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 Bond 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 Bond Fund (the "Fund") is to earn a high rate of income return by investing, directly or indirectly, primarily in fixed-income securities of Canadian governments and corporate issuers. While investments in foreign fixed income securities are permitted, this is not a key strategy for the Fund, which focusses on creating a high-quality portfolio diversified across Government of Canada, provincial 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, 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 51.0% to $50.6 million at the end of December 2020, up from $33.5 million at the end of December 2019.

Investment Performance

For the year/period ending December 31, 2020 (the 'period'), the Educators Bond Fund – Class A Series provided a return of 9.67% versus the FTSE Canada Universe Bond Index (the 'Benchmark') return of 8.68%.

The Fund outperformed 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 index returns.

The period was one of unprecedented volatility across the globe. All-time highs in equity markets 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 credit spreads wider and interest rates to decline. 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. In Canada, multiple emergency rate cuts were announced in March—along with plans to support the economy and financial markets through quantitative easing measures and significant fiscal stimulus. The relief measures were somewhat successful at calming markets, despite the severity of the downturn.

The sharp rebound in many areas of the economy in the third quarter was a welcome respite. Unemployment rates in both Canada and the U.S. fell dramatically from their second-quarter highs, while job vacancies rose, and GDP rebounded after the sharp contraction in March and April. Optimism rose amidst growing confidence of the development of a successful vaccine and this hopefulness continued in Canada among continued emergency support for businesses and individuals *(in addition to a plan to fuel economic growth)*.

In the fourth quarter, equity markets rose, while credit spreads continued to tighten. This surge in risk assets was driven primarily by good news on the vaccine front; the continued commitment of central banks to hold interest rates at the lower zero bound *(and provide liquidity programs until inflation is at or through the target levels)*; and, after months of political wrangling in the U.S., the passing of an additional US$900 billion stimulus bill.

Despite an alarming resurgence of the pandemic and a nail-biter of a U.S. presidential election, the economy showed continued improvement into year-end. In the U.S., the unemployment rate continued to decline and in Canada, GDP expanded, and unemployment continued its slow tick down. As people begin to emerge from lockdowns, consensus expectations are for pent-up demand to deliver a significant additional boost to the economy on both sides of the border. For the January 1 to December 31, 2020 period, the FTSE Canada Universe Bond Index increased by 8.68% on a total-return basis.

The Fund's exposure to corporate credit, including U.S.-dollar-denominated high-yield bonds, was the most significant contributor to the Fund's relative performance. The Fund was overweight in corporate bonds amid a significant tightening of credit spreads, as central banks maintained their easier-for-longer stance to promote more stimulus and liquidity. Corporate security selection added value through the Fund's overweight position in the Financials and Energy sectors, namely pipelines and midstream companies. The Fund's yield-curve positioning, favouring the mid-part of the curve, contributed to performance as the yield curve steepened *(most notably over the first quarter of 2020)*. Intermediate-dated bonds outperformed longer-dated bonds over the period. Security selection in government bonds also added value through an overweight position in longer-dated provincial bonds. The Fund's duration positioning, which was shorter than the benchmark, detracted from relative performance in the first half of the year in a falling bond yield environment.

The 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 increasing the weighting in investment grade corporate bonds *(particularly in some sectors where the team believed that the negative reaction to the pandemic was overdone)*. Weightings in provincial and federal government bonds decreased, while weighting in high-yield corporate bonds increased. The team took advantage of widening credit spreads in March 2020 to add high-yield corporate bonds, as previous valuations were too expensive.

Recent Developments

Effective January 2020, the Fund transitioned from core fixed income to core plus. The Fund's objective remains the same.

The team expects real economic growth rates will be stronger for 2021, with GDP expanding somewhere between 4% and 6%. They also believe there is a chance, with all the liquidity that continues to be injected into the system, that central banks may even hit their inflation targets sooner than 2023.

Inflation has been on the radar of many investors this past year, given the rise in food prices and increased demand for other pandemic-related goods. Medical costs, supply-chain disruption, demographics *(that are positive for inflation)*, and easy monetary policy and fiscal spending are all factors that can drive inflation higher. However, these are likely to be largely offset by the significant savings glut on the one hand and overhanging debt on the other.

In terms of debt, the team is seeing rising levels on all fronts *(from personal, to corporate, to government)*. This has fueled the recovery to date and has been, in their view, warranted. However, the fact the world appears to have become more tolerant of debt is cause for concern. For now, federal governments continue to issue debt and the central banks buy it and swell their balance sheets via accounting entries *(which helps keep interest rates low)*. In fact, approximately one-third of all government debt currently outstanding is yielding negative rates, which means governments are presently making money by issuing the debt.

