

2023

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2023

Offered by Educators Financial Group
Portfolio Adviser: HSBC Global Asset Management (Canada) Limited, Toronto, Ontario

Educators Mortgage & Income 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, including international conflicts, 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 any potential lingering 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 Mortgage & Income Fund (*the "Fund"*) is to provide income by investing in high quality fixed income securities including mortgages, mortgage-related securities, and corporate and government bonds. The Fund seeks to achieve lower volatility of return than the overall bond universe, adequate diversification of assets and a reasonable level of net real return while not being exposed to undue market risk. 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, 2023.

Results of Operations

The Fund's net assets decreased by 17.2% to \$79.5 million at the end of December 2023, down from \$96.0 million at the end of December 2022.

Investment Performance

For the year/period ending December 31, 2023 (*the period*), the Educators Mortgage & Income Fund – Class A Series provided a return of 4.38%, versus the FTSE Canada Short Term Bond Index (*the Benchmark*) return of 5.02%.

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.

Markets rallied in 2023 despite continued recessionary fears, hawkish monetary policy, and the first quarter's banking crisis. The period also began and ended with strong performance in fixed income markets. While several vulnerable U.S. regional banks and Swiss banking giant Credit Suisse were caught up in the early year turmoil, well-capitalized developed market banking systems and policymakers' timely interventions prevented issues from spreading. Following these events, Canadian and International markets generally traded sideways in a wide range with mixed sentiment until expectations of central bank rate cuts powered an impressive rally during the final two months of 2023.

Domestically, the Bank of Canada ("BoC") increased its Benchmark overnight interest rate by 0.75%, leaving the overnight rate at 5.00% at year-end, adding to tight financial conditions that muted Canadian economic growth and equity returns. This shifted in late-2023 when equity markets experienced a sustained and rapid rise across almost all sectors as the prospect of a soft-landing and an end to rising rates ignited optimism.

The Fund benefitted from various positions, most importantly from maturity management and yield curve positioning—along with asset allocation within fixed income segments. The Fund held a significant overweight position in longer-dated Canada Mortgage Bonds (CMBs), which rallied sharply over the fourth quarter. The portfolio adviser was nimble in credit positioning, adding to senior debt of telecom and real estate companies, as well as hybrid capital instruments of financials during weaker periods in credit markets. The Fund's allocation to mortgages was a modest detractor from performance, as mortgage spreads widened sharply in the fourth quarter.

Recent Developments

The initiatives put forth by the central banks to curb inflation, combined with recent signaling that rate cuts would be included in their outlook for 2024, were well received by the market. This shift in policy led bond yields sharply lower and supported risk-taking, including equities. However, with inflation still ahead of target, coupled with resilient consumer spending, there remains a risk that the market is being overly optimistic and that rates may stay higher for longer, which has investors resetting their expectations. Additionally, growing global geo-political instability, along with tensions escalating in other areas, and elections taking place in seven of the world's most populous countries this year, all provides further grounds for caution.

Data is showing that economic growth is slowing, and interest rate cuts are likely, albeit the level and pace remain unclear, as these will need to be balanced with economic growth and the unemployment rate. In light of this outlook, the portfolio adviser is very constructive on residential mortgages, given extremely wide spreads versus government and high-grade corporate bonds. Further, the portfolio adviser reduced the Fund's average maturity in late 2023 to harvest some profits.

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 the HSBC Mortgage Fund, Institutional Series which is a fund managed by the Fund's Portfolio Adviser.

In 2023 Educators Financial Group did not refer any conflict of interest matters to the Fund's Independent Review Committee (*the IRC*) and accordingly did not rely upon any recommendation of the IRC in respect of any related party transactions.

Educators Financial Group is the Manager and Trustee of the Fund. Educators Financial Group is a wholly owned subsidiary of the Ontario Secondary School Teachers' Federation (OSSTF). OSSTF may from time to time invest in units of the Fund.



FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. Currently Class I units of the Fund are not being offered to purchase.

