

2018

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2018

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

Educators Money Market 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 Money Market Fund (the "Fund") is to produce a high level of interest income consistent with the goal of preserving invested capital. The Fund invests primarily in Canadian government treasury bills and other high quality short-term Canadian corporate debt instruments of not more than one year to maturity, selecting a variety of investment maturities based on the interest rate outlook, analyzing the credit-worthiness of various issuers and achieving a diversified portfolio by allocating investments among 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, 2018.

Results of Operations

The Fund's net assets increased by 20.5% to \$17.6 million at the end of December 2018, up from \$14.6 million at the end of December 2017.

Investment Performance

For the year ending December 31, 2018 (the 'period'), the Educators Money Market Fund – Class A Series provided a return of 0.92%, versus the FTSE TMX Canada 91 Day Treasury Bill Index (the 'Benchmark') return of 1.38%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

At the end of 2018, the Fund held 23.2% of its investments in a combination of R-1 high-rated corporate paper; R-1 high-rated, bank-sponsored asset-backed commercial paper; and banker's acceptances—with the balance of the portfolio invested in Government of Canada Treasury Bills. The term of the portfolio has remained in-line with that of the benchmark and averaged 90 days over the year.

Throughout 2018, NAFTA negotiations, escalating trade wars, challenges related to Brexit, U.S. aluminum and steel tariffs, declining

commodity prices, fears of interest rate hikes, declining earnings, and slower global growth, all weighed heavily on global and domestic markets. While trade uncertainty was reduced after the eleventh hour completion of negotiations towards a new United States-Mexico-Canada Agreement (*USMCA*), declines in commodity prices, as well as the U.S. imposed tariffs on aluminum and steel, were all forecasted to have a negative effect on investment and trade in the fourth quarter of 2018.

GDP growth in Canada increased to a strong pace of 2.9% during the second quarter of 2018, primarily due to a surge in exports. Real GDP was forecasted to expand approximately 2%, on average, during the second half of 2018, according to the Bank of Canada's ('BoC') October Monetary Policy Report ('MPR').

According to Statistics Canada, the Canadian economy added 163,300 full-time jobs in 2018. This was a marked slowdown from the 427,300 gains in 2017. However, even with the slowdown in job gains, the unemployment rate held at 5.6% in December 2018 and the labour force participation rate was at 65.4%.

Consumer Price Index inflation has risen in recent months by more than what was anticipated in the July MPR. Inflation reached 2.7% during the third quarter, but is expected to fall back to near 2% by the end of the first quarter of 2019. The effects of temporary factors, notably related to airfares, gasoline prices, and minimum wages, are expected to dissipate—which was confirmed with November's year-over-year rate (declining to 1.7%).

On December 5, 2018, the BoC held its overnight rate at 1.75%, which was universally expected. The overall statement had a dovish tone, as the BoC noted that "*activity in Canada's energy sector will likely be materially weaker than expected*" and that "*trade conflicts are weighing more heavily on global demand*". The statement did note, however, that the "*policy interest rate will need to rise into a neutral range to achieve the inflation target*."

At a press conference after the rate decision, Governor Poloz emphasized that the economy remains on solid footing and has been operating at full capacity for more than a year, despite recent headwinds. Poloz acknowledged that there is uncertainty as to the neutral interest rate; however, it is unlikely to be below 2.00% (*the*

BoC's inflation target). Prior to this meeting, economists had been projecting another rate hike as early as January 2019 and another one in the second quarter of 2019; however, by the end of 2018, a more cautious stance by the BoC virtually eliminated a chance of a near-term hike.

On December 19, 2018, the Federal Reserve raised the fed fund target range as widely expected by 0.25% (from 2.25% to 2.50%). There was little change to the Federal Reserve's description of the strong domestic economy and strengthening labour market, but the committee did signal that a slower, less aggressive path to policy normalization lies ahead. Forward guidance was tweaked slightly with the word "some" used to describe the gradual increases in the target range for the federal funds rate, going forward. In the accompanying statement, the Fed also downgraded its GDP growth to 3.0% (from 3.1%) for 2018 and down 0.02% to 2.3% for 2019. They also reduced their rate hike expectations to two (down from three in 2019). While market participants had expected December's rate hike, many participants opposed it due to the recent volatility in the equity markets and softer global data. By the end of 2018, global markets remained extremely volatile due to the U.S./China trade war, worries about over-tightening by the Federal Reserve, slowing global growth, as well as a partial U.S. government shutdown.

