

# 2019

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2019

Offered by Educators Financial Group  
Portfolio Manager: Fiera Capital Inc. (formerly 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](http://www.educatorsfinancialgroup.ca) or SEDAR at [www.sedar.com](http://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, 2019.

### Results of Operations

The Fund's net assets increased by 29.5% to \$22.8 million at the end of December 2019, up from \$17.6 million at the end of December 2018.

#### Investment Performance

For the year ending December 31, 2019 (the 'period'), the Educators Money Market Fund – Class A Series provided a return of 1.20%, versus the FTSE TMX Canada 91 Day Treasury Bill Index (the 'Benchmark') return of 1.61%. 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 corporate paper, bank-sponsored asset-backed commercial paper, and banker's acceptances—with the balance of the portfolio invested in Government of Canada Treasury Bills.

The proportion of corporate and provincial guaranteed securities within the Fund increased following the acquisition of Foresters Asset Management on August 16, 2019 and a change in the investment management team.

As of December 31, 2019, the Fund held 52.9% of its investments in a combination of corporate paper, bank-sponsored asset-backed

commercial paper, banker's acceptances, and provincial guaranteed paper—with the balance of the portfolio invested in Government of Canada Treasury Bills.

The term of the portfolio remained in line with that of the benchmark, averaging 90 days during the period from January 1 to August 16, 2019. The term of the portfolio decreased below that of the benchmark from August 19 to December 31, 2019—ending the year at 84 days, compared with 91 days for the benchmark.

The Bank of Canada (*BoC*) maintained its target for the overnight rate at 1.75% during the year. However, the tone of the accompanying commentaries still caused some market movements—specifically following the meeting on October 30<sup>th</sup> (*where the tone of the BoC's press release being much more downbeat than expected*). The uncertainty associated with trade conflicts prompted the committee members to consider an insurance rate cut. Even though that possibility was not indicative of the start of a series of cuts, it was enough to lower the entire Canadian yield curve.

To end the year, the December 4<sup>th</sup> meeting brought a much more upbeat message. The global economy was stabilizing and a rate cut seemed to have been postponed. Even though at some point during the fourth quarter, the market was anticipating two cuts in 2020, it is now pricing in a 50% possibility of a single cut.

Similarly to the BoC, the U.S. Federal Reserve (*the Fed*) left the Federal Funds rate unchanged in the 2.25-2.5% range in each of the first four meetings in 2019. One 0.25% interest rate cut occurred during the third quarter and the Fed lowered its fed funds rate again by 0.25% (*to 1.63%*) at its meeting in October. This move was interpreted as a hawkish cut by the market, as the statement that the Fed would act as appropriate to sustain the expansion was removed from the accompanying press release. At the final meeting in December, Chairman Jerome Powell clearly stated that the Fed would pause in its easing cycle.

The benchmark ended the year with a yield of 1.66%, which is almost unchanged from its starting point of 1.65%. The corresponding value for the banker's acceptance market decreased from 2.22% to 1.97%. However, banker's acceptance yields rose during the fourth quarter from 1.87% to 1.97%—with most of the change happening in December (*as a result of brokers' unusually pronounced willingness to*

clear their inventories leading up to year-end). The price of WTI oil rose steadily during the year from \$45 a barrel to \$61.

The large proportion of high-quality credit names drove performance of the Fund over the period—while the Fund's holdings of Government of Canada Treasury Bills provided stability to returns.

### **Recent Developments**

The Fund will continue to hold a significant weight of commercial paper, provincial guaranteed paper, bank-sponsored asset-backed commercial paper, and banker's acceptances going forward to complement the Fund's holdings of Government of Canada treasury bills.

In order to continually drive performance, the portfolio manager remains focused on high-quality corporate holdings; selecting securities with maturities that present the most attractive yields; and on diversifying the Fund to include non-government short-term investments, which provide a yield in excess of treasury bills. The portfolio manager continues to take advantage of yield-enhancing opportunities, as they arise.

