

2019

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2019

Offered by Educators Financial Group
Portfolio Manager: 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, 2019.

Results of Operations

The Fund's net assets increased by 15.4% to \$97.5 million at the end of December 2019, up from \$84.5 million at the end of December 2018.

Investment Performance

For the year ending December 31, 2019 (the 'period'), the Educators Growth Fund – Class A Series provided a return of 19.95%, versus the S&P/TSX Composite Total Return Index (the 'Benchmark') return of 22.88%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund underperformed its benchmark over the period, primarily as a result of sector allocation, with the top performing sectors being Information Technology and Utilities —although slightly offset by positive stock selection. While many central banks cut interest rates during this timeframe, the Bank of Canada (BoC) held interest rates steady.

Stock selection in the Energy, Health Care, and Industrials sectors contributed the most to the Fund's relative performance. Exposure to higher-quality Energy companies and strong selection within the Industrials sector, particularly the transportation industry, contributed positively to returns. Within Health Care, exposure to Bausch Health Cos and the Fund's avoidance of cannabis stocks, also added to the returns.

Top individual contributors to performance included Air Canada and Kirkland Lake Gold. Air Canada benefited from positive financial performance as a result of strong customer demand and revenue optimization from fees and lower costs. Kirkland Lake Gold, a low-cost, high-grade gold producer, saw its stock price buoyed by rising gold prices.

An overweight allocation to the Health Care sector detracted from the Fund's relative performance. Stock selection within the Information Technology and Financials sectors also detracted from performance. Within Information Technology, a lack of exposure to Shopify Inc. detracted from relative performance, as the stock rose sharply in 2019.

Individual detractors from performance also included holdings in Methanex Corp. and Rogers Communications Inc. Methanex was impacted by lower methanol prices, along with the company's decision to proceed with a capital-intensive project during a period of weak commodity prices. Rogers Communications underperformed amid increased wireless competition, which led to poor returns.

The portfolio manager added new positions in BCE Inc. and Sun Life Financial Inc. BCE is a more defensive, higher-yielding telecommunications company with less wireless exposure than Rogers Communications (*which was trimmed in the Fund*). Sun Life Financial was added for its balanced growth from insurance and wealth management, along with its high excess capital. This excess capital could be deployed for acquisitions in the U.S. or Asia, or enhancing shareholder returns through increased dividends or buybacks.

In addition to the new positions above, existing positions in Bank of Nova Scotia and Enbridge Inc. were increased. Bank of Nova Scotia's recent acquisitions in the wealth management space have shown early signs of success. Plus, as a result of its geographic diversification, the Bank of Nova Scotia is more insulated from U.S. interest rates. The portfolio manager increased the Fund's holdings in Enbridge for its attractive valuation, high dividend yield, and stronger capital expenditure funding plan.

Other modifications to the portfolio included Teck Resources Ltd. being eliminated from the Fund as a result of weak demand. Trade and tariff concerns led to lower commodity prices and, therefore, weaker profitability. Royal Bank of Canada was trimmed in the Fund as its earnings growth weakened amid lower interest rate margins,

particularly in the U.S. Revenue growth was also challenged in some quarters, making it harder to justify its higher valuation relative to peers.

Recent Developments

The portfolio manager expects volatility to increase as a result of economic and geopolitical uncertainty. Further progress relating to U.S./China tariff reductions and trade negotiations could be the difference between a global economy that just muddles through—and one in which previously cautious business spending becomes more assertive.

Then there's the energy sector in Canada, which may be caught between a weakening demand (*due to the desire to reduce carbon footprints*) and possible supply shocks from conflict in the Middle East. This could lead to secondary impacts to the broader Canadian economy. For instance, Canadian consumers remain highly-indebted—especially with continually increasing housing costs, which could lead to further financial pressures if rates *and* inflation rise.

Given these uncertainties, the Fund has been positioned with a bias toward higher-quality companies with sustainable growth, reasonable valuation, and positive sentiment.

