Columbia	4.700%	18-Jun-2037	82,872	84,045	
14,000	Province of British Columbia	4.300%	18-Jun-2042	17,176	16,757	
177,000	Province of British Columbia	3.200%	18-Jun-2044	189,043	178,345	
135,000	Province of Manitoba	2.450%	2-Jun-2025	135,066	134,981	
153,000	Province of Manitoba	3.250%	5-Sep-2029	158,539	156,899	
42,000	Province of Manitoba	3.750%	5-Sep-2033	46,885	44,412	
330,000	Province of Manitoba	3.300%	2-Jun-2024	356,687	352,248	
153,000	Province of Manitoba	4.400%	5-Sep-2025	178,813	174,976	
109,000	Province of Manitoba	4.600%	5-Mar-2038	132,475	129,007	
26,000	Province of Manitoba	4.700%	5-Mar-2050	34,026	32,484	
163,000	Province of Ontario	2.100%	8-Sep-2019	168,403	166,752	
1,133,000	Province of Ontario	4.200%	2-Jun-2020	1,277,443	1,237,865	
1,575,000	Province of Ontario	2.850%	2-Jun-2023	1,679,879	1,650,306	
1,927,000	Province of Ontario	3.500%	2-Jun-2024	2,126,407	2,092,838	
1,573,000	Province of Ontario	2.600%	2-Jun-2025	1,607,419	1,598,467	
751,000	Province of Ontario	6.200%	2-Jun-2031	1,088,769	1,032,628	
136,000	Province of Ontario	4.700%	2-Jun-2037	167,035	166,424	
1,624,000	Province of Ontario	2.100%	8-Sep-2018	1,658,719	1,654,361	
2,115,000	Province of Ontario	4.000%	2-Jun-2021	2,351,940	2,328,799	
69,000	Province of Ontario	4.250%	1-Dec-2021	78,841	77,230	
1,268,000	Province of Ontario	3.150%	2-Jun-2022	1,371,281	1,352,950	
1,006,000	Province of Ontario	2.400%	2-Jun-2026	1,023,098	998,733	
96,000	Province of Ontario	3.500%	2-Jun-2043	103,415	100,397	
325,000	Province of Ontario	3.450%	2-Jun-2045	352,824	337,864	
42,000	Province of Ontario	3.500%	1-Dec-2045	45,639	43,862	
1,900,000	Province of Ontario	2.900%	2-Dec-2046	1,893,728	1,780,808	
2,216,000	Province of Ontario	2.800%	2-Jun-2048	2,197,390	2,040,469	
217,000	Province of Quebec	2.750%	1-Sep-2025	233,896	222,725	
98,000	Province of Quebec	2.500%	1-Sep-2026	96,914	97,908	
903,000	Province of Quebec	3.500%	1-Dec-2048	1,036,078	951,512	
98,000	Province of Saskatchewan	5.800%	5-Sep-2033	133,869	130,236	
				<u>36,294,212</u>	<u>35,429,279</u>	<u>17.52</u>
				<u>62,331,579</u>	<u>61,304,249</u>	<u>30.32</u>
Canadian Common Stocks						
Consumer Discretionary						
14,053	Canadian Tire Corp., Ltd., Class A			1,433,337	1,957,161	
45,390	Magna International Inc.			1,757,354	2,646,237	
33,600	Quebecor Inc.			889,747	1,253,952	
16,500	Thomson Reuters Corp.			640,464	969,540	
				<u>4,720,902</u>	<u>6,826,890</u>	<u>3.38</u>
Consumer Staples						
6,850	Loblaw Cos., Ltd.			347,665	485,254	
12,700	Metro Inc.			300,247	510,032	
11,470	Molson Coors Canada Inc.			707,708	1,497,982	
				<u>1,355,620</u>	<u>2,493,268</u>	<u>1.23</u>
Energy						
66,360	Cameco Corp.			1,215,996	931,694	
2,900	Suncor Energy Inc.			126,226	127,310	
54,700	Canadian Natural Resources Ltd.			1,719,888	2,340,613	
149,740	Cenovus Energy Inc.			3,742,872	3,039,722	
				<u>6,804,982</u>	<u>6,439,339</u>	<u>3.19</u>
Financials						
52,200	Bank of Nova Scotia			2,834,312	3,902,472	
57,970	Brookfield Asset Management Inc.			2,165,907	2,568,071	
21,600	Canadian Imperial Bank of Commerce			1,935,355	2,366,496	
56,300	Great-West Lifeco Inc.			1,756,263	1,980,071	
6,150	IGM Financial Inc.			300,494	234,930	
78,200	Manulife Financial Corp.			1,356,792	1,869,762	
3,500	Onex Corp.			159,494	319,830	

Educators Balanced Fund Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
61,600	Royal Bank of Canada			3,883,360	5,597,592	
84,900	Toronto-Dominion Bank			3,470,883	5,622,078	
				<u>17,862,860</u>	<u>24,461,302</u>	12.10
Industrials						
21,180	Canadian National Railway Co.			1,016,912	1,913,825	
5,600	Canadian Pacific Railway Ltd.			1,019,963	1,072,736	
45,930	Finning International Inc.			1,100,701	1,207,500	
24,120	SNC-Lavalin Group Inc.			1,080,968	1,393,895	
				<u>4,218,544</u>	<u>5,587,956</u>	2.76
Information Technology						
19,241	Open Text Corp.			962,316	1,595,464	
				<u>962,316</u>	<u>1,595,464</u>	0.79
Materials						
14,710	Agrium Inc.			1,695,404	1,985,262	
7,800	Franco-Nevada Corp.			583,947	626,184	
30,700	Potash Corp. of Saskatchewan Inc.			1,016,321	745,703	
				<u>3,295,672</u>	<u>3,357,149</u>	1.66
Telecommunication Services						
77,250	Rogers Communications Inc.			3,505,787	4,000,778	
40,800	TELUS Corp.			1,423,872	1,744,200	
				<u>4,929,659</u>	<u>5,744,978</u>	2.84
				<u>44,150,555</u>	<u>56,506,346</u>	27.95
Canadian Mutual Funds						
2,395,091	Beutel Goodman American Equity Fund, Class I			31,167,526	38,041,703	
7,528,338	Beutel Goodman International Equity Fund, Class I			38,949,543	39,814,365	
159,905	Beutel Goodman Small Cap Fund, Class I			3,768,713	4,816,109	
				<u>73,885,782</u>	<u>82,672,177</u>	40.89
Total Investments				181,391,657	201,506,513	99.67
Transaction Costs				(31,224)		
Net Investments				<u>\$ 181,360,433</u>	201,506,513	99.67
Other Assets Less Liabilities					661,962	0.33
Net Assets Attributable to Holders of Redeemable Units					<u>\$ 202,168,475</u>	100.00

Educators Monthly Income Fund Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 69,264	\$ 45,015
Interest and dividends receivable	173,610	110,680
Subscriptions receivable	44,665	110,381
Due from brokers	181,484	79,122
Investments	<u>54,502,534</u>	<u>49,682,480</u>
Total assets	\$ <u>54,971,557</u>	\$ <u>50,027,678</u>
Liabilities		
Current liabilities		
Due to brokers	156,260	62,628
Redemptions payable	25,194	17,584
Distributions payable	10,728	11,270
Amounts due to Manager-Trustee (Note 6)	<u>57,904</u>	<u>55,114</u>
Total liabilities	<u>250,086</u>	<u>146,596</u>
Net assets attributable to holders of redeemable units	\$ <u>54,721,471</u>	\$ <u>49,881,082</u>
Number of redeemable units outstanding (Note 3)	<u>5,408,281</u>	<u>5,030,870</u>
Net assets attributable to holders of redeemable units per unit	\$ <u>10.12</u>	\$ <u>9.92</u>

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Monthly Income Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 344,317	\$ 272,558
Dividends	1,164,583	1,092,427
Securities lending (Note 5)	21,285	11,001
Other changes in fair value of investments:		
Net realized (loss) gain	(4,228)	1,867,057
Net change in unrealized appreciation (depreciation)	3,433,133	(1,776,323)
Total income	<u>4,959,090</u>	<u>1,466,720</u>
Expenses		
Management fees (Note 6)	585,703	547,811
Independent review committee fees	5,287	5,251
Transaction costs	47,249	49,043
Withholding taxes	44,512	76,220
Harmonised sales tax	75,906	70,994
Total expenses	<u>758,657</u>	<u>749,319</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 4,200,433</u>	<u>\$ 717,401</u>
Weighted average units outstanding during the year	<u>5,192,080</u>	<u>4,594,962</u>
Increase in net assets attributable to holders of redeemable units unit	<u>\$ 0.81</u>	<u>\$ 0.16</u>

Educators Monthly Income Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 49,881,082	\$ 40,835,352
Increase in net assets attributable to holders of redeemable units	4,200,433	717,401
Distributions to holders of redeemable units		
From net investment income and return of capital	(3,116,135)	(1,207,891)
From net realized gains	-	(1,567,704)
Total distributions to holders of redeemable units	<u>(3,116,135)</u>	<u>(2,775,595)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	8,939,113	13,873,701
Redemption of redeemable units	(8,176,148)	(5,418,989)
Reinvestments of distributions to holders of redeemable units	2,993,126	2,649,212
Net increase from redeemable unit transactions	<u>3,756,091</u>	<u>11,103,924</u>
Net increase in net assets attributable to holders of redeemable units	<u>4,840,389</u>	<u>9,045,730</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 54,721,471</u>	<u>\$ 49,881,082</u>

See accompanying notes to the financial statements

Educators Monthly Income Fund

Statements of Cash Flows

Years ended December 31

	2016		2015
Cash Flow from Operating Activities			
Increase in net assets attributable to holders of redeemable units	\$ 4,200,433	\$	717,401
Adjustments for:			
Net realized loss (gain) on sale of investments	4,228		(1,867,057)
Net change in unrealized (appreciation) depreciation in value of investments	(3,433,133)		1,776,323
Purchase of investments	(50,362,068)		(58,654,512)
Proceeds from disposal of investments	48,962,189		49,710,241
(Increase) decrease in interest and dividends receivable	(62,930)		4,156
Increase in amounts due to Manager-Trustee	2,790		7,977
Cash used by operating activities	<u>(688,491)</u>		<u>(8,305,471)</u>
Cash Flow from Financing Activities			
Proceeds from redeemable units issued	9,004,829		13,811,790
Redemption of redeemable units	(8,168,538)		(5,408,653)
Distributions paid to holders of redeemable units, net of reinvested distributions	(123,551)		(125,680)
Cash provided by financing activities	<u>712,740</u>		<u>8,277,457</u>
Increase (decrease) in cash	\$ <u>24,249</u>	\$	<u>(28,014)</u>
Cash, beginning of year	\$ <u>45,015</u>	\$	<u>73,029</u>
Cash, end of year	\$ <u>69,264</u>	\$	<u>45,015</u>
Supplemental cash flow information:			
Dividends received, net of withholding taxes	\$ 1,083,984	\$	1,031,305
Interest received	\$ 317,706	\$	263,439