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**

On August 19, 2019, Fiera Capital Corporation acquired all issued and outstanding shares of Foresters Asset Management Inc. from Foresters Life Insurance Company. Upon the closing, Foresters Asset Management Inc. was renamed Fiera Capital Fund Management Inc. ("FCFM"). FCFM was incorporated into the Canadian operations of Fiera Capital, by amalgamating Fiera Capital and FCFM shortly following the acquisition. Fiera Capital is a leading independent asset management firm and trades under the ticker FSZ on the Toronto Stock Exchange.

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 MONEY MARKET FUND

**Educators Money Market Fund – Class A Series – Net Assets per Unit <sup>(1)</sup>**

	Year ended December 31				
	2019	2018	2017	2016	2015
Net Assets, beginning of year	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>					
Total revenue	\$0.18	\$0.15	\$0.08	\$0.06	\$0.08
Total expenses, including transaction costs [excluding distributions]	\$(0.06)	\$(0.06)	\$(0.06)	\$(0.05)	\$(0.06)
Realized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--
Unrealized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.12</b>	<b>\$0.09</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.02</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	\$0.12	\$0.09	\$0.02	\$0.01	\$0.02
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.12</b>	<b>\$0.09</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.02</b>
<b>Net Assets, end of year</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>	<b>\$10.00</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Year ended December 31				
	2019	2018	2017	2016	2015
Total Net Asset Value (000's) <sup>(4)</sup>	\$18,693	\$15,959	\$14,624	\$17,129	\$19,434
Number of units outstanding <sup>(4)</sup>	1,869,288	1,595,937	1,462,438	1,712,916	1,943,435
Management expense ratio <sup>(5)</sup>	0.62%	0.59%	0.58%	0.53%	0.53%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.62%	0.62%	0.62%	0.61%	0.61%
Trading expense ratio <sup>(7)</sup>	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 <sup>(1)</sup>**

	Year ended December 31	
	2019	2018
Net Assets, beginning of year	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	\$0.21	\$0.17
Total expenses, including transaction costs [excluding distributions]	\$--	\$0.00
Realized gains (losses) for the period	\$--	\$--
Unrealized gains (losses) for the period	\$--	\$--
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.21</b>	<b>\$0.17</b>
<b>Distributions:</b>		
From net investment income (excluding dividends)	\$0.18	\$0.15
From dividends	\$--	\$--
From capital gains	\$--	\$--
Return of capital	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.18</b>	<b>\$0.15</b>
<b>Net Assets, end of year</b>	<b>\$10.00</b>	<b>\$10.00</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Year ended December 31	
	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$4,089	\$1,602
Number of units outstanding <sup>(4)</sup>	408,916	160,159
Management expense ratio <sup>(5)</sup>	--	--
Management expense ratio before waivers or absorptions <sup>(6)</sup>	--	--
Trading expense ratio <sup>(7)</sup>	N/A	N/A
Net Asset Value per unit	\$10.00	\$10.00

<sup>(1)</sup> This information is derived from the Fund's audited annual financial statements. For the 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund.

<sup>(4)</sup> This information is provided as at December 31 of the year shown.

<sup>(5)</sup> 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 21.5% 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**

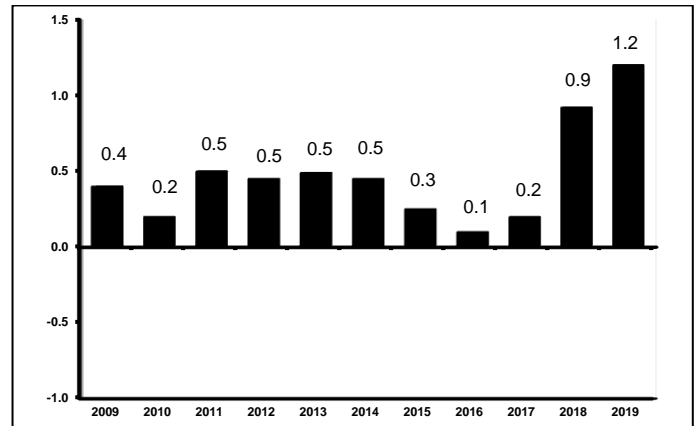
The Fund’s performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