The spread of the Corona Virus (COVID-19), and the monetary response by Central Banks, is being carefully monitored by the portfolio manager. They will consider if changes are warranted to their investment strategies.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, risks, 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 forward-looking 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 unless required by applicable law.

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 3.5% and at the end of the period was approximately 2.3%.

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:

	<u>2019</u> (Dec 31)	<u>2019</u> (Dec 31)
Total Brokerage Fees	\$26,135	\$23,749
Brokerage Fees Paid to BMO Capital Markets	\$3,593	\$5,298

In 2019 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 Growth Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2019	2018	2017	2016	2015
Net Assets, beginning of year	\$20.22	\$23.97	\$23.71	\$20.79	\$21.58
Increase (decrease) from operations:					
Total revenue	\$0.59	\$0.55	\$0.56	\$0.50	\$0.52
Total expenses, including transaction costs [excluding distributions]	(\$0.46)	(\$0.46)	\$(0.47)	\$(0.44)	\$(0.44)
Realized gains (losses) for the period	\$0.63	\$1.03	\$2.28	\$0.71	\$0.89
Unrealized gains (losses) for the period	\$3.37	(\$3.80)	\$(0.37)	\$2.21	\$(1.44)
Total increase (decrease) from operations ⁽²⁾	\$4.13	(\$2.68)	\$2.00	\$2.98	\$(0.47)
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.05	\$--	\$--	\$--	\$--
From capital gains	\$0.09	\$1.00	\$1.69	\$0.07	\$0.31
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.14	\$1.00	\$1.69	\$0.07	\$0.31
Net Assets, end of year	\$24.11	\$20.22	\$23.97	\$23.71	\$20.79

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2019	2018	2017	2016	2015
Total Net Asset Value (000's) ⁽⁴⁾	\$83,979	\$78,907	\$95,447	\$87,830	\$79,447
Number of units outstanding ⁽⁴⁾	3,482,624	3,901,914	3,981,738	3,704,213	3,821,905
Management expense ratio ⁽⁵⁾	1.97%	1.93%	1.93%	1.93%	1.93%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio ⁽⁷⁾	0.03%	0.03%	0.04%	0.05%	0.06%
Portfolio turnover rate ⁽⁸⁾	53.47%	44.76%	65.54%	27.81%	40.63%
Net Asset Value per unit	\$24.11	\$20.22	\$23.97	\$23.71	\$20.79

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

	Year ended December 31	
	2019	2018
Net Assets, beginning of year	\$8.50	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.25	\$0.24
Total expenses, including transaction costs [excluding distributions]	\$--	\$0.00
Realized gains (losses) for the period	\$0.29	\$0.31
Unrealized gains (losses) for the period	\$1.14	(\$2.21)
Total increase (decrease) from operations ⁽²⁾	\$1.68	(\$1.66)
Distributions:		
From net investment income (excluding dividends)	\$--	\$--
From dividends	\$0.14	\$--
From capital gains	\$0.04	\$0.53
Return of capital	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.18	\$0.53
Net Assets, end of year	\$10.21	\$8.50

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31	
	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$13,466	\$5,598
Number of units outstanding ⁽⁴⁾	1,318,514	658,596
Management expense ratio ⁽⁵⁾	0.01%	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%	0.01%
Trading expense ratio ⁽⁷⁾	0.03%	0.03%
Portfolio turnover rate ⁽⁸⁾	53.47%	44.76%
Net Asset Value per unit	\$10.21	\$8.50

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. For financial years 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"). 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 rate 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 1.75% for the Class A Series. The Class I Series is identical in all aspects 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 12.9% 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