Educators Mortgage & Income Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2023	2022	2021	2020	2019
Net Assets, beginning of year/period	\$10.69	\$11.34	\$11.58	\$11.25	\$11.09
Increase (decrease) from operations:					
Total revenue	\$0.38	\$0.28	\$0.26	\$0.30	\$0.32
Total expenses, including transaction costs [excluding distributions]	(\$0.13)	(\$0.14)	(\$0.14)	(\$0.14)	(\$0.14)
Realized gains (losses) for the period	(\$0.27)	(\$0.26)	\$0.04	\$0.09	\$0.01
Unrealized gains (losses) for the period	\$0.46	(\$0.43)	(\$0.27)	\$0.23	\$0.17
Total increase (decrease) from operations ⁽²⁾	\$0.44	(\$0.55)	(\$0.11)	\$0.48	\$0.36
Distributions:					
From net investment income (excluding dividends)	\$0.26	\$0.14	\$0.12	\$0.15	\$0.19
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.26	\$0.14	\$0.12	\$0.15	\$0.19
Net Assets, end of year/period	\$10.89	\$10.69	\$11.34	\$11.58	\$11.25

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2023	2022	2021	2020	2019
Total Net Asset Value (000's) ⁽⁴⁾	\$77,846	\$94,184	\$130,448	\$144,701	\$129,221
Number of units outstanding ⁽⁴⁾	7,145,689	8,808,376	11,499,952	12,499,441	11,485,494
Management expense ratio ⁽⁵⁾	1.25%	1.25%	1.25%	1.25%	1.24%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.25%	1.25%	1.25%	1.25%	1.25%
Trading expense ratio ⁽⁷⁾	--	--%	0.01%	--%	--%
Portfolio turnover rate ⁽⁸⁾	71.73%	52.98%	32.19%	40.79%	24.71%
Net Asset Value per unit	\$10.89	\$10.69	\$11.34	\$11.58	\$11.25



EDUCATORS MORTGAGE & INCOME FUND

Educators Mortgage & Income Fund – Class F Series – Net Assets per Unit ⁽¹⁾

	Year ending December 31		
	2023	2022	2021
Net Assets, beginning of year/period	\$9.32	\$9.89	\$10.00
Increase (decrease) from operations:			
Total revenue	\$0.34	\$0.25	\$0.10
Total expenses, including transaction costs [excluding distributions]	(\$0.04)	(\$0.04)	(\$0.02)
Realized gains (losses) for the period	(\$0.23)	(\$0.23)	\$0.03
Unrealized gains (losses) for the period	\$0.39	(\$0.31)	(\$0.15)
Total increase (decrease) from operations ⁽²⁾	\$0.46	(\$0.33)	(\$0.04)
Distributions:			
From net investment income (excluding dividends)	\$0.30	\$0.19	\$0.10
From dividends	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.30	\$0.19	\$0.10
Net Assets, end of year/period	\$9.49	\$9.32	\$9.89

Ratios and Supplemental Data (based on Net Asset Value)

	Year ending December 31		
	2023	2022	2021
Total Net Asset Value (000's) ⁽⁴⁾	\$1,671	\$1,780	\$1,508
Number of units outstanding ⁽⁴⁾	176,083	191,002	152,425
Management expense ratio ⁽⁵⁾	0.46%	0.46%	0.45%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.46%	0.46%	0.45%
Trading expense ratio ⁽⁷⁾	--	--%	0.01%
Portfolio turnover rate ⁽⁸⁾	71.73%	52.98%	32.19%
Net Asset Value per unit	\$9.49	\$9.32	\$9.89

⁽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 adviser 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 adviser, 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 0.40% for the Class F Series.

The Fund is responsible for paying any applicable tax owing on its management fee.

Approximately 12.4% 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

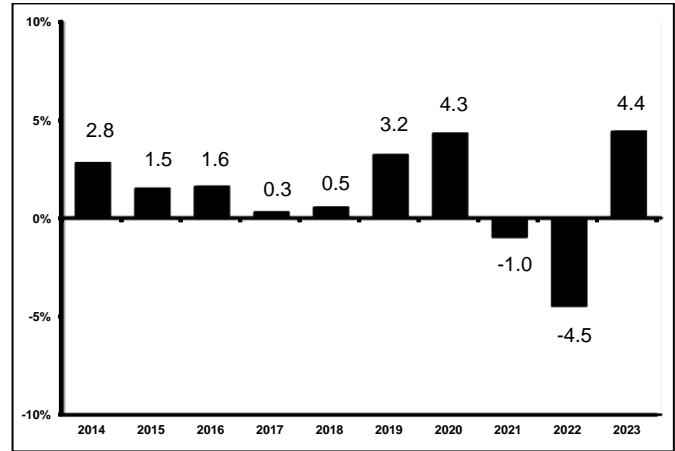
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

