

2022

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

Offered by Educators Financial Group
Portfolio Manager: Beutel, Goodman & Company Ltd., Toronto, Ontario

Educators Bond Fund





This annual management report of fund performance contains financial highlights but does not contain the annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.263.9541, by writing to us at Educators Financial Group, 2225 Sheppard Ave. East, Suite 1105, Toronto, Ontario, M2J 5C2, or by visiting our website at www.educatorsfinancialgroup.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar forward-looking expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks, and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events, including any potential continued impact of the COVID-19 pandemic on the Fund and/or its operations.

It should be stressed that the above-mentioned list of factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements, whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance unless required by applicable law.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The investment objective of the Educators Bond Fund (*the "Fund"*) is to earn a high rate of income return by investing, directly or indirectly, primarily in fixed-income securities of Canadian governments and corporate issuers. While investments in foreign fixed income securities are permitted, this is not a key strategy for the Fund, which focusses on creating a high-quality portfolio diversified across Government of Canada, provincial government, and corporate securities. The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders.

Risk

The risks of investing in the Fund remain as discussed in the Simplified Prospectus. No changes affecting the overall level of risk of investing in the Fund were made to the Fund in the one-year period ending December 31, 2022.

Results of Operations

The Fund's net assets decreased by 12.2% to \$53.3 million at the end of December 2022, down from \$60.7 million at the end of December 2021.

Investment Performance

For the year/period ending December 31, 2022 (*the "period"*), the Educators Bond Fund – Class A Series provided a negative return of 12.94% versus the FTSE Canada Universe Bond Index (*the "Benchmark"*) return of negative 11.69%.

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.

Inflation was the dominant theme of 2022, as global central banks began aggressively tightening monetary policy in an attempt to bring down prices. Bond markets suffered one of their worst starts to a year in decades, as supply-chain issues and strong consumer demand drove inflation in the U.S. and Canada to 40-year highs.

In September, the U.K. provided a stark example of the dynamic tensions that can exist between monetary and fiscal policy when a liquidity crisis in its pension sector ultimately brought down the government.

Central banks worldwide have largely been moving in concert on rate hikes. In December, the U.S. Federal Reserve (*Fed*), the Bank of Canada (*BoC*), the Bank of England (*BoE*) and the European Central Bank (*ECB*) each hiked rates by 50 basis points (*bps*)—concluding a hawkish year for monetary policy. Central banks are adamant that fighting inflation is their primary goal. As

such, the latest U.S. Consumer-Price Index (*CPI*) data, reflecting slowing price increases, is encouraging. This comes as many economists are forecasting a recession for both Canada and the U.S. in 2023. An economic contraction, while painful, could serve to create slack in both the economy and the labour force, thus further reducing inflation.

Adding value to the Fund was its duration exposure, as the portfolio was generally short duration in a rising bond yield environment in the first three quarters of the year. A tactical long position during the fourth quarter benefited from yields falling in the middle of the quarter. The Fund's curve positioning was also positive; as the portfolio was short the 2-year area of the curve as the front end of the curve sold off. The Fund's corporate security selection was a detractor in the quarter and over the period. Within corporate security selection, Financials securities were the main source of weakness.

The portfolio manager employs macroeconomic analysis, rigorous bottom-up credit research, and proprietary risk-management tools to search for opportunities where the market has mispriced risk and reward. As a by-product of the portfolio manager's investment process, market performance, and general management activity, the Fund's portfolio during the reporting period included a decreased weighting in corporate and provincial bonds and an increased weighting in federal government bonds, cash, and cash equivalents.

Recent Developments

Central banks will likely remain resolute in their efforts to curb inflation. While peak inflation may be behind us and the deceleration of inflation will likely continue, inflation could prove stickier than expected. Central banks could continue to hike in the face of stronger inflation.

The elevated level of interest rates could serve to slow both the Canadian and U.S. economies, with a recession being a possible outcome. Once terminal rates are reached in both Canada and the U.S., the likely monetary policy response will be a pause to see how the economy is absorbing the significant amount of tightening.

Monetary policy has come under the microscope in this year of inflation, but it is important to also remember the role fiscal policy has played. Alongside the many supply bottlenecks caused by COVID-19, the stimulus measures of various governments have been a major contributing factor to the historically sharp price rises of 2022.

The Fund is beginning the year with a neutral to marginally long duration positioning. The portfolio manager agrees with the markets' pricing of terminal rates and, at this point, they do not see much potential for a large upward move in yields in their base



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case. The yield curve is currently inverted and the portfolio manager expects the inversion to persist into the first half of 2023. With respect to credit, the Fund's overall corporate weight decreased during the fourth quarter, while the high yield weight was essentially unchanged. No new names were added to the portfolio during the quarter, while weights were reduced in cyclical sectors such as Midstream, Power Generation, Air Leasing, and Telecommunications. The Fund remains overweight in defensive and safe-haven sectors.

