

2017

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2017

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

Educators Growth 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 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 Growth Fund (the "Fund") is to provide above-average capital growth over the long term by primarily investing in growth-oriented Canadian companies. The Fund invests primarily in common shares of established Canadian corporations and other equity securities, and non-Canadian securities are generally limited to no more than 25% of the Fund's assets. Foreign currency exposure may or may not be hedged. 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 8.66%, versus the S&P/TSX Composite Total Return Index (the "Benchmark") return of 9.10%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets increased by 8.7% to 95.4\$ million at the end of December 2017, up from \$87.8 million at the end of December 2016.

During the period, despite solid economic data in Canada in 2017 that included gains in the labour market, improved manufacturing activity, and overall domestic economic activity, performance of Canadian equities did not fully reflect these positive developments. As a result, Canadian equities underperformed U.S. and EAFE stocks as the S&P/TSX Composite Index rose 9.1%. Weaker investor confidence in Canadian stocks relative to other markets can be attributed to external factors, such as the risk that the North American Free Trade

Agreement (NAFTA) may be terminated as well as domestic drivers, such as market fears of overheating in the housing market. However, despite issues at Home Capital Group Inc. and challenges in the real estate market, improvements in economic fundamentals helped the Bank of Canada (BoC) change its policy guidance. The BoC increased its policy rate twice in 2017, benefiting the Financials sector as Canadian banks reacted by increasing their mortgage rates. Meanwhile, Energy sector stocks underperformed. Despite an agreement to cut oil production among members of the Organization of the Petroleum Exporting Countries and several other countries, oil prices were range-bound for most of 2017 and rallied toward the end of the year. However, Canadian Energy sector equities did not fully benefit from this uptick in oil prices. The Materials sector had solid performance as both precious metals and base metals, particularly copper, posted gains.

During the period, the fund underperformed the S&P/TSX Composite. Security selection in the Industrials, Consumer Discretionary, and Materials sectors contributed to the Fund's performance. Individual contributors to performance included holdings in Franco-Nevada Corp., Teck Resources Ltd., and Air Canada. Franco-Nevada Corp. was able to withstand metal price volatility as the result of its diversified production base. Teck Resources Ltd. is a diversified metals miner whose three main products (which are metallurgical coal, copper, and zinc) benefited from strong pricing throughout the year. Air Canada had strong financial performance as a result of strong domestic demand, coupled with good cost controls and prudent expansion.

Security selection in the Energy sector detracted from the Fund's performance. Individual detractors from performance included Cenovus Energy Inc. and ATCO Ltd. Cenovus Energy Inc.'s focus on oil sands production in a weak oil price environment was not appreciated by investors, while ATCO Ltd. faced challenges from rising interest rates and a weak structures and logistics division.

The portfolio was transitioned to a more systematic investment process to improve risk/return characteristics, while remaining consistent with the fund's mandate. Style exposures were moderated with a modest reduction in the overweight position in growth and an increase in the fund's underweight exposure to the value factor.

The portfolio manager added new positions in Methanex Corp. and Magna International Inc. Methanex Corp.'s was purchased for its relatively low valuation and the company's commitment to dividends and share buybacks. Its globally diversified production and transportation facilities allow it to stay low on costs, shifting production to match both inexpensive natural gas supply and global customer demand. The cost of methanol has been driven higher and continues to see ongoing demand, which should help the company to generate significant earnings growth in 2018. Magna International Inc. was added for its capabilities related to higher-growth areas, such as autonomous driving and vision and sensor systems. The portfolio manager believes that it is the only company with the ability to design and build complete vehicles at scale on a contract basis, potentially benefiting from new entrants that lack their own manufacturing capabilities. In addition, its stock trades at a significant discount to its sector peers.

