

2020

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2020

Offered by Educators Financial Group
Portfolio Manager: Beutel, Goodman & Company Ltd., Toronto, Ontario

Educators Balanced 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 Balanced Fund (the "Fund") is to provide a less volatile and more stable growth of assets by investing in a balanced asset mix of short-term fixed income securities, common and preferred shares, index participation units such as Standard & Poor's Depository Receipts, and bonds. The Fund invests primarily in securities of Canadian governments and corporations. The asset mix is varied depending on the outlook for the economy and financial markets. There is no pre-determined percentage mix of 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, 2020.

The impact of the coronavirus (*COVID-19*) pandemic on the financial performance of the Fund's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. This public health crisis and the impact of *COVID-19* on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially affected.

Results of Operations

The Fund's net assets increased by 1.7% to \$261.8 million at the end of December 2020, up from \$257.3 million at the end of December 2019.

Investment Performance

For the year/period ending December 31, 2020 (the 'period'), the Educators Balanced Fund – Class A Series provided a return of 5.24%, versus a Benchmark return of 8.65%. The Benchmark comprises 40% FTSE Canada Universe Bond Index, 35% S&P/TSX Composite Total Return Index, 12% S&P 500 Index (Canadian\$) and 13% MSCI EAFE Total Return Index (Canadian\$) (the "Benchmark").

The Fund underperformed its Benchmark over the period. Unlike the Benchmark, the Fund's return is net of fees and expenses paid by the Fund. Please refer to the "Annual Compound Returns" in the Past Performance section for the returns of all classes of the Fund. Detailed performance is provided under the heading "Past Performance" in this report. Investors cannot invest in the Benchmark without incurring fees,

expenses and commissions which are not reflected in Benchmark returns.

Class E units of the Fund were launched on February 4, 2020. Due to policies issued by the Canadian Securities Administrators, investment performance data is not reported for funds in existence for less than one year.

The period was one of unprecedented volatility across the globe. The year and decade started out on an encouraging note. All-time highs were reached in February, as corporate earnings, promising trade news from China, and strong employment data buttressed equity markets. Then, intensifying concerns around *COVID-19* (*declared a pandemic on March 11*) and its potentially crippling effects on global growth led to steep equity market declines, as investors sold equities indiscriminately. Possibly the one positive outcome in the ensuing weeks was the speed with which central banks and governments moved to provide massive intervention and stimulus measures. This partially resulted in the rebounding of equity markets during the second quarter—which posted gains into July and August, before reversing course in September. This was due to a looming and contentious U.S. presidential election, a possible second wave of *COVID-19* cases, and uncertainty around a viable vaccine (*which tempered the impact of continued liquidity on financial markets*). Additional political discourse in the U.S., including the battle in Congress over a stimulus bill and a new Supreme Court justice nomination six weeks before the election, also contributed to market volatility. During December, *COVID-19* vaccine approvals and the start of inoculations provided optimism in the markets, despite a new, more contagious variant of the virus detected in the U.K. and elsewhere. The results of the U.S. presidential election provided further positive impetus to markets, with the general view that the new administration would support U.S. economic growth. Despite a tumultuous year, markets thus ended 2020 in favourable territory, with the S&P/TSX Composite Index posting a total return of 5.60%, the S&P 500 Index (C\$) up 16.32%, the MSCI EAFE Index (C\$) up 5.92%, and the FTSE Canada Universe Bond Index up 8.68%.

The equity portfolio of the Fund is divided into three portions: Canadian equities, U.S. equities, and international equities. Each of the three portions recorded positive absolute returns but underperformed their respective benchmarks. Relative underperformance was attributed to a combination of stock selection and a relative overweight in equities, with Canadian equities being the largest detractor from performance. The underweight-to-fixed income (*during a period of significant market*

volatility) also detracted slightly, although this was offset by security selection within the asset class.

Within the Canadian equity portion of the Fund, the top-performing sectors during the period relative to its benchmark were the Industrials and Consumer Discretionary sectors. Stock selection in the Industrials sector, along with a combination of both stock selection and an overweight position in the Consumer Discretionary sector (*an area of relative strength in the benchmark*) contributed to the Fund's relative performance. The Information Technology and Materials sectors were the largest detractors from relative performance. A combination of both stock selection and underweight positions in the Information Technology and Materials sectors, both areas of relative strength in the benchmark, detracted from the Fund's relative performance.

