

2021

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

Offered by Educators Financial Group
Portfolio Manager: BMO Asset Management Inc., Toronto, Ontario

Educators Dividend 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 Dividend Fund (the “Fund”) is to provide investors with a stable and growing stream of after-tax income with long-term capital growth by investing primarily in dividend-producing preferred and common shares of Canadian corporations, aiming to take advantage of the favorable tax treatment generally available to individual Canadians who receive dividend income from Canadian corporations. To achieve lower volatility through diversification, the Fund also invests in debt securities. Non-Canadian securities are limited to no more than 25% of the Fund’s assets. Foreign currency exposure may or may not be hedged. 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 32.3% to \$204.2 million at the end of December 2021, up from \$154.4 million at the end of December 2020.

Investment Performance

For the year/period ending December 31, 2021 (the ‘period’), the Educators Dividend Fund – Class A Series provided a return of 23.55% versus the S&P/TSX 60 Index (the ‘Benchmark’) return of 28.05%.

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.

Canadian equities, as represented by the S&P/TSX 60 Index, posted a strong gain over the year ending December 31, 2021. Equities were driven higher in response to improving economic conditions, which raised expectations for a strong economic recovery. Furthermore, the Bank of Canada (BoC) maintained its accommodative monetary policy, which helped support the economic recovery and higher equity prices. Energy and Real Estate were among the top-performing sectors in the Canadian equity market over the year. Shares of Energy companies benefited from the rising price of oil, which was lifted higher by stronger global demand, as economic activity increased.

During the period, concerns emerged about China’s economic growth, supply chain bottlenecks, and inflation amid the ongoing pandemic. Global government support alleviated the pandemic’s impact, leading to excess liquidity, increased consumer and business confidence, and improved corporate earnings. Higher vaccination rates allowed economic reopening to support financial markets.

The Fund underperformed its Benchmark during the period, due to security selection and sector allocation.

Meanwhile, the Fund’s underweight allocation in the Materials and Information Technology sectors, overweight allocation in the Financials sector, and stock selection in the Real Estate, Materials, Industrials, and Information Technology sectors all contributed to its performance. Top individual contributors included Microsoft Corp., Tricon Capital Group Inc., and WSP Global Inc. Microsoft Corp. helped companies migrate on-premises workloads to the cloud and its cloud business remained strong. Tricon Capital Group Inc. benefited from strong demand for larger living spaces, good weather, and more attractive tax jurisdictions. WSP Global Inc. benefited from higher exposure to the recovery-linked transit, buildings, and environment segments, along with investors’ confidence in its growth trajectory.

An overweight allocation in the Utilities sector, an underweight allocation in the Energy sector, and stock selection in the Information Technology, Financials, and Energy sectors detracted from the Fund’s performance. Top individual detractors included Northland Power Inc., Intact Financial Corp., and The Walt Disney Co. Northland Power Inc. underperformed peers, as lower wind speeds in Europe generated less energy than its long-term agreement. Intact Financial Corp.’s share price weakness was in response to cyclical rotation from defensive to procyclical companies. Meanwhile, the Walt Disney Co. experienced softer subscription trends within its Disney+ streaming service.

The portfolio manager initiated new positions in Thomson Reuters Corp., Abbott Laboratories, and Element Fleet Management Corp. The portfolio manager believes Thomson Reuters Corp. (*a leading provider of specialized information-enabled software*), offers attractive long-term returns as a result of its dominant market position, highly defensive business model, and record of steady dividend increases. They believe Abbott Laboratories (*a health care leader*) has a strong competitive advantage as a result of its solid reputation and branding, research and development capabilities, high cost of switching products, and scale advantages. Element Fleet Management Corp. has dominant market position, strong recent customer wins, high recurring revenue base, and free cash flow growth potential.

The portfolio manager added positions in Air Products and Chemicals Inc, one of the world's largest gas providers with leading technology at the forefront of the green energy transition. They also increased positions in Algonquin Power & Utilities Corp—a company that replaces coal with renewable wind and solar assets and has a five-year, multi-billion-dollar capital program to drive above-average dividend growth. The portfolio manager added positions in Allied Properties REIT, a high-conviction holding, given its highly differentiated urban office portfolio, flexible balance sheet, long-term cash flow growth potential, attractive dividend yield, and peer-leading payout ratio. The portfolio manager also increased positions in Northland Power Inc.; a company with proven experience operating renewable power facilities—and they expect projects in Taiwan, Poland, Mexico, and the U.S. to support growth.

The portfolio manager eliminated a position in Becton, Dickinson & Co, as it struggled to bring innovative products to market (*and its subsequent reliance on acquisitions is risky, given prior poor mergers and acquisitions execution*).

