

# 2024

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2024

Offered by Educators Financial Group  
Portfolio Adviser: RBC Indigo Asset Management Inc., Vancouver, BC

### 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](http://www.educatorsfinancialgroup.ca) or SEDAR at [www.sedar.com](http://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.

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, 2024.

### Results of Operations

The Fund's net assets decreased by 0.9% to \$78.8 million at the end of December 2024, down from \$79.5 million at the end of December 2023.

#### Investment Performance

For the year/period ending December 31, 2024 (*the period*), the Educators Mortgage & Income Fund – Class A Series provided a return of 6.10%, versus the FTSE Canada Short Term Bond Index (*the Benchmark*) return of 5.70%.

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.

While inflation has more recently tempered, coming in line with the Bank of Canada's (*BoC*) target range at the end of 2024, Canada's tepid growth, rising unemployment, and a more restrictive immigration policy has provided the BoC leeway to cut its policy rate with a view to stimulating the economy. By year-end, the BoC had cut rates by a total of 1.75%—leaving the overnight rate at 3.25%. However, the BoC has indicated it is ready to slow down the pace of monetary easing if the economy evolves according to its forecast. This was interpreted by the market as signaling the end of the big 0.50% interest rate cuts and that a pause in reductions may occur.

For fixed income markets, the decrease yields for shorter maturities have begun to result in a more normally sloped yield curve, with the yield on 10-year bonds above those for 2-year bonds, thus compensating bond holders for holding bonds with longer maturities. Within corporate bonds, credit spreads tightened throughout 2024 and enhanced performance, as corporate balance sheets remained strong.

The Fund outperformed its benchmark, primarily as a result of its off-benchmark allocations to mortgages and Canadian Additional Tier 1 (*AT1*) securities. The additional income earned from mortgages, compared to government and corporate bond alternatives, outweighed the negative impact of the modest widening of mortgage spreads to equivalent Government of Canada bonds. The Fund's tactical allocations to Limited Recourse Capital Notes (*LRCN*) and preferred shares were outsized contributors to relative and absolute performance, despite their relatively small positions in the portfolio. The Fund's yield curve and duration positioning were also modest contributors to the Fund's relative outperformance.

Capital markets showed strong gains in 2024 in response to the macro environment and the onset of the rate-cutting cycle. Equity markets had a very strong year, and the domestic bond market enjoyed its second consecutive positive year of returns. The Canadian bond market (*FTSE Canada Universe Bond Index*) rose 4.23% in 2024, despite benchmark 10-year Government of Canada yields rising modestly over the same period. The difference in the magnitude of rate cuts between Canada and the U.S. weighed heavily on the Canadian dollar, which dropped 8% in 2024 (6% in the fourth quarter) to USD0.695.

### Recent Developments

The global economy proved resilient in 2024, despite ongoing concerns that the aggressive rate-hiking cycle of 2022 and 2023 could result in slow or even negative growth in some regions. A moderation in inflation gave central banks justification to begin reducing their policy rates, which has provided greater optimism that the economy can avoid recession and grow modestly in the next few years.

Following the U.S. election in November, markets have been patiently assessing the new U.S. administration and its implications for global trade around tariffs and/or other measures that may be enacted, including the newly established Department of Government Efficiency (*DOGE*), aimed to address the country's escalating debt by streamlining government operations and cutting wasteful expenditures. Such events may jeopardize Canada's near-term economy and force the BoC to act more swiftly and significantly in cutting interest rates to temper these effects. However, fixed income yields remain significantly above the lows seen in the early part of this decade. Notwithstanding any surprises, central banks are likely to continue their easing cycles, but at a less aggressive pace.

On January 7, 2025, the portfolio adviser, RBC Indigo Asset Management Inc. (*RBC Indigo*) announced changes to the RBC Indigo Mutual Funds and/or RBC Indigo Pooled Funds (collectively the "RBC Indigo Funds" or "Funds"), including proposed fund mergers, closures, and additional changes, to be effective April 17, 2025. Following the implementation of these changes, RBC Indigo Inc. will wind up its operations. RBC Indigo's parent company, RBC Global Asset Management Inc. (*RBC GAM*), offers similar types of

funds that provide the same exposure to underlying asset classes or that meet specific investment objectives. Where there is overlap, it is proposed that the RBC Indigo Fund will merge into a substantially similar RBC GAM-managed fund. RBC Indigo Funds that are unique and where no suitable or comparable RBC GAM managed fund exists, will be either fully transitioned to RBC GAM or closed.

