2017

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2017

Offered by Educators Financial Group
Portfolio Advisor: Beutel, Goodman & Company Ltd., Toronto, Ontario

Educators Bond Fund

Educators
FINANCIAL GROUP

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 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 Bond Fund (the "Fund") is to earn a high rate of income return by investing, directly or indirectly, primarily in fixed-income securities of Canadian governments and corporate issuers. While investments in foreign fixed income securities are permitted, this is not a key strategy for the Fund, which focusses on creating a high quality portfolio diversified across Government of Canada, provincial government and corporate securities. The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders.

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 ending December 31, 2017.

Results of Operations

For the year ending December 31, 2017, the Fund provided a return of 1.40%, versus the FTSE TMX Canada Universe Bond Index (the "Benchmark") return of 2.52%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets decreased by 10.9% to $9.0 million at the end of December 2017, down from $10.1 million at the end of December 2016.

The Corporate, Provincial, and Municipal sectors outperformed the Index while the Federal sector underperformed. The Fund had a positive return, but underperformed the FTSE TMX Canada Bond Universe Index for the one-year period on a net of fees basis. Decisions that contributed to performance include: government sector allocation, as both provincials and corporates significantly outperformed federal bonds; the Fund's short duration positioning, as yields across the curve decreased by 24 basis points during the year; corporate sector allocation, as corporates outperformed federal bonds; and the Fund's foreign pay position, which was closed in the second quarter, yet contributed positively to performance for the year as the Fund benefitted from a depreciating currency at the time the position was in place. Decisions that detracted from performance include: corporate security selection, as the portfolio manager's preferred high-quality sectors underperformed versus other higher beta corporates; and curve positioning, as the Fund was not positioned for the initial flattening of the yield curve following the Bank of Canada's about face in monetary policy messaging, but was positioned for the balanced of the flattening move.

During 2017, yields in Canada and the U.S. increased across the curve by 47 and 17 basis points, respectively. As central banks tightened monetary policy and the U.S. Federal Reserve started to unwind its balance sheet, markets took their cue more from economic data than from central bank extraordinary stimulus. Global growth was buoyant, global PMIs trended higher, the Canadian and U.S. labour markets were robust and consumer spending was resilient. The one piece of economic data that continued to disappoint was the lack of wage growth and inflation. While 2016 was all about headline risk (Brexit, Trump election); for the most part markets ignored the headlines in 2017. The concern that the euro zone would lay the seeds of its own destruction dissipated as the numerous European elections failed to deliver victories for the far right, euro skeptic parties. While failing to deliver a new health care bill, the Trump Administration was successful in getting its tax reform passed and threats of government sequestration and breaching the debt ceiling were kicked down the road into 2018. The U.S. Federal Reserve followed through on hiking the Federal Funds rate three times, in line with their projections and commencing the unwind of their balance sheet. The Bank of Canada moved from being on hold to removing the 50 basis points of extraordinary monetary policy stimulus, to being on hold again and then embarking on a slow, data dependent hiking cycle.

After hiking the overnight rate twice during the third quarter, effectively removing the 50 basis points of emergency monetary policy stimulus, the Bank of Canada turned dovish during the fourth quarter and remained on hold. The Bank became cautious about the effect of the tightening on consumer debt and spending, uncertainty regarding NAFTA, and the appreciation of the Canadian dollar. In its latest monetary policy release, the Bank highlighted strong employment growth and some improvement in wages that have supported robust consumer spending in the third quarter. On the cautionary side, the Bank stated that despite rising employment and participation rates, other indicators point to ongoing (albeit diminishing) slack in the labour market. Business investment has remained strong and public infrastructure spending is becoming more evident in the data. Exports disappointed the Bank during third quarter however, they expect that export growth will resume as foreign demand strengthens. The Bank maintains that the global outlook remains subject to considerable uncertainty, notably about geopolitical developments and trade policies. On the inflation front, the Bank noted that inflation has been slightly higher than anticipated and will continue to run high in the short term buoyed by temporary factors such as gasoline prices and the continued absorption of economic slack. The Bank's outlook statement was fairly dovish as the Bank stated that while higher interest rates will likely be required over time; the Governing Council will continue to be cautious, guided by incoming data in assessing the economy's sensitivity to interest rates, the evolution of economic capacity, and the dynamics of both wage growth and inflation.

Recent Developments

Prior to November 30, 2017, the Portfolio Manager achieved the Fund's objectives by investing in Class I units of the Beutel Goodman Income Fund. Subsequent to this, the Portfolio Manager has been investing in individual securities to achieve the objectives of the Fund

Both the Bank of Canada and the U.S. Federal Reserve are united in that they are both data-dependent, monitoring how consumers and businesses react to higher interest rates and waiting to see if inflation will increase following the strong conditions in the labour markets and the underlying economies.

