

2021

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021

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 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 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, 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 4.1% to \$123.9 million at the end of December 2021, up from \$119.0 million at the end of December 2020.

Investment Performance

For the year/period ending December 31, 2021 (the ‘period’) the Educators U.S. Equity Fund – Class A Series provided a return of 12.10% versus a Benchmark return of 27.07%. The Benchmark comprises 55% S&P/TSX Composite Total Return Index, 40% S&P 500 Total Return Index (Canadian\$), and 5% MSCI US Small Cap 1750 Index (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 ho. Due to policies issued by the Canadian Securities Administrators, investment performance data is not reported for funds in existence for less than one year.

U.S. 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, with the S&P 500 Index (C\$) generating a total return of 27.07% over the period. All sectors in the index recorded positive returns. The strongest-performing sectors were Energy, Real Estate, and Financials. Meanwhile Utilities, Consumer Staples, and Industrials recorded the weakest performance.

The top-performing sectors during the period relative to the Benchmark were Financials, Utilities, and Materials. Stock selection in Financials contributed to the Fund’s relative performance. An overweight position in the sector, particularly over the first half of the period, also aided relative performance. Financials were an area of relative strength in the Benchmark. Zero Fund exposure to the underperforming Utilities sector and an underweight position in Materials, an area of relative weakness in the Benchmark, contributed to the Fund’s relative performance.

From a sector perspective, the Fund’s holdings in the Consumer Staples, Communication Services, and Industrials sectors were the largest detractors from the Fund’s relative performance over the period. A combination of both stock selection and overweight positions in Consumer Staples and Industrials, both areas of relative weakness in the Benchmark, detracted from the Fund’s relative performance. Stock selection in Communication Services detracted from the Fund’s relative performance. Over the period, the largest individual contributors to Fund performance included Ameriprise Financial Inc., American Express Co., Oracle Corp., eBay Inc., and AmerisourceBergen Corp. The largest individual detractors from Fund performance included Polaris Inc., Flowserve Corp., Verizon Communications Inc., Campbell Soup Co., and MillerKnoll 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 byproduct of the team’s bottom-up investment process, market performance, and general management activity changes occurred in the Fund’s portfolio during the reporting period. The Fund’s Consumer Discretionary, Health Care, and Consumer Staples sector weightings increased, and the Fund’s Information Technology, Financials, and Materials sector decreased because of relative performance and the team’s buy/sell activities. New additions to the

Fund over the period included Polaris Inc., Biogen Inc., MillerKnoll Inc., Gentex Corp., and Interpublic Group of Companies Inc. Some of the more significant additions to existing Fund holdings over the period included Kimberly-Clark Corp., Merck & Co., Inc., Wabtec Corp., Campbell Soup Co., and eBay Inc. Meanwhile, TE Connectivity Ltd., Oracle Corp., and JPMorgan Chase & Co. were all liquidated from the Fund. Some of the more significant reductions in existing holdings from the Fund over the period included Ingersoll Rand Inc., American Express Co., Comcast Corp., Ameriprise Financial Inc., and Flowserve Corp. By the end of the period there were 28 holdings in the Fund, up from 26 at the beginning of the period, while the Fund's level of cash and cash equivalents decreased.

Recent Developments

During the last few quarters, performance of the portfolio has seen a dramatic turnover. Mid-year, the portfolio was comfortably keeping pace with a strong market. However, by end-of-year, although performance was positive on an absolute basis, the portfolio was underperforming the Benchmark significantly—with most of the negative impact happening within a two-month period. There are a broad number of factors behind this shift, but the simplest explanation is that the portfolio stood still while the market took off.

While it has been disappointing for the portfolio manager to see the level of underperformance of the portfolio relative to the Benchmark, their process focuses on issues within their control, and they cannot control what happens in the market. Regardless, the portfolio manager has been steadfast in following their process and continuously monitoring the fundamentals of the companies they hold in the portfolio. They also believe the market anomalies that have adversely impacted the portfolio's relative performance will ultimately reverse and their focus on long-term company fundamentals and valuation will eventually be recognized.

Much of the underperformance was concentrated over a very short period of time and was driven by a relatively small number of stocks. The underlying market dynamic was driven at one extreme by expensive mega-capitalization technology stocks getting more expensive. At the other extreme, it was driven by low-quality extraction and leverages businesses (*energy, real estate, and regional bank stocks*) rebounding strongly. Many of the stocks held in the portfolio, meanwhile (*i.e., high-quality businesses trading at deep discounts to the portfolio manager's estimate of their intrinsic values based on their strict disciplined investment process*), were left adrift while these market forces drove the index higher.