Related Party Transactions

In 2022 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 by retail investors.

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

| | Year ended December 31 | | | | |
|---|------------------------|-----------------|----------------|----------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Net Assets, beginning of year/period | \$10.24 | \$10.64 | \$10.14 | \$9.75 | \$9.84 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | \$0.32 | \$0.32 | \$0.34 | \$0.28 | \$0.28 |
| Total expenses, including transaction costs [excluding distributions] | (\$0.11) | (\$0.13) | (\$0.13) | (\$0.13) | (\$0.12) |
| Realized gains (losses) for the period | (\$0.37) | \$-- | \$0.40 | \$0.23 | (\$0.15) |
| Unrealized gains (losses) for the period | (\$1.32) | (\$0.46) | \$0.32 | \$0.06 | \$0.01 |
| Total increase (decrease) from operations ⁽²⁾ | (\$1.48) | (\$0.27) | \$0.93 | \$0.44 | \$0.02 |
| Distributions: | | | | | |
| From net investment income (excluding dividends) | \$0.19 | \$0.17 | \$0.21 | \$0.14 | \$0.13 |
| From dividends | \$-- | \$-- | \$-- | \$-- | \$-- |
| From capital gains | \$-- | \$0.02 | \$0.26 | \$-- | \$-- |
| Return of capital | \$-- | \$-- | \$-- | \$-- | \$-- |
| Total Annual Distributions ⁽³⁾ | \$0.19 | \$0.19 | \$0.47 | \$0.14 | \$0.13 |
| Net Assets, end of year/period | \$8.72 | \$10.24 | \$10.64 | \$10.14 | \$9.75 |

Ratios and Supplemental Data (based on Net Asset Value)

| | Year ended December 31 | | | | |
|---|------------------------|-----------|-----------|---------|---------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total Net Asset Value (000's) ⁽⁴⁾ | \$7,163 | \$11,823 | \$15,951 | \$9,233 | \$6,880 |
| Number of units outstanding ⁽⁴⁾ | 821,326 | 1,154,946 | 1,498,675 | 910,353 | 705,316 |
| Management expense ratio ⁽⁵⁾ | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Trading expense ratio ⁽⁷⁾ | -- | -- | -- | -- | -- |
| Portfolio turnover rate ⁽⁸⁾ | 82.01% | 129.98% | 200.45% | 130.70% | 199.01% |
| Net Asset Value per unit | \$8.72 | \$10.24 | \$10.64 | \$10.14 | \$9.75 |



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

| | Year ended December 31 | | | | |
|---|------------------------|-----------------|----------------|----------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Net Assets, beginning of year/period | \$10.49 | \$10.92 | \$10.39 | \$9.96 | \$10.00 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | \$0.33 | \$0.32 | \$0.35 | \$0.29 | \$0.28 |
| Total expenses, including transaction costs [excluding distributions] | \$0.00 | \$-- | \$-- | \$-- | \$-- |
| Realized gains (losses) for the period | (\$0.40) | (\$0.01) | \$0.41 | \$0.21 | (\$0.04) |
| Unrealized gains (losses) for the period | (\$1.13) | (\$0.32) | \$0.35 | \$0.01 | \$0.12 |
| Total increase (decrease) from operations ⁽²⁾ | (\$1.20) | (\$0.01) | \$1.11 | \$0.51 | \$0.36 |
| Distributions: | | | | | |
| From net investment income (excluding dividends) | \$0.33 | \$0.32 | \$0.34 | \$0.26 | \$0.26 |
| From dividends | \$-- | \$-- | \$-- | \$-- | \$-- |
| From capital gains | \$-- | \$0.02 | \$0.27 | \$-- | \$-- |
| Return of capital | \$-- | \$-- | \$-- | \$-- | \$-- |
| Total Annual Distributions ⁽³⁾ | \$0.33 | \$0.34 | \$0.61 | \$0.26 | \$0.26 |
| Net Assets, end of year/period | \$8.93 | \$10.49 | \$10.92 | \$10.39 | \$9.96 |

Ratios and Supplemental Data (based on Net Asset Value)

| | Year ended December 31 | | | | |
|---|------------------------|-----------|-----------|-----------|---------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total Net Asset Value (000's) ⁽⁴⁾ | \$45,075 | \$48,289 | \$34,651 | \$24,219 | \$8,848 |
| Number of units outstanding ⁽⁴⁾ | 5,048,652 | 4,601,941 | 3,173,583 | 2,329,983 | 888,105 |
| Management expense ratio ⁽⁵⁾ | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| Trading expense ratio ⁽⁷⁾ | -- | -- | -- | -- | -- |
| Portfolio turnover rate ⁽⁸⁾ | 82.01% | 129.98% | 200.45% | 130.70% | 199.01% |
| Net Asset Value per unit | \$8.93 | \$10.49 | \$10.92 | \$10.39 | \$9.96 |