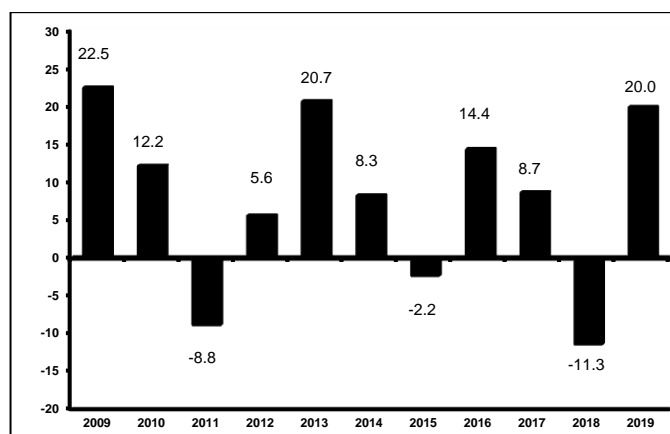
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

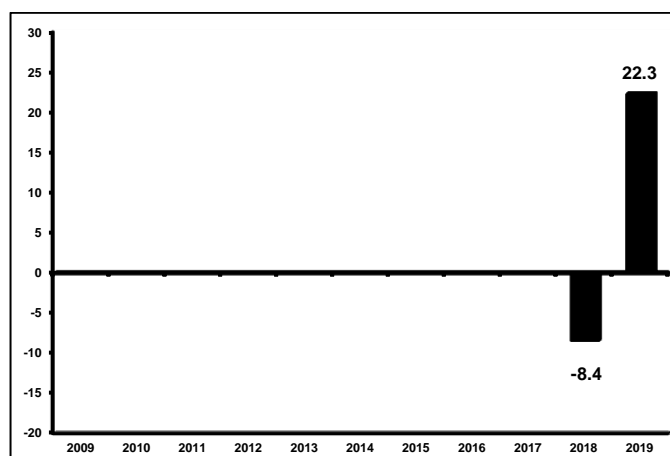
Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Annual Returns – Class A Series



Annual Returns – Class I Series ⁽¹⁾



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

Annual Compound Returns

The following table compares the historical annual compound returns of the Fund with the performance of the Benchmark index, 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.

Class A Series

	1 Year	3 Year	5 Year	10 Year
Educators Growth Fund	19.95%	4.94%	5.26%	6.21%
S&P/TSX Index	22.88%	6.89%	6.28%	6.90%

Class I Series ⁽¹⁾

	1 Year
Educators Growth Fund	22.33%
S&P/TSX Index	22.88%

⁽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, 2019

Sector Mix	Percentage of Net Asset Value
Financials	27.67%
Energy	15.23%
Industrials	9.42%
Materials	8.10%
Exchange-Traded Fund	7.06%
Information Technology	6.83%
Communication Services	5.44%
Consumer Staples	5.16%
Real Estate	4.54%
Utilities	3.60%
Consumer Discretionary	3.23%
Health Care	2.36%
Short-term Investments	1.12%
Cash and Cash Equivalents	0.15%
Net Other Assets	0.09%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	6.11%
Royal Bank of Canada	5.43%
BMO S&P 500 Index ETF	5.08%
Canadian Natural Resources Ltd.	4.88%
Enbridge Inc.	4.52%
Canadian Pacific Railway Ltd.	4.35%
Bank of Nova Scotia	4.25%
CGI Inc.	3.71%
Sun Life Financial Inc.	3.41%
Manulife Financial Corp.	3.16%
Constellation Software Inc.	3.11%
Air Canada	3.06%
Kirkland Lake Gold Ltd.	2.88%
BCE Inc.	2.65%
Canadian Apartment Properties REIT	2.60%
TC Energy Corp.	2.43%
Franco-Nevada Corp.	2.37%
Bausch Health Cos Inc.	2.36%
Bank of Montreal	2.27%
Alimentation Couche-Tard Inc.	2.13%
Quebecor Inc.	2.01%
BMO Low Volatility Canadian Equity ETF	1.99%
Cenovus Energy Inc.	1.66%
Empire Co Ltd.	1.59%
BRP Inc.	1.57%
Total Net Assets (000's)	\$97,445

The top 25 holdings represent approximately 79.58% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2019 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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