A number of factors give the portfolio manager confidence that the underperformance window is a short-term anomaly:

1. A portion of the underperformance was caused by new additions to the portfolio, which they often purchase during periods of market uncertainty around the business. They do not attempt to *'time the bottom'*, so it's not uncommon for these new holdings to initially fall further. Their process focuses on patience and a long-term view, but market surges like in October and November could also go another way and cause holdings to rebound sharply.
2. Much of the recent underperformance stemmed from stocks that were relatively weak in the second half of 2021 after strong performance in the first half (*a temporary event, in their view, that can correct rapidly*).
3. Valuations may not matter for shorter stretches of time, but history has shown they do matter over the long-term. Earnings growth has been strong, but stocks have moved far ahead of earnings growth; we have gone through a decade of multiple expansion and expectations are high. Investors leave themselves open to significant valuation risk if actual growth disappoints consensus expectations.
4. The market is not worried about downside protection. That alone provides the portfolio manager with a reason for concern. Risk in the current market environment seems to be defined as missing out on the next hot theme, sector, or stock. That is not how they view proper risk management.
5. The valuation gap in the portfolio (*relative to the market*) is the widest it's been since the portfolio manager began tracking data in 2012. Given the high quality of holdings, they do not believe this valuation gap is sustainable and any closing of the gap should improve relative performance.

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.



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

	Year ended December 31				
	2021	2020	2019	2018	2017
Net Assets, beginning of year/period	\$21.10	\$21.28	\$17.64	\$18.59	\$20.18
Increase (decrease) from operations:					
Total revenue	\$0.49	\$1.12	\$0.51	\$0.45	\$0.45
Total expenses, including transaction costs [excluding distributions]	(\$0.53)	(\$0.58)	(\$0.48)	(\$0.43)	(\$0.44)
Realized gains (losses) for the period	\$3.21	\$1.43	\$0.72	\$0.84	\$4.34
Unrealized gains (losses) for the period	(\$0.61)	(\$0.46)	\$3.06	(\$1.19)	(\$2.27)
Total increase (decrease) from operations ⁽²⁾	\$2.56	\$1.51	\$3.81	(\$0.33)	\$2.08
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$0.05	\$0.01	\$--
From dividends	\$0.04	\$0.58	\$--	\$--	\$--
From capital gains	\$2.56	\$1.14	\$0.12	\$0.58	\$3.61
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$2.60	\$1.72	\$0.17	\$0.59	\$3.61
Net Assets, end of year/period	\$21.02	\$21.10	\$21.28	\$17.64	\$18.59

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⁾	\$109,552	\$102,683	\$103,370	\$92,385	\$99,517
Number of units outstanding ⁽⁴⁾	5,210,914	4,866,727	4,858,227	5,237,316	5,353,332
Management expense ratio ⁽⁵⁾	1.98%	1.98%	1.97%	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⁾	0.04%	0.05%	0.03%	0.04%	0.10%
Portfolio turnover rate ⁽⁸⁾	38.23%	36.22%	16.05%	29.27%	125.26%
Net Asset Value per unit	\$21.02	\$21.10	\$21.28	\$17.64	\$18.59



EDUCATORS U.S. EQUITY FUND

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

	Year ended December 31			
	2021	2020	2019	2018
Net Assets, beginning of year/period	\$11.37	\$11.37	\$9.42	\$10.00
Increase (decrease) from operations:				
Total revenue	\$0.26	\$0.56	\$0.27	\$0.24
Total expenses, including transaction costs [excluding distributions]	(\$0.04)	(\$0.09)	(\$0.05)	(\$0.04)
Realized gains (losses) for the period	\$1.84	\$0.82	\$0.39	\$0.57
Unrealized gains (losses) for the period	\$0.07	(\$0.07)	\$1.63	(\$0.98)
Total increase (decrease) from operations ⁽²⁾	\$2.13	\$1.22	\$2.24	(\$0.21)
Distributions:				
From net investment income (excluding dividends)	\$--	\$--	\$0.24	\$0.03
From dividends	\$0.14	\$0.43	\$--	\$--
From capital gains	\$1.46	\$0.61	\$0.07	\$0.36
Return of capital	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$1.60	\$1.04	\$0.30	\$0.39
Net Assets, end of year/period	\$11.37	\$11.37	\$11.37	\$9.42

