

2021

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

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 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.

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.

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, 2021.

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 13.3% to \$296.7 million at the end of December 2021, up from \$261.8 million at the end of December 2020.

Investment Performance

For the year/period ending December 31, 2021 (the ‘period’), the Educators Balanced Fund – Class A Series provided a return of 9.56%, versus a Benchmark return of 11.77%. The Benchmark comprises 40% FTSE Canada Universe Bond Index, 35% S&P/TSX Composite Total Return Index, 12% S&P 500 Total Return 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. 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 F units of the Fund were first offered by prospectus dated May 14, 2021. Due to policies issued by the Canadian Securities

Administrators, investment performance data is not reported for funds in existence for less than one year.

Global equity markets remained strong over the period, trading to new record highs. Improved corporate earnings, accelerated vaccine distribution, greater political certainty, and prolonged central bank stimulus continued to strengthen markets. The latter half of the period also saw an increase in volatility. Contributing factors included tapering of the bond buying program by central banks around the world, the promise of tightening in 2022—coinciding with rising geopolitical tensions, a setback in passing U.S. President Biden’s ‘Build Back Better’ bill, and the emergence of the Omicron COVID-19 variant. The surge in cases over the final weeks of the year injected a significant amount of uncertainty as to the timing of a full global economic recovery—particularly given the knock-on effects of potential lockdowns on supply chains and inflation. Despite this, however, equity markets continued to rise during the period, with the S&P/TSX Composite rising 25.09%, S&P 500 Index (C\$) rising 27.07%, and the MSCI EAFE Index (C\$) rising 10.32%. The FTSE Canada Universe Bond Index, meanwhile, declined 2.54% on a total return basis.

The equity portfolio of the Fund is divided into three portions: Canadian, U.S., and International equities. Each of these portions recorded positive absolute returns. The Canadian equity and International equity components outperformed their respective Benchmarks, while the U.S. equity component underperformed its Benchmark. The fixed income portion of the Fund recorded a negative return over the period but outperformed the fixed income portion of the Benchmark.

From an asset allocation perspective, relative underperformance was driven primarily by the U.S. equity portion of the Fund. Stock selection in U.S. equities detracted from relative performance. Partially offsetting this was the overweight allocation to equities and the underweight to fixed income. This aided relative performance, as equities significantly outperformed bonds over the period.

Within the Canadian equity portion of the Fund, the top-performing sectors during the period relative to its Benchmark were Materials and Utilities. A combination of both stock selection and underweight positions in Materials and Utilities, areas of relative weakness in the Benchmark, contributed to the Fund’s relative performance. The Communication Services and Energy sectors were the largest detractors from relative performance. Stock selection in the Communication Services sector and a combination of both stock selection and an underweight position in the Energy sector, an area 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 Financials and Utilities. Stock selection in Financials contributed to the Fund’s

relative performance. An overweight position in the sector, particularly in the first half of the period, and zero Fund exposure to the underperforming Utilities sector, also contributed to the Fund's relative performance. The Consumer Staples and Industrials sectors were the largest detractors from relative performance. A combination of both stock selection and overweight positions in Consumer Staples and Industrials, areas of relative weakness in the Benchmark, detracted from the Fund's relative performance.

Within the international equity portion of the Fund, the top-performing sectors during the period relative to its Benchmark were Health Care and Industrials. A combination of both stock selection and overweight positions in Health Care and Industrials, areas of relative strength in the Benchmark, contributed to the Fund's relative performance. The Energy and Consumer Staples sectors were the largest detractors from relative performance. Stock selection in Energy and Consumer Staples detracted from the Fund's relative performance.

Over the period, the largest individual contributors to Fund performance included Toronto-Dominion Bank, Royal Bank of Canada, Brookfield Asset Management Inc., Nutrien Ltd., and Ameriprise Financial Inc. The largest individual detractors from Fund performance included TGS ASA, Saputo Inc., Henkel AG & Co. KGaA, Polaris Inc., and Flowserve Corp.

The Fund's exposure to corporate credit added value. The Fund was overweight in corporate bonds amid tightening 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 duration positioning was positive, as the portfolio was generally short duration in a rising bond yield environment. The Fund's yield curve positioning detracted value due to the concentration in four- to seven-year bonds, as the yield curve flattened.

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 occurred in the Fund's portfolio during the reporting period. The Consumer Staples, Health Care, and Utilities sector weightings increased, and the Financials, Materials, and Information Technology sector weightings decreased because of relative performance and the equity team's buy/sell activities. New additions to the Fund over the period included TC Energy Corp., Alimentation Couche-Tard Inc., Fortis Inc., Polaris Inc., Biogen Inc., Shionogi & Co., Ltd., Nippon Telegraph and Telephone Corp., ITV plc, Ritchie Brothers Auctioneers Inc., MillerKnoll Inc., Gentex Corp., and Interpublic Group of Companies Inc. The Fund's positions in Canadian Natural Resources Ltd., Cameco Corp., Teck Resources Ltd., Thomson Reuters Corp.,

JPMorgan Chase & Co., Oracle Corp., TE Connectivity Ltd., EssilorLuxottica SA, and Merck KGaA were liquidated.