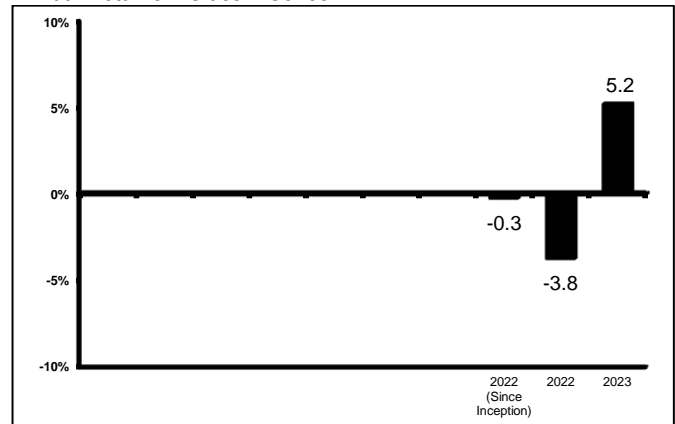
Year-by-Year Returns

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 F Series ⁽¹⁾



⁽¹⁾ The Class F Series commenced operation May 14, 2021

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 Benchmark index, FTSE Canada Short Term Bond Index, a market capitalization-weighted index consisting of a broadly diversified range of investment grade federal, provincial, municipal and corporate bonds with a term to maturity between one and five years.

Educators Mortgage & Income Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	4.38	-0.42	1.23	1.29
Class F Series ¹	5.21	NA	NA	NA
Class I Series ²	--	--	--	--
<i>FTSE Canada Short Term Bond Index</i>	5.02	-0.06	1.62	1.68

¹ Since Inception (May 14, 2021)

² Currently not being offered to purchase

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, 2023

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	53.39 %
Corporate Bonds	32.89 %
Government Bonds	9.83 %
Preferred Shares	2.45 %
Short-term investments	0.84 %
Asset-Backed Securities	0.75 %
Cash and Cash Equivalents	0.36 %
Net Other Assets (Liabilities)	(0.51) %

Top 25 Holdings

Security Name	Percentage of Net Asset Value
HSBC Mortgage Fund, Institutional Series	53.39 %
Canada Housing Trust No. 1, 3.65%, June 15, 2033	5.54 %
Toronto-Dominion Bank, 3.11%, April 22, 2030	5.28 %
Canada Housing Trust No. 1, 1.10%, March 15, 2031	4.29 %
Royal Bank of Canada, 5.01%, February 1, 2033	3.58 %
Royal Bank of Canada, 4.50%, November 24, 2080	2.34 %
Toronto-Dominion Bank	1.93 %
Dream Summit Industrial LP, 2.25%, January 12, 2027	1.76 %
MCAP Commercial LP, 3.74%, August 25, 2025	1.50 %
First West Credit Union, 9.19%, August 9, 2033	1.44 %
Bank of Montreal, 4.31%, June 1, 2027	1.38 %
Rogers Communications Inc., 5.80%, September 21, 2030	1.32 %
National Bank of Canada, 5.22%, June 14, 2028	1.32 %
First National Financial Corp., 2.96%, November 17, 2025	1.18 %
Aviva PLC., 4.00%, October 2, 2030	1.17 %
Royal Bank of Canada, 5.23%, June 24, 2030	1.02 %
Citigroup Inc., 4.09%, June 9, 2025	0.99 %
Canadian Treasury Bill, 5.06%, March 14, 2024	0.84 %
Dream Industrial Real Estate Investment Trust, 5.78%, June 17, 2024	0.82 %
Choice Properties Real Estate Investment Trust, 5.40%, March 1, 2033	0.81 %
First National Financial Corp., 3.58%, November 25, 2024	0.75 %
Dream Industrial Real Estate Investment Trust, 5.38%, March 22, 2028	0.72 %
CARDS II Trust, 3.13%, November 15, 2024	0.71 %
CARDS II Trust, 2.81%, January 15, 2025	0.69 %
MCAP Commercial LP, 4.15%, June 17, 2024	0.56 %
Total Net Assets (000's)	\$79,517

The top 25 holdings represent approximately 95.33% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2023 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the HSBC 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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