

2021

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

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 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 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, 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 20.0% to \$60.7 million at the end of December 2021, up from \$50.6 million at the end of December 2020.

Investment Performance

For the year/period ending December 31, 2021 (the ‘period’), the Educators Bond Fund – Class A Series provided a negative return of 2.04% versus the FTSE Canada Universe Bond Index (the ‘Benchmark’) return of negative 2.54%.

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. 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.

The period was a roller-coaster ride for investors. New lockdowns were enforced around the world amid the emergence of new *COVID-19* variants. While some regions have reinstated lockdowns, many businesses have learned to adjust, so economic fallout may not slow growth materially—at least not to the degree it has in the past.

One of the biggest stories specific to bond markets over the period was the sell-off in Treasuries and Government of Canada bonds in February and early March. The size of the moves was significant, with the U.S. 10-year Treasury bond yield rising from 0.91% at the end of December 2020 to 1.75% in March 2021; with the Canadian 10-year soaring from 0.68% to 1.56% over the same timeframe. The rise in yields was driven primarily by the market pricing in higher-than-expected growth and inflation for 2022.

In response to strong economic growth data and higher inflation rate estimates, central banks turned significantly more hawkish in the period, at least relative to their dovish stance since the beginning of the pandemic. Expectations that stimulus programs would begin to unwind largely came to fruition, while expectations for interest rate hikes were also pulled forward in many jurisdictions. For the January 1 to December 31, 2021 period, the FTSE Canada Universe Bond Index declined 2.54% on a total return basis.

Adding value to the Fund was its exposure to corporate credit, including U.S. dollar-denominated high-yield bonds. The Fund was overweight in corporate bonds amid a tightening of credit spreads, as central banks maintained their easier-for-longer stance to promote more stimulus and liquidity. Corporate security selection added value to the Fund through high-yield positions and an overweight stance 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 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 team’s investment process, market performance, and general management activity, changes that occurred in the Fund’s portfolio during the reporting period included a decreased weighting in investment grade corporate bonds, particularly in energy-related and cyclical sectors. This reflected the team’s view to shift to a more defensive positioning and weightings in provincial and federal government bonds increased. The Fund’s level of cash and cash equivalents also increased from the beginning of the period.

Recent Developments

The portfolio manager continues to believe inflation will trend lower this year, although likely not as much as central banks expect. Regardless of where the numbers ultimately settle, stickier inflation could increase the odds of interest rate hikes. Currently, we expect to see three hikes in both Canada and the U.S. this year, but there may be potential for more, particularly if the central banks are not satisfied with the trajectory of inflation.

The tightening cycle may be more aggressive than what markets are pricing in. We've already seen expectations for more rate hikes relative to just a few months ago. As such, the portfolio manager believes volatility will continue to be a theme for credit in 2022.

The portfolio manager has become slightly more defensive with portfolio positioning. The portfolio is positioned short duration relative to the Benchmark. They are positioned with a view that while there's a high probability the Bank of Canada will raise interest rates in 2022, it will likely be less than what the market is currently pricing. The portfolio manager also expects some volatility in 2022. Although the Fund remains overweight from a credit perspective, the portfolio manager has tempered this by upgrading quality, lowering the weight in high-yield, 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

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.



EDUCATORS BOND 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 by retail investors.