See accompanying notes to the financial statements

Educators Monthly Income Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Treasury Bills						
49,000	Canadian Treasury Bill	0.471%	9-Mar-2017	48,944	48,944	
110,000	Canadian Treasury Bill	0.472%	23-Mar-2017	109,868	109,868	
190,000	Canadian Treasury Bill	0.474%	6-Apr-2017	189,759	189,759	
320,000	Canadian Treasury Bill	0.481%	20-Apr-2017	319,318	319,318	
				<u>667,889</u>	<u>667,889</u>	<u>1.22</u>
Canadian Bonds						
Asset-Backed						
24,000	Ford Auto Securitization Trust	2.523%	15-Apr-2018	24,000	24,047	
41,000	Ford Auto Securitization Trust	3.422%	15-Mar-2021	41,000	41,435	
15,000	Institutional Mortgage Securities Canada Inc.	4.336%	12-Jan-2023	14,594	15,161	
27,000	Institutional Mortgage Securities Canada Inc.	4.240%	12-Oct-2023	26,998	28,225	
110,000	Institutional Mortgage Securities Canada Inc.	4.186%	12-May-2024	109,995	110,557	
48,000	Institutional Mortgage Securities Canada Inc.	4.192%	12-Jul-2045	47,997	49,238	
68,000	MCAP CMBS Issuer Corp.	2.171%	15-Apr-2019	44,042	43,317	
80,000	MCAP CMBS Issuer Corp.	3.600%	12-Apr-2054	79,144	79,863	
18,000	Merrill Lynch Financial Assets Inc.	5.022%	12-Jan-2040	16,532	17,955	
54,000	Real Estate Asset Liquidity Trust	5.039%	12-Apr-2023	54,606	54,168	
70,000	Real Estate Asset Liquidity Trust	3.451%	12-May-2025	69,995	67,214	
73,000	Real Estate Asset Liquidity Trust	3.659%	12-Jul-2025	68,670	64,941	
100,000	Real Estate Asset Liquidity Trust	3.179%	12-Jan-2026	99,992	98,070	
84,000	Schooner Trust	5.198%	12-Jun-2022	88,834	84,646	
				<u>786,399</u>	<u>778,837</u>	<u>1.42</u>
Corporate Bonds						
99,000	407 International Inc.	3.830%	11-May-2046	98,420	99,312	
196,000	Aimia Inc.	5.600%	17-May-2019	214,530	201,478	
82,000	Algonquin Power Co.	4.650%	15-Feb-2022	84,564	87,465	
57,000	AltaGas Ltd.	4.400%	15-Mar-2024	59,921	61,728	
215,000	Bank of Montreal	3.320%	1-Jun-2026	215,806	218,571	
180,000	Bank of Nova Scotia	1.900%	2-Dec-2021	179,950	178,708	
170,000	Bank of Nova Scotia, Floating Rate Note	3.367%	8-Dec-2025	171,006	173,352	
61,000	bcIMC Realty Corp.	3.510%	29-Jun-2022	65,019	64,884	
175,000	bcIMC Realty Corp.	2.840%	3-Jun-2025	177,018	175,899	
200,000	Bell Canada Inc.	2.000%	1-Oct-2021	199,412	197,859	
100,000	Blackbird Infrastructure 407 GP	1.713%	8-Oct-2021	99,221	98,917	
100,000	BMW Canada Inc.	1.830%	15-Jun-2021	99,957	99,121	
80,000	Cameco Corp.	4.190%	24-Jun-2024	79,968	80,632	
105,000	Canadian Imperial Bank of Commerce	3.420%	26-Jan-2026	106,940	107,029	
80,000	Canadian Tire Corp., Ltd.	6.445%	24-Feb-2034	91,710	97,584	
79,000	Canadian Western Bank	3.463%	17-Dec-2024	79,680	80,273	
74,000	CARDS II Trust	2.155%	15-Oct-2020	74,000	75,087	
50,000	Chip Mortgage Trust	2.330%	29-Apr-2020	50,000	49,350	
105,000	Chip Mortgage Trust	2.981%	15-Nov-2021	105,000	104,333	
137,000	CIBC Capital Trust, Floating Rate Note	9.976%	30-Jun-2108	176,873	161,114	
97,000	CU Inc.	4.085%	2-Sep-2044	99,014	101,773	
35,000	CU Inc.	3.964%	27-Jul-2045	35,967	35,944	
75,000	Eagle Credit Card Trust	2.849%	17-Oct-2018	75,000	76,920	
75,000	Eagle Credit Card Trust	3.469%	17-Oct-2018	75,000	76,607	
192,000	EnerCare Solutions Inc.	4.600%	3-Feb-2020	197,874	201,642	
215,000	Fortified Trust	1.670%	23-Jul-2021	214,146	212,474	
50,000	FortisBC Energy Inc.	2.580%	8-Apr-2026	49,970	49,414	
175,000	Genesis Trust II	1.675%	17-Sep-2018	175,499	175,966	
103,000	Genworth MI Canada Inc.	4.242%	1-Apr-2024	104,851	103,977	
155,000	Glacier Credit Card Trust	3.237%	20-Sep-2020	156,073	156,779	
180,000	Hollis Receivables Term Trust II	1.788%	26-Feb-2020	179,803	180,297	
103,000	Home Trust Co.	3.400%	10-Dec-2018	104,761	104,120	
190,000	Intact Financial Corp.	3.770%	2-Mar-2026	189,968	201,050	
100,000	Laurentian Bank of Canada	2.750%	22-Apr-2021	99,787	100,944	
104,000	Leisureworld Senior Care LP	3.474%	3-Feb-2021	106,305	109,143	

Educators Monthly Income Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
166,000	Loblaws Cos. Ltd.	6.650%	8-Nov-2027	218,622	206,584	
50,000	Master Credit Card Trust II	2.200%	21-Apr-2017	50,000	50,123	
65,000	Master Credit Card Trust II	2.447%	21-Apr-2017	65,000	65,151	
56,000	Master Credit Card Trust II	3.223%	21-Nov-2018	56,000	57,499	
83,000	Master Credit Card Trust II	3.623%	21-Nov-2018	83,000	85,195	
26,000	MCAP Commercial LP	3.955%	11-Mar-2019	26,000	25,688	
140,000	OMERS Realty Corp.	2.858%	23-Feb-2024	140,000	142,705	
85,000	Pembina Pipeline Corp.	3.710%	11-Aug-2026	85,464	85,844	
145,000	Pembina Pipeline Corp.	4.810%	25-Mar-2044	145,013	144,487	
120,000	PowerStream Inc.	3.239%	21-Nov-2024	126,809	123,953	
113,000	Rogers Communications Inc.	6.680%	4-Nov-2039	136,342	145,584	
105,000	Rogers Communications Inc.	6.110%	25-Aug-2040	130,414	127,061	
105,000	Royal Bank of Canada	1.650%	15-Jul-2021	105,449	103,434	
210,000	Royal Bank of Canada	3.310%	20-Jan-2026	211,807	213,146	
160,000	Shaw Communications Inc.	4.350%	31-Jan-2024	163,138	170,667	
37,000	Shaw Communications Inc.	6.750%	9-Nov-2039	45,944	44,349	
73,000	TD Capital Trust IV, Floating Rate Note	9.523%	30-Jun-2049	96,294	85,109	
246,000	Toronto Dominion Bank	4.859%	4-Mar-2031	251,568	269,434	
200,000	Toronto Dominion Bank, Floating Rate Note	2.982%	30-Sep-2025	200,859	201,396	
100,000	Toronto Hydro Corp.	2.520%	25-Aug-2026	99,984	97,923	
60,000	Toronto Hydro Corp.	4.080%	16-Sep-2044	59,969	62,811	
95,000	Toyota Credit Canada Inc.	2.200%	25-Feb-2021	94,812	95,828	
100,000	TransCanada PipeLines Ltd.	4.350%	6-Jun-2046	99,767	101,787	
55,000	WTH Car Rental ULC	2.542%	20-Aug-2019	55,000	55,309	
55,000	WTH Car Rental ULC	3.323%	20-Aug-2019	55,000	55,092	
175,000	WTH Car Rental ULC	1.912%	20-Jul-2020	175,000	171,614	
				<u>7,270,268</u>	<u>7,287,519</u>	<u>13.32</u>
Government Bonds						
20,000	Government of Canada	1.750%	1-Sep-2019	20,664	20,479	
13,000	Government of Canada	2.500%	1-Jun-2024	14,554	13,893	
1,108,000	Government of Canada	1.500%	1-Jun-2026	1,130,517	1,087,280	
859,000	Government of Canada	3.500%	1-Dec-2045	1,155,186	1,067,929	
95,000	Government of Canada	2.750%	1-Dec-2048	103,180	104,387	
				<u>2,424,101</u>	<u>2,293,968</u>	<u>4.19</u>
				<u>10,480,768</u>	<u>10,360,324</u>	<u>18.93</u>
Canadian Common Stocks						
Consumer Discretionary						
2,210	Canadian Tire Corp Ltd.			306,716	307,787	
29,500	Corus Entertainment Inc.			279,968	371,700	
14,800	Shaw Communications Inc.			391,604	398,712	
12,100	Sleep Country Canada Holdings Inc.			382,825	348,238	
				<u>1,361,113</u>	<u>1,426,437</u>	<u>2.61</u>
Consumer Staples						
11,700	Alimentation Couche-Tard Inc.			538,720	712,296	
6,700	Loblaws Cos. Ltd.			449,175	474,628	
				<u>987,895</u>	<u>1,186,924</u>	<u>2.17</u>
Energy						
39,800	Birchcliff Energy Ltd.			366,272	372,926	
31,100	Canadian Natural Resources Ltd.			898,310	1,330,769	
27,209	Enbridge Inc.			1,491,516	1,537,309	
8,200	Enbridge Inc.			205,000	210,330	
23,900	Gibson Energy Inc.			422,423	453,622	
11,326	Keyera Corp.			397,506	458,250	
16,400	Parkland Fuel Corp.			369,535	461,332	
11,000	Pembina Pipeline Corp.			435,415	461,560	
10,000	Pembina Pipeline Corp., Preferred Shares			250,000	263,900	
39,989	Suncor Energy Inc.			1,413,117	1,755,517	
28,000	TORC Oil & Gas Ltd.			225,360	231,560	
21,300	TransCanada Corp.			989,235	1,289,502	
51,800	Veresen Inc.			534,376	679,098	

Educators Monthly Income Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
9,400	Vermilion Energy Inc.			411,457	531,006	
				8,409,522	10,036,681	18.34
	Financials					
16,500	Bank of Montreal			1,309,274	1,593,405	
21,300	Bank of Nova Scotia			1,402,673	1,592,388	
13,000	Brookfield Asset Management Inc.			570,375	575,900	
8,300	ECN Capital Corp.			207,500	198,702	
21,000	Fiera Capital Corp.			272,419	268,380	
6,700	Intact Financial Corp.			607,219	643,870	
53,600	Manulife Financial Corp.			1,069,570	1,281,576	
10,200	National Bank of Canada			470,883	556,206	
29,323	Royal Bank of Canada			1,969,697	2,664,582	
7,200	TMX Group Ltd.			429,373	514,944	
39,946	Toronto-Dominion Bank			1,854,375	2,645,225	
				10,163,358	12,535,178	22.92
	Industrials					
2,600	Boyd Group Income Fund			121,941	222,456	
18,360	Canadian National Railway Co.			1,056,484	1,659,010	
1,700	Canadian Pacific Railway Ltd.			342,559	325,652	
65,224	Chorus Aviation Inc.			394,642	471,570	
4,500	Waste Connections Inc.			433,254	474,030	
				2,348,880	3,152,718	5.76
	Materials					
9,800	Agnico Eagle Mines Ltd.			587,255	553,210	
4,400	Agrium Inc.			567,529	593,824	
28,700	Barrick Gold Corp.			650,990	616,763	
900	CCL Industries Inc.			128,303	237,420	
13,790	Silver Wheaton Corp.			479,475	357,713	
19,100	Teck Resources Ltd.			619,801	513,217	
				3,033,353	2,872,147	5.25
	Real Estate					
10,074	Allied Properties REIT			315,558	362,160	
26,000	American Hotel Income Properties REIT LP			264,573	271,960	
18,100	Automotive Properties Real Estate Investment Trust			188,174	193,308	
23,000	First Capital Realty Inc.			455,067	475,410	
10,000	H&R Real Estate Investment Trust			217,403	223,700	
14,700	Mainstreet Health Investments Inc.			192,673	184,716	
21,353	Milestone Apartments REIT			286,463	405,707	
61,000	Pure Industrial Real Estate Trust			292,631	340,990	
				2,212,542	2,457,951	4.49
	Telecommunication Services					
6,700	BCE Inc.			386,659	388,801	
13,500	Rogers Communications Inc.			620,188	699,165	
				1,006,847	1,087,966	1.99
	Utilities					
14,200	Northland Power Inc.			273,752	330,860	
				273,752	330,860	0.60
				29,797,262	35,086,862	64.13
	Foreign Common Stocks					
	Bermuda					
	Real Estate					
11,800	Brookfield Property Partners LP			347,576	346,094	
				347,576	346,094	0.63
	Utilities					
8,532	Brookfield Infrastructure Partners LP			263,923	383,257	

Educators Monthly Income Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
10,000	Brookfield Infrastructure Partners LP, Preferred Shares, 5.350%, Series 5			248,832	260,000	
8,000	Brookfield Renewable Partners LP			308,020	318,800	
				<u>820,775</u>	<u>962,057</u>	<u>1.76</u>
United States						
Consumer Discretionary						
6,700	Newell Rubbermaid Inc.			321,257	401,184	
3,400	Starbucks Corp.			162,255	253,149	
2,100	TJX Cos Inc.			209,021	211,583	
				<u>692,533</u>	<u>865,916</u>	<u>1.58</u>
Consumer Staples						
2,600	Costco Wholesale Corp.			463,995	558,264	
				<u>463,995</u>	<u>558,264</u>	<u>1.02</u>
Financials						
8,600	JPMorgan Chase & Co.			529,716	995,191	
5,800	Wells Fargo & Co.			356,883	428,653	
				<u>886,599</u>	<u>1,423,844</u>	<u>2.60</u>
Health Care						
3,000	Johnson & Johnson			419,751	463,510	
				<u>419,751</u>	<u>463,510</u>	<u>0.85</u>
Industrials						
1,600	Lockheed Martin Corp.			371,156	536,294	
7,500	Masco Corp.			341,604	318,032	
2,500	Union Pacific Corp.			301,699	347,602	
				<u>1,014,459</u>	<u>1,201,928</u>	<u>2.20</u>
Information Technology						
12,000	Cisco Systems Inc.			425,219	486,321	
9,000	Intel Corp.			419,097	437,762	
7,500	Microsoft Corp.			424,665	625,000	
4,300	Visa Inc.			304,673	449,906	
				<u>1,573,654</u>	<u>1,998,989</u>	<u>3.65</u>
				<u>6,219,342</u>	<u>7,820,602</u>	<u>14.29</u>
Foreign Bonds						
United States						
Corporate Bonds						
60,000	Metropolitan Life Global Funding I	2.682%	16-Apr-2019	60,412	61,351	
100,000	Wells Fargo & Co.	2.222%	15-Mar-2021	101,232	100,017	
196,000	Wells Fargo & Co.	2.975%	19-May-2026	196,000	191,156	
				<u>357,644</u>	<u>352,524</u>	<u>0.64</u>
United Kingdom						
Corporate Bonds						
215,000	HSBC Holdings PLC	3.196%	5-Dec-2023	215,000	214,333	
				<u>215,000</u>	<u>214,333</u>	<u>0.39</u>
				<u>572,644</u>	<u>566,857</u>	<u>1.03</u>
Total Investments				47,737,905	54,502,534	99.60
Transaction Costs				(27,230)		
Net Investments				<u>\$ 47,710,675</u>	54,502,534	99.60
Other Assets Less Liabilities					218,937	0.40
Net Assets Attributable to Holders of Redeemable Units					<u>\$ 54,721,471</u>	<u>100.00</u>