For most of 2018, treasury yields closely tracked interest rate hike expectations. Before the December 5th BoC policy meeting, markets assigned a 55% probability of a rate hike in January 2019 and another hike in the second quarter. However, following the BoC's dovish statement and subsequent volatility in the global markets, all rate hike expectations were removed by the end of December, with the probability of a rate increase in the first half of 2019 falling below 40%. This led the difference in yields between 1-year and 2-year bonds to decline by 0.05%.

The yield of the Fund's portfolio remained above that of the Benchmark during the period, due to its allocation of Government of Canada treasury bills with maturities above 91 days and to the Fund's composition of corporate money market instruments, such as banker's acceptances and commercial paper. The Fund continued to maintain a neutral duration (versus its Benchmark during the period) to mitigate interest rate risk.

Recent Developments

The portfolio manager continues to focus on selecting securities with maturities that present the most attractive yields, as well as diversifying the portfolio to include non-government, short-term investments—which provide a yield in excess of treasury bills, while maintaining a duration that is in-line with that of the Benchmark. Within the Fund, the portfolio manager continues to take advantage of yield-enhancing opportunities, as they arise. The Fund will continue to hold between 20-30% in a combination of commercial paper, provincial guaranteed paper, bank-sponsored asset-backed commercial paper, and banker's acceptances to complement the Fund's holdings of Government of Canada treasury bills.

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

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.



EDUCATORS MONEY MARKET 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.

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

	Year ended December 31				
	2018	2017	2016	2015	2014
Net Assets, beginning of period	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Increase (decrease) from operations:					
Total revenue	\$0.15	\$0.08	\$0.06	\$0.08	\$0.10
Total expenses, including transaction costs [excluding distributions]	\$(0.06)	\$(0.06)	\$(0.05)	\$(0.06)	\$(0.06)
Realized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--
Unrealized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--
Total increase (decrease) from operations ⁽²⁾	\$0.09	\$0.02	\$0.01	\$0.02	\$0.04
Distributions:					
From net investment income (excluding dividends)	\$0.09	\$0.02	\$0.01	\$0.02	\$0.04
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.09	\$0.02	\$0.01	\$0.02	\$0.04
Net Assets, end of period	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

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⁾	\$15,959	\$14,624	\$17,129	\$19,434	\$20,163
Number of units outstanding ⁽⁴⁾	1,595,937	1,462,438	1,712,916	1,943,435	2,016,314
Management expense ratio ⁽⁵⁾	0.59%	0.58%	0.53%	0.53%	0.59%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.62%	0.62%	0.61%	0.61%	0.62%
Trading expense ratio ⁽⁷⁾	N/A	N/A	N/A	N/A	N/A
Net Asset Value per unit	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

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

	Year ended December 31
	2018
Net Assets, beginning of period	\$10.00
Total revenue	\$0.17
Total expenses, including transaction costs [excluding distributions]	\$0.00
Realized gains (losses) for the period	\$--

Unrealized gains (losses) for the period	\$--
Total increase (decrease) from operations ⁽²⁾	\$0.17
Distributions:	
From net investment income (excluding dividends)	\$0.15
From dividends	\$--
From capital gains	\$--
Return of capital	\$--
Total Annual Distributions ⁽³⁾	\$0.15
Net Assets, end of period	\$10.00

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31
	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$1,602
Number of units outstanding ⁽⁴⁾	160,159
Management expense ratio ⁽⁵⁾	--
Management expense ratio before waivers or absorptions ⁽⁶⁾	\$--
Trading expense ratio ⁽⁷⁾	N/A
Net Asset Value per unit	\$10.00

- ⁽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.