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

In 2024 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 <sup>(1)</sup>

	Year ended December 31				
	2024	2023	2022	2021	2020
Net Assets, beginning of year/period	\$10.89	\$10.69	\$11.34	\$11.58	\$11.25
<b>Increase (decrease) from operations:</b>					
Total revenue	\$0.44	\$0.38	\$0.28	\$0.26	\$0.30
Total expenses, including transaction costs [excluding distributions]	(\$0.14)	(\$0.13)	(\$0.14)	(\$0.14)	(\$0.14)
Realized gains (losses) for the period	\$--	(\$0.27)	(\$0.26)	\$0.04	\$0.09
Unrealized gains (losses) for the period	\$0.35	\$0.46	(\$0.43)	(\$0.27)	\$0.23
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.65</b>	<b>\$0.44</b>	<b>(\$0.55)</b>	<b>(\$0.11)</b>	<b>\$0.48</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	\$0.30	\$0.26	\$0.14	\$0.12	\$0.15
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.30</b>	<b>\$0.26</b>	<b>\$0.14</b>	<b>\$0.12</b>	<b>\$0.15</b>
<b>Net Assets, end of year/period</b>	<b>\$11.25</b>	<b>\$10.89</b>	<b>\$10.69</b>	<b>\$11.34</b>	<b>\$11.58</b>

### Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2024	2023	2022	2021	2020
Total Net Asset Value (000's) <sup>(4)</sup>	\$76,970	\$77,846	\$94,184	\$130,448	\$144,701
Number of units outstanding <sup>(4)</sup>	6,842,714	7,145,689	8,808,376	11,499,952	12,499,441
Management expense ratio <sup>(5)</sup>	1.26%	1.25%	1.25%	1.25%	1.25%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.26%	1.25%	1.25%	1.25%	1.25%
Trading expense ratio <sup>(7)</sup>	0.01%	--%	--%	0.01%	--%
Portfolio turnover rate <sup>(8)</sup>	69.31%	71.73%	52.98%	32.19%	40.79%
Net Asset Value per unit	\$11.25	\$10.89	\$10.69	\$11.34	\$11.58

**Educators Mortgage & Income Fund – Class F Series – Net Assets per Unit <sup>(1)</sup>**

	Year Ended December 31			
	2024	2023	2022	2021
Net Assets, beginning of year/period	\$9.49	\$9.32	\$9.89	\$10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	\$0.38	\$0.34	\$0.25	\$0.10
Total expenses, including transaction costs [excluding distributions]	(\$0.05)	(\$0.04)	(\$0.04)	(\$0.02)
Realized gains (losses) for the period	\$--	(\$0.23)	(\$0.23)	\$0.03
Unrealized gains (losses) for the period	\$0.31	\$0.39	(\$0.31)	(\$0.15)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.64</b>	<b>\$0.46</b>	<b>(\$0.33)</b>	<b>(\$0.04)</b>
<b>Distributions:</b>				
From net investment income (excluding dividends)	\$0.34	\$0.30	\$0.19	\$0.10
From dividends	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.34</b>	<b>\$0.30</b>	<b>\$0.19</b>	<b>\$0.10</b>
<b>Net Assets, end of year/period</b>	<b>\$9.80</b>	<b>\$9.49</b>	<b>\$9.32</b>	<b>\$9.89</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Year Ended December 31			
	2024	2023	2022	2021
Total Net Asset Value (000's) <sup>(4)</sup>	\$1,823	\$1,671	\$1,780	\$1,508
Number of units outstanding <sup>(4)</sup>	186,025	176,083	191,002	152,425
Management expense ratio <sup>(5)</sup>	0.47%	0.46%	0.46%	0.45%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.47%	0.46%	0.46%	0.45%
Trading expense ratio <sup>(7)</sup>	0.01%	--%	--%	0.01%
Portfolio turnover rate <sup>(8)</sup>	69.31%	71.73%	52.98%	32.19%
Net Asset Value per unit	\$9.80	\$9.49	\$9.32	\$9.89

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund.