Educators Dividend Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 220,215	\$ 97,364
Interest and dividends receivable	225,782	199,235
Subscriptions receivable	218,237	57,573
Forward contracts (Note 10)	164,316	106,650
Investments	113,828,494	101,328,701
Total assets	\$ 114,657,044	\$ 101,789,523
Liabilities		
Current liabilities		
Redemptions payable	56,324	70,605
Distributions payable	3,177	8,237
Amounts due to Manager-Trustee (Note 6)	159,996	147,484
Forward contracts (Note 10)	234,170	1,129,194
Total liabilities	453,667	1,355,520
Net assets attributable to holders of redeemable units	\$ 114,203,377	\$ 100,434,003
Number of redeemable units outstanding (Note 3)	4,415,490	4,330,034
Net assets attributable to holders of redeemable units per unit	\$ 25.86	\$ 23.19

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Dividend Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 169,761	\$ 98,897
Dividends	2,767,885	2,956,177
Securities lending (Note 5)	18,191	16,226
Other changes in fair value of investments:		
Net realized gain	2,694,785	1,692,938
Net realized loss on forward contracts	(170,320)	(4,039,677)
Net change in unrealized appreciation (depreciation) on forward contracts	952,690	(651,101)
Net change in unrealized appreciation (depreciation)	7,818,615	(2,601,307)
Total income	<u>14,251,607</u>	<u>(2,527,847)</u>
Expenses		
Management fees (Note 6)	1,687,515	1,655,602
Independent review committee fees	11,014	11,233
Transaction costs	39,746	21,249
Withholding taxes	60,289	77,629
Harmonised sales tax	207,453	203,401
	<u>2,006,017</u>	<u>1,969,114</u>
Less expenses waived/absorbed by Manager-Trustee (Note 6)	(80,594)	(78,848)
Total expenses	<u>1,925,423</u>	<u>1,890,266</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 12,326,184</u>	<u>\$ (4,418,113)</u>
Weighted average units outstanding during the year	<u>4,358,180</u>	<u>4,248,853</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 2.83</u>	<u>\$ (1.04)</u>

Educators Dividend Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 100,434,003	\$ 100,510,320
Increase (decrease) in net assets attributable to holders of redeemable units	12,326,184	(4,418,113)
Distributions to holders of redeemable units		
From net investment income	(679,603)	(748,539)
Total distributions to holders of redeemable units	<u>(679,603)</u>	<u>(748,539)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	15,571,886	17,462,398
Redemption of redeemable units	(14,118,202)	(13,105,357)
Reinvestments of distributions to holders of redeemable units	669,109	733,294
Net increase from redeemable unit transactions	<u>2,122,793</u>	<u>5,090,335</u>
Net increase (decrease) in net assets attributable to holders of redeemable units	<u>13,769,374</u>	<u>(76,317)</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 114,203,377</u>	<u>\$ 100,434,003</u>

See accompanying notes to the financial statements

Educators Dividend Fund

Statements of Cash Flows

Years ended December 31

	2016	2015
Cash Flow from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 12,326,184	\$ (4,418,113)
Adjustments for:		
Net realized gain on sale of investments	(2,694,785)	(1,692,938)
Net change in unrealized (appreciation) depreciation on forward contracts	(952,690)	651,101
Net change in unrealized (appreciation) depreciation in value of investments	(7,818,615)	2,601,307
Purchase of investments	(45,413,595)	(48,737,963)
Proceeds from disposal of investments	43,427,202	47,149,601
Increase in interest and dividends receivable	(26,547)	(58,244)
Increase (decrease) in amounts due to Manager-Trustee	12,512	(5,609)
Cash used by operating activities	<u>(1,140,334)</u>	<u>(4,510,858)</u>
Cash Flow from Financing Activities		
Proceeds from redeemable units issued	15,411,222	17,532,699
Redemption of redeemable units	(14,132,483)	(13,106,206)
Distributions paid to holders of redeemable units, net of reinvested distributions	(15,554)	(12,868)
Cash provided by financing activities	<u>1,263,185</u>	<u>4,413,625</u>
Increase (decrease) in cash	\$ 122,851	\$ (97,233)
Cash, beginning of year	\$ 97,364	\$ 194,597
Cash, end of year	\$ 220,215	\$ 97,364
Supplemental cash flow information:		
Dividends received, net of withholding taxes	\$ 2,681,752	\$ 2,821,246
Interest received	\$ 170,185	\$ 98,880

See accompanying notes to the financial statements

Educators Dividend Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Treasury Bills						
35,000	Canada Treasury Bill	0.454%	26-Jan-2017	349,594	349,594	
100,000	Canada Treasury Bill	0.444%	9-Feb-2017	99,887	99,887	
1,300,000	Canada Treasury Bill	0.501%	23-Feb-2017	1,298,412	1,298,412	
1,000,000	Canada Treasury Bill	0.475%	23-Mar-2017	998,698	998,698	
100,000	Canada Treasury Bill	0.445%	6-Apr-2017	99,882	99,882	
				<u>2,846,473</u>	<u>2,846,473</u>	<u>2.49</u>
Canadian Common Stocks						
Consumer Discretionary						
35,300	Cineplex Inc.			1,236,880	1,808,066	
27,800	Dollarama Inc.			1,238,039	2,734,964	
53,600	Gildan Activewear Inc.			1,502,851	1,827,224	
				<u>3,977,770</u>	<u>6,370,254</u>	<u>5.58</u>
Consumer Staples						
36,900	Alimentation Couche-Tard Inc.			2,046,978	2,246,472	
28,500	Metro Inc.			1,264,155	1,144,560	
23,691	Loblaw Cos., Ltd.			1,241,685	1,678,250	
				<u>4,552,818</u>	<u>5,069,282</u>	<u>4.44</u>
Energy						
64,200	ARC Resources Ltd.			1,423,997	1,483,662	
64,100	Enbridge Inc.			1,522,975	3,621,650	
34,900	Inter Pipeline Ltd.			881,267	1,034,436	
39,900	Keyera Corp.			1,059,741	1,614,354	
37,900	Pembina Pipeline Corp.			1,290,848	1,590,284	
28,100	Peyto Exploration & Development Corp.			579,957	933,201	
52,748	Suncor Energy Inc.			2,098,292	2,315,637	
49,700	TransCanada Corp.			2,129,860	3,008,838	
31,500	Vermilion Energy Inc.			1,544,218	1,779,435	
107,500	Whitecap Resources Inc.			1,223,065	1,307,200	
				<u>13,754,220</u>	<u>18,688,697</u>	<u>16.36</u>
Financials						
21,500	Bank of Montreal			537,500	554,915	
84,600	Bank of Nova Scotia			3,929,171	6,324,695	
105,850	Brookfield Asset Management Inc., Class A			3,638,345	4,689,155	
35,200	Intact Financial Corp.			1,619,893	3,382,720	
110,184	Manulife Financial Corp.			2,180,515	2,634,499	
63,800	Royal Bank of Canada			2,920,884	5,797,506	
128,600	Toronto-Dominion Bank			3,757,474	8,515,892	
				<u>18,583,782</u>	<u>31,899,382</u>	<u>27.93</u>
Industrials						
20,100	Boyd Group Income Fund			580,670	1,719,756	
48,400	Canadian National Railway Co.			1,832,718	4,373,424	
23,593	Waste Connections Inc.			1,139,743	2,485,287	
				<u>3,553,131</u>	<u>8,578,467</u>	<u>7.51</u>
Materials						
15,500	Franco-Nevada Corp.			1,477,823	1,244,340	
				<u>1,477,823</u>	<u>1,244,340</u>	<u>1.09</u>
Information Technology						
76,200	DH Corp.			2,266,015	1,697,736	
21,744	MacDonald, Dettwiler & Associates Ltd.			1,558,010	1,454,456	
				<u>3,824,025</u>	<u>3,152,192</u>	<u>2.76</u>

Educators Dividend Fund Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Real Estate						
47,000	Allied Properties REIT			1,583,153	1,689,650	
17,200	Boardwalk REIT			1,039,711	836,780	
42,200	RioCan REIT			1,056,471	1,123,786	
				<u>3,679,335</u>	<u>3,650,216</u>	3.20
Telecommunication Services						
36,400	BCE Inc.			2,250,563	2,112,292	
41,000	Rogers Communications Inc.			2,036,120	2,123,390	
				<u>4,286,683</u>	<u>4,235,682</u>	3.71
Utilities						
137,300	Algonquin Power & Utilities Corp.			1,515,792	1,563,847	
50,200	Fortis Inc.			1,674,537	2,081,292	
				<u>3,190,329</u>	<u>3,645,139</u>	3.19
				<u>60,879,916</u>	<u>86,533,651</u>	75.77
Foreign Common Stocks						
Bermuda						
Real Estate						
36,100	Brookfield Property Partners LP			1,068,361	1,058,813	
				<u>1,068,361</u>	<u>1,058,813</u>	0.93
Utilities						
78,600	Brookfield Infrastructure Partners LP			2,025,367	3,530,712	
41,700	Brookfield Renewable Energy Partners LP			1,265,632	1,661,745	
				<u>3,290,999</u>	<u>5,192,457</u>	4.55
				<u>4,359,360</u>	<u>6,251,270</u>	5.48
United States						
Consumer Discretionary						
22,000	Starbucks Corp.			762,745	1,638,022	
21,200	TJX Cos., Inc.			1,860,706	2,135,978	
				<u>2,623,451</u>	<u>3,774,000</u>	3.30
Consumer Staples						
19,600	Walgreens Boots Alliance Inc.			1,709,176	2,175,325	
				<u>1,709,176</u>	<u>2,175,325</u>	1.90
Financials						
27,300	JPMorgan Chase & Co.			1,639,424	3,159,153	
30,800	Wells Fargo & Co.			1,304,707	2,276,295	
				<u>2,944,131</u>	<u>5,435,448</u>	4.76
Information Technology						
9,800	Apple Inc.			1,508,755	1,522,149	
33,600	Microsoft Corp.			1,001,296	2,800,000	
23,800	Visa Inc.			1,452,690	2,490,178	
				<u>3,962,741</u>	<u>6,812,327</u>	5.97
				<u>11,239,499</u>	<u>18,197,100</u>	15.93
Total Investments				79,325,248	113,828,494	99.67
Transaction Costs				(57,439)		
Net Investments				<u>\$ 79,267,809</u>	<u>113,828,494</u>	<u>99.67</u>
Other Assets Less Liabilities					374,883	0.33
Net Assets Attributable to Holders of Redeemable Units					<u>\$ 114,203,377</u>	<u>100.00</u>

Educators Growth Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 16,498	\$ 37,657
Interest and dividends receivable	185,763	143,274
Subscriptions receivable	165,653	91,215
Due from brokers	178,947	-
Forward contracts (Note 10)	18,239	7,352
Investments	<u>87,640,108</u>	<u>79,680,182</u>
Total assets	\$ <u>88,205,208</u>	\$ <u>79,959,680</u>
Liabilities		
Current liabilities		
Due to brokers	163,280	-
Redemptions payable	43,249	42,568
Distributions payable	1,498	7,644
Amounts due to Manager-Trustee (Note 6)	138,214	130,711
Forward contracts (Note 10)	<u>29,393</u>	<u>332,101</u>
Total liabilities	<u>375,634</u>	<u>513,024</u>
Net assets attributable to holders of redeemable units	\$ <u>87,829,574</u>	\$ <u>79,446,656</u>
Number of redeemable units outstanding (Note 3)	<u>3,704,213</u>	<u>3,821,905</u>
Net assets attributable to holders of redeemable units per unit	\$ <u>23.71</u>	\$ <u>20.79</u>

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators Growth Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 12,681	\$ 15,078
Dividends	1,853,578	1,967,419
Securities lending (Note 5)	6,021	6,090
Other changes in fair value of investments:		
Net realized gain	2,774,451	3,918,110
Net realized loss on forward contracts	(109,070)	(544,227)
Net change in unrealized appreciation (depreciation) on forward contracts	313,595	(324,749)
Net change in unrealized appreciation (depreciation)	7,915,581	(5,145,612)
Total income	<u>12,766,837</u>	<u>(107,891)</u>
Expenses		
Management fees (Note 6)	1,432,862	1,457,057
Independent review committee fees	8,482	8,952
Transaction costs	40,068	47,812
Withholding taxes	13,176	17,044
Harmonised sales tax	179,181	182,363
	<u>1,673,769</u>	<u>1,713,228</u>
Less expenses waived/absorbed by Manager-Trustee (Note 6)	(41,712)	(42,296)
Total expenses	<u>1,632,057</u>	<u>1,670,932</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 11,134,780</u>	<u>\$ (1,778,823)</u>
Weighted average units outstanding during the year	<u>3,736,459</u>	<u>3,794,209</u>
	<u>\$ 2.98</u>	<u>\$ (0.47)</u>

