

2018

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2018

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

Educators Dividend 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 Dividend Fund (the "Fund") is to provide investors with a stable and growing stream of after-tax income with long-term capital growth by investing primarily in dividend-producing preferred and common shares of Canadian corporations, aiming to take advantage of the favourable tax treatment generally available to individual Canadians who receive dividend income from Canadian corporations. To achieve lower volatility through diversification, the Fund also invests in debt securities. Non-Canadian securities are 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, 2018.

Results of Operations

The Fund's net assets decreased by 5.9% to \$127.8 million at the end of December 2018, down from \$135.8 million at the end of December 2017.

Investment Performance

For the year ending December 31, 2018 (the 'period'), the Educators Dividend Fund – Class A Series provided a negative return of 7.76%, versus the S&P/TSX 60 Index (the 'Benchmark') return of negative 7.58%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The first and fourth quarters of 2018 were particularly challenging for Canadian equities as a result of fragile investor sentiment. During the calendar year of 2018, the S&P/TSX 60 Index, representing the performance of Canadian large cap stocks, fell 7.6%. Oil was under pressure in the latter half of the year as concerns rose over excess supply. Coupled with decelerating global economic growth and U.S. waivers for a number of countries to buy Iranian oil, oil experienced significant downward pressure in the fourth quarter, as the price of West Texas Intermediate ('WTI') oil fell to levels last seen in 2017.

Weaker economic data, particularly in the second half of 2018, along with rising interest rates and a flattening yield curve, weighed on investor sentiment given the potential for weaker consumer credit growth. On the positive side, Information Technology stocks were a bright spot, delivering high single-digit gains for the year.

While the Fund performed well over the first three quarters of 2018, volatile markets in the fourth quarter offset earlier gains. Overall, the Fund ended the year with a return that was approximately in-line with its benchmark return. An overweight exposure to the Information Technology sector and underweight exposure to the Energy sector contributed to the Fund's relative performance. In addition, an overweight exposure to U.S. equities, particularly within the Information Technology sector, also added to performance. Security selection in the Industrials and Consumer Staples sectors contributed to performance, including Costco Wholesale Corp., Metro Inc., and Waste Connections Inc. Top individual contributors to performance included holdings in Visa Inc., Microsoft Corp., and The TJX Companies Inc. Visa's share price rose (*as it benefited from the shift to wireless payments globally*), from margin expansion and enhanced free cash flow. The integration of its European operations is also proceeding well, supporting low double-digit revenue growth. Microsoft delivered superior share price performance driven by better-than-expected financial results, accelerating revenue growth, margin expansion, and strong 2019 forecasts. The company also delivered a 10% dividend increase and continued its share repurchases. The TJX Companies performed well on solid same-store sales growth (*particularly within its U.S. Marmaxx segment*) and continued to benefit from challenges facing retail department stores. It also continued its share buybacks.

Stock selection detracted from the Fund's relative performance, particularly within the Utilities and Communication Services sectors. Previous strong performers, Brookfield Infrastructure Partners L.P. and Activision Blizzard Inc., weakened with lower-than-anticipated results. Other individual detractors from performance included holdings in Dollarama Inc. and ARC Resources Ltd. Dollarama suffered as they reported consecutive quarters of weak traffic results that impacted its same-store sales growth. Furthermore, the company also experienced weaker-than-forecast gross margins in light of higher freight costs and more intense competition. ARC Resources' revenues were negatively impacted by a weakened environment for both Canadian natural gas and crude oil differentials. The company's stock sold off sharply after

the announcement of its 2019 budget, causing consensus estimates to move lower.

The portfolio manager added new positions in The Walt Disney Co., S&P Global Inc., and Constellation Brands Inc. In addition to these, Becton Dickinson & Co. was purchased for the Fund for its leadership position in almost all product categories in which it competes, as well as its well-diversified portfolio that compounds revenue at 5% annually and its recent acquisitions of CareFusion Corp. and C.R. Bard Inc. Existing core positions in Algonquin Power, Suncor, Brookfield Asset Management Inc., Bank of Montreal, The Bank of Nova Scotia, Pembina Pipeline, ARC Resources, Metro, and TJX Companies were increased in the Fund for their attractive risk-return profiles.

Loblaws Companies, Maxar Technologies, BCE Inc., Starbucks, Cineplex, Vermilion Energy, Brookfield Renewable Partners L.P., and Whitecap Resources were eliminated from the Fund. In addition to these, Costco was sold on the basis of extended valuation, as its share price had risen well beyond the portfolio manager's fair value estimate. Costco was sold at a profit, with the proceeds being redeployed to other opportunities. Holdings in Apple, Microsoft, Intact Financial, Fortis, Visa, and JP Morgan were trimmed.

