

2016

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2016

Offered by Educators Financial Group
Portfolio Advisor: Foresters Asset Management Inc., Toronto, Ontario

Educators Monthly Income Fund



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling 1.800.263.9541, by writing to us at Educators Financial Group, 2225 Sheppard Ave. East, Suite 1105, Toronto, Ontario, M2J 5C2, or by visiting our website at www.educatorsfinancialgroup.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The investment objective of the Educators Monthly Income Fund (the "Fund") is to provide a consistent stream of monthly income and some capital appreciation by investing in a portfolio of fixed income, investment trust units and equity investments. A minimum of 6% and a maximum of 60% of the portfolio will be invested in fixed income securities, while a minimum of 40% and a maximum of 94% of the portfolio will be invested in Canadian equity securities. Non-Canadian securities are limited to no more than 30% of the Fund's assets. Foreign currency exposure is not hedged.

Risk

The risks of investing in the Fund remain as discussed in the Simplified Prospectus. No changes affecting the overall level of risk of investing in the Fund were made to the Fund in the one-year period ended December 31, 2015.

Results of Operations

For the twelve-month period ending December 31, 2016, the Fund provided a return of 8.44%, versus a Benchmark return of 14.94%. The Benchmark comprises 70% S&P/TSX Composite Total Return Index, 27% FTSE TMX Canada Bond Universe Index and 3% FTSE TMX Canada 91 Day Treasury Bill Index (the "Benchmark"). Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark.

The Fund's net assets increased by 9.6% to \$54.7 million at the end of December 2016, up from \$49.9 million at the end of December 2015.

The Fund underperformed the Benchmark over the period, predominantly due to the Materials and Energy sector securities held in the equity portfolio. Due to its income focussed mandate, the Fund was underweight in the Materials sector, and did not fully benefit from the strong performance of this sector, particularly in the first half of the year. Additionally, the energy stocks in which

the Fund invests were not as highly correlated to increasing oil prices over the period, and as such the Fund did not fully capture the upside of this sector, throughout 2016.

The Fund ended the year with 66.2% in Canadian equities, 12.3% in U.S. equities, 20.1% in Canadian Fixed Income and 1.4% in cash.

Canadian equities, as measured by the S&P/TSX Composite Index, returned 21.1% on a total return basis, which was in contrast from the decline of 8.5% seen in 2015. The 2016 returns were propelled by highly cyclical stocks, particularly in the Materials and Energy sectors, reflecting the recovery in energy prices and commodity prices in the first half of the year. Additionally, Canadian banks enhanced performance in the fourth quarter. Performance was broad based, and only the relatively small Health Care sector generated negative returns.

In the U.S., the S&P 500 Total Return Index returned 8.8% in Canadian dollars during 2016. The outperformance was largely driven by the Energy and Financials sectors, while, similarly to the Canadian market, only Healthcare generated a negative return. Over the year, the Fund decreased its U.S. equity exposure from 25.0% to 12.3%, due to greater opportunities in the Canadian equities. However, over the longer term, the portfolio managers continue to believe that the breadth and depth of the U.S. market provides attractive investment opportunities and they will continue to selectively invest in the U.S.

As at the end of 2016, the equity portfolio of the Fund was selectively overweight in the following sectors, relative to the Benchmark: Energy, Information Technology, Industrials and Healthcare. The portfolio was neutrally positioned in the Consumer Staples/Discretionary and Utilities sectors, while being underweight in Materials, Telecommunications, and Financials. Additionally, the portfolio is overweight in Real Estate, which was previously part of the Financials

sector, but became a separate Global Industry Classification Standard sector in September 2016.

Equity portfolio performance benefitted from the Healthcare sector, due to strong stock selection, which helped offset the negative impact from the overweight position in the sector. The portfolio holds U.S. stocks with strong earnings and dividend growth and did not hold any Canadian healthcare stocks. Exposure to the sector was reduced during the latter part of 2016, due to increased pricing scrutiny and regulatory headwinds.

The Utilities sector enhanced performance, due to strong stock selection. A few of the Fund's core holdings, including power producers and owner/operators of global infrastructure networks, generated double digit returns for the year.

The Fund was negatively impacted by its underweight position in the Materials sector, as well as unfavourable stock selection in both the Energy and Materials sectors. These were two of the strongest performing sectors for the year, as a result of the significant rebound in commodity prices. The rapid advance was primarily led by lower-quality and higher beta stocks, which are not considered suitable investment choices for the Fund. The portfolio's holdings within the Materials sectors, including fertilizer and packaging stocks, did not appreciate as significantly as gold and base metal equities. Within the Energy sector, the portfolio continues to be defensively positioned, investing in high quality cash-flow generating names, with higher exposure to integrated oil companies, pipeline and midstream stocks. Given the portfolio managers' expectations of further high volatility, the portfolio will remain focused on high-quality companies with strong fundamentals. As improved conditions across commodity markets translate into stronger profitability, cash flows and balance sheets, the portfolio managers will continue to look for selective opportunities to add exposure to this sector.