Educators Growth Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 79,446,656	\$ 82,522,990
Increase (decrease) in net assets attributable to holders of redeemable units	11,134,780	(1,778,823)
Distributions to holders of redeemable units		
From net realized gains	(246,848)	(1,172,730)
Total distributions to holders of redeemable units	<u>(246,848)</u>	<u>(1,172,730)</u>
Redeemable unit transactions		
Proceeds from redeemable units issued	8,027,723	9,173,483
Redemption of redeemable units	(10,778,251)	(10,463,099)
Reinvestments of distributions to holders of redeemable units	245,514	1,164,835
Net decrease from redeemable unit transactions	<u>(2,505,014)</u>	<u>(124,781)</u>
Net increase (decrease) in net assets attributable to holders of redeemable units	<u>8,382,918</u>	<u>(3,076,334)</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 87,829,574</u>	<u>\$ 79,446,656</u>

See accompanying notes to the financial statements

Educators Growth Fund

Statements of Cash Flows

Years ended December 31

	2016		2015
Cash Flow from Operating Activities			
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 11,134,780	\$	(1,778,823)
Adjustments for:			
Net realized gain on sale of investments	(2,774,451)		(3,918,110)
Net change in unrealized (appreciation) depreciation in value of investments	(7,915,581)		5,145,612
Net change in unrealized (appreciation) depreciation on forward contracts	(313,595)		324,749
Purchase of investments	(38,813,477)		(53,448,972)
Proceeds from disposal of investments	41,527,916		54,932,543
Increase in interest and dividends receivable	(42,489)		(6,412)
Increase (decrease) in amounts due to Manager-Trustee	7,503		(11,408)
Cash provided by operating activities	<u>2,810,606</u>		<u>1,239,179</u>
Cash Flow from Financing Activities			
Proceeds from redeemable units issued	7,953,285		9,165,694
Redemption of redeemable units	(10,777,570)		(10,514,814)
Distributions paid to holders of redeemable units, net of reinvested distributions	(7,480)		(14,975)
Cash used by financing activities	<u>(2,831,765)</u>		<u>(1,364,095)</u>
Decrease in cash	\$ <u>(21,159)</u>	\$	<u>(124,916)</u>
Cash, beginning of year	\$ <u>37,657</u>	\$	<u>162,573</u>
Cash, end of year	\$ <u>16,498</u>	\$	<u>37,657</u>
Supplemental cash flow information:			
Dividends received, net of withholding taxes	\$ 1,800,020	\$	1,942,230
Interest received	\$ 10,859	\$	17,077

See accompanying notes to the financial statements

Educators Growth Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Treasury Bills						
2,450,000	Canada Treasury Bill	0.444%	26-Jan-2017	2,446,885	2,446,885	
50,000	Canada Treasury Bill	0.444%	9-Feb-2017	49,944	49,944	
200,000	Canada Treasury Bill	0.445%	23-Feb-2017	199,730	199,730	
250,000	Canada Treasury Bill	0.475%	23-Mar-2017	249,698	249,698	
350,000	Canada Treasury Bill	0.445%	6-Apr-2017	349,587	349,587	
200,000	Canada Treasury Bill	0.479%	20-Apr-2017	199,680	199,680	
				<u>3,495,524</u>	<u>3,495,524</u>	<u>3.98</u>
Canadian Common Stocks						
Consumer Discretionary						
35,000	Cineplex Inc.			1,460,845	1,792,700	
19,500	Dollarama Inc.			572,014	1,918,410	
21,300	Gildan Activewear Inc.			591,552	726,117	
17,700	Restaurant Brands International Inc.			901,790	1,131,915	
				<u>3,526,201</u>	<u>5,569,142</u>	<u>6.34</u>
Consumer Staples						
28,000	Alimentation Couche-Tard Inc.			1,536,867	1,704,640	
				<u>1,536,867</u>	<u>1,704,640</u>	<u>1.94</u>
Energy						
96,400	Canadian Natural Resources Ltd.			3,336,510	4,124,956	
124,000	Cenovus Energy Inc.			3,385,412	2,517,200	
28,700	Imperial Oil Ltd.			1,196,802	1,340,577	
43,800	Pembina Pipeline Corp.			1,455,142	1,837,849	
44,100	Peyto Exploration & Development Corp.			1,014,535	1,464,561	
94,294	PrairieSky Royalty Ltd.			2,797,981	3,011,750	
41,800	Seven Generations Energy Ltd.			1,158,125	1,308,758	
19,800	Suncor Energy Inc.			706,383	869,220	
30,400	TransCanada Corp.			1,617,327	1,840,416	
				<u>16,668,217</u>	<u>18,315,287</u>	<u>20.85</u>
Financials						
15,700	Bank of Montreal			1,165,437	1,516,149	
40,000	Bank of Nova Scotia			2,128,984	2,990,400	
85,350	Brookfield Asset Management Inc.			3,652,758	3,781,005	
39,400	Intact Financial Corp.			2,818,815	3,786,340	
74,000	Manulife Financial Corp.			1,534,467	1,769,340	
31,400	Onex Corp.			2,013,244	2,869,331	
46,700	Power Financial Corp.			1,468,471	1,567,252	
34,200	Royal Bank of Canada			2,567,751	3,107,754	
32,800	Sun Life Financial Inc.			1,285,386	1,690,840	
110,700	Toronto-Dominion Bank			4,262,647	7,330,554	
				<u>22,897,960</u>	<u>30,408,965</u>	<u>34.63</u>
Industrials						
54,600	Canadian National Railway Co.			2,862,466	4,933,656	
12,500	Canadian Pacific Railway Ltd.			2,701,672	2,394,500	
5,200	Stantec Inc.			160,904	176,384	
21,822	Waste Connections Inc.			2,100,093	2,298,729	
				<u>7,825,135</u>	<u>9,803,269</u>	<u>11.16</u>
Information Technology						
59,200	CGI Group Inc., Class A			2,060,556	3,814,848	
4,300	Descartes Systems Com Npv			62,079	123,404	
53,000	Descartes Systems Group Inc.			843,460	1,517,390	
				<u>2,966,095</u>	<u>5,455,642</u>	<u>6.21</u>

Educators Growth Fund

Schedule of Investments

As at December 31, 2016

No. of Units or Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Materials						
13,300	Agrium Inc.			1,516,331	1,794,968	
39,200	Franco-Nevada Corp.			2,604,813	3,146,976	
23,300	Silver Wheaton Corp.			848,440	604,402	
				<u>4,969,584</u>	<u>5,546,346</u>	6.31
Telecommunication Services						
32,300	Rogers Communications Inc.			1,535,669	1,672,817	
				<u>1,535,669</u>	<u>1,672,817</u>	1.90
				<u>61,925,728</u>	<u>78,476,108</u>	89.34
Foreign Common Stocks						
United States						
Financials						
6,300	Moody's Corp.			773,315	796,456	
				<u>773,315</u>	<u>796,456</u>	0.91
Health Care						
8,700	Becton Dickinson and Co.			1,726,145	1,931,505	
				<u>1,726,145</u>	<u>1,931,505</u>	2.20
Information Technology						
1,300	Alphabet Inc.			1,232,969	1,381,538	
14,900	Visa Inc.			921,666	1,558,977	
				<u>2,154,635</u>	<u>2,940,515</u>	3.35
				<u>4,654,095</u>	<u>5,668,476</u>	6.46
Total Investments				70,075,347	87,640,108	99.78
Transaction Costs				(46,150)		
Net Investments				<u>\$ 70,029,197</u>	87,640,108	99.78
Other Assets Less Liabilities					189,466	0.22
Net Assets Attributable to Holders of Redeemable Units					<u>\$ 87,829,574</u>	100.00

Educators North American Diversified Fund

Statements of Financial Position

As at December 31

	2016	2015
Assets		
Current assets		
Cash	\$ 46,354	\$ 145,209
Interest and dividends receivable	152,994	110,156
Subscriptions receivable	61,956	50,906
Forward contracts (Note 10)	150,314	-
Investments	95,640,694	96,049,705
Total assets	\$ 96,052,312	\$ 96,355,976
Liabilities		
Current liabilities		
Redemptions payable	25,583	128,098
Amounts due to Manager-Trustee (Note 6)	151,068	155,811
Forward contracts (Note 10)	-	1,617,692
Total liabilities	176,651	1,901,601
Net assets attributable to holders of redeemable units	\$ 95,875,661	\$ 94,454,375
Number of redeemable units outstanding (Note 3)	4,750,945	5,089,059
Net assets attributable to holders of redeemable units per unit	\$ 20.18	\$ 18.56

On behalf of the Manager-Trustee: Educators Financial Group Inc.

Signed "Chuck Hamilton", President & CEO

Signed "Stuart Mulcahy", CFO

Educators North American Diversified Fund

Statements of Comprehensive Income

Years ended December 31

	2016	2015
Income		
Interest for distribution purposes	\$ 28,642	\$ 47,231
Dividends	1,898,489	2,180,126
Securities lending (Note 5)	25,649	20,627
Other income	17,837	-
Other changes in fair value of investments:		
Net realized gain	5,271,146	8,266,790
Net realized loss on forward contracts	(659,352)	(7,663,000)
Net change in unrealized appreciation (depreciation)	1,527,247	(2,741,585)
Net change in unrealized gain (loss) on forward contracts	1,768,006	(790,657)
Total income	<u>9,877,664</u>	<u>(680,468)</u>
Expenses		
Management fees (Note 6)	1,630,595	1,765,786
Independent review committee fees	9,613	10,859
Transaction costs	102,023	148,606
Withholding taxes	108,729	112,553
Harmonised sales tax	204,383	221,517
	<u>2,055,343</u>	<u>2,259,321</u>
Less expenses waived/absorbed by Manager-Trustee (Note 6)	(47,463)	(51,258)
Total expenses	<u>2,007,880</u>	<u>2,208,063</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 7,869,784</u>	<u>\$ (2,888,531)</u>
Weighted average units outstanding during the year	<u>4,929,721</u>	<u>5,238,363</u>
Increase (decrease) in net assets attributable to holders of redeemable units per unit	<u>\$ 1.60</u>	<u>\$ (0.55)</u>

Educators North American Diversified Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31

	2016	2015
Net assets attributable to holders of redeemable units, beginning of year	\$ 94,454,375	\$ 101,687,683
Increase (decrease) in net assets attributable to holders of redeemable units	7,869,784	(2,888,531)
Redeemable unit transactions		
Proceeds from redeemable units issued	6,195,953	9,464,148
Redemption of redeemable units	(12,644,451)	(13,808,925)
Reinvestments of distributions to holders of redeemable units	-	-
Net decrease from redeemable unit transactions	<u>(6,448,498)</u>	<u>(4,344,777)</u>
Net increase (decrease) in net assets attributable to holders of redeemable units	<u>1,421,286</u>	<u>(7,233,308)</u>
Net assets attributable to holders of redeemable units, end of year	<u>\$ 95,875,661</u>	<u>\$ 94,454,375</u>

See accompanying notes to the financial statements

Educators North American Diversified Fund

Statements of Cash Flows

Years ended December 31

	2016	2015
Cash Flow from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 7,869,784	\$ (2,888,531)
Adjustments for:		
Net realized gain on sale of investments	(5,271,146)	(8,266,790)
Net change in unrealized (appreciation) depreciation in value of investments	(1,527,247)	2,741,585
Net change in unrealized (gain) loss on forward currency contracts	(1,768,006)	790,657
Purchase of investments	(82,527,776)	(83,225,516)
Proceeds from disposal of investments	89,735,181	95,174,237
(Increase) decrease in interest and dividends receivable	(42,838)	51,858
Decrease in amounts due to Manager-Trustee	(4,743)	(18,982)
Cash provided by operating activities	<u>6,463,209</u>	<u>4,358,518</u>
Cash Flow from Financing Activities		
Proceeds from redeemable units issued	6,184,903	9,516,232
Redemption of redeemable units	(12,746,966)	(13,801,502)
Distributions paid to holders of redeemable units, net of reinvested distributions	(1)	-
Cash used by financing activities	<u>(6,562,064)</u>	<u>(4,285,270)</u>
(Decrease) increase in cash	<u>\$ (98,855)</u>	<u>\$ 73,248</u>
Cash, beginning of year	<u>\$ 145,209</u>	<u>\$ 71,961</u>
Cash, end of year	<u>\$ 46,354</u>	<u>\$ 145,209</u>
Supplemental cash flow information:		
Dividends received, net of withholding taxes	\$ 1,748,190	\$ 2,123,598
Interest received	\$ 29,012	\$ 47,809