With overall rates getting closer and closer to zero, the consensus view is that rates must go higher, but the team believes the likelihood of another taper-tantrum event like the one experienced in 2013 *(in which U.S. Treasury yields surged following news that the Fed was going to start tapering its quantitative easing program)* is minimal. Rates in the long run may move, but the extent and pace of such a move will likely be small—as the level of debt lowers the boundary of the highest level of interest rates that can be imparted on the economy. As a result, the team believes longer-term rates may increase marginally *(by 50 to 150 basis points)* in 2021 or 2022.

With respect to credit, spreads are tight—already pricing in a significant recovery in 2021. Even within sectors where the team is finding value, they are not seeing the tremendous opportunity they saw in March 2020 *(when credit spreads were very wide)*. The team expects to see some choppiness in credit over 2021 and they remain cautious, as there are significant risks ahead.

As a result, the team has positioned the Fund in anticipation for the yield curve to steepen over its investment horizon. The Fund is short duration, relative to its benchmark, with lower exposure in the 20-year and longer-dated bonds. The team continues to monitor interest rates closely in considering changes to portfolio duration. The Fund remains overweight in corporate credit, as the central bank backdrop of liquidity, combined with the expected rollout of the vaccine, provides a constructive environment for credit spreads. In some cases, however, 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 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

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

Educators Bond Fund – Class A Series – Net Assets per Unit [1]

	Year ended December 31				
	2020	**2019**	**2018**	**2017**	**2016**
Net Assets, beginning of year/period	$10.14	$9.75	$9.84	$9.82	$9.93
Increase (decrease) from operations:					
Total revenue	$0.34	$0.28	$0.28	$0.23	$0.29
Total expenses, including transaction costs [excluding distributions]	($0.13)	($0.13)	($0.12)	($0.12)	($0.13)
Realized gains (losses) for the period	$0.40	$0.23	($0.15)	($0.37)	$0.08
Unrealized gains (losses) for the period	$0.32	$0.06	$0.01	$0.40	($0.19)
Total increase (decrease) from operations [2]	$0.93	$0.44	$0.02	$0.14	$0.05
Distributions:					
From net investment income (excluding dividends)	$0.21	$0.14	$0.13	$0.10	$0.17
From dividends	$--	$--	$--	$--	$--
From capital gains	$0.26	$--	$--	$--	$0.04
Return of capital	$--	$--	$0.00	$0.02	$--
Total Annual Distributions [3]	$0.47	$0.14	$0.13	$0.12	$0.21
Net Assets, end of year/period	$10.64	$10.14	$9.75	$9.84	$9.82

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]	$15,951	$9,233	$6,880	$8,953	$10,140
Number of units outstanding [4]	1,498,675	910,353	705,316	909,935	1,032,691
Management expense ratio [5]	1.25%	1.25%	1.25%	1.25%	1.25%
Management expense ratio before waivers or absorptions [6]	1.25%	1.25%	1.25%	1.25%	1.25%
Trading expense ratio [7]	--	--	--	--	--
Portfolio turnover rate [8]	200.45%	130.70%	199.01%	123.27%	6.90%
Net Asset Value per unit	$10.64	$10.14	$9.75	$9.84	$9.82

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

	Year ended December 31		
	2020	2019	2018
Net Assets, beginning of year/period	$10.39	$9.96	$10.00
Increase (decrease) from operations:			
Total revenue	$0.35	$0.29	$0.28
Total expenses, including transaction costs [excluding distributions]	$--	$--	$0.00
Realized gains (losses) for the period	$0.41	$0.21	($0.04)
Unrealized gains (losses) for the period	$0.35	$0.01	$0.12
Total increase (decrease) from operations (2)	$1.11	$0.51	$0.36
Distributions:			
From net investment income (excluding dividends)	$0.34	$0.26	$0.26
From dividends	$--	$--	$--
From capital gains	$0.27	$--	$--
Return of capital	$--	$--	$0.00
Total Annual Distributions (3)	$0.61	$0.26	$0.26
Net Assets, end of year/period	$10.92	$10.39	$9.96

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31		
	2020	2019	2018
Total Net Asset Value (000's) (4)	$34,651	$24,219	$8,848
Number of units outstanding (4)	3,173,583	2,329,983	888,105
Management expense ratio (5)	0.01%	0.01%	0.01%
Management expense ratio before waivers or absorptions (6)	0.01%	0.01%	0.01%
Trading expense ratio (7)	--	--	--
Portfolio turnover rate (8)	200.45%	130.70%	199.01%
Net Asset Value per unit	$10.92	$10.39	$9.96

(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 1.10% for the Class A Series. The Class I Series are 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 67.2% of the total management fees collected from all Series 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