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, the Manager-Trustee is entitled to receive a fee payable monthly, calculated daily, and based on the Net Asset Value of the Fund, at a maximum annual rate of 0.55% 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 20.2% 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

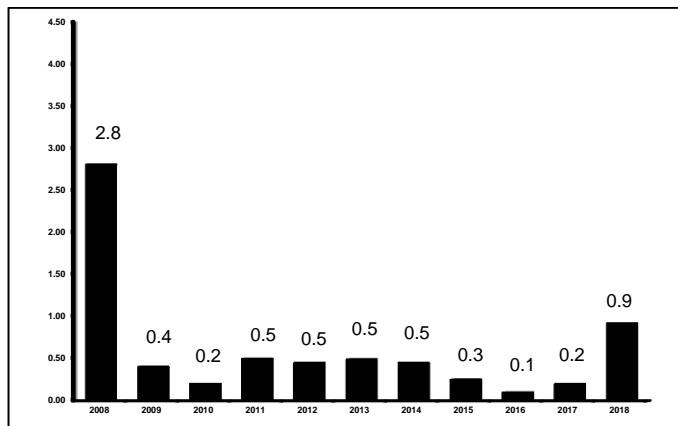
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

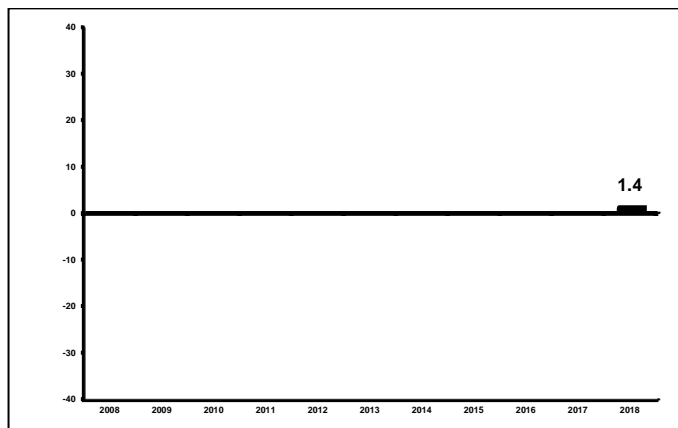
Year-by-Year Returns

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 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

SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)

As at December 31, 2018

Sector Mix	Percentage of Net Asset Value
Treasury Bills	76.78%
Bankers' Acceptances	17.34%
Discount Commercial Paper	5.52%
Cash	0.36%

**Top Holdings**

Security Name	Percentage of Net Asset Value
Canada Treasury Bill, 1.90%, April 18, 2019	12.67%
Canada Treasury Bill, 1.71%, March 7, 2019	12.39%
Canada Treasury Bill, 1.71%, February 21, 2019	10.26%
Canada Treasury Bill, 1.67%, March 21, 2019	9.72%
Canada Treasury Bill, 1.79, June 13, 2019	8.24%
Canada Treasury Bill, 1.70, January 10, 2019	7.63%
Canada Treasury Bill, 1.89, May 16, 2019	6.29%
Canada Treasury Bill, 1.64, January 24, 2019	5.31%
Canada Treasury Bill, 1.78, June 27, 2019	4.26%
Canadian Imperial Bank of Commerce, 2.04%, January 21, 2019	3.40%
Bank of Montreal, 2.20%, April 26, 2019	3.38%
OMERS Finance Trust, 2.17%, March 14, 2019	2.97%
Clarity Trust, 2.16%, February 25, 2019	2.55%
Bank of Nova Scotia, 2.29%, May 27, 2019	2.42%
Toronto-Dominion Bank, 2.29%, July 2, 2019	2.30%
Royal Bank of Canada, 2.22%, May 6, 2019	1.94%
Royal Bank of Canada, 2.18%, June 3, 2019	1.61%
Toronto-Dominion Bank, 2.06%, March 29, 2019	1.16%
Bank of Nova Scotia, 2.05%, March 12, 2019	1.13%
Total Net Assets (000's)	\$17,561

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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