See accompanying notes to the financial statements

Educators North American Diversified Fund Schedule of Investments

As at December 31, 2016

No. of Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Short-Term Investments						
Treasury Bills						
35,000	Canadian Treasury Bill	0.490%	12-Jan-2017	34,957	34,957	
350,000	Canadian Treasury Bill	0.480%	9-Mar-2017	349,568	349,568	
415,000	Canadian Treasury Bill	0.456%	23-Mar-2017	414,532	414,532	
100,000	Canadian Treasury Bill	0.481%	20-Apr-2017	99,787	99,787	
225,000	Canadian Treasury Bill	0.499%	1-Jun-2017	224,368	224,368	
325,000	Canadian Treasury Bill	0.561%	29-Jun-2017	324,064	324,064	
				<u>1,447,276</u>	<u>1,447,276</u>	1.51
Canadian Common Stocks						
Consumer Discretionary						
3,800	Canadian Tire Corp Ltd.			521,052	529,226	
9,006	Dollarama Inc.			485,538	886,010	
6,000	Magna International Inc.			344,898	349,800	
21,400	Quebecor Inc.			759,909	798,648	
14,500	Restaurant Brands International Inc.			768,270	927,275	
				<u>2,879,667</u>	<u>3,490,959</u>	3.64
Consumer Staples						
14,600	Alimentation Couche-Tard Inc.			578,565	888,848	
5,400	Loblaw Cos., Ltd.			335,030	382,536	
8,000	Saputo Inc.			348,777	380,080	
				<u>1,262,372</u>	<u>1,651,464</u>	1.72
Energy						
69,500	Advantage Oil & Gas Ltd.			539,938	633,840	
55,000	Birchcliff Energy Ltd.			482,861	515,350	
39,871	Canadian Natural Resources Ltd.			1,341,928	1,706,080	
29,511	Enbridge Inc.			1,430,254	1,667,373	
25,500	Pembina Pipeline Corp.			1,008,238	1,069,980	
59,000	Raging River Exploration Inc.			560,544	623,040	
21,700	Seven Generations Energy Ltd.			636,275	679,427	
55,450	Suncor Energy Inc.			1,897,574	2,434,255	
22,000	Tourmaline Oil Corp.			702,976	790,020	
27,000	TransCanada Corp.			1,412,237	1,634,580	
14,679	Vermilion Energy Inc.			682,207	829,217	
46,500	Whitecap Resources Inc.			522,989	565,440	
				<u>11,218,021</u>	<u>13,148,602</u>	13.71
Financials						
17,100	Bank of Montreal			1,342,987	1,651,347	
33,960	Bank of Nova Scotia			2,102,118	2,538,850	
28,200	Brookfield Asset Management Inc.			1,251,760	1,249,260	
49,047	Element Financial Corp.			606,829	611,126	
43,000	Fiera Capital Corp.			554,371	549,540	
8,800	Intact Financial Corp.			800,618	845,680	
45,680	Manulife Financial Corp.			879,998	1,092,209	
16,000	National Bank of Canada			737,048	872,480	
40,501	Royal Bank of Canada			2,513,811	3,680,326	
17,000	Sun Life Financial Inc.			707,648	876,350	
51,154	Toronto-Dominion Bank			1,830,554	3,387,418	
				<u>13,327,742</u>	<u>17,354,586</u>	18.09
Industrials						
7,900	Boyd Group Income Fund			392,540	675,924	
20,900	Canadian National Railway Co.			976,924	1,888,524	
7,300	Canadian Pacific Railway Ltd.			1,428,363	1,398,388	
10,500	New Flyer Industries Inc.			430,829	428,820	
9,500	Toromont Industries Ltd.			309,696	402,325	
6,700	Waste Connections Inc.			634,248	705,778	
				<u>4,172,600</u>	<u>5,499,759</u>	5.74

Educators North American Diversified Fund Schedule of Investments

As at December 31, 2016

No. of Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
Information Technology						
21,500	CGI Group Inc., Class A			840,121	1,385,460	
10,000	Open Text Corp.			686,952	829,200	
				<u>1,527,073</u>	<u>2,214,660</u>	<u>2.31</u>
Materials						
30,100	Agnico Eagle Mines Ltd.			1,329,432	1,699,145	
6,100	Agrium Inc.			808,465	823,256	
31,000	Barrick Gold Corp.			728,183	666,190	
2,100	CCL Industries Inc.			319,128	553,980	
12,500	Franco-Nevada Corp.			1,003,414	1,003,500	
61,000	HudBay Minerals Inc.			444,032	468,480	
100,000	Lundin Mining Corp.			431,646	640,000	
29,000	Silver Wheaton Corp.			717,628	752,260	
17,000	Teck Resources Ltd.			498,577	456,790	
				<u>6,280,505</u>	<u>7,063,601</u>	<u>7.37</u>
Real Estate						
12,500	Canadian Apartment Properties REIT			350,859	392,125	
13,500	Chartwell Retirement Residences			164,982	197,775	
24,500	Milestone Apartments REIT			312,221	465,500	
44,000	Pure Industrial Real Estate Trust			231,636	245,960	
43,000	Pure Multi-Family REIT LP			334,861	356,470	
9,000	RioCan Real Estate Investment Trust			254,971	239,670	
				<u>1,649,530</u>	<u>1,897,500</u>	<u>1.98</u>
Telecommunication Services						
17,700	BCE Inc.			1,065,114	1,027,131	
10,200	Rogers Communications Inc.			491,380	528,258	
				<u>1,556,494</u>	<u>1,555,389</u>	<u>1.62</u>
Utilities						
17,600	Emera Inc.			831,765	798,864	
13,500	Fortis Inc.			519,714	559,710	
				<u>1,351,479</u>	<u>1,358,574</u>	<u>1.42</u>
				<u>45,225,483</u>	<u>55,235,094</u>	<u>57.60</u>
Foreign Common Stocks						
Ireland						
Health Care						
4,100	Accenture PLC			608,367	644,020	
6,600	Medtronic PLC			486,434	630,455	
				<u>1,094,801</u>	<u>1,274,475</u>	<u>1.33</u>
Singapore						
Information Technology						
3,700	Broadcom Ltd.			717,986	877,118	
				<u>717,986</u>	<u>877,118</u>	<u>0.91</u>
Financials						
4,500	Chubb Ltd.			713,388	797,313	
				<u>713,388</u>	<u>797,313</u>	<u>0.83</u>
United States						
Consumer Discretionary						
1,000	Amazon.com Inc.			723,793	1,005,619	
8,400	Comcast Corp.			419,556	777,840	
5,000	Dollar Tree Inc.			518,159	517,514	
9,000	Newell Rubbermaid Inc.			495,106	538,904	

Educators North American Diversified Fund Schedule of Investments

As at December 31, 2016

No. of Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
1,000	O'Reilly Automotive Inc.			363,657	373,364	
4,000	The Walt Disney Co.			393,892	559,060	
7,200	TJX Cos., Inc.			712,048	725,426	
				<u>3,626,211</u>	<u>4,497,727</u>	4.69
	Consumer Staples					
2,300	Constellation Brands Inc.			276,606	472,874	
4,600	Costco Wholesale Corp.			850,221	987,697	
4,600	Kraft Heinz Co.			512,290	538,665	
5,400	PepsiCo Inc.			707,179	757,700	
				<u>2,346,296</u>	<u>2,756,936</u>	2.88
	Energy					
7,400	EOG Resources Inc.			732,587	1,003,299	
6,500	Exxon Mobil Corp.			713,813	786,785	
11,500	Halliburton Co.			597,226	834,185	
3,500	Pioneer Natural Resources Co.			734,180	845,195	
				<u>2,777,806</u>	<u>3,469,464</u>	3.62
	Financials					
2,009	BlackRock Inc.			688,089	1,025,245	
14,000	Intercontinental Exchange Inc.			889,032	1,059,275	
16,400	JPMorgan Chase & Co.			986,480	1,897,806	
7,395	Wells Fargo & Co.			418,622	546,533	
				<u>2,982,223</u>	<u>4,528,859</u>	4.72
	Health Care					
5,700	Aetna Inc.			667,855	947,936	
2,800	Amgen Inc.			601,689	549,013	
5,500	Celgene Corp.			812,242	853,751	
5,700	Johnson & Johnson			652,073	880,669	
8,300	Merck & Co Inc.			662,510	655,269	
10,500	Pfizer Inc.			462,111	457,354	
				<u>3,858,480</u>	<u>4,343,992</u>	4.53
	Industrials					
2,600	3M Co.			505,752	622,629	
4,200	Honeywell International Inc.			468,445	652,519	
2,900	Lockheed Martin Corp.			763,736	972,034	
16,000	Masco Corp.			706,841	678,468	
4,900	Union Pacific Corp.			599,301	681,300	
4,600	Waste Management Inc.			388,955	437,434	
				<u>3,433,030</u>	<u>4,044,384</u>	4.22
	Information Technology					
11,100	Activision Blizzard Inc.			388,295	537,524	
5,300	Adobe Systems Inc.			395,456	731,728	
1,200	Alphabet Inc.			911,476	1,275,265	
7,700	Apple Inc.			1,073,597	1,195,974	
11,500	Cisco Systems Inc.			418,017	466,058	
4,000	Facebook Inc.			488,101	617,155	
11,500	Microsoft Corp.			595,244	958,333	
4,500	Texas Instruments Inc.			204,909	440,356	
9,080	Visa Inc.			523,542	950,034	
				<u>4,998,637</u>	<u>7,172,427</u>	7.48
	Materials					
5,400	Vulcan Materials Co.			798,327	906,300	0.95
	Real Estate					
4,300	Simon Property Group Inc.			1,134,498	1,024,543	1.07
	Utilities					
5,500	NextEra Energy Inc.			753,269	881,115	0.92

Educators North American Diversified Fund Schedule of Investments

As at December 31, 2016

No. of Shares or Par Value	Description	Coupon Rate	Maturity Date	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Redeemable Units
	Exchange Traded Fund					
13,783	Vanguard Small-Cap ETF			1,350,347	2,383,671	2.49
				<u>28,059,124</u>	<u>36,009,418</u>	<u>37.57</u>
				<u>30,585,299</u>	<u>38,958,324</u>	<u>40.64</u>
	Total Investments			<u>77,258,058</u>	<u>95,640,694</u>	<u>99.75</u>
	Transaction Costs			<u>(79,499)</u>		
	Net Investments			<u>\$ 77,178,559</u>	<u>95,640,694</u>	<u>99.75</u>
	Other Assets Less Liabilities				<u>234,967</u>	<u>0.25</u>
	Net Assets Attributable to Holders of Redeemable Units				<u>\$ 95,875,661</u>	<u>100.00</u>

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

1. Educators Financial Group Inc. Funds

The Educators Financial Group Inc. Funds (individually “Fund” and collectively “Funds”) consist of eight mutual fund trusts. The Funds are open-end trustee investment funds established under the laws of Ontario issuing units of the Funds to eligible purchasers on a continuous basis, with the objective of providing a means to invest through professionally managed pools of money.

Educators Financial Group Inc. is the manager and trustee (“Manager-Trustee”) of the Funds.

Each Fund has authorized an unlimited number of Class A non-transferable, redeemable trust units (“units”) which may only be issued as fully paid. The unit continuity of Class A units is shown in Note 3.

<u>Fund</u>	<u>Date of Inception</u>
Money Market Fund	June 24, 1984
Mortgage & Income Fund	June 24, 1984
Bond Fund	March 14, 2011
Balanced Fund	June 24, 1984
Monthly Income Fund	March 14, 2011
Dividend Fund	February 7, 2000
Growth Fund	June 24, 1984
North American Diversified Fund	June 24, 1984

The address of the Funds’ registered office is 2225 Sheppard Avenue East, Suite 1105, Toronto, Ontario M2J 5C2.

These financial statements were authorized for issue by the Board of Directors on March 16, 2017.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”).

The financial statements are presented in Canadian dollars, the functional currency of the Funds, and are rounded to the nearest dollar unless otherwise noted.

The following summarizes the accounting policies of the Funds for the years ended December 31, 2016 and 2015:

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

2. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments are required to be classified into one of the following categories: fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held to maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Subsequent measurement depends on the classification of the financial instrument.

The Funds' financial instruments consist of cash, interest and dividends receivable, subscriptions receivable, amounts due from brokers, investments, bank overdraft, redemptions payable, distributions payable, amounts due to brokers, foreign currency forward contracts, amounts due to Manager-Trustee and net assets attributable to holders of redeemable units. Investments are subsequently measured at fair value based on the policies described below. Other financial assets are categorized as loans and receivables and financial liabilities are categorized as other financial liabilities. The Funds' obligations for net assets attributable to holders of redeemable units are presented at the redemption amount. Financial instruments other than investments and foreign currency forward contracts are subsequently measured at amortized cost using the effective interest method and their carrying values approximate their fair values given their short-term nature.

Valuation of investments

Under IFRS, the Funds measure the fair values of their investments using the guidance in IFRS 13 *Fair Value Measurement* ("IFRS 13"). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investments and derivative assets and liabilities are measured at fair value through profit or loss ("FVTPL"). The Funds' accounting policies for measuring the fair value of their investments and derivatives are consistent with those used in measuring its Net Asset Value ("NAV") for transactions with unitholders. Investments held include common stocks, short-term investments, bonds, debentures, mutual funds, asset-backed securities and other debt instruments. The fair value of investments is determined as follows:

- (a) Investments that are publicly traded are valued at last traded market price where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager-Trustee determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.
- (b) Investments held that are not traded in an active market are valued based on the results of using valuation techniques, using observable market inputs, to the extent available, on such basis and in such manner established by the Manager-Trustee.
- (c) Investments in underlying funds are valued at the NAV per unit as at the valuation date, as this value is the most readily and regularly available.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

2. Summary of significant accounting policies (continued)

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis, excluding transaction costs.