Within the U.S. equity portion of the Fund, the top-performing sectors during the period (*relative to its benchmark*) were the Energy and Financials sectors. While the Fund had no exposure to the Energy sector over the period, an underweight allocation in the Energy sector (*an area of relative weakness in the benchmark*), along with stock selection in the Financials sector both contributed to the Fund's relative performance. The Information Technology and Communication Services sectors were the largest detractors from relative performance. A combination of stock selection and an underweight position in the Information Technology sector (*an area of relative strength in the benchmark*), along with stock selection in the Communication Services sector, detracted from relative performance.

Within the international equity portion of the Fund, the top-performing sectors during the period relative to its benchmark were the Financials and Communication Services sectors. A combination of stock selection, an overweight allocation in the Communication Services sector (*an area of relative strength in the benchmark*), and an underweight position in the Financials sector (*an area of relative weakness in the benchmark*) contributed to the Fund's relative performance. Over the period, the top individual contributors to Fund performance included CAE Inc., Magna International Inc., Canadian National Railway Co., Canadian Pacific Railway Ltd., and Merck KGaA. The Energy and Consumer Discretionary sectors were the largest detractors from relative performance. An overweight allocation in the Energy sector (*an area of relative weakness in the benchmark*) and a combination of both stock selection and an underweight position in the Consumer Discretionary sector (*an area of relative strength in the benchmark*), detracted from relative performance. Over the period, the top individual detractors from Fund performance included Canadian Natural Resources Ltd., Suncor Energy Inc., Cenovus Energy Inc., TGS-NOPEC Geophysical Co. ASA, and Bank of Nova Scotia.

The Fund's fixed-income portfolio outperformed the fixed-income portion of the Fund's benchmark (*the FTSE Canada Universe Bond Index*) over the period. Sector allocation, specifically overweight positioning in corporate bonds, contributed to the Fund's relative performance. Corporate bond spreads tightened throughout most of the period in response to monetary and fiscal stimulus after a dramatic widening in the first quarter of 2020. Security selection also added

value through overweight positioning in the Energy and Financials sectors. The Fund's yield-curve positioning, favouring the mid-part of the curve, contributed to performance as the yield curve steepened. Intermediate-dated bonds outperformed longer-dated bonds over the period. While security selection among government bonds was a small detractor from performance.

During the period, the Fund's asset mix was adjusted. The allocation to Canadian equities was reduced, while the allocation to U.S. equities was increased. The portfolio management team for the equity portion of the Fund (*the equity team*) employs a stock-selection process that is based on identifying securities trading at significant discounts to their business value. The Fund's country, sector, and stock weights are outcomes of the equity team's investment decisions based on bottom-up fundamentals and business quality.

As a by-product of the equity team's bottom-up investment process, market performance, and general management activity, changes that occurred in the Fund's portfolio during the reporting period included Industrials, Consumer Discretionary, and Materials sector weightings being increased and Energy, Communication Services, and Financials sector weightings decreased (*because of relative performance and the team's buy/sell activities*). Some of the more significant additions to the Fund over the period included CCL Industries Inc., Hydro One Ltd., CAE Inc., PPG Industries Inc., Wabtec Corp., SEI Investments Company, George Weston Ltd., Restaurant Brands International Inc., TE Connectivity Ltd., eBay Inc., Essity AB, and dormakaba Holding AG. While some of the liquidations from the Fund included Cenovus Energy Inc., Canadian Imperial Bank of Commerce, NTT-Docomo, Vodafone Group plc, Air Liquide S.A., LyondellBasell Industries NV, Wells Fargo & Co., Molson Coors Canada Inc., Trane Technologies PLC, KLA Corp., BlackRock Inc., SMC Corp., and Tokyo Electron Ltd.

The portfolio management team for the fixed-income portion of the Fund (*the fixed-income team*) employs macroeconomic analysis, rigorous bottom-up credit research, and proprietary risk-management tools to search for opportunities where the market has mispriced risk and reward. As a by-product of the team's investment process, market performance, and general management activity, changes that occurred in the Fund's portfolio during the reporting period included the Fund's weighting in federal government bonds being decreased, while the allocation to provincial and municipal government bonds increased. By the end of the period, there were 84 equity holdings in the Fund, down slightly from 85 at the beginning of the duration—while there were 134 fixed-income holdings in the Fund, up from 106. The Funds level of cash and cash equivalents ended the period slightly down from the beginning of the period.