The portfolio manager decreased positions in Canadian National Railway Co. in order to pursue the more favourable risk-reward profile of Canadian Pacific Railway Ltd.

Recent Developments

The portfolio manager believes outsized returns will be harder to realize in 2022, as tailwinds from governments' pandemic supports dissipate. Corporate earnings growth is expected to support equity returns but will pull back amid higher input costs and supply chain constraints, along with the Bank of Canada's signaled intentions to tighten monetary policy. Encouragingly, dividend growth strategies tend to do well in a lower return/more volatile world and have proven to be quite resilient in periods of rising rates and inflation.

The portfolio manager's strategy continues to be anchored to investing in high-quality, sustainable businesses with safe and growing dividend streams. Their focus is on companies with strong competitive advantages, attractive capital returns, and smart capital allocation, as they tend to offer the best offense and defense throughout the business cycle. Furthermore, these companies have flexible business models and are well positioned to create value after the pandemic.

Related Party Transactions

BMO Asset Management Inc. (BMO AM), the Fund's portfolio manager, is an indirect, wholly-owned subsidiary of Bank of Montreal (BMO). From time-to-time BMO AM may on behalf of the Fund, enter into transactions or arrangements with, or involving, other members of BMO Financial Group, or certain other persons or companies that are related or connected to the portfolio manager of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

The maximum amount of BMO common shares held in the Fund during the period was approximately 3.7% and at the end of the period was approximately 3.4%.

Brokerage Fees

The Fund pays standard brokerage commissions at market rates to BMO Capital Markets, an affiliate of the portfolio manager. The brokerage fees charged to the Fund were as follows:

	<u>2021</u> (Dec 31)	<u>2020</u> (Dec 31)
Total Brokerage Fees	\$15,596	\$27,998
Brokerage Fees Paid to BMO Capital Markets	\$4,104	\$3,240

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 DIVIDEND 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 Dividend Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2021	2020	2019	2018	2017
Net Assets, beginning of year/period	\$32.77	\$32.70	\$26.38	\$28.74	\$25.86
Increase (decrease) from operations:					
Total revenue	\$0.98	\$0.94	\$0.85	\$0.79	\$0.73
Total expenses, including transaction costs [excluding distributions]	(\$0.69)	(\$0.57)	(\$0.57)	(\$0.51)	(\$0.49)
Realized gains (losses) for the period	\$0.69	(\$0.20)	\$0.89	\$0.44	\$0.74
Unrealized gains (losses) for the period	\$6.71	(\$0.06)	\$5.35	(\$2.95)	\$1.99
Total increase (decrease) from operations ⁽²⁾	\$7.69	\$0.11	\$6.52	(\$2.23)	\$2.97
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.12	\$0.28	\$0.17	\$0.14	\$0.08
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.12	\$0.28	\$0.17	\$0.14	\$0.08
Net Assets, end of year/period	\$40.35	\$32.77	\$32.70	\$26.38	\$28.74

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⁾	\$183,480	\$146,103	\$151,109	\$125,811	\$135,781
Number of units outstanding ⁽⁴⁾	4,547,148	4,458,520	4,621,623	4,770,089	4,725,267
Management expense ratio ⁽⁵⁾	1.81%	1.81%	1.80%	1.73%	1.73%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.81%	1.81%	1.81%	1.81%	1.81%
Trading expense ratio ⁽⁷⁾	0.01%	0.02%	0.02%	0.02%	0.02%
Portfolio turnover rate ⁽⁸⁾	4.11%	9.41%	9.99%	14.49%	12.77%
Net Asset Value per unit	\$40.35	\$32.77	\$32.70	\$26.38	\$28.74



EDUCATORS DIVIDEND FUND

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

	Year ended December 31			
	2021	2020	2019	2018
Net Assets, beginning of year/period	\$11.44	\$11.42	\$9.20	\$10.00
Increase (decrease) from operations:				
Total revenue	\$0.34	\$0.33	\$0.30	\$0.28
Total expenses, including transaction costs [excluding distributions]	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Realized gains (losses) for the period	\$0.23	(\$0.09)	\$0.41	\$0.11
Unrealized gains (losses) for the period	\$2.36	\$0.40	\$1.44	(\$1.41)
Total increase (decrease) from operations ⁽²⁾	\$2.92	\$0.63	\$2.14	(\$1.03)
Distributions:				
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--
From dividends	\$0.22	\$0.30	\$0.25	\$0.20
From capital gains	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.22	\$0.30	\$0.25	\$0.20
Net Assets, end of year/period	\$14.15	\$11.44	\$11.42	\$9.20