Transaction costs

Transaction costs are expensed as incurred in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors and brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Forward currency contracts

Forward currency contracts are recognized in the Statements of Financial Position when the Funds become a party to the contractual provisions of the instrument. The instrument is derecognized from the Statements of Financial Position when the contractual rights or obligations arising from that instrument expire or are extinguished. Forward currency contracts are recognized at fair value, which is the gain or loss, if any, that would be realized if the position in the contracts were to be settled on the valuation date. The resulting unrealized gain or loss is presented as a Forward contract asset or liability in the Statements of Financial Position and is included in Change in unrealized appreciation (depreciation) on forward currency contracts in the Statements of Comprehensive Income. Any gain or loss arising from forward currency contracts at close or delivery will be recorded as Realized gain (loss) on forward currency contracts in the Statements of Comprehensive Income. As described in Note 10, the Mortgage & Income Fund, Dividend Fund, Growth Fund and North American Diversified Fund use forward currency contracts to deliver currencies at specified future dates.

Investment transactions and investment income

Investment transactions are accounted for on the trade date. The dividend income is recognized on the ex-dividend date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Unit valuation

The Funds' units are issued and redeemed at the NAV per unit. For the Mortgage & Income, North American Diversified, Growth, Balanced, Dividend, Bond and Monthly Income Funds, the NAV per unit is determined by dividing the NAV at the close of business of each day by the total number of units outstanding at such time. For the Money Market Fund, the month end NAV per unit is fixed at \$10 per unit by distributing net investment income monthly.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

2. Summary of significant accounting policies (continued)

Foreign currency translation

The Funds' subscriptions and redemptions are denominated in Canadian dollars, which is also the Funds' functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that the transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to investments are presented within Realized gain (loss) on sale of investments and Change in unrealized appreciation (depreciation) in value of investments in the Statements of Comprehensive Income.

Per unit from operations

Increase (decrease) in net assets attributable to holders of redeemable units per unit on the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units, divided by the daily weighted average number of units outstanding during the year.

Use of estimates and judgments

These financial statements, prepared in accordance with IFRS, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities at the date of the financial statements and income and expenses during the period. Actual results could differ from these estimates.

In classifying and measuring financial instruments held by the Funds, the Manager-Trustee is required to make significant judgments about whether the Funds meet the definition of an investment entity, whereby the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for the financial assets under IAS 39 *Financial instruments – Recognition and Measurement* ("IAS 39"). A significant judgment in these financial statements is the determination that certain investments are held-for-trading and that the fair value option can be applied to investments which are not.

Management uses valuation techniques in measuring the fair value of investments where active market quotes are not available. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

2. Summary of significant accounting policies (continued)

Distribution to unitholders

The net investment income and net realized capital gains of each of the Funds are distributed in cash or reinvested in additional units, as follows:

<u>Fund</u>	<u>Distribution of Net Investment Income</u>	<u>Distribution of Net Realized Capital Gain</u>
Money Market Fund	Monthly	N/A
Mortgage & Income Fund	Monthly	Annually
Bond Fund	Quarterly	Annually
Balanced Fund	Semi-annually	Annually
Monthly Income Fund	Monthly	Annually
Dividend Fund	Semi-annually	Annually
Growth Fund	Semi-annually	Annually
North American Diversified Fund	Semi-annually	Annually

3. Redeemable unit continuity

Each redeemable unit represents a beneficial interest ranking equally in all distributions when and as declared payable, including the proceeds of liquidation of Fund property.

An unlimited number of the Funds' redeemable units may be issued, which are redeemable at the Unitholder's option in accordance with the terms of the Declaration of Trust of the Funds. The capital of the Funds is represented by its redeemable units. The Funds' units are managed by the Manager-Trustee in accordance with the Funds' investment objectives, strategies and restrictions as outlined in the Simplified Prospectus, while maintaining sufficient liquidity to meet redemptions.

Classification of redeemable units issued by the Fund

Under IFRS, IAS 32 *Financial Instruments – Presentation* ("IAS 32") requires that issued capital of an entity which includes a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Funds' units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities.

The following redeemable units were issued for cash, issued on reinvestment of distributions and redeemed during the years ended December 31, 2016 and 2015.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

3. Redeemable unit continuity (continued)

<u>Fund</u>	<u>Year</u>	Number of units, Beginning of Year	Units Issued	Units Issued from Reinvested Distributions	Units Redeemed	Number of units, End of Year
Money Market Fund	2016	1,943,435	809,585	1,440	(1,041,544)	1,712,916
	2015	2,016,314	858,874	4,725	(936,478)	1,943,435
Mortgage & Income Fund	2016	17,955,859	2,320,047	321,450	(3,030,993)	17,566,363
	2015	17,939,038	2,885,507	356,118	(3,224,804)	17,955,859
Bond Fund	2016	896,328	243,338	19,437	(126,412)	1,032,691
	2015	881,460	137,363	16,820	(139,315)	896,328
Balanced Fund	2016	10,565,315	1,523,175	316,003	(1,241,607)	11,162,886
	2015	10,017,434	1,541,194	197,582	(1,190,895)	10,565,315
Monthly Income Fund	2016	5,030,870	909,511	303,732	(835,832)	5,408,281
	2015	3,968,159	1,332,252	256,758	(526,299)	5,030,870
Dividend Fund	2016	4,330,034	639,578	26,952	(581,074)	4,415,490
	2015	4,121,188	719,232	30,859	(541,245)	4,330,034
Growth Fund	2016	3,821,905	361,142	10,355	(489,189)	3,704,213
	2015	3,823,911	419,816	56,037	(477,859)	3,821,905
North American Diversified Fund	2016	5,089,059	324,650	-	(662,764)	4,750,945
	2015	5,316,626	492,422	-	(719,989)	5,089,059

4. Income taxes

The Funds qualify as Mutual Fund Trusts under the Income Tax Act (the "Act"). The Funds are subject to tax under the Act on all of their taxable income for the year (including net taxable capital gains) and are permitted a deduction in computing taxable income for all amounts which are paid or payable in the year to the Unitholders. It is the policy of the Funds to allocate to the Unitholders all income of the Funds for the year, which then becomes taxable for the Unitholders. Accordingly, no provision for income taxes has been made in these financial statements. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses have not been reflected in the Statements of Financial Position as deferred tax assets.

As at the Funds most recent taxation year end of December 31, 2016, the Funds had capital losses carried forward as follows:

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

4. Income taxes (continued)

	2016	2015
Money Market Fund	\$ -	\$ -
Mortgage & Income Fund	1,452,778	2,231,150
Bond Fund	-	43,311
Balanced Fund	-	-
Monthly Income Fund	242,540	211,924
Dividend Fund	6,963,017	6,963,017
Growth Fund	-	-
North American Diversified Fund	1,834,326	3,172,517

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

5. Securities lending

The Funds lend portfolio securities to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of the Funds.

The Funds have entered into a securities lending program with RBC Investor Services Trust (the "Custodian" and "Securities Lending Agent"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of the Fund. The Funds receive collateral of at least 102% of the value of securities on loan. Collateral consists primarily of fixed income securities.

The aggregate dollar value of the securities that were on loan and the collateral received by the Funds that remains outstanding as at December 31, 2016 are as follows:

	Market Value of Securities On Loan \$	Market Value of Collateral Received \$
Money Market Fund	6,129,234	6,251,822
Mortgage & Income Fund	23,421,234	23,889,663
Balanced Fund	22,518,000	22,972,322
Monthly Income Fund	8,777,751	8,953,321
Dividend Fund	10,905,034	11,123,142
Growth Fund	16,177,654	16,501,219
North American Diversified Fund	9,074,620	9,256,123

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

5. Securities lending (continued)

The aggregate dollar value of the securities that were on loan and the collateral received by the Funds that remains outstanding as at December 31, 2015 are as follows:

	Market Value of Securities On Loan \$	Market Value of Collateral Received \$
Money Market Fund	8,460,581	8,629,795
Mortgage & Income Fund	17,935,918	18,294,642
Balanced Fund	14,037,706	14,332,732
Monthly Income Fund	7,562,638	7,740,941
Dividend Fund	17,414,200	17,762,490
Growth Fund	8,227,654	8,392,212
North American Diversified Fund	9,589,079	9,780,869

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Funds' Securities Lending Agent is entitled to receive. The Securities Lending Agent manages the Funds' securities lending program in accordance with NI 81-102 Investment Funds and charges a fee for the service.

The securities lending charges represent 40% of the gross securities lending income.

For the year ended December 31, 2016, the securities lending income were as follows:

	Gross securities lending income \$	Securities lending charges \$	Net securities lending income \$	Withholding taxes on securities lending income \$	Net securities lending income received by the Fund \$
Money Market Fund	5,195	(2,078)	3,117	-	3,117
Mortgage & Income Fund	41,307	(16,523)	24,784	(9,589)	15,195
Balanced Fund	26,978	(10,791)	16,187	(2,590)	13,597
Monthly Income Fund	35,475	(14,190)	21,285	(232)	21,053
Dividend Fund	30,319	(12,128)	18,191	(1,127)	17,064
Growth Fund	10,035	(4,014)	6,021	(285)	5,736
North American Diversified Fund	42,748	(17,099)	25,649	(1,638)	24,011

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

5. Securities lending (continued)

For the period ended December 31, 2015, the securities lending income were as follows:

	Gross securities lending income	Securities lending charges	Net securities lending income	Withholding taxes on securities lending income	Net securities lending income received by the Fund
	\$	\$	\$	\$	\$
Money Market Fund	7,280	(2,912)	4,368	-	4,368
Mortgage & Income Fund	18,304	(7,322)	10,982	(4,005)	6,977
Balanced Fund	11,216	(4,487)	6,729	(99)	6,630
Monthly Income Fund	18,335	(7,334)	11,001	(1,823)	9,178
Dividend Fund	27,044	(10,818)	16,226	(925)	15,301
Growth Fund	10,150	(4,060)	6,090	(266)	5,824
North American Diversified Fund	34,379	(13,752)	20,627	(4,745)	15,882

6. Management fees

The Manager-Trustee is responsible for the management of the overall business and operations of the Funds. The annual management fee rate applicable to each Fund is as follows:

Fund	2016	2015
Money Market Fund	0.55%	0.55%
Mortgage & Income Fund	1.10%	1.10%
Bond Fund	1.10%	1.10%
Balanced Fund	1.75%	1.75%
Monthly Income Fund	1.15%	1.15%
Dividend Fund	1.60%	1.60%
Growth Fund	1.75%	1.75%
North American Diversified Fund	1.75%	1.75%

The Manager-Trust has elected to reduce the management fees for certain of the Funds. The management fee rates presented above relate to the contractual rates prior to any reduction. Management fees and related reductions are presented on a gross basis on the Statements of Comprehensive Income.

Expenses related to the Funds, including bookkeeping, accounting, registry and transfer agency services, services required in connection with the provision of information to investors, interest expenses, audit and legal fees, RSP fees and custodial charges are paid by the Manager-Trustee from management fees received. The Funds are responsible for paying any applicable harmonized sales taxes owing on management fees or expenses of the Funds.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

7. Related party transactions

At December 31, 2016 and 2015, the parent company of the Manager-Trustee and the Manager-Trustee hold units of the Funds with an aggregate fair market value of the following:

Funds	Parent company of Manager Trustee		Manager-Trustee	
	2016	2015	2016	2015
	\$	\$	\$	\$
Money Market Fund	2,567,726	2,522,661	-	1,492,198
Mortgage & Income Fund	3,549,911	3,972,848	-	-
Bond Fund	168,410	166,897	-	-
Balanced Fund	10,994,816	10,006,816	-	-
Monthly Income Fund	302,028	354,483	-	-
Dividend Fund	101,664	108,922	-	-
Growth Fund	71,572	77,684	-	-
North American Diversified Fund	298,790	274,805	-	-
Total	\$18,054,917	\$ 17,485,116	\$ -	\$ 1,492,198

8. Financial risk management

The Funds are exposed to various types of risks that are associated with their investment strategies, financial instruments and markets in which they invest. The most important risks include market risk (which includes other price risk, interest rate risk and currency risk), liquidity risk and credit risk. These risks and related risk management practices employed by the Funds are discussed below:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: other price risk, interest rate risk and currency risk. The investments of the Funds are subject to normal market fluctuations and the risks inherent in investment in financial markets. The Manager-Trustee moderates this risk through a careful selection of securities within specified limits and the Funds' market risk is managed through diversification of the investment portfolio. The Manager-Trustee also manages this risk by using four external investment managers to manage the investment portfolios. These investment managers monitor the Funds' overall market positions on a daily basis and positions are maintained within established ranges. Financial instruments held by each Fund are susceptible to market risk arising from uncertainties about future prices of the instruments.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

Market risk (continued)

At December 31, 2016 and 2015, the overall market exposures were as follows:

	Investments	
	Fair value	% of Net Assets attributable to
December 31, 2016	\$	holders of redeemable units
		%
Money Market Fund	16,732,269	97.68
Mortgage & Income Fund	198,624,432	99.60
Bond Fund	10,143,665	100.04
Balanced Fund	201,506,513	99.67
Monthly Income Fund	54,502,534	99.60
Dividend Fund	113,828,494	99.67
Growth Fund	87,640,108	99.78
North American Diversified Fund	95,640,694	99.75