The outlook for U.S. growth remains bright, especially with the passage of U.S. tax reform. Financial conditions (low Treasury yields, narrower credit spreads, weaker U.S. Trade Weighted Dollar, and higher equity markets) have eased and historically have foreshadowed faster growth. While Canadian growth is expected to moderate after a robust first half of 2017, it will likely be held up by a strong U.S. economy and the recent strength in crude oil prices. While there is no doubt that the Canadian economy is strong and that the slack in the economy is being used up, there are a few areas of concern for the economic forecast. A significant amount of the strong growth has been led by the services sector and not by manufacturing, nor by the export sectors that the Bank of Canada had expected to benefit from a lower Canadian dollar. As the Bank of Canada has repeatedly warned, consumer indebtedness is at very high levels. While a slowdown in the housing market will likely not lead to a rash of foreclosures in Canada as it did in the U.S., it will likely constrain consumer spending as mortgage payments take up a greater share of the consumers' wallet. There remains concern that anti-trade and 'Buy America' policies, as well as differences in carbon regulations and corporate tax could also disadvantage Canadian industry versus that of the U.S. These uncertainties are holding back business investment in Canada. After removing the 50 basis points of monetary policy stimulus, the Bank of Canada is embarking on a tightening cycle. The Canadian bond market has priced in more than two rate hikes by the Bank through to the end of 2018. The portfolio manager's base case is for the continuation of trends of relatively strong growth, steadily increasing inflation, and gradual central bank tightening.

The Fund is short duration versus the FTSE TMX Canada Universe Bond Index. The portfolio manager believes that as central banks have adjusted their biases to removing monetary policy stimulus, both through hiking interest rates and tapering QE and balance sheets, interest rates will likely increase in accordance. The Canadian bond market has fully priced-in a full tightening cycle by the Bank of Canada, in line with the portfolio manager's expectations, so there are no opportunities for rates to increase significantly in the short-end of the curve. We are positioned for the yield curve to continue to flatten as is reflective of tightening cycles. Projected roll return versus that of the benchmark remains positive. The Fund is overweight in corporate bonds and is maintaining its defensive and safe haven positioning. The Fund is underweight in Government of Canada bonds and slightly underweight in provincial bonds.

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

In 2017 Educators Financial Group did not refer any conflict of interest matters to the Fund's Independent Review Committee (IRC) and accordingly did not rely upon any recommendation of the IRC in respect of any related party transactions.

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

FINANCIAL HIGHLIGHTS

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

The Fund's Net Assets per Unit [(1)]

	Year ended December 31				
	2017	2016	2015	2014	2013
Net Assets, beginning of year	$9.82	$9.93	$10.06	$9.78	$10.26
Increase (decrease) from operations:					
Total revenue	$0.23	$0.29	$0.32	$0.32	$0.32
Total expenses, including transaction costs [excluding distributions]	$(0.12)	$(0.13)	$(0.13)	$(0.13)	$(0.13)
Realized gains (losses) for the period	$(0.37)	$0.08	$(0.02)	$(0.07)	$(0.10)
Unrealized gains (losses) for the period	$0.40	$(0.19)	$(0.11)	$0.37	$(0.37)
Total increase (decrease) from operations [(2)]	$0.14	$0.05	$0.06	$0.49	$(0.28)
Distributions:					
From net investment income (excluding dividends)	$0.10	$0.17	$0.19	$0.20	$0.20
From dividends	$--	$--	$--	$--	$--
From capital gains	$--	$0.04	$--	$--	$--
Return of capital	$0.02	$--	$--	$--	$--
Total Annual Distributions [(3)]	$0.12	$0.21	$0.19	$0.20	$0.20
Net assets, end of year	$9.84	$9.82	$9.93	$10.06	$9.78

(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				
	2017	2016	2015	2014	2013
Total Net Asset Value (000's) [(1)]	$8,953	$10,140	$8,903	$8,868	$10,308
Number of units outstanding [(1)]	909,935	1,032,691	896,328	881,460	1,053,598
Management expense ratio [(2)]	1.25%	1.25%	1.25%	1.25%	1.26%
Management expense ratio before waivers or absorptions	1.25%	1.25%	1.25%	1.25%	1.26%
Trading expense ratio [(3)]	--%	--%	--%	--%	--%
Portfolio turnover rate [(4)]	123.27%	6.90%	9.17%	6.05%	6.96%
Net Asset Value per unit	$9.84	$9.82	$9.93	$10.06	$9.78

(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 1.10%.