Recent Developments

During the period, there were notable changes to Beutel Goodman's Canadian and U.S. & International Equity teams. On March 31, 2020, Mark Thomson, Managing Director, Equities, officially retired from Beutel, Goodman & Company Ltd.; on January 29, 2020, Vim Thasan, MBA, CFA, joined the company as Vice President, Canadian Equities; and on May 25, 2020, Ryan Fitzgerald, CFA, joined as Vice President, U.S. and International Equities. There has been no impact on the portfolios as a result of the changes, nor does Beutel Goodman expect there to be.

The fourth quarter of 2020 saw a welcome narrowing in the return gap between Value and Growth stocks in the U.S. However, even with the narrowing effect (*captured almost exclusively on the day Pfizer Inc. announced its vaccine efficacy results*), the gap between Growth and Value remains wide. While the equity team continues to watch this trend, it does not dictate how they build or manage the Fund—as they define value on their own terms and follow the team's disciplined investment process. With that said, the team continues to focus on monitoring the Fund's holdings and scouring the market for quality companies trading at discounts to their estimate of intrinsic value.

The fixed-income team continues to position the Fund in anticipation of a steepening yield curve. The Fund is short duration, relative to its benchmark, with lower exposure in the 20-year and longer-dated bonds. The fixed-income team continues to monitor interest rates closely in considering changes to the portfolio's duration. The Fund is positioned with an overweight allocation in corporate credit, as the backdrop of accommodative monetary policies (*combined with the expected rollout of the vaccine*) provides a constructive environment for credit spreads. However, in some cases, spreads have tightened and are well through their long-term averages—almost to where they were at the start of 2020. As a result, the fixed-income team will remain very selective on where they take the Fund's credit exposure in 2021.

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, including the potential impact of the COVID-19 pandemic on the Fund and/or its operations.

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

Pursuant to the Fund's investment strategies included in the Fund's Simplified Prospectus, the Fund may invest in other mutual funds, and for the period has invested in Beutel Goodman American Equity Fund, Class I; and Beutel Goodman International Equity Fund, Class I, all of which are funds managed by the Fund's portfolio manager.

In 2020 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. As the Class E units of the Fund have recently been created no Financial Highlights are provided in this document, Financial Highlights will be provided in our next interim management report of fund performance (“MRFP”). Currently Class I units of the Fund are not being offered to purchase.



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

	Year ended December 31				
	2020	2019	2018	2017	2016
Net Assets, beginning of year/period	\$20.09	\$18.18	\$19.62	\$18.11	\$17.11
Increase (decrease) from operations:					
Total revenue	\$0.63	\$0.53	\$0.52	\$0.47	\$0.53
Total expenses, including transaction costs [excluding distributions]	(\$0.37)	(\$0.37)	(\$0.37)	(\$0.36)	(\$0.34)
Realized gains (losses) for the period	\$0.82	\$0.58	\$0.64	\$0.36	\$0.55
Unrealized gains (losses) for the period	(\$0.16)	(\$1.54)	(\$1.62)	\$1.18	\$0.80
Total increase (decrease) from operations ⁽²⁾	\$0.92	\$2.28	(\$0.83)	\$1.65	\$1.54
Distributions:					
From net investment income (excluding dividends)	\$0.07	\$--	\$--	\$--	\$--
From dividends	\$0.20	\$0.17	\$0.14	\$0.07	\$0.19
From capital gains	\$0.49	\$0.20	\$0.46	\$0.08	\$0.34
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.76	\$0.37	\$0.60	\$0.15	\$0.53
Net Assets, end of year	\$20.38	\$20.09	\$18.18	\$19.62	\$18.11

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2020	2019	2018	2017	2016
Total Net Asset Value (000's) ⁽⁴⁾	\$250,171	\$257,306	\$238,381	\$245,879	\$202,168
Number of units outstanding ⁽⁴⁾	12,275,259	12,805,897	13,109,688	12,529,872	11,162,886
Management expense ratio ⁽⁵⁾	1.87%	1.87%	1.87%	1.91%	1.93%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.87%	1.87%	1.87%	1.95%	1.98%
Trading expense ratio ⁽⁷⁾	0.02%	0.01%	0.01%	0.01%	0.01%
Portfolio turnover rate ⁽⁸⁾	80.68%	56.44%	65.59%	71.81%	82.03%
Net Asset Value per unit	\$20.38	\$20.09	\$18.18	\$19.62	\$18.11