Recent Developments

The outlook for equity markets has changed dramatically over the course of 2018. The past year began with cautious optimism about the prospects for North American equities, buoyed by U.S. tax cuts, fiscal stimulus, global synchronized growth, and accelerating earnings. By the end of the year, global economic and political risks became quite elevated, driven in large part by the trade dispute between the U.S. and China.

However, the portfolio manager's bias continues to favour equities, with the recognition that while increased volatility may continue, there is positive potential stemming from a possible resolution of various outstanding global issues. Interest rate risk has softened somewhat, providing additional support for an extension of the current economic and market cycle. The portfolio manager expects Canadian economic growth to moderate in 2019 as higher interest rates, new mortgage regulations, and lower energy prices, may all slow the pace of economic activity. The risk of recession in the near term remains low, given the low unemployment rate and the solid fundamentals backing the U.S. economy. In addition, the portfolio manager believes softer domestic economic data, along with weaker commodity pricing, should work to keep the Bank of Canada more cautious in its ongoing effort to normalize interest rates.

Reflecting this outlook, the portfolio manager has maintained the Fund's bias toward high-quality businesses in the Financials, Information Technology, and Consumer-oriented sectors that are able to grow free cash flow and dividend streams.

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 general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

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

BMO Asset Management Inc. (BMO AM), the Fund's portfolio manager, 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 manager of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's portfolio manager BMO AM. The maximum amount of BMO common shares held during the period in the Fund was approximately 3.8% and at the end of the period was approximately 3.6%.

Brokerage Fees

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

	<i>2018</i> (Dec 31)	<i>2017</i> (Dec 31)
Total Brokerage Fees	\$27,952	\$29,969
Brokerage Fees Paid to BMO Capital Markets	\$1,962	\$2,008

In 2018 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. Currently Class I units of the Fund are not being offered to purchase.

Educators Dividend Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2018	2017	2016	2015	2014
Net Assets, beginning of period	\$28.74	\$25.86	\$23.19	\$24.39	\$21.98
Increase (decrease) from operations:					
Total revenue	\$0.79	\$0.73	\$0.68	\$0.72	\$0.69
Total expenses, including transaction costs [excluding distributions]	\$(0.51)	\$(0.49)	\$(0.44)	\$(0.44)	\$(0.43)
Realized gains (losses) for the period	\$0.44	\$0.74	\$0.58	\$(0.55)	\$(0.08)
Unrealized gains (losses) for the period	\$(2.95)	\$1.99	\$2.01	\$(0.77)	\$2.36
Total increase (decrease) from operations ⁽²⁾	(\$2.23)	\$2.97	\$2.83	\$(1.04)	\$2.54
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.14	\$0.08	\$0.16	\$0.17	\$0.16
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.14	\$0.08	\$0.16	\$0.17	\$0.16
Net Assets, end of period	\$26.38	\$28.74	\$25.86	\$23.19	\$24.39

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2018	2017	2016	2015	2014
Total Net Asset Value (000's) ⁽⁴⁾	\$125,811	\$135,781	\$114,203	\$100,434	\$100,510
Number of units outstanding ⁽⁴⁾	4,770,089	4,725,267	4,415,490	4,330,034	4,121,188
Management expense ratio ⁽⁵⁾	1.73%	1.73%	1.73%	1.73%	1.73%

Management expense ratio before waivers or absorptions ⁽⁶⁾	1.81%	1.81%	1.81%	1.81%	1.81%
Trading expense ratio ⁽⁷⁾	0.02%	0.02%	0.04%	0.02%	0.01%
Portfolio turnover rate ⁽⁸⁾	14.49%	12.77%	19.37%	16.80%	9.01%
Net Asset Value per unit	\$26.38	\$28.74	\$25.86	\$23.19	\$24.39

Educators Dividend Fund – Class I Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31
	2018
Net Assets, beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	\$0.28
Total expenses, including transaction costs [excluding distributions]	\$(0.01)
Realized gains (losses) for the period	\$0.11
Unrealized gains (losses) for the period	\$(1.41)
Total increase (decrease) from operations ⁽²⁾	(\$1.03)
Distributions:	
From net investment income (excluding dividends)	\$--
From dividends	\$0.20
From capital gains	\$--
Return of capital	\$--
Total Annual Distributions ⁽³⁾	\$0.20
Net Assets, end of period	\$9.20

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31
	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$2,022
Number of units outstanding ⁽⁴⁾	219,663
Management expense ratio ⁽⁵⁾	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%
Trading expense ratio ⁽⁷⁾	0.02%
Portfolio turnover rate ⁽⁸⁾	14.49%
Net Asset Value per unit	\$9.20

⁽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 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.
- (4) This information is provided as at December 31 of the year shown.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover 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 manager, as well as all administrative services required by the Fund. As compensation for these services, Educators Financial Group is entitled to receive a fee, payable monthly and calculated daily, based on the Net Asset Value of the Fund, at the annual rate of 1.60% for the Class A Series. The Class I Series is identical in all respect to the Class A Series, except that there is no management fee payable by the Fund in respect of the Class I units.