Holdings in Intact Financial Corp. and Cineplex Inc. were eliminated from the Fund. In the portfolio manager's view, Intact Financial Corp. has some heightened risks in the near term, including its acquisition of OneBeacon Insurance Group Ltd. and its initial entrance into the U.S. In addition, Intact Financial Corp.'s losses from catastrophic events (flooding and wildfires) have increased, exceeding its forecasts for 2017, which has led to a reduction in earnings. Cineplex Inc., with its near monopoly share of the Canadian market, seems to have little room for growth. The company has acknowledged this with its efforts at expansion into the digital media space and introduction of its amusement gaming facility. While early indications are promising, the return on invested capital on these new efforts has not matched the company's historic performance, and there are larger risks associated with expansion into new markets. An existing position in The Descartes Systems Group Inc. was trimmed as its stock price has risen. It remains an attractive holding in the Fund, particularly in light of the potential for increased global trade regulation, from which it would benefit.

Recent Developments

The portfolio manager has positioned the Fund for a strong domestic and global economy in the coming

period, with an overweight allocation to cyclical industries, such as metals and mining and consumer-related sectors. Rising interest rates may be a bigger challenge compared to 2017, yet the economy should continue to be supported by low inflation and strong consumer spending and business confidence. The Canadian housing market has moderated and the portfolio manager will continue to monitor for any negative effects in the case of a sharper downturn.

Related Party Transactions

BMO Asset Management Inc. (BMO AM), the Fund's Portfolio Adviser, is an affiliate of the BMO Financial Group. From time to time, BMO AM may on behalf of the Fund enter into transactions or arrangements with, or involving, other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio Adviser of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's Portfolio Adviser BMO AM. The maximum amount of BMO common shares held during the period in the Fund was approximately 3.7% and at the end of the period was approximately 0.8%.

Brokerage Fees

The Fund pays standard brokerage commissions at market rates to BMO Capital Markets, an affiliate of the Portfolio Adviser. The brokerage fees charged to the Fund were as follows:

	<u>2017</u> <i>(Dec 31)</i>	<u>2016</u> <i>(Dec 31)</i>
<i>Total Brokerage Fees</i>	\$37,253	\$39,903
<i>Brokerage Fees Paid to BMO Capital Markets</i>	\$10,819	\$5,154

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	\$23.71	\$20.79	\$21.58	\$20.70	\$17.42
Increase (decrease) from operations:					
Total revenue	\$0.56	\$0.50	\$0.52	\$0.49	\$0.43
Total expenses, including transaction costs [excluding distributions]	\$(0.47)	\$(0.44)	\$(0.44)	\$(0.45)	\$(0.39)
Realized gains (losses) for the period	\$2.28	\$0.71	\$0.89	\$1.50	\$1.57
Unrealized gains (losses) for the period	\$(0.37)	\$2.21	\$(1.44)	\$0.15	\$1.99
Total increase (decrease) from operations ⁽²⁾	\$2.00	\$2.98	\$(0.47)	\$1.69	\$3.60
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$1.69	\$0.07	\$0.31	\$0.83	\$0.32
Return of capital	\$--	\$--	\$--	\$--	\$0.01
Total Annual Distributions ⁽³⁾	\$1.69	\$0.07	\$0.31	\$0.83	\$--
Net Assets, end of year	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70

⁽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⁾	\$95,447	\$87,830	\$79,447	\$82,523	\$74,953
Number of units outstanding ⁽¹⁾	3,981,738	3,704,213	3,821,905	3,823,911	3,620,896
Management expense ratio ⁽²⁾	1.93%	1.93%	1.93%	1.93%	1.90%
Management expense ratio before waivers or absorptions ⁽³⁾	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio ⁽⁴⁾	0.04%	0.05%	0.06%	0.07%	0.11%
Portfolio turnover rate ⁽⁵⁾	65.54%	27.81%	40.63%	36.95%	54.08%
Net Asset Value per unit	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70

⁽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 management expense ratio before waivers or absorptions shows what the management expense ratio of the Fund would have been if Educators Financial Group had not charged a lesser amount for its management fee.
- (4) 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.
- (5) 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 1.75%.