The portfolio management team for the fixed-income portion of the Fund (*the fixed-income team*) employs macroeconomic analysis, rigorous bottom-up credit research, along with proprietary risk-management tools to search for opportunities where the market has mispriced risk and reward. As a by-product of the fixed-income team's investment process, market performance, and general management activity changes occurred in the Fund's portfolio during the reporting period. The Fund's weightings in federal government bonds decreased, while the allocation to corporate bonds increased. By the end of the period, there were 89 equity holdings in the Fund, up from 84 at the beginning of the period. The Fund's level of cash and cash equivalents ended the period relatively unchanged.

Recent Developments

The stop/start nature of the pandemic and reopening of the economy is a reminder that we cannot control what happens in the economy or market. For this reason, the portfolio manager remains steadfast in following their disciplined investment process. Much of the equity component of the portfolio remains an eclectic mix of under-the-radar, high-quality companies, spread across a number of geographies and sectors. As the market has risen, the portfolio manager has been busy executing one-third sales and full sales of stocks that have touched or surpassed their target prices. They have been recycling these funds into existing companies in the portfolios that have trailed off over recent quarters and into new opportunities that meet their rigorous investment hurdles.

With respect to fixed income, the portfolio manager has become slightly more defensive with portfolio positioning. They currently stand about a third-of-a-year short of the Benchmark's duration, as they believe Canadian, and U.S. 10-year yields should rise towards 2.00%-2.25%. However, yields typically do not rise in a straight line and they anticipate some volatility in 2022. They also expect that Canadian and U.S. yield curves will continue their flattening trend, as central bank rate hikes disproportionately affect the short end of the yield curve. The portfolio remains overweight from a credit perspective. However, the portfolio manager has tempered this by upgrading quality and moving into shorter-duration corporate bonds. Issuance will likely remain strong as refinancing needs continue but will not match the levels seen in 2021. As always, mergers and acquisitions and shareholder-friendly transactions will be wildcards. In this environment, the portfolio manager believes 2022 will be a credit-picker's market, where more defensive moves will be rewarded.

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.



EDUCATORS BALANCED FUND

In 2021 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 F 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				
	2021	2020	2019	2018	2017
Net Assets, beginning of year/period	\$20.38	\$20.09	\$18.18	\$19.62	\$18.11
Increase (decrease) from operations:					
Total revenue	\$0.51	\$0.63	\$0.53	\$0.52	\$0.47
Total expenses, including transaction costs [excluding distributions]	(\$0.41)	(\$0.37)	(\$0.37)	(\$0.37)	(\$0.36)
Realized gains (losses) for the period	\$1.48	\$0.82	\$0.58	\$0.64	\$0.36
Unrealized gains (losses) for the period	\$0.36	(\$0.16)	(\$1.54)	(\$1.62)	\$1.18
Total increase (decrease) from operations ⁽²⁾	\$1.94	\$0.92	\$2.28	(\$0.83)	\$1.65
Distributions:					
From net investment income (excluding dividends)	\$--	\$0.07	\$--	\$--	\$--
From dividends	\$0.08	\$0.20	\$0.17	\$0.14	\$0.07
From capital gains	\$1.10	\$0.49	\$0.20	\$0.46	\$0.08
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$1.18	\$0.76	\$0.37	\$0.60	\$0.15
Net Assets, end of year	\$21.14	\$20.38	\$20.09	\$18.18	\$19.62

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2021	2020	2019	2018	2017
Total Net Asset Value (000's) ⁽⁴⁾	\$274,423	\$250,171	\$257,306	\$238,381	\$245,879
Number of units outstanding ⁽⁴⁾	12,981,545	12,275,259	12,805,897	13,109,688	12,529,872
Management expense ratio ⁽⁵⁾	1.87%	1.87%	1.87%	1.87%	1.91%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.87%	1.87%	1.87%	1.87%	1.95%
Trading expense ratio ⁽⁷⁾	0.01%	0.02%	0.01%	0.01%	0.01%
Portfolio turnover rate ⁽⁸⁾	55.32%	80.68%	56.44%	65.59%	71.81%
Net Asset Value per unit	\$21.14	\$20.38	\$20.09	\$18.18	\$19.62



EDUCATORS BALANCED FUND

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

	Year ended December 31	
	2021	2020
Net Assets, beginning of year/period	\$10.96	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.28	\$0.27
Total expenses, including transaction costs [excluding distributions]	(\$0.18)	(\$0.10)
Realized gains (losses) for the period	\$0.81	\$0.44
Unrealized gains (losses) for the period	\$0.17	\$0.83
Total increase (decrease) from operations ⁽²⁾	\$1.08	\$1.44
Distributions:		
From net investment income (excluding dividends)	\$--	\$0.05
From dividends	\$0.07	\$0.15
From capital gains	\$0.59	\$0.26
Return of capital	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.66	\$0.46
Net Assets, end of year/period	\$11.39	\$10.96