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

Approximately 13.2% of the total management fees collected from all series 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

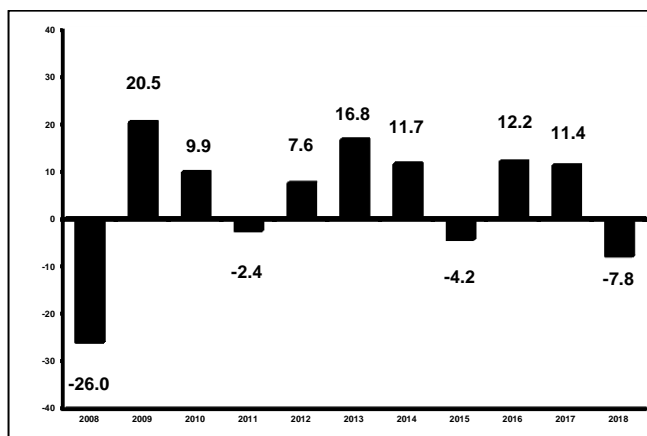
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance of different fund series may vary for a number of reasons, including differences in management fees and expenses. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

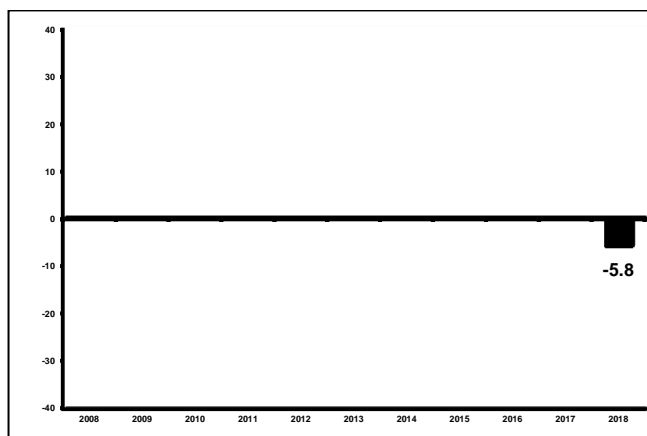
Year-by-Year Returns

The bar chart shows the Fund's performance for each of its past 10 financial years and illustrates how the Fund's performance has changed for 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 Returns – Class A Series



Annual Returns – Class I Series ⁽¹⁾



⁽¹⁾ The Class I Series commenced operations January 4, 2018

Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the Benchmark, the S&P/TSX 60 Index, a stock index of 60 large companies listed on the Toronto Stock Exchange.

Class A Series

	1 Year	3 Year	5 Year	10 Year
Educators Dividend Fund	-7.76%	4.87%	4.30%	7.22%
S&P/TSX 60 Index	-7.58%	7.18%	4.98%	7.86%

Class I Series ⁽¹⁾

	Since Inception
Educators Dividend Fund	-5.84%
S&P/TSX 60 Index	-6.28%

⁽¹⁾ The Class I Series commenced operation January 4, 2018

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)

As at December 31, 2018

Sector Mix	Percentage of Net Asset Value
Financials	39.79%
Energy	12.92%
Industrials	11.66%
Information Technology	9.23%
Utilities	5.61%
Communication Services	4.29%
Consumer Staples	4.16%
Materials	3.38%
Consumer Discretionary	3.20%
Real Estate	2.57%
Short-term Investments	1.60%
Health Care	1.59%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	7.52%
Royal Bank of Canada	7.39%
Bank of Nova Scotia	6.84%
Brookfield Asset Management Inc.	4.61%
Canadian National Railway Co.	4.31%
Enbridge Inc.	3.70%
Manulife Financial Corp.	3.56%
Bank of Montreal	3.56%
Microsoft Corp.	3.16%
Visa Inc.	3.14%
Suncor Energy Inc.	3.06%
Waste Connections Inc.	2.89%
Brookfield Infrastructure Partners LP	2.49%
JPMorgan Chase & Co.	2.45%
TransCanada Corp.	2.39%
Intact Financial Corp.	2.30%
Texas Instruments Inc.	2.10%
Alimentation Couche-Tard Inc.	2.07%
Pembina Pipeline Corp.	2.01%
Rogers Communications Inc.	2.00%
TJX Cos Inc.	1.76%
CCL Industries Inc.	1.72%
Algonquin Power & Utilities Corp.	1.70%
Franco-Nevada Corp.	1.66%
Allied properties Real Estate Investment Trust	1.63%
Total Net Assets (000's)	\$127,833

The top 25 holdings represent approximately 80.03% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2018 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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