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

Approximately 11.4% of the management fees were used to pay for portfolio management services, with the remainder of the fees being allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

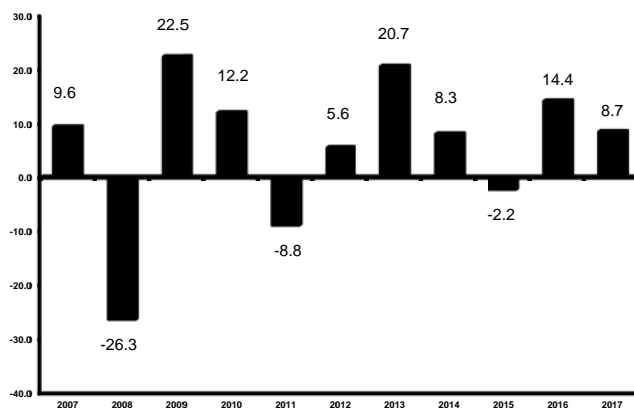
PAST PERFORMANCE

General

The Fund's performance information shown assumes that all distributions made by the Fund in the periods 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 for each of its past 10 financial years 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.



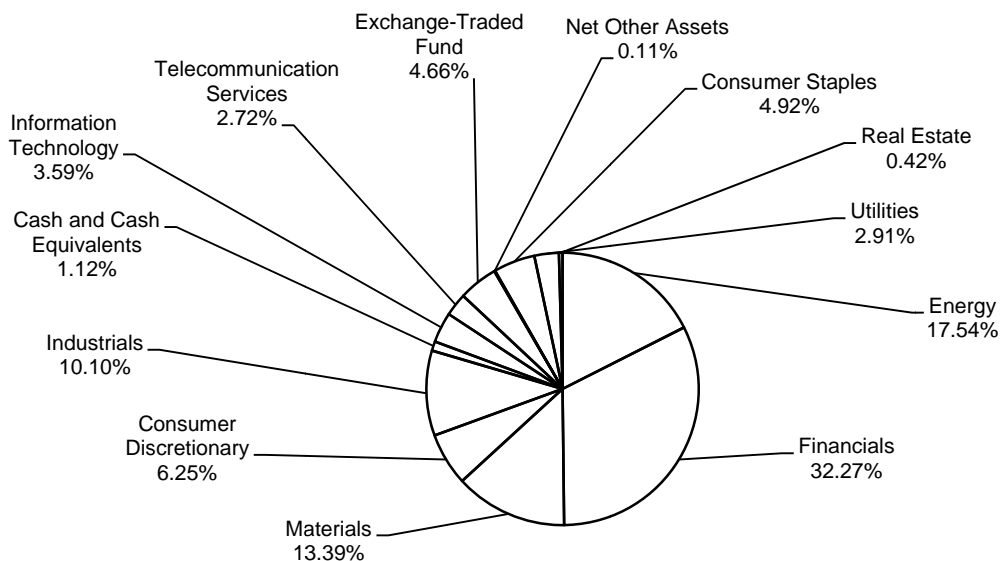
Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the Benchmark, the 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.

	Educators Growth Fund (%)	S&P/TSX Index (%)
Past 10 years	4.49	4.65
Past 5 years	9.69	8.63
Past 3 years	6.71	6.59
Past year	8.66	9.10

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	Percentage of Net Asset Value
Royal Bank of Canada	7.84%
Toronto-Dominion Bank	7.64%
Canadian Natural Resources Ltd.	4.80%
Manulife Financial Corp.	4.79%
TransCanada Corp.	4.46%
Canadian National Railway Co.	3.88%
Bank of Nova Scotia	3.84%
Teck Resources Ltd.	3.57%
Magna International Inc.	3.33%
Franco-Nevada Corp.	3.21%
CGI Group Inc., Class A	3.03%
BMO S&P 500 Index ETF	2.92%
Suncor Energy Inc.	2.76%
Onex Corp.	2.73%
Rogers Communications Inc.	2.72%
Air Canada	2.68%
George Weston Ltd.	2.40%
Methanex Corp.	2.38%
Enovus Energy Inc.	2.32%
Agrium Inc.	2.24%
Dollarama Inc.	2.22%
Brookfield Asset Management Inc.	2.14%
Waste Connections Inc.	2.03%
Power Financial Corp.	1.77%
BMO Junior Oil Index ETF	1.74%
Total Net Assets (000's)	\$95,447

The top 25 holdings represent approximately 83.44% 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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