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31	
	2021	2020
Total Net Asset Value (000's) ⁽⁴⁾	\$13,621	\$11,663
Number of units outstanding ⁽⁴⁾	1,196,025	1,063,819
Management expense ratio ⁽⁵⁾	1.50%	1.50%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.50%	1.50%
Trading expense ratio ⁽⁷⁾	0.01%	0.02%
Portfolio turnover rate ⁽⁸⁾	55.32%	80.68%
Net Asset Value per unit	\$11.39	\$10.96

⁽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 1.65% for the Class A Series, 1.32% for the Class E Series and 0.70% for the Class F 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 12.3% 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

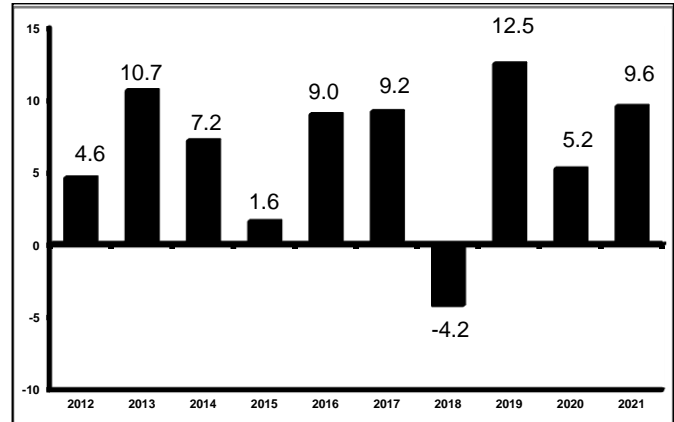
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

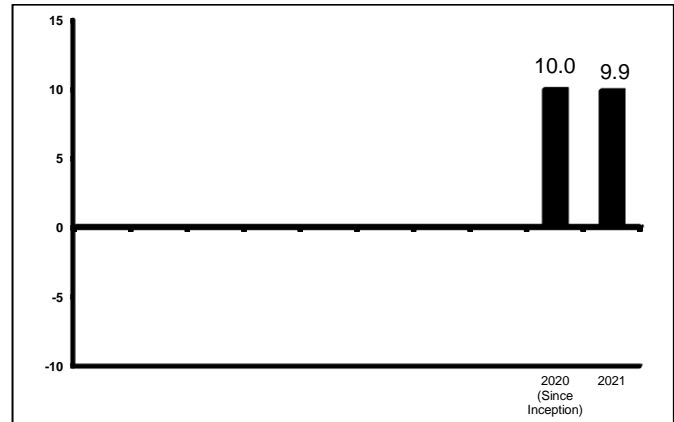
Year-by-Year Returns

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 ⁽¹⁾



(1) The Class E Series commenced operation February 4, 2020

Annual Returns – Class F 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, 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&P 500 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.

Educators Balanced Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	9.56	9.06	6.29	6.43
Class F Series ¹	NA	NA	NA	NA
Class E Series ²	9.90	NA	NA	NA
Class I Series ³	--	--	--	--
Blended Benchmark	11.77	11.99	8.04	7.85

¹ Not Available (in operation less than 1 year)

² Since Inception (February 4, 2020)

³ Currently 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, 2021

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	36.67%
Government Bonds	15.69%
Corporate Bonds	15.26%
Financials	10.85%
Industrials	4.09%
Consumer Staples	3.94%
Consumer Discretionary	3.24%
Communication Services	2.69%
Energy	2.22%
Materials	2.08%
Utilities	1.21%
Short-Term Investments	1.17%
Information Technology	0.93%
Asset-Backed Securities	0.23%
Cash and Cash Equivalents	0.01%
Net Other Liabilities	(0.28)%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Beutel Goodman American Equity Fund, Class I	19.33%
Beutel Goodman International Equity Fund, Class I	17.34%
Toronto-Dominion Bank	3.02%
Royal Bank of Canada	1.83%
Brookfield Asset Management Inc.	1.74%
Canadian National Railway Co.	1.66%
Rogers Communications Inc.	1.53%
Alimentation Couche Tard Inc.	1.42%
Sun Life Financial Inc.	1.31%
TC Energy Corp.	1.30%
Restaurant Brands International Inc.	1.13%
Metro Inc.	1.07%
Province of Ontario, 3.45%, June 2, 2045	1.04%
Magna International Inc.	0.99%
Nutrien Ltd.	0.99%
Canadian Pacific Railway Ltd.	0.95%
Province of Ontario, 1.90%, December 2, 2051	0.95%
Manulife Financial Corp.	0.94%
Open Text Corp.	0.93%
Suncor Energy Inc.	0.92%
Fortis Inc.	0.88%
Province of Quebec, 3.10%, December 1, 2051	0.84%
CCL Industries Inc.	0.83%
Canadian Government Bond, 1.50%, June 1, 2023	0.81%
Canadian Tire Corp Ltd.	0.78%

Total Net Assets (000's)

\$296,709

The top 25 holdings represent approximately 64.53% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2021 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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