

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 U.S. Equity 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 U.S. Equity Fund (the "Fund") is to provide long-term capital growth by investing primarily in common shares of established U.S. corporations and other equity securities. The Fund may hedge all, or a portion of, the U.S. or other foreign currency exposure to protect the Fund's capital. 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 2.6% to \$119.0 million at the end of December 2020, up from \$116.0 million at the end of December 2019.

Investment Performance

For the year/period ending December 31, 2020 (the 'period') the Educators U.S. Equity Fund – Class A Series provided a return of 7.58% versus the S&P 500 Total Return Index (CAD\$) (the 'Benchmark') return of 15.69%.

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.

The period was one of unprecedented volatility across the globe. However, 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 in 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 500 Total Return Index (C\$) posting a total return of 15.69%.

The top-performing sectors during the period relative to the benchmark were Energy, Financials, and Industrials. The Fund had no exposure to the Energy sector over the period. This contributed to the Fund's relative performance, as the sector was an area of weakness in the benchmark. Stock selection in the Financials and Industrials sectors contributed to the Fund's relative performance. Top individual contributors to Fund performance over the period included BlackRock Inc., NortonLifeLock Inc., Cummins Inc., PPG Industries Inc., and Oracle Corp.

From a sector perspective, the Fund's holdings in the Information Technology, Communication Services, and Consumer Discretionary sectors were the largest detractors from the Fund's relative performance over the period. A combination of both stock selection and underweight positions in the Information Technology and Consumer Discretionary sectors (*both areas of relative strength in the benchmark*) detracted from the Fund's relative performance. While stock selection in

the Communication Services sector was a further detractor. The top individual detractors from Fund performance over the period included Omnicom Group Inc., LyondellBasell Industries N.V., Wells Fargo & Co., Flowserve Corp., and Harley-Davidson Inc.

The portfolio management team (*the 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 team's investment decisions based on bottom-up fundamentals and business quality.

As a by-product of the 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: Consumer Discretionary and Health Care sector weightings increased and Consumer Staples, Industrials, and Communication Services sector weightings decreased (*due to relative performance and the team's buy/sell activities*); the Fund took on significant additions including PPG Industries Inc., Wabtec Corp., SEI Investments Company, TE Connectivity Ltd., and eBay Inc.; while liquidations included LyondellBasell Industries N.V., Wells Fargo & Co., BlackRock Inc., KLA Corp., and Trane Technologies PLC.

At the end of the period, there were 26 holdings in the Fund, unchanged from the start of the duration. While the Fund's level of cash and cash equivalents ended the period relatively unchanged.

Recent Developments

The distribution of vaccines and continued monetary and fiscal stimulus should support markets, and thus the team expects a further rebound in equity markets in 2021. 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 team continues to watch this trend, it does not dictate how the team builds or manages the Fund—as they define value on their own terms and follow their disciplined investment process. With that said, the team remains focused on monitoring the Fund's holdings and scouring the market for quality companies trading at discounts to their estimate of intrinsic value.

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 U.S. Equity Fund – Class A Series – Net Assets per Unit⁽¹⁾

	Year ended December 31				
	2020	2019	2018	2017	2016
Net Assets, beginning of year/period	\$21.28	\$17.64	\$18.59	\$20.18	\$18.56
Increase (decrease) from operations:					
Total revenue	\$1.12	\$0.51	\$0.45	\$0.45	\$0.40
Total expenses, including transaction costs [excluding distributions]	(\$0.58)	(\$0.48)	(\$0.43)	(\$0.44)	(\$0.41)
Realized gains (losses) for the period	\$1.43	\$0.72	\$0.84	\$4.34	\$0.94
Unrealized gains (losses) for the period	(\$0.46)	\$3.06	(\$1.19)	(\$2.27)	\$0.67
Total increase (decrease) from operations⁽²⁾	\$1.51	\$3.81	(\$0.33)	\$2.08	\$1.60
Distributions:					
From net investment income (excluding dividends)	\$--	\$0.05	\$0.01	\$--	\$--
From dividends	\$0.58	\$--	\$--	\$--	\$--
From capital gains	\$1.14	\$0.12	\$0.58	\$3.61	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions⁽³⁾	\$1.72	\$0.17	\$0.59	\$3.61	\$--
Net Assets, end of year/period	\$21.10	\$21.28	\$17.64	\$18.59	\$20.18

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⁾	\$102,683	\$103,370	\$92,385	\$99,517	\$95,876
Number of units outstanding ⁽⁴⁾	4,866,727	4,858,227	5,237,316	5,353,332	4,750,945
Management expense ratio ⁽⁵⁾	1.98%	1.97%	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⁾	0.05%	0.03%	0.04%	0.10%	0.11%
Portfolio turnover rate ⁽⁸⁾	36.22%	16.05%	29.27%	125.26%	70.96%
Net Asset Value per unit	\$21.10	\$21.28	\$17.64	\$18.59	\$20.18

(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.