	Investments	
	Fair value	% of Net Assets attributable to
December 31, 2015	\$	holders of redeemable units
		%
Money Market Fund	19,407,981	99.86
Mortgage & Income Fund	203,820,020	99.76
Bond Fund	8,910,817	100.08
Balanced Fund	180,172,225	99.67
Monthly Income Fund	49,682,480	99.60
Dividend Fund	101,328,701	100.89
Growth Fund	79,680,182	100.29
North American Diversified Fund	96,049,705	101.69

(i) Other price risk and interest rate risk

At December 31, 2016 and 2015, the Funds' market risk is affected by two main components: changes in actual equity prices for equity securities and changes in interest rates for debt securities. As at December 31, 2016 and 2015, if the following indexes had increased (decreased) by 1%, using historical correlation between the return of the Funds' investments as compared to the return of the Funds' benchmark index, with all other variables held constant, this would have approximately increased (decreased) the net assets as follows:

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

December 31, 2016	Index ⁽¹⁾	Increase in Net Assets attributable to holders of redeemable units \$	Decrease in Net Assets attributable to holders of redeemable units \$
Money Market Fund	FSTE TMX Canada 91-Day T-Bill Index	163,000	(163,000)
Mortgage & Income Fund	FSTE TMX Canada short-term bond index	1,994,000	(1,994,000)
Bond Fund	FSTE TMX Canada Universe Bond Index	103,000	(103,000)
Balanced Fund	S&P\TSX composite TR (35%), S&P 500 (12%), FTSE TMX Canada Universe Bond (40%) and MCSI EAFE TR (13%)	1,896,000	(1,896,000)
Monthly Income Fund	FSTE TMX Index (3%), FSTE TMX Canada Universe Bond Index (27%) and S&P\TSX Composite (70%)	540,000	(540,000)
Dividend Fund	S&P\TSX 60	779,000	(779,000)
Growth Fund	S&P\TSX composite	759,000	(759,000)
North American Diversified Fund	S&P\TSX Composite Total Return Index (55%), S&P 500 Total Return Index (40%) and MSCI US Small Cap 1750 Index (5%)	951,000	(951,000)

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

	Index ⁽¹⁾	Increase in Net Assets attributable to holders of redeemable units \$	Decrease in Net Assets attributable to holders of redeemable units \$
December 31, 2015			
Money Market Fund	FSTE TMX Canada 91-Day T-Bill Index	191,000	(191,000)
Mortgage & Income Fund	FSTE TMX Canada short-term bond index	2,043,000	(2,043,000)
Bond Fund	FSTE TMX Canada Universe Bond Index	81,000	(81,000)
Balanced Fund	S&P\TSX composite TR (35%), S&P 500 (12%), FTSE TMX Canada Universe Bond (40%) and MCSI EAFE TR (13%)	1,623,000	(1,623,000)
Monthly Income Fund	FSTE TMX Index (3%), FSTE TMX Canada Universe Bond Index (27%) and S&P\TSX Composite (70%)	476,000	(476,000)
Dividend Fund	S&P\TSX 60	672,000	(672,000)
Growth Fund	S&P\TSX composite	701,000	(701,000)
North American Diversified Fund	S&P\TSX Composite Total Return Index (55%), S&P 500 Total Return Index (40%) and MSCI US Small Cap 1750 Index (5%)	905,000	(905,000)

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net assets attributable to holders of redeemable units could be materially different.

At December 31, 2016 and 2015, should interest rates have decreased (increased) by 100 basis points, with all other variables held constant, this would have approximately increased (decreased) the Net assets attributable to holders of redeemable units as follows:

	Increase in Net Assets attributable to holders of redeemable units \$	Decrease in Net Assets attributable to holders of redeemable units \$
December 31, 2016		
Money Market Fund	41,000	(41,000)
Mortgage & Income Fund	5,404,000	(5,404,000)
Bond Fund	757,000	(757,000)
Balanced Fund	4,588,000	(4,588,000)
Monthly Income Fund	810,000	(810,000)
Dividend Fund	4,800	(4,800)
Growth Fund	4,200	(4,200)
North American Diversified Fund	4,400	(4,400)

	Increase in Net Assets attributable to holders of redeemable units \$	Decrease in Net Assets attributable to holders of redeemable units \$
December 31, 2015		
Money Market Fund	48,000	(48,000)
Mortgage & Income Fund	5,292,000	(5,292,000)
Bond Fund	604,000	(604,000)
Balanced Fund	3,967,000	(3,967,000)
Monthly Income Fund	648,000	(648,000)
Dividend Fund	9,000	(9,000)
Growth Fund	4,000	(4,000)
North American Diversified Fund	8,000	(8,000)

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

At December 31, 2016 and 2015, the exposure to debt instruments by the Funds by maturity is as follows:

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
December 31, 2016	\$	\$	\$	\$	\$
Mortgage & Income Fund	-	249,816	3,122,844	60,900,229	46,345,800
Bond Fund	-	145,135	155,862	4,419,497	5,358,152
Balanced Fund	-	1,541,778	1,045,529	26,997,105	32,743,578
Monthly Income Fund	-	158,812	624,351	3,340,052	7,471,855

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
December 31, 2015	\$	\$	\$	\$	\$
Mortgage & Income Fund	-	1,618,344	453,674	80,947,356	31,944,115
Bond Fund	-	15,890	1,869	4,183,297	4,671,681
Balanced Fund	1,541,222	-	-	27,890,433	29,706,273
Monthly Income Fund	-	1,029,716	42,453	2,421,616	6,274,370

For the remaining Funds, debt instruments have contractual maturities of less than one year and the balance of investments in these Funds are represented by equity instruments.

(ii) Currency risk

The Mortgage & Income Fund, Balanced Fund, Monthly Income Fund, Dividend Fund, Growth Fund and North American Diversified Fund hold assets and liabilities that are denominated in currencies other than the Canadian Dollar - the functional currency of the Funds. They are therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Mortgage & Income Fund, Dividend Fund, Growth Fund and North American Diversified Fund use forward current contracts to mitigate exposure to currency risk. The tables below summarize the Funds' exposure to currency risks as at December 31, 2016 and 2015:

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

	2016	2015
	\$	\$
Mortgage & Income Fund		
Investments at fair value	1,113,879	1,939,894
Other assets	13,266	25,217
Forward currency contracts	(1,106,366)	(2,014,195)
Total assets	20,779	(49,084)
Balanced Fund		
Cash	-	9,760
Other assets	34,929	21,940
Total assets	34,929	31,700
Monthly Income Fund		
Investments at fair value	6,697,166	12,182,373
Cash	17,738	5,055
Other assets	11,835	15,493
Total assets	6,726,739	12,202,921
Dividend Fund		
Investments at fair value	18,197,099	24,297,118
Cash	84,414	65,804
Other assets	37,953	9,976
Forward currency contracts	(18,372,385)	(24,170,340)
Total assets	(52,919)	202,558
Growth Fund		
Investments at fair value	5,791,880	7,696,065
Cash	7,240	14,185
Other assets	45,302	42,585
Forward currency contracts	(5,701,042)	(7,659,497)
Total assets	143,380	93,338
North American Diversified Fund		
Investments at fair value	38,958,327	45,077,596
Cash	13,168	17,021
Other assets	54,102	33,582
Forward currency contracts	(19,847,540)	(45,701,390)
Total assets	19,178,057	(573,191)

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

All exposure to currency risk relates to the United States Dollar, the currency in which all foreign assets are held. As at December 31, 2016 and 2015, had the exchange rate between the Canadian Dollar and the United States Dollar increased (decreased) by 1%, with all other variables held constant, this would have approximately increased (decreased) the net assets of the Funds as follows:

	Increase in Net Assets attributable to holders of redeemable units \$	Decrease in Net Assets attributable to holders of redeemable units \$
December 31, 2016	\$	\$
Mortgage & Income Fund	-	-
Balanced Fund	-	-
Monthly Income Fund	67,000	(67,000)
Dividend Fund	1,000	(1,000)
Growth Fund	1,000	(1,000)
North American Diversified Fund	192,000	(192,000)

	Increase in Net Assets attributable to holders of redeemable units \$	Decrease in Net Assets attributable to holders of redeemable units \$
December 31, 2015	\$	\$
Mortgage & Income Fund	-	-
Balanced Fund	-	-
Monthly Income Fund	122,000	(122,000)
Dividend Fund	2,000	(2,000)
Growth Fund	1,000	(1,000)
North American Diversified Fund	(6,000)	6,000

The remaining Funds did not have significant exposure to currency risk as they are mainly invested in securities denominated in Canadian dollars.

(b) Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities. The Funds are exposed to daily cash redemptions of units on demand by the unitholders and other operating expenses. The ability to meet these needs is managed by retaining sufficient cash within the Funds, and by investing in securities which are highly liquid and readily convertible to cash. Therefore, the Funds' liquidity risk is considered to be minimal.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. The Funds' main credit risk concentrations are investments in short-term debt securities, fixed income bonds and asset backed securities. The maximum exposure to credit risk is the fair value of the short-term investments, bonds, debentures, asset-backed securities and other debt instruments. The Funds' exposure to credit risk relating to forward currency contracts is limited to the fair value recorded at period end.

The Funds limit their exposure to credit loss by placing the cash and short-term investments with high credit quality issuers. To maximize the credit quality of the investments, the Funds' investment managers perform ongoing credit evaluations based upon factors surrounding the credit risk of the issuer, historical trends and other information.

The Funds invest in financial assets, which have an investment grade as rated primarily by *Dominion Bond Rating Service*. Ratings for securities that subject the Funds to credit risk at December 31, 2016 and 2015 are noted below:

December 31, 2016	AAA %	AA %	A %	BBB %	BB %	Not Rated %	Total %
Money Market Fund							
Short-term investments	100.00	-	-	-	-	-	100.00
Mortgage & Income Fund							
Bonds	17.89	3.22	20.35	45.91	-	-	87.37
Asset backed	7.43	0.27	0.27	0.27	-	2.89	11.13
Short-term investments	1.50	-	-	-	-	-	1.50
Bond Fund							
Bonds	20.40	21.75	42.00	15.23	-	-	99.38
Short-term investments	0.62	-	-	-	-	-	0.62
Balanced Fund							
Bonds	20.80	22.04	43.17	12.28	-	0.07	98.36
Short-term investments	1.64	-	-	-	-	-	1.64
Monthly Income Fund							
Bonds	29.28	8.19	20.56	29.49	-	-	87.52
Asset backed	1.43	2.13	1.91	1.25	-	-	6.72
Short-term investments	5.76	-	-	-	-	-	5.76
Dividend Fund							
Short-term investments	100.00	-	-	-	-	-	100.00
Growth Fund							
Short-term investments	100.00	-	-	-	-	-	100.00
North American Diversified Fund							
Short-term investments	100.00	-	-	-	-	-	100.00

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

December 31, 2015	<u>Portfolio by rating category</u>						Total %
	AAA %	AA %	A %	BBB %	BB Not Rated %	Not Rated %	
Money Market Fund							
Short-term investments	100.00	-	-	-	-	-	100.00
Mortgage & Income Fund							
Bonds	21.91	5.91	27.93	12.70	-	21.47	89.92
Asset backed	7.19	0.27	0.27	0.26	-	0.68	8.67
Short-term investments	1.41	-	-	-	-	-	1.41
Bond Fund							
Bonds	37.15	15.06	33.79	13.80	-	-	99.80
Short-term investments	0.20	-	-	-	-	-	0.20
Balanced Fund							
Bonds	40.69	35.00	20.89	1.42	-	0.40	98.40
Short-term investments	1.60	-	-	-	-	-	1.60
Monthly Income Fund							
Bonds	32.45	8.74	20.43	19.29	-	1.06	81.97
Asset backed	0.56	2.70	2.50	1.53	-	0.20	7.49
Short-term investments	10.54	-	-	-	-	-	10.54
Dividend Fund							
Short-term investments	100.00	-	-	-	-	-	100.00
Growth Fund							
Short-term investments	100.00	-	-	-	-	-	100.00
North American Diversified Fund							
Short-term investments	100.00	-	-	-	-	-	100.00

(d) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographic region, asset type or sector. Individual Fund's concentration risk is mitigated by the monitoring of the Fund's investment portfolio to ensure compliance with Fund's investment guidelines. The Manager regularly monitors the Funds' positions and market events, and diversifies investment portfolios within the constraints of the investment guidelines.