- (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 1.65% for the Class A Series and 1.32% for the Class E Series. The Class I Series is identical in all respects 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 12.2% 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

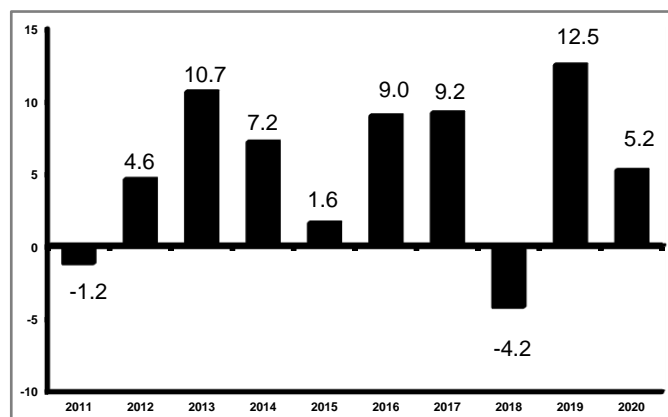
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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 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 period would have grown or decreased by the last day of each financial period.

Annual Returns – Class A Series



Annual Returns – Class E Series

Regulatory restrictions limit publishing performance for investment funds with a history of less than one year.

Annual Returns – Class I Series

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

Annual Compound Returns

The following table compares the historical annual compound returns of the Fund with the performance of the blended Benchmark index comprised as follows: 40% FTSE Canada Universe Bond Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year, 35% 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, 12% S&P500 Index (Canadian\$), a stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange, and 13% MSCI EAFE Total Return Index (Canadian\$) a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The index is market-capitalization weighted.

Class A Series	1 Year	3 Year	5 Year	10 Year
Educators Balanced Fund	5.24	4.29	6.18	5.34
40% FTSE Canada Universe Bond Index, 35% S&P/TSX Index, 12% S&P500 Index (C\$), 13% MSCI EAFE Total Return Index (C\$)	8.65	6.87	7.38	6.69

Class I Series

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

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)

As at December 31, 2020

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	37.96%
Government Bonds	16.25%
Corporate Bonds	14.25%
Financials	11.07%
Industrials	3.84%
Communication Services	3.62%
Consumer Discretionary	3.30%
Materials	3.04%
Consumer Staples	2.80%
Energy	1.62%
Information Technology	0.89%
Short-Term Investments	0.59%
Utilities	0.44%
Asset-Backed Securities	0.20%
Net Other Assets	0.12%
Cash and Cash Equivalents	0.01%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Beutel Goodman American Equity Fund, Class I	19.87%
Beutel Goodman International Equity Fund, Class I	18.10%
Toronto-Dominion Bank	2.73%
Royal Bank of Canada	2.55%
Rogers Communications Inc.	2.04%
Province of Ontario, 1.05%, September 8, 2027	1.76%
Magna International Inc.	1.75%
Brookfield Asset Management Inc.	1.35%
Nutrien Ltd.	1.28%
Province of Quebec, 3.10%, December 1, 2051	1.27%
Sun Life Financial Inc.	1.26%
CAE Inc.	1.22%
Metro Inc.	1.09%
Canadian Tire Corp Ltd.	1.03%
Province of Alberta, 2.90%, December 1, 2028	1.00%
Bank of Montreal	0.97%
Canadian National Railway Co.	0.93%
Canadian Government Bond, 1.50%, May 1, 2022	0.90%
CCL Industries Inc.	0.89%
Open Text Corp.	0.89%
Province of Ontario, 2.40%, June 2, 2026	0.86%
Canadian Government Bond, 0.50%, September 1, 2025	0.86%
Province of Ontario, 3.50%, June 2, 2043	0.78%
Saputo Inc.	0.77%
Onex Corp.	0.73%
Total Net Assets (000's)	\$261,834

The top 25 holdings represent approximately 66.88% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2020 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the Beutel Goodman Funds owned by the Fund is contained in their simplified prospectus, annual information form and fund facts documents available on SEDAR at www.sedar.com.

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