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

	Year ended December 31				
	2021	2020	2019	2018	2017
Net Assets, beginning of year/period	\$10.64	\$10.14	\$9.75	\$9.84	\$9.82
Increase (decrease) from operations:					
Total revenue	\$0.32	\$0.34	\$0.28	\$0.28	\$0.23
Total expenses, including transaction costs [excluding distributions]	(\$0.13)	(\$0.13)	(\$0.13)	(\$0.12)	(\$0.12)
Realized gains (losses) for the period	\$--	\$0.40	\$0.23	(\$0.15)	(\$0.37)
Unrealized gains (losses) for the period	(\$0.46)	\$0.32	\$0.06	\$0.01	\$0.40
Total increase (decrease) from operations ⁽²⁾	(\$0.27)	\$0.93	\$0.44	\$0.02	\$0.14
Distributions:					
From net investment income (excluding dividends)	\$0.17	\$0.21	\$0.14	\$0.13	\$0.10
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$0.02	\$0.26	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$0.00	\$0.02
Total Annual Distributions ⁽³⁾	\$0.19	\$0.47	\$0.14	\$0.13	\$0.12
Net Assets, end of year/period	\$10.24	\$10.64	\$10.14	\$9.75	\$9.84

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⁾	\$11,823	\$15,951	\$9,233	\$6,880	\$8,953
Number of units outstanding ⁽⁴⁾	1,154,946	1,498,675	910,353	705,316	909,935
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⁾	129.98%	200.45%	130.70%	199.01%	123.27%
Net Asset Value per unit	\$10.24	\$10.64	\$10.14	\$9.75	\$9.84



EDUCATORS BOND FUND

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

	Year ended December 31			
	2021	2020	2019	2018
Net Assets, beginning of year/period	\$10.92	\$10.39	\$9.96	\$10.00
Increase (decrease) from operations:				
Total revenue	\$0.32	\$0.35	\$0.29	\$0.28
Total expenses, including transaction costs [excluding distributions]	\$--	\$--	\$--	\$0.00
Realized gains (losses) for the period	(\$0.01)	\$0.41	\$0.21	(\$0.04)
Unrealized gains (losses) for the period	(\$0.32)	\$0.35	\$0.01	\$0.12
Total increase (decrease) from operations ⁽²⁾	(\$0.01)	\$1.11	\$0.51	\$0.36
Distributions:				
From net investment income (excluding dividends)	\$0.32	\$0.34	\$0.26	\$0.26
From dividends	\$--	\$--	\$--	\$--
From capital gains	\$0.02	\$0.27	\$--	\$--
Return of capital	\$--	\$--	\$--	\$0.00
Total Annual Distributions ⁽³⁾	\$0.34	\$0.61	\$0.26	\$0.26
Net Assets, end of year/period	\$10.49	\$10.92	\$10.39	\$9.96

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31			
	2021	2020	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$48,289	\$34,651	\$24,219	\$8,848
Number of units outstanding ⁽⁴⁾	4,601,941	3,173,583	2,329,983	888,105
Management expense ratio ⁽⁵⁾	0.01%	0.01%	0.01%	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%	0.01%	0.01%	0.01%
Trading expense ratio ⁽⁷⁾	--	--	--	--
Portfolio turnover rate ⁽⁸⁾	129.98%	200.45%	130.70%	199.01%
Net Asset Value per unit	\$10.49	\$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 and 0.45% for the Class F 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 68.0% 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

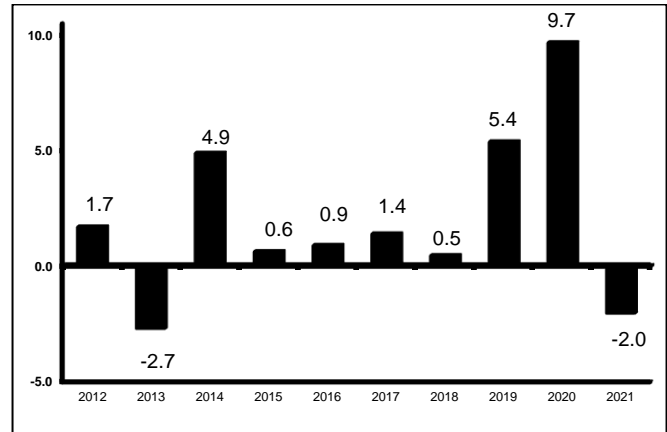
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