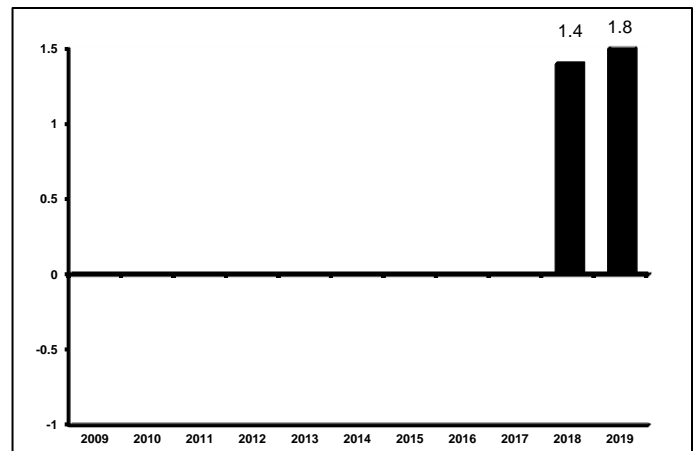
**Year-by-Year Returns**

The bar chart shows the Fund’s 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

## SUMMARY OF INVESTMENT PORTFOLIO

(Based on Net Asset Value)

As at December 31, 2019

Sector Mix	Percentage of Net Asset Value
Treasury Bills	47.80%
Discount Commercial Paper	37.43%
Bankers' Acceptances	12.86%
Bearer Deposit Notes	1.78%
Net Other Assets	0.13%

### Top Holdings

Security Name	Percentage of Net Asset Value
Canadian Treasury Bill, 1.73%, August 20, 2020	17.10%
Canadian Treasury Bill, 1.66%, April 2, 2020	14.24%
Canadian Treasury Bill, 1.67%, March 5, 2020	5.28%
Nissan Canada Financial Services Inc., 2.04%, January 6, 2020	4.39%
Central 1 Credit Union, 2.00%, January 21, 2020	4.38%
Nestle Capital Canada Ltd., 1.96%, January 28, 2020	4.38%
Province of Alberta, 2.05%, February 10, 2020	4.38%
Energir Inc., 2.00%, February 18, 2020	4.38%
Clarity Trust, 1.87%, February 19, 2020	4.26%
OMERS Finance Trust, 1.85%, January 29, 2020	3.71%
Canadian Treasury Bill, 1.74%, June 11, 2020	3.16%
PACCAR Financial Ltd., 1.98%, January 21, 2020	2.74%
Canadian Treasury Bill, 1.69%, April 16, 2020	2.42%
Bank of Montreal, 1.84%, January 8, 2020	2.40%
Central 1 Credit Union, 1.93%, March 10, 2020	2.29%
Bank of Nova Scotia, 1.96%, January 21, 2020	2.19%
Canadian Treasury Bill, 1.67%, January 23, 2020	2.09%
Central 1 Credit Union, 1.96%, March 16, 2020	1.86%
Toronto-Dominion Bank, 1.86%, January 3, 2020	1.78%
Royal Bank of Canada, 1.84%, January 6, 2020	1.71%
Royal Bank of Canada, 1.83%, January 13, 2020	1.62%
Toronto-Dominion Bank, 0.31%, September 1, 2020	1.53%
Canadian Treasury Bill, 1.67%, May 28, 2020	1.44%
Bank of Nova Scotia, 1.88%, January 28, 2020	1.31%
Canadian Imperial Bank of Commerce, 1.87%, January 21, 2020	1.09%
<b>Total Net Assets (000's)</b>	<b>\$22,782</b>

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.

**EDUCATORS FINANCIAL GROUP**

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