The following is a summary of concentration as at December 31, 2016 and 2015:

Money Market Fund	As a % of Fund's Net Assets attributable to holders of redeemable units	
Asset Type	2016	2015
Treasury Bills	71.25%	73.42%
Bankers' Acceptances	19.73%	19.40%
Discount Commercial Paper	6.70%	7.04%
Cash	0.17%	-0.26%
Net Other Assets	2.15%	0.40%
	100.00%	100.00%

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

Mortgage & Income Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Asset Type	2016	2015
Canadian Mutual Funds	44.14%	43.49%
Corporate Bonds	38.41%	39.81%
Government Bonds	10.04%	10.79%
Asset-Backed Securities	6.18%	4.88%
Short-term investments	0.83%	0.79%
Net Other Assets	0.40%	0.24%
	100.00%	100.00%

Bond Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Asset Type	2016	2015
Canadian Mutual Fund	100.04%	100.08%
Net Other Liabilities	-0.04%	-0.08%
	100.00%	100.00%

Balanced Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Sector	2016	2015
Canadian Mutual Funds	40.89%	31.36%
Government Bonds	17.52%	19.99%
Corporate Bonds	12.80%	12.21%
Financials	12.10%	15.27%
Consumer Discretionary	3.38%	4.28%
Energy	3.19%	4.08%
Telecommunication Services	2.84%	4.02%
Industrials	2.76%	3.39%
Materials	1.66%	1.45%
Consumer Staples	1.23%	2.18%
Information Technology	0.79%	0.92%
Short-term investments	0.51%	0.52%
Net Other Assets	0.33%	0.33%
	100.00%	100.00%

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

Monthly Income Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Sector	2016	2015
Financials	25.52%	26.72%
Energy	18.34%	10.81%
Corporate Bonds	14.44%	11.26%
Industrials	7.96%	7.20%
Materials	5.25%	1.99%
Real Estate	5.12%	6.06%
Consumer Discretionary	4.19%	6.38%
Government Bonds	4.19%	4.78%
Information Technology	3.65%	4.36%
Consumer Staples	3.19%	5.25%
Utilities	2.27%	2.23%
Telecommunication Services	1.99%	2.79%
Asset-Backed Securities	1.42%	1.47%
Short-term investments	1.22%	2.06%
Health Care	0.85%	6.24%
Net Other Assets	0.40%	0.40%
	100.00%	100.00%

Dividend Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Sector	2016	2015
Financials	32.70%	32.95%
Energy	16.36%	14.19%
Consumer Discretionary	8.88%	14.05%
Information Technology	8.73%	7.81%
Utilities	7.74%	5.54%
Industrials	7.51%	8.63%
Consumer Staples	6.34%	3.74%
Real Estate	4.12%	6.71%
Telecommunication Services	3.71%	1.90%
Short-term investments	2.49%	5.37%
Materials	1.09%	-
Net Other Assets (Liabilities)	0.33%	-0.89%
	100.00%	100.00%

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

8. Financial risk management (continued)

Growth Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Sector	2016	2015
Financials	35.54%	44.71%
Energy	20.85%	13.71%
Industrials	11.16%	8.46%
Information Technology	9.56%	9.27%
Consumer Discretionary	6.34%	6.79%
Materials	6.31%	5.56%
Short-term investments	3.98%	2.45%
Health Care	2.20%	1.54%
Consumer Staples	1.94%	4.75%
Telecommunication Services	1.90%	3.05%
Net Other Assets (Liabilities)	0.22%	-0.29%
	100.00%	100.00%

North American Diversified Fund

As a % of Fund's Net Assets attributable to holders of redeemable units

Sector	2016	2015
Financials	23.64%	26.20%
Energy	17.33%	9.74%
Information Technology	10.70%	10.37%
Industrials	9.96%	8.24%
Consumer Discretionary	8.33%	10.24%
Materials	8.32%	3.57%
Health Care	5.86%	8.96%
Consumer Staples	4.60%	7.37%
Real Estate	3.05%	3.90%
Exchange Traded Fund	2.49%	5.03%
Utilities	2.34%	2.20%
Telecommunication Services	1.62%	2.32%
Short-term investments	1.51%	3.55%
Net Other Liabilities	0.25%	-1.69%
	100.00%	100.00%

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

9. Financial instruments – Disclosures

Fair value disclosure

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows.

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager-Trustee has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

All fair value measurements are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

(a) Equities

The Funds' common stocks positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Funds' common stocks do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

(b) Warrants

Warrants that are not traded on an exchange have no market value readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used. Warrants are classified as Level 2.

(c) Fixed income investments

Bonds are comprised primarily of government and corporate bonds, which are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Funds' bonds have been classified as Level 2. Asset backed securities are recorded in the financial statements at their estimated fair values determined by discounting the expected future cash flows at current market interest rates for loans with similar terms and credit risks.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

9. Financial instruments – Disclosures (continued)

(d) Short-term investments

Short-term investments are classified as Level 2.

(e) Forward contracts

Forward contracts are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Forward contracts are classified as Level 2.

(f) Mutual funds

Investments in mutual funds are classified as Level 2.

Financial instruments by category

The carrying values of cash, interest and dividends receivable, subscriptions receivable, amounts due from brokers, bank overdraft, redemptions payable, distributions payable, amounts due to brokers, amounts due to Manager-Trustee and net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature.

As at December 31, 2016 and 2015 the Funds' investments, with the exception of derivative instruments, are designated as FVTPL. The Funds' derivative instruments are categorized as held for trading ("HFT").

For the years ended December 31, 2016 and 2015 the Funds' net gains (losses) on investments, with the exception of derivative instruments, were all from financial instruments designated as FVTPL. The Funds' net gains (losses) that are from derivative instruments are categorized as HFT.

The following fair value hierarchy tables present information about the Funds' investments as at December 31, 2016 and 2015.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

9. Financial instruments – Disclosures (continued)

	Financial Assets at fair value as at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money Market Fund				
Short Term Investments	-	16,732,269	-	16,732,269
Mortgage & Income Fund				
Asset Backed	-	12,322,827	-	12,322,827
Bonds	-	96,638,007	-	96,638,007
Mutual Funds	-	88,005,743	-	88,005,743
Short Term Investments	-	1,657,855	-	1,657,855
Total Investments	-	198,624,432	-	198,624,432
Derivative Liabilities - forward contracts	-	(4,194)	-	(4,194)
Bond Fund				
Mutual Funds	-	10,143,665	-	10,143,665
Balanced Fund				
Bonds	-	61,304,249	-	61,304,249
Mutual Funds	-	82,672,177	-	82,672,177
Equities	56,506,346	-	-	56,506,346
Short Term Investments	-	1,023,741	-	1,023,741
Total Investments	56,506,346	145,000,167	-	201,506,513
Monthly Income Fund				
Asset Backed	-	778,837	-	778,837
Bonds	-	10,148,344	-	10,148,344
Equities	42,907,464	-	-	42,907,464
Short Term Investments	-	667,889	-	667,889
Total Investments	42,907,464	11,595,070	-	54,502,534
Dividend Fund				
Equities	110,982,021	-	-	110,982,021
Short Term Investments	-	2,846,473	-	2,846,473
Total Investments	110,982,021	2,846,473	-	113,828,494
Derivative Assets - forward contracts	-	164,316	-	164,316
Derivative Liabilities - forward contracts	-	(234,170)	-	(234,170)
Growth Fund				
Equities	84,144,584	-	-	84,144,584
Short Term Investments	-	3,495,524	-	3,495,524
Total Investments	84,144,584	3,495,524	-	87,640,108
Derivative Assets - forward contracts	-	18,239	-	18,239
Derivative Liabilities - forward contracts	-	(29,393)	-	(29,393)
North American Diversified Fund				
Equities	94,193,418	-	-	94,193,418
Short Term Investments	-	1,447,276	-	1,447,276
Total Investments	94,193,418	1,447,276	-	95,640,694
Derivative Assets - forward contracts	-	150,314	-	150,314

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

9. Financial instruments – Disclosures (continued)

	Financial Assets at fair value as at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money Market Fund				
Short Term Investments	-	19,407,981	-	19,407,981
Mortgage & Income Fund				
Asset Backed	-	9,968,012	-	9,968,012
Bonds	-	103,377,133	-	103,377,133
Mutual Funds	-	88,856,531	-	88,856,531
Short Term Investments	-	1,618,344	-	1,618,344
Total Investments	-	203,820,020	-	203,820,020
Derivative Liabilities - forward contracts	-	(27,417)	-	(27,417)
Bond Fund				
Mutual Funds	-	8,910,817	-	8,910,817
Balanced Fund				
Bonds	-	58,188,960	-	58,188,960
Mutual Funds	-	56,697,818	-	56,697,818
Equities	64,336,479	-	-	64,336,479
Short Term Investments	-	948,968	-	948,968
Total Investments	64,336,479	115,835,746	-	180,172,225
Monthly Income Fund				
Asset Backed	-	731,430	-	731,430
Bonds	-	8,007,009	-	8,007,009
Equities	39,914,325	-	-	39,914,325
Short Term Investments	-	1,029,716	-	1,029,716
Total Investments	39,914,325	9,768,155	-	49,682,480
Dividend Fund				
Equities	95,934,782	-	-	95,934,782
Short Term Investments	-	5,393,919	-	5,393,919
Total Investments	95,934,782	5,393,919	-	101,328,701
Derivative Assets - forward contracts	-	106,650	-	106,650
Derivative Liabilities - forward contracts	-	(1,129,194)	-	(1,129,194)
Growth Fund				
Equities	77,732,571	-	-	77,732,571
Short Term Investments	-	1,947,611	-	1,947,611
Total Investments	77,732,571	1,947,611	-	79,680,182
Derivative Assets - forward contracts	-	7,352	-	7,352
Derivative Liabilities - forward contracts	-	(332,101)	-	(332,101)
North American Diversified Fund				
Equities	92,694,044	-	-	92,694,044
Short Term Investments	-	3,355,661	-	3,355,661
Total Investments	92,694,044	3,355,661	-	96,049,705
Derivative Liabilities - forward contracts	-	(1,617,692)	-	(1,617,692)

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

9. Financial instruments – Disclosures (continued)

There were no significant transfers from Level 1 to Level 2 during the years ended December 31, 2016 and 2015.

10. Forward currency contracts

For the year ended December 31, 2016 the Mortgage & Income Fund, Dividend Fund, Growth Fund and North American Diversified Fund had the following forward currency contracts:

December 31, 2016

	Buy Currency	Sell Currency		Maturity Date	Forward Contract Asset (Liability)
Mortgage & Income Fund					
1,101,870	CAD	825,000	USD	20-Jan-17	(4,194)
Dividend Fund					
18,303,269	CAD	13,700,000	USD	05-Jan-17	(67,683)
18,528,702	CAD	13,700,000	USD	03-Feb-17	164,316
13,700,000	USD	18,537,470	CAD	05-Jan-17	(166,487)
Growth Fund					
5,628,660	CAD	4,205,498	USD	05-Jan-17	(10,684)
5,716,772	CAD	4,251,178	USD	03-Feb-17	18,239
4,205,498	USD	5,658,056	CAD	05-Jan-17	(18,709)
North American Diversified Fund					
19,976,300	CAD	14,800,000	USD	31-Mar-17	150,314

For the year ended December 31, 2015 the Mortgage & Income Fund, Dividend Fund, Growth Fund and North American Diversified Fund had the following forward currency contracts:

December 31, 2015

	Buy Currency	Sell Currency		Maturity Date	Forward Contract Asset (Liability)
Mortgage & Income Fund					
1,986,660	CAD	1,450,000	USD	22-Jan-16	(27,417)
Dividend Fund					
24,275,088	CAD	17,400,000	USD	03-Feb-16	106,650
25,241,328	CAD	18,900,000	USD	06-Jan-16	(1,012,127)
18,900,000	USD	26,370,698	CAD	06-Jan-16	(117,067)
Growth Fund					
7,718,070	CAD	5,790,000	USD	06-Jan-16	(324,653)
7,651,419	CAD	5,514,000	USD	03-Feb-16	(7,448)
5,790,000	USD	8,035,420	CAD	06-Jan-16	7,352
North American Diversified Fund					
44,074,485	CAD	32,900,000	USD	04-Mar-16	(1,617,692)

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

11. Investments with associates

The individual Funds have determined that all of the other mutual funds ('Investee Fund') in which they invest are unconsolidated associates. The table below describes the types of associates that the Fund does not consolidate but in which it can exercise significant influence.

The tables below set out interest held by the Balanced Fund in Beutel Goodman International Equity Fund (Class I). The maximum exposure to loss is the carrying amounts of the financial assets held.

These assets are financed through the issue of units to investors. The Beutel Goodman & Company Ltd. is the Portfolio Adviser of the Balanced Fund and the investee fund.

Underlying Fund	Relationship	Principal place of business	Total Net Assets of investee fund	Ownership interest	Carrying amount included in investments in Statement of Financial Position
Beutel Goodman International Equity Fund, Class I	Investment	Canada	\$134,114,100	29.69%	\$39,814,365

December 31, 2015

Underlying Fund	Relationship	Principal place of business	Total Net Assets of investee fund	Ownership interest	Carrying amount included in investments in Statement of Financial Position
Beutel Goodman International Equity Fund, Class I	Investment	Canada	\$135,847,255	19.75%	\$26,833,210

During the current period and prior year, the Balanced Fund did not provide financial support to Beutel Goodman International Equity Fund (Class I) and has no intention of providing financial or other support. The Balanced Fund can redeem its units in the above Investee Fund at any time, subject to liquidity of the Investee Fund.

Educators Financial Group Inc. Funds

Notes to the Financial Statements

December 31, 2016 and 2015

12. Future accounting changes

IFRS 9 - Financial Instruments

The IASB published IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 fundamentally rewrites the accounting rules for financial instruments. IFRS 9 introduces a new approach for financial asset classification, a more-forward looking expected loss model, and major new requirements on hedge accounting.

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

A new measurement category of 'fair value through other comprehensive income' is also included in IFRS 9. The Standard requires an entity to measure a financial asset at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into IFRS 9.

The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. The Manager-Trustee has yet to assess the impact of IFRS 9 on these financial statements.

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