The Canadian Financials sector was strong, particularly in the third and fourth quarters. Performance was enhanced by both Canadian and U.S. holdings. The portfolio managers continue to be quite constructive on the portfolio's U.S. large cap bank holdings, despite their share price appreciation following the U.S. presidential election. Further, high total returns in the Real Estate sector contributed to performance, as the portfolio was overweight, versus the Benchmark.

Within the Canadian fixed income market, corporate bonds outperformed government bonds. Investment grade spread compression was underpinned by technical factors such as demand, which continued to

outpace supply, and market participants' search for higher yielding investments. Yields and spreads were also influenced by geopolitical factors, particularly the U.S. elections in November. The Canadian yield curve reacted to the expectations of increased U.S. growth, rising by 0.50-0.55%. Additionally, corporate bond issuance in 2016 was slightly below 2015 levels, which has been supportive of corporate spreads and returns.

Given investors' strong appetite for risk and yield, the more volatile sectors outperformed. The oil and gas industry and the Canadian bank NVCC sub-sector benefitted and the fixed income portfolio's holdings in NVCC enhanced returns. The portfolio's exposure to the Communications sector was advantageous, as this sector outperformed due to light issuance during the year. The Energy sector was the best performing sector in 2016. The Fund is overweight in this sector, versus the Benchmark; however, it does not have direct exposure to commodity prices, due to their higher inherent volatility. As such, this sector benefitted the portfolio but to a lesser degree than would have been the case with greater commodity exposure. On a rating basis, "BBB" rated securities significantly outperformed all other investment grade rating categories during the year and the Fund's overweight position, versus the Benchmark, enhanced performance.

The portfolio managers believe that credit spreads will continue to compensate investors in a rising interest rate environment. As such, the fixed income portfolio will continue to focus on security selection and access to liquidity going forward, while continuing to maintain a neutral duration, relative to the Benchmark.

Recent Developments

Despite a volatile start for 2016, equity markets in both Canada and the U.S. posted strong positive returns for the year, supported by a significant rebound in commodity prices. While global growth was slower than expected, the portfolio managers expect growth to remain positive, led by the U.S. economy. However, political uncertainty has increased, with the recent United Kingdom referendum to exit the European Union, as well as significant changes that potentially may be introduced by the newly elected Trump administration.

Supported by the consistently strong U.S. job market and other economic data, combined with a recent increase in inflation expectations, the Federal Open Market Committee ("FOMC") announced its widely anticipated second interest rate hike in December 2016. In addition, there is an increased probability of between two and four additional FOMC rate hikes in 2017, particularly if the U.S. economy demonstrates further strength. Globally, central banks have maintained highly

accommodative monetary policies, which reduce the probability of a widespread recession. The rising acceptance of increased fiscal spending in a number of countries may provide further support for global economic growth.

In an environment of positive economic growth, the portfolio managers expect more economically sensitive sectors to outperform. Within the equity portfolio, the portfolio managers will continue to invest in stocks of high quality companies, with strong balance sheets, reasonable valuations, above average growth prospects and growing dividends. The portfolio will continue to have select exposure to U.S. securities, given the breadth and depth of the U.S. market and better diversification from sectors that are under-represented in the Canadian marketplace.

The portfolio managers anticipate that credit spreads will trade within a narrow range in 2017, increasing the importance of the yield earned on performance to the fixed income portfolio. The portfolio managers will continue to focus on security selection and access to liquidity going forward, while continuing to remain duration neutral, relative to the Benchmark. The portfolio managers believe that the added yield that the fixed income portfolio produces will continue to provide downside protection in the current environment.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America

and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements, whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Related Party Transactions

On May 14, 2016, Foresters Financial, through Foresters Life Insurance Company, acquired 100 percent of the shares of Aegon Capital Management Inc.) and was renamed Foresters Asset Management Inc. (“FAM”)., FAM the Fund’s Portfolio Adviser, is an indirect wholly-owned subsidiary of The Independent Order of Foresters, which is not a publicly listed company.

In 2016 Educators Financial Group did not refer any conflict of interest matters to the Fund’s Independent Review Committee (IRC) and accordingly did not rely upon any recommendation of the IRC in respect of any related party transactions.