Educators U.S. Equity Fund – Class I Series – Net Assets per Unit⁽¹⁾

	Year ended December 31		
	2020	2019	2018
Net Assets, beginning of year/period	\$11.37	\$9.42	\$10.00
Increase (decrease) from operations:			
Total revenue	\$0.56	\$0.27	\$0.24
Total expenses, including transaction costs [excluding distributions]	(\$0.09)	(\$0.05)	(\$0.04)
Realized gains (losses) for the period	\$0.82	\$0.39	\$0.57
Unrealized gains (losses) for the period	(\$0.07)	\$1.63	(\$0.98)
Total increase (decrease) from operations⁽²⁾	\$1.22	\$2.24	(\$0.21)
Distributions:			
From net investment income (excluding dividends)	\$--	\$0.24	\$0.03
From dividends	\$0.43	\$--	\$--
From capital gains	\$0.61	\$0.07	\$0.36
Return of capital	\$--	\$--	\$--
Total Annual Distributions⁽³⁾	\$1.04	\$0.30	\$0.39
Net Assets, end of year/period	\$11.37	\$11.37	\$9.42

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31		
	2020	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$16,295	\$12,591	\$5,207
Number of units outstanding ⁽⁴⁾	1,433,533	1,107,668	552,851
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⁾	0.05%	0.03%	0.04%
Portfolio turnover rate ⁽⁸⁾	36.22%	16.05%	29.27%
Net Asset Value per unit	\$11.37	\$11.37	\$9.42

(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 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 29.1% 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

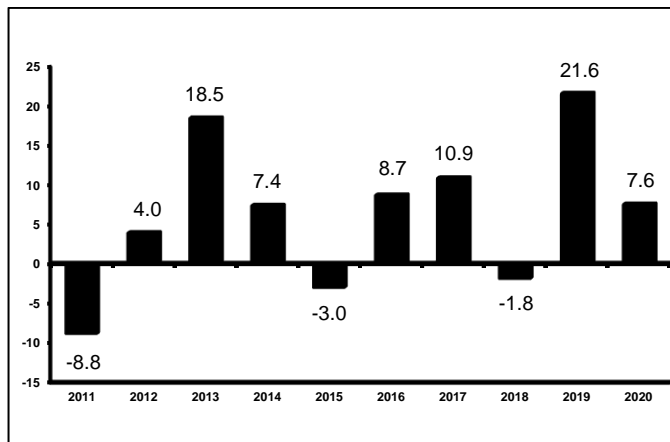
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

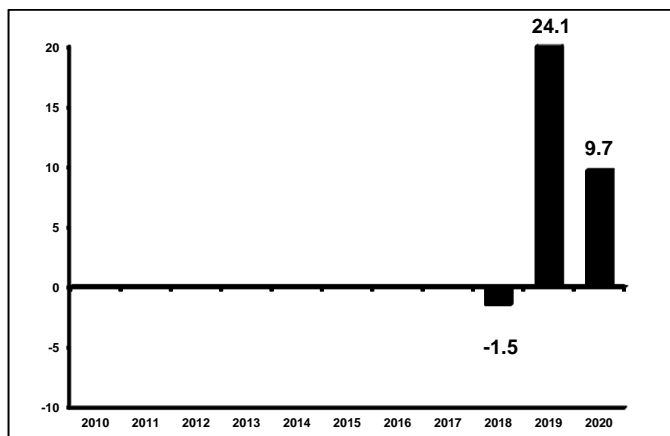
Year-by-Year Returns

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 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 500 Total Return Index (CAD\$), a stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York stock exchange.

Class A Series				
	1 Year	3 Year	5 Year	10 Year
Educators U.S. Equity Fund	7.58%	8.70%	9.14%	6.13%
S&P 500 Total Return Index (CAD\$)	15.69%	14.15%	15.29%	11.26%

Class I Series ⁽¹⁾				
	1 Year	3 Year	5 Year	10 Year
Educators U.S. Equity Fund	9.70%	NA	NA	NA
S&P 500 Total Return Index (CAD\$)	15.69%	14.15%	15.29%	11.26%

⁽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
Information Technology	16.95%
Industrials	16.84%
Financials	14.95%
Communication Services	14.40%
Health Care	12.62%
Consumer Staples	9.97%
Consumer Discretionary	9.72%
Short-term Investments	2.46%
Materials	2.00%
Net Other Assets	0.10%
Cash and Cash Equivalents	(0.01)%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Ameriprise Financial Inc.	5.76%
American Express Co.	5.41%
Oracle Corp.	5.38%
Omnicom Group Inc.	5.10%
Ingersoll Rand Inc.	5.01%
Comcast Corp.	4.75%
Amdocs Ltd.	4.58%
AmerisourceBergen Corp.	4.57%
Verizon Communications Inc.	4.55%
Amgen Inc.	4.55%
Kellogg Co.	4.45%
Harley-Davidson Inc.	4.22%
Westinghouse Air Brake Technologies Corp.	4.08%
Flowserve Corp.	4.03%
NortonLifeLock Inc.	3.95%
Merck & Co Inc.	3.50%
eBay Inc.	3.45%
Campbell Soup Co.	3.34%
TE Connectivity Ltd.	3.04%
Cummins Inc.	2.61%
Canadian Treasury Bill	2.40%
Kimberly-Clark Corp.	2.19%
AutoZone Inc.	2.05%
SEI Investments Co.	2.04%
PPG Industries Inc.	2.00%
Total Net Assets (000's)	\$

The top 25 holdings represent approximately % 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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