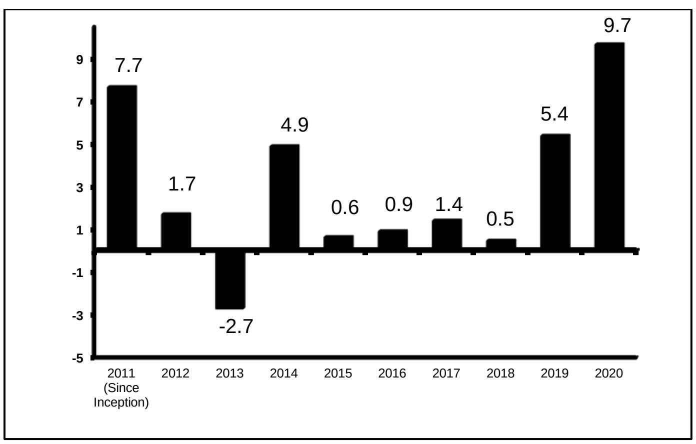
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

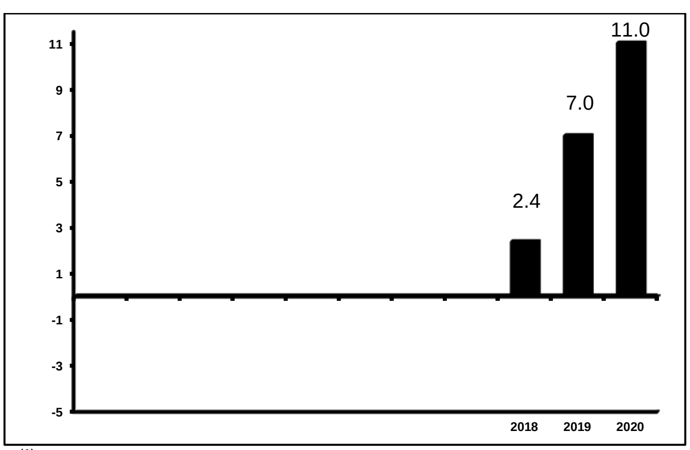
Year-by-Year Returns

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 I Series [1]



[1] The Class I Series commenced operation 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, FTSE Canada Universe Bond Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year.

Class A Series

	1 Year	3 Year	5 Year	10 Year
Educators Bond Fund	9.67%	5.10%	3.51%	NA
FTSE Canada Universe Bond Index	8.68%	5.61%	4.19%	4.49%

Class I Series [1]

	1 Year	3 Year	5 Year	10 Year
Educators Bond Fund	11.01%	NA	NA	NA
FTSE Canada Universe Bond Index	8.68%	5.61%	4.19%	4.49%

[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, 2020

Sector Mix	Percentage of Net Asset Value
Corporate Bonds	62.65%
Government Bonds	30.91%
Short-term Investments	2.52%
Asset-Backed Securities	2.15%
Preferred Shares	1.00%
Net Other Assets	0.75%
Cash and Cash Equivalents	0.02%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Province of Quebec, 3.10%, December 1, 2051	4.42%
Province of Ontario, 1.90%, December 2, 2051	4.12%
Province of Alberta, 2.05%, June 1, 2030	3.62%
Pembina Pipeline Corp., 2.99%, January 22, 2024	3.01%
TransCanada PipeLines Ltd., 7.90%, April 15, 2027	2.83%
Canadian Government Bond, 2.00%, December 1, 2051	2.83%
Canadian Government Bond, 1.25%, June 1, 2030	2.61%
Canadian Treasury Bill, 0.10%, March 4, 2021	2.47%
Province of Quebec, 3.50%, December 1, 2048	2.27%
Toronto-Dominion Bank, 3.11%, April 22, 2030	2.02%
Canadian Mortgage Pools, 1.84%, December 1, 2022	1.97%
Royal Bank of Canada, 4.50%, November 24, 2080	1.94%
Royal Bank of Canada, 2.88%, December 23, 2029	1.88%
CU Inc., 4.95%, November 18, 2050	1.57%
Westcoast Energy Inc., 8.85%, July 21, 2025	1.56%
Ford Credit Canada Co., 3.50%, November 30, 2023	1.54%
Enbridge Gas Distribution Inc., 7.60%, October 29, 2026	1.53%
Air Canada, 4.75%, October 6, 2023	1.53%
Royal Bank of Canada, 4.00%, February 24, 2081	1.53%
Bell Canada Inc., 1.65%, August 16, 2027	1.51%
Toronto-Dominion Bank, 1.13%, December 9, 2025	1.45%
Province of British Columbia, 2.95%, June 18, 2050	1.43%
Verizon Communications Inc., 2.50%, May 16, 2030	1.33%
Superior Plus LP, 5.13%, August 27, 2025	1.29%
Canadian Imperial Bank of Commerce, 4.38%, October 28, 2080	1.28%
Total Net Assets (000's)	**$50,602**

The top 25 holdings represent approximately 53.54% 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.

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