Educators Financial Group is the Manager and Trustee of the Fund. Educators Financial Group is a wholly-owned subsidiary of the Ontario Secondary School Teachers’ Federation (“OSSTF”). OSSTF may from time to time invest in units of the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each year ended December 31 for the past five years.

The Fund's Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2016	2015	2014	2013	2012
Net Assets, beginning of year	\$9.92	\$10.29	\$9.96	\$9.85	\$9.76
Increase (decrease) from operations:					
Total revenue	\$0.29	\$0.30	\$0.33	\$0.34	\$0.33
Total expenses, including transaction costs [excluding distributions]	\$(0.15)	\$(0.16)	\$(0.15)	\$(0.14)	\$(0.14)
Realized gains (losses) for the period	\$--	\$0.41	\$0.04	\$(0.09)	\$0.07
Unrealized gains (losses) for the period	\$0.67	\$(0.39)	\$0.67	\$0.77	\$0.57
Total increase (decrease) from operations ⁽²⁾	\$0.81	\$0.16	\$0.89	\$0.88	\$0.83
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.14	\$0.14	\$0.18	\$0.21	\$0.18
From capital gains	\$--	\$0.12	\$--	\$--	\$--
Return of capital	\$0.46	\$0.34	\$0.46	\$0.51	\$0.54
Total Annual Distributions ⁽³⁾	\$0.60	\$0.60	\$0.64	\$0.72	\$0.72
Net Assets, end of year	\$10.12	\$9.92	\$10.29	\$9.96	\$9.84

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. For the financial year beginning after January 1, 2014, the financial highlights were derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

For the financial year ended December 31, 2013, the financial highlights numbers were restated to comply with IFRS reporting.

For financial years beginning before January 1, 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with Canadian GAAP.

For financial years beginning after January 1, 2013, all references to "Net Assets" or "Net Assets per Unit" in these financial highlights are references to net assets attributable to holders of redeemable units determined in accordance with IFRS as presented in the financial statements of the Fund.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

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

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2016	2015	2014	2013	2012
Net Asset Value (000's) ⁽¹⁾	\$54,721	\$49,881	\$40,835	\$29,633	\$18,035
Number of units outstanding ⁽¹⁾	5,408,281	5,030,870	3,968,159	2,976,702	1,830,790
Management expense ratio ⁽²⁾	1.31%	1.31%	1.31%	1.31%	1.32%
Management expense ratio before waivers or absorptions	1.31%	1.31%	1.31%	1.31%	1.32%
Trading expense ratio ⁽³⁾	0.09%	0.10%	0.06%	0.13%	0.09%
Portfolio turnover rate ⁽⁴⁾	74.21%	77.75%	44.85%	102.91%	79.16%
Net Asset Value per unit	\$10.12	\$9.92	\$10.29	\$9.96	\$9.85

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding [distributions], commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rates in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

Educators Financial Group is the Manager-Trustee, promoter and principal distributor of the Fund, and is responsible for the day-to-day management and administration of the Fund.

The Manager-Trustee monitors and evaluates the performance of the Fund, and pays for the investment management services of the portfolio adviser, as well as all administrative services required by the Fund. As compensation for these services, Educators Financial Group is entitled to receive a fee, payable monthly and calculated daily, based on the Net Asset Value of the Fund, at the annual rate of 1.15%.

The Fund is responsible for paying any applicable tax owing on its management fee.

Approximately 14.9% of the management fees were used to pay for portfolio management services, with the remainder of the fees allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

Past Performance

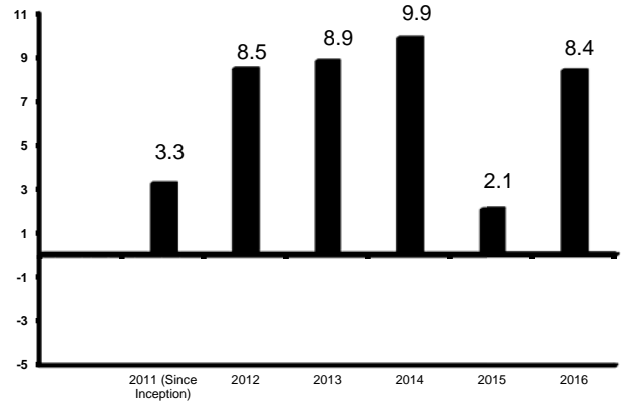
General

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

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's performance since inception and illustrates how the Fund's performance has changed for each 12-month period ending December 31. The chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