<sup>(4)</sup> This information is provided as at December 31 of the year shown.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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

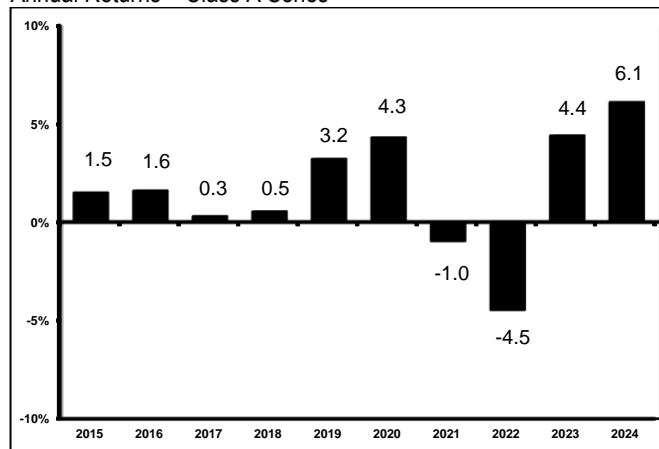
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

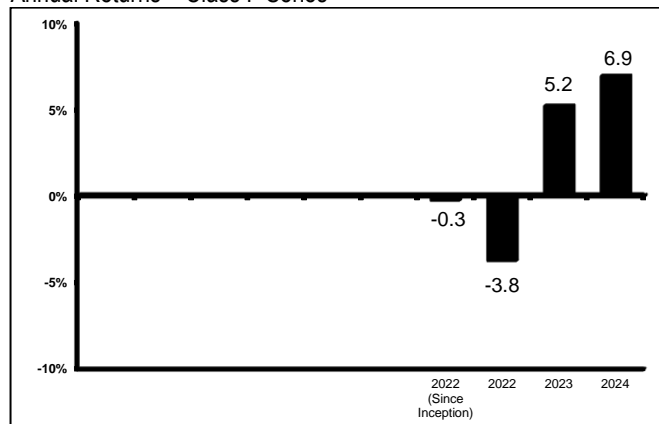
#### Year-by-Year Returns

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 <sup>(1)</sup>



<sup>(1)</sup> 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	6.10%	1.90%	1.79%	1.61%
Class F Series <sup>1</sup>	6.94%	2.67%	NA	NA
Class I Series <sup>2</sup>	--	--	--	--
FTSE Canada Short Term Bond Index	5.70%	2.13%	2.13%	1.93%

<sup>1</sup> Since Inception (May 14, 2021)

<sup>2</sup> 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, 2024

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	52.35 %
Corporate Bonds	32.09 %
Government Bonds	11.72 %
Short-term investments	2.10 %
Asset-Backed Securities	1.25 %
Net Other Assets (Liabilities)	0.33 %
Cash and Cash Equivalents	0.16 %

### Top 25 Holdings

Security Name	Percentage of Net Asset Value
RBC Indigo Mortgage Fund, Institutional Series	52.35 %
Canada Housing Trust No. 1, 1.60%, December 15, 2031	5.60 %
British Columbia Investment Management Corp., 3.40%, June 2, 2030	3.40 %
OMERS Realty Corp., 4.96%, February 10, 2031	3.24 %
Bank of Nova Scotia, 5.50%, May 8, 2026	3.13 %
BCI QuadReal Realty, 4.16%, July 31, 2027	2.73 %
MCAP Commercial LP, 3.74%, August 25, 2025	2.29 %
Canadian Treasury Bill, 3.14%, March 27, 2025	2.10 %
First National Financial Corp., 2.96%, November 17, 2025	1.99 %
AIMCo Realty Investors LP, 4.97%, May 23, 2034	1.96 %
Bank of Montreal, 1.55%, May 28, 2026	1.86 %
First West Credit Union, 9.19%, August 9, 2033	1.55 %
First National Financial Corp., 6.26%, November 1, 2027	1.33 %
Royal Bank of Canada, 5.01%, February 1, 2033	1.31 %
Choice Properties Real Estate Investment Trust, 5.40%, March 1, 2033	1.05 %
Royal Bank of Canada, 5.23%, June 24, 2030	1.05 %
Dream Summit Industrial LP, 4.51%, February 12, 2031	1.00 %
CDP Financial Inc., 4.20%, December 2, 2030	0.99 %
Canadian Government Bond, 2.75%, March 1, 2030	0.99 %
CGI Inc., 4.15%, September 5, 2029	0.89 %
Real Estate Asset Liquidity Trust, 6.26%, December 12, 2029	0.84 %
CPPIB Capital Inc., 2.25%, December 1, 2031	0.73 %
CARDS II Trust, 2.81%, January 15, 2025	0.72 %
Granite REIT Holdings LP, 4.35%, October 4, 2031	0.71 %
Royal Bank of Canada, 4.00%, October 17, 2030	0.62 %
<b>Total Net Assets (000's)</b>	<b>\$78,793</b>

The top 25 holdings represent approximately 94.43% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2024 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the RBC Indigo 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](http://www.sedar.com).



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