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

Approximately 19.9% 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

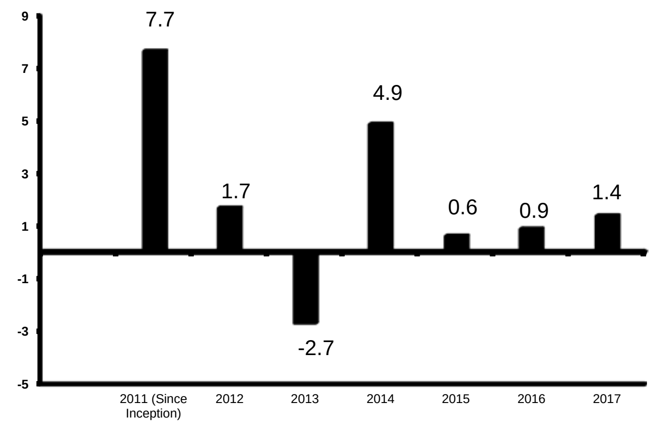
General

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.



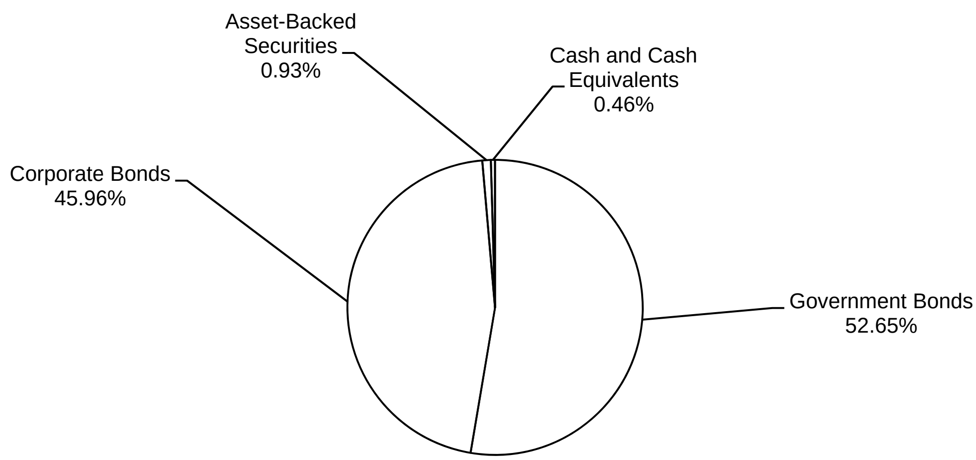
Annual Compound Returns

This table compares the compound returns of the Fund since inception with the Benchmark, the FTSE TMX Canada Universe Bond Index (FTSE TMX Bond Index), which is a broad measure of the total return of Canadian bonds that mature in more than one year.

	Educators Bond Fund (%)	FTSE TMX Bond Index (%)
Past 10 years	NA	4.67
Past 5 years	1.00	3.01
Past 3 years	0.98	2.56
Past year	1.40	2.52

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 of Underlying Fund

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Canadian Government Bond	1.25%	November 1, 2019	8.51%
Province of Ontario	4.20%	June 2, 2020	8.38%
Province of Ontario	2.80%	June 2, 2048	8.26%
Province of Ontario	4.00%	June 2, 2021	8.06%
Bank of Nova Scotia	2.13%	June 15, 2020	7.49%
Union Gas Ltd.	2.81%	June 1, 2026	4.64%
Canadian Government Bond	1.00%	June 1, 2027	4.35%
Province of Quebec	5.00%	December 1, 2041	4.07%
AltaGas Ltd.	3.84%	January 15, 2025	3.85%
Canadian Government Bond	2.75%	December 1, 2048	3.76%
Toronto-Dominion Bank	3.23%	July 24, 2024	3.63%
Inter Pipeline Ltd.	3.48%	December 16, 2026	3.22%
Bell Canada Inc.	2.00%	October 1, 2021	3.11%
Canadian Natural Resources Ltd.	2.05%	June 1, 2020	3.05%
Toronto-Dominion Bank	3.22%	July 25, 2029	3.04%
Bank of Montreal	2.27%	July 11, 2022	2.81%
TransCanada Pipelines Ltd.	3.69%	July 19, 2023	2.63%
Royal Bank of Canada	3.04%	July 17, 2024	2.55%
Province of Ontario	6.20%	June 2, 2031	2.25%
AltaLink LP	3.72%	December 3, 2046	1.80%
CPPIB Capital Inc.	1.10%	June 10, 2019	1.77%
Province of Ontario	2.90%	December 2, 2046	1.29%
Province of Alberta	3.05%	December 1, 2048	1.17%
Bank of Montreal	1.61%	October 28, 2021	1.11%
Royal Bank of Canada	2.03%	March 15, 2021	1.03%
Total Net Assets (000's) ……………………………………………………………………			**$8,953**

The top 25 holdings represent approximately 95.83% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2017 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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