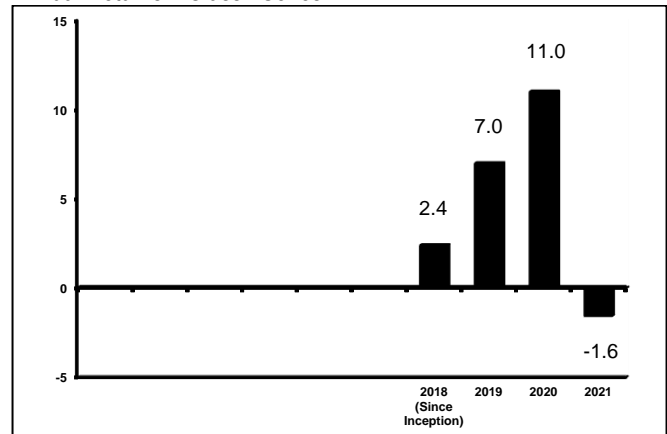
Year-by-Year Returns

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 Returns – Class F Series

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

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.

Educators Bond Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	-2.04	4.23	2.89	1.97
Class F Series ¹	NA	NA	NA	NA
Class I Series ²	-1.56	5.35	NA	NA
FTSE Canada Universe Bond Index	-2.54	4.22	3.31	3.27

¹ Not Available (in operation less than 1 year)

² Since Inception (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, 2021

Sector Mix	Percentage of Net Asset Value
Corporate Bonds	57.94%
Government Bonds	36.49%
Cash and Cash Equivalents	2.84%
Asset-Backed Securities	1.17%
Short-term Investments	1.01%
Net Other Assets	0.55%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Province of Ontario, 0.12%, March 3, 2022	6.23%
Canadian Government Bond, 0.17%, March 31, 2022	4.38%
Province of Alberta, 1.84%, December 1, 2022	2.87%
Canadian Government Bond, 4.63%, August 15, 2029	2.41%
Rogers Communications Inc., 2.35%, March 10, 2026	2.39%
Province of Quebec, 2.85%, March 6, 2024	2.37%
Canadian Imperial Bank of Commerce, 1.85%, November 2, 2026	2.27%
Air Canada, 1.65%, August 16, 2027	2.24%
TransCanada Pipelines Ltd., 2.20%, May 29, 2028	2.21%
Province of Alberta, 2.86%, September 1, 2032	2.02%
Royal Bank of Canada, 2.00%, April 17, 2025	1.91%
Enbridge Gas Distribution Inc., 1.96%, April 21, 2031	1.85%
Province of Ontario, 4.00%, January 28, 2082	1.83%
Province of Ontario Canada, 3.50%, February 7, 2028	1.73%
Province of Alberta, 4.95%, November 18, 2050	1.69%
Royal Bank of Canada, 7.60%, October 29, 2026	1.62%
Province of Quebec, 9.85%, December 2, 2024	1.61%
Bank of America Corp., 8.65%, November 10, 2025	1.55%
Canadian Government Bond, 6.63%, April 12, 2078	1.49%
Province of Quebec, 6.35%, November 17, 2023	1.46%
New Economy Assets Phase 1 Sponsor LLC, 8.20%, February 15, 2024	1.38%
Province of Ontario Canada, 2.90%, May 19, 2050	1.25%
Air Lease Corp., 2.96%, September 16, 2026	1.24%
Province of British Columbia, 2.18%, May 15, 2028	1.24%
Inter Pipeline Ltd., 5.25%, December 22, 2080	1.22%
Total Net Assets (000's)	\$60,732

The top 25 holdings represent approximately 52.46% 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.

EDUCATORS FINANCIAL GROUP

2225 Sheppard Ave. East
Suite 1105
Toronto, Ontario M2J 5C2

Telephone: 416.752.6843
1.800.263.9541

Fax: 416.752.6649
1.888.662.2209

E-Mail: info@educatorsfinancialgroup.ca

Web: www.educatorsfinancialgroup.ca