Annual Compound Returns

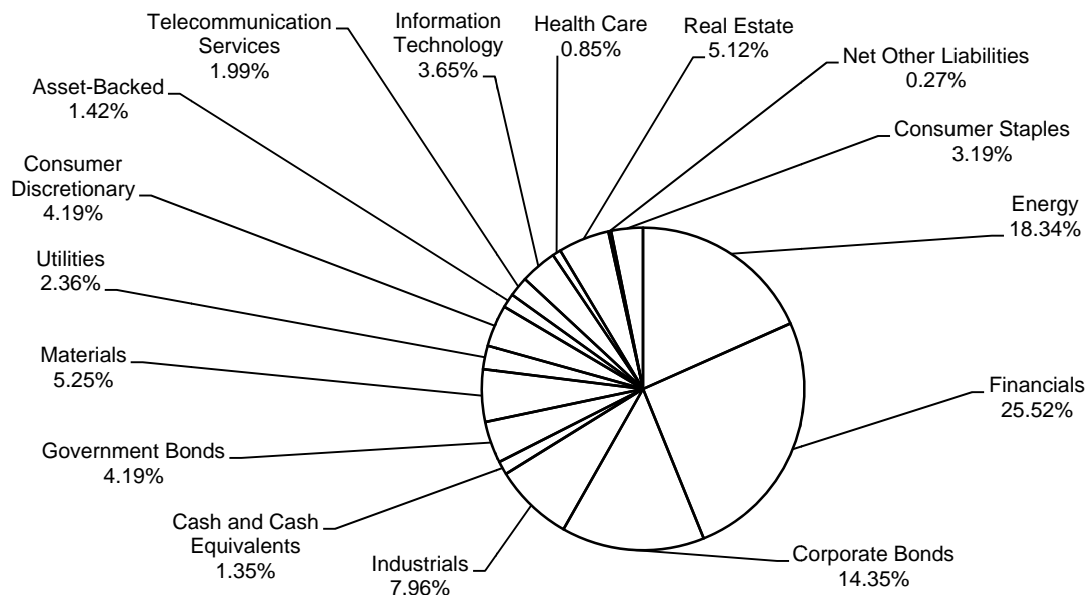
This table compares the compound returns of the Fund since inception with the performance of a blended Benchmark index comprised as follows: 70% S&P/TSX Composite Total Return Index (S&P/TSX Index), a capitalization-weighted index designed to measure the market activity of some of the largest float adjusted stocks listed on the Toronto Stock Exchange, 27% FTSE TMX Canada Bond Universe Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year and 3% FTSE TMX Canada 91 Day Treasury Bill Index, which measures the performance attributable to 91-day Treasury Bills of the provincial and federal governments.

	Educators Monthly Income Fund (%)	S&P/TSX Index (%)	FTSE TMX Bond Index (%)	91 Day T-Bill Index (%)	Blended Index (%)
Past 10 years	N/A	4.72	4.79	1.39	4.86
Past 5 years	7.52	8.25	3.22	0.81	6.73
Past 3 years	6.75	7.06	4.61	0.68	6.29
Past year	8.44	21.08	1.66	0.51	14.94

Note that the Benchmark returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark.



SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)



Top 25 Holdings

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Royal Bank of Canada			4.87%
Toronto-Dominion Bank			4.83%
Suncor Energy Inc.			3.21%
Canadian National Railway Co.			3.03%
Bank of Montreal			2.91%
Bank of Nova Scotia			2.91%
Enbridge Inc.			2.81%
Canadian Natural Resources Ltd.			2.43%
TransCanada Corp.			2.36%
Manulife Financial Corp.			2.34%
Government of Canada	1.50%	June 1, 2026	1.99%
Government of Canada	3.50%	December 1, 2045	1.95%
JPMorgan Chase & Co.			1.82%
Alimentation Couche-Tard Inc.			1.30%
Rogers Communications Inc.			1.28%
Veresen Inc.			1.24%
Intact Financial Corp.			1.18%
Microsoft Corp.			1.14%
Barrick Gold Corp.			1.13%
Agrium Inc.			1.09%
Brookfield Asset Management Inc.			1.05%
Costco Wholesale Corp.			1.02%
National Bank of Canada			1.02%
Agnico Eagle Mines Ltd.			1.01%
Lockheed Martin Corp.			0.98%
Total Net Assets (000's)			\$54,721

The top 25 holdings represent approximately 50.90% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2016 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

EDUCATORS FINANCIAL GROUP

2225 Sheppard Ave. East
Suite 1105
Toronto, Ontario M2J 5C2

Telephone: 416.752.6843
1.800.263.9541

Fax: 416.752.6649
1.888.662.2209

E-Mail: info@educatorsfinancialgroup.ca

Web: www.educatorsfinancialgroup.ca