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31			
	2021	2020	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$13,244	\$8,326	\$6,069	\$2,022
Number of units outstanding ⁽⁴⁾	935,810	727,804	531,550	219,663
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⁾	0.01%	0.02%	0.02%	0.02%
Portfolio turnover rate ⁽⁸⁾	4.11%	9.41%	9.99%	14.49%
Net Asset Value per unit	\$14.15	\$11.44	\$11.42	\$9.20

⁽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 1.60% for the Class A Series and 0.70% for the Class F 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 13.4% 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

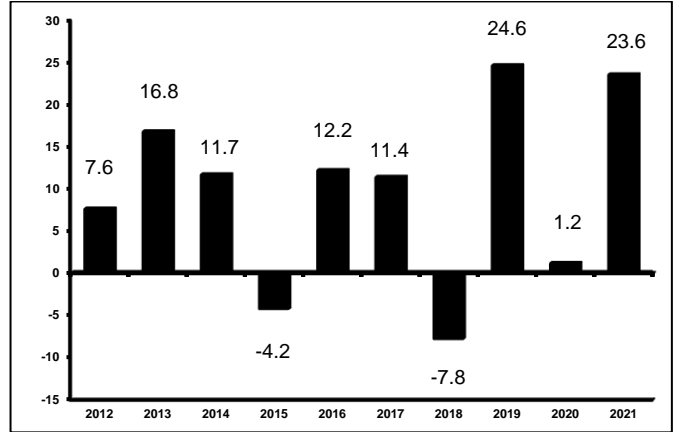
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

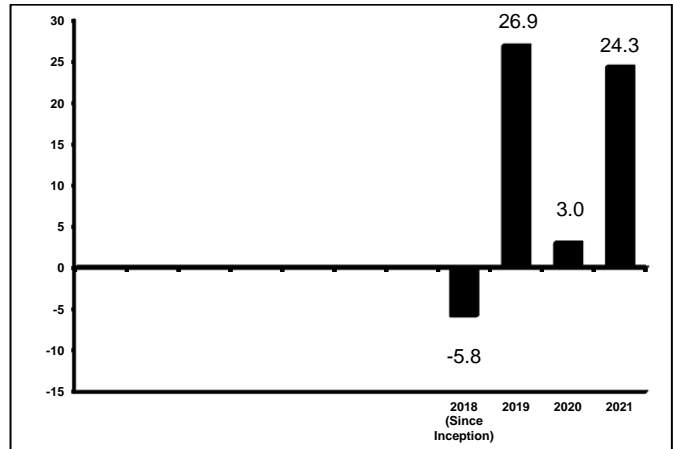
Year-by-Year Returns

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 I Series ⁽¹⁾



(1) The Class I Series commenced operations 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, S&P/TSX 60 Index, a stock index of 60 large companies listed on the Toronto Stock Exchange.

Educators Dividend Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	23.55	15.93	9.88	9.23
Class F Series ¹	NA	NA	NA	NA
Class I Series ²	24.34	17.58	NA	NA
S&P/TSX 60 Index	28.05	18.12	10.83	9.91

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
Financials	39.64%
Industrials	10.71%
Utilities	10.39%
Information Technology	10.24%
Real Estate	6.91%
Energy	6.76%
Consumer Discretionary	4.48%
Communication Services	3.22%
Short-term Investments	2.62%
Consumer Staples	2.19%
Health Care	1.33%
Materials	1.16%
Net Other Assets	0.34%
Cash and Cash Equivalents	0.01%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	7.68%
Toronto-Dominion Bank	7.29%
Brookfield Asset Management Inc.	5.95%
Bank of Nova Scotia	5.11%
Microsoft Corp.	4.51%
Brookfield Infrastructure Partners LP	3.73%
Bank of Montreal	3.40%
Enbridge Inc.	2.68%
TC Energy Corp.	2.54%
Waste Connections Inc.	2.51%
Intact Financial Corp.	2.44%
JPMorgan Chase & Co.	2.30%
Manulife Financial Corp.	2.25%
Rogers Communications Inc.	2.24%
Algonquin Power & Utilities Corp.	2.14%
Tricon Capital Group Inc.	2.05%
Visa Inc.	2.05%
WSP Global Inc.	2.04%
Texas Instruments Inc.	2.01%
Canadian National Railway Co.	1.98%
Canadian Pacific Railway Ltd.	1.96%
Killam Apartment Real Estate Investment Trust	1.89%
S&P Global Inc.	1.84%
TJX Cos Inc.	1.73%
Northland Power Inc.	1.72%
Total Net Assets (000's)	\$204,219

The top 25 holdings represent approximately 76.04% 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.

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