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31			
	2021	2020	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$11,525	\$16,295	\$12,591	\$5,207
Number of units outstanding ⁽⁴⁾	1,013,368	1,433,533	1,107,668	552,851
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⁾	0.04%	0.05%	0.03%	0.04%
Portfolio turnover rate ⁽⁸⁾	38.23%	36.22%	16.05%	29.27%
Net Asset Value per unit	\$11.37	\$11.37	\$11.37	\$9.42

⁽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 1.75% for the Class A Series and 0.75% 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 25.5% 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

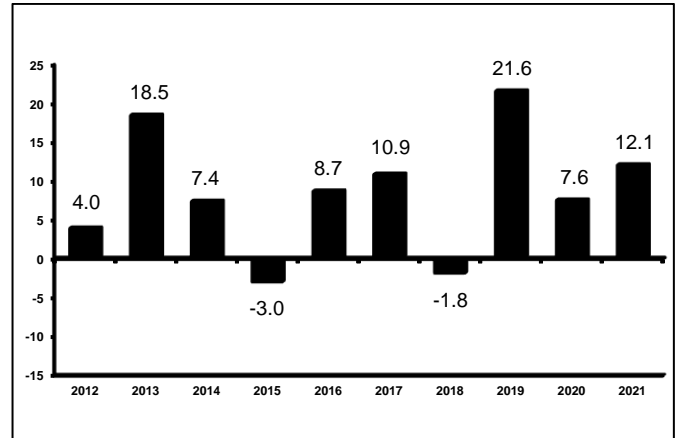
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

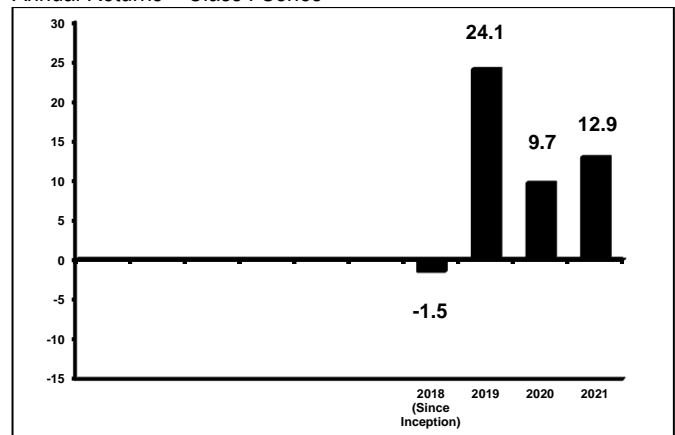
Year-by-Year Returns

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 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 blended Benchmark index comprised as follows: 55% 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, 40% S&P 500 Total Return 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 5% MSCI US Small Cap 1750



EDUCATORS U.S. EQUITY FUND

Index, a composite index designed to measure the performance of the small capitalization companies in the United States equities market. The index represents roughly 12% of the free float adjusted market capitalization in the U.S. equities market.

Educators U.S. Equity Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	12.10	13.61	9.81	8.35
Class F Series ¹	NA	NA	NA	NA
Class I Series ²	12.94	15.40	NA	NA
Blended Benchmark	27.07	22.19	16.42	18.38

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
Health Care	17.46%
Industrials	16.45%
Consumer Discretionary	15.51%
Consumer Staples	14.62%
Communication Services	14.42%
Financials	9.91%
Information Technology	9.35%
Short-term Investments	1.19%
Materials	1.01%
Net Other Assets	0.06%
Cash and Cash Equivalents	0.02%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Omnicom Group Inc.	5.31%
Kimberly-Clark Corp.	5.29%
Westinghouse Air Brake Technologies Corp.	5.25%
Merck & Co., Inc.	5.20%
Amgen Inc.	5.19%
Amdocs Ltd.	4.93%
Kellogg Co.	4.82%
Campbell Soup Co.	4.50%
Ameriprise Financial Inc.	4.47%
eBay Inc.	4.43%
NortonLifeLock Inc.	4.42%
Verizon Communications Inc.	4.39%
Harley-Davidson Inc.	4.09%
AmerisourceBergen Corp.	3.70%
Polaris Inc.	3.45%
Biogen Inc.	3.37%
Herman Miller Inc.	3.16%
Flowserve Corp.	2.97%
SEI Investments Co.	2.72%
American Express Co.	2.71%
Comcast Corp.	2.63%
Gentex Corp.	2.32%
Interpublic Group of Cos Inc.	2.09%
Cummins Inc.	2.03%
Ingersoll Rand Inc.	1.90%
Total Net Assets (000's)	\$123,862

The top 25 holdings represent approximately 95.34% 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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