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

| | Year ended December 31 | |
|---|------------------------|---------------|
| | 2022 | 2021 |
| Net Assets, beginning of year/period | \$9.88 | \$10.00 |
| Increase (decrease) from operations: | | |
| Total revenue | \$0.31 | \$0.08 |
| Total expenses, including transaction costs [excluding distributions] | (\$0.04) | (\$0.01) |
| Realized gains (losses) for the period | (\$0.38) | (\$0.01) |
| Unrealized gains (losses) for the period | (\$0.88) | \$0.11 |
| Total increase (decrease) from operations ⁽²⁾ | (\$0.99) | \$0.17 |
| Distributions: | | |
| From net investment income (excluding dividends) | \$0.27 | \$0.13 |
| From dividends | \$-- | \$-- |
| From capital gains | \$-- | \$0.01 |
| Return of capital | \$-- | \$-- |
| Total Annual Distributions ⁽³⁾ | \$0.27 | \$0.14 |
| Net Assets, end of year/period | \$8.40 | \$9.88 |

Ratios and Supplemental Data (based on Net Asset Value)

| | Year ended December 31 | |
|---|------------------------|---------|
| | 2022 | 2021 |
| Total Net Asset Value (000's) ⁽⁴⁾ | \$1,101 | \$619 |
| Number of units outstanding ⁽⁴⁾ | 131,135 | 62,729 |
| Management expense ratio ⁽⁵⁾ | 0.51% | 0.51% |
| Management expense ratio before waivers or absorptions ⁽⁶⁾ | 0.51% | 0.51% |
| Trading expense ratio ⁽⁷⁾ | -- | -- |
| Portfolio turnover rate ⁽⁸⁾ | 82.01% | 129.98% |
| Net Asset Value per unit | \$8.40 | \$9.88 |

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. For financial years beginning after January 1, 2014, the financial highlights were derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). All references to "Net Assets" or "Net Assets per Unit" in these financial highlights are references to net assets attributable to holders of redeemable units determined in accordance with IFRS as presented in the financial statements of the Fund.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

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

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

⁽⁵⁾ Management expense ratio is based on total expenses (excluding distributions, commissions, and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽⁶⁾ The management expense ratio before waivers or absorptions shows what the management expense ratio of the Fund would have been if Educators Financial Group had not charged a lesser amount for its management fee.

⁽⁷⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁸⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.



Management Fees

Educators Financial Group is the Manager-Trustee, promoter, and principal distributor of the Fund, and is responsible for the day-to-day management and administration of the Fund.

The Manager-Trustee monitors and evaluates the performance of the Fund and pays for the investment management services of the portfolio manager, as well as all administrative services required by the Fund. As compensation for these services, Educators Financial Group is entitled to receive a fee, payable monthly and calculated daily, based on the Net Asset Value of the Fund, at the annual rate of 1.10% for the Class A Series and 0.45% for the Class F Series. The Class I Series are identical in all respects to the Class A Series, except that there is no management fee payable by the Fund in respect of the Class I units.

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

Approximately 118.1% of the total management fees collected from all Series were used to pay for portfolio management services, with the remainder of the fees allocated to custodial services, marketing, technology, and Manager-Trustee operating expenses.

PAST PERFORMANCE

General

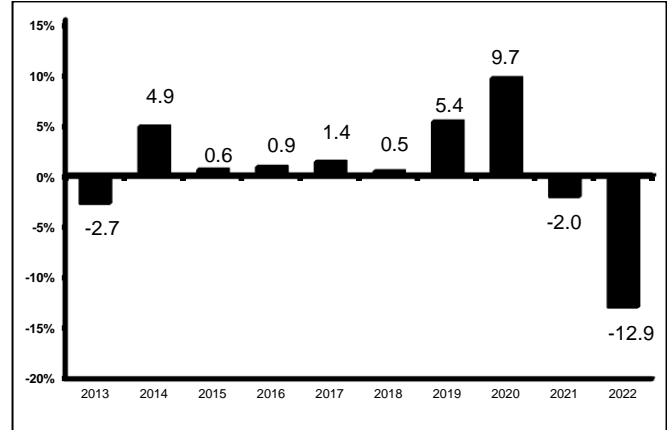
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution, or other optional charges that would have reduced returns or performance. The performance of different fund series may vary for a number of reasons, including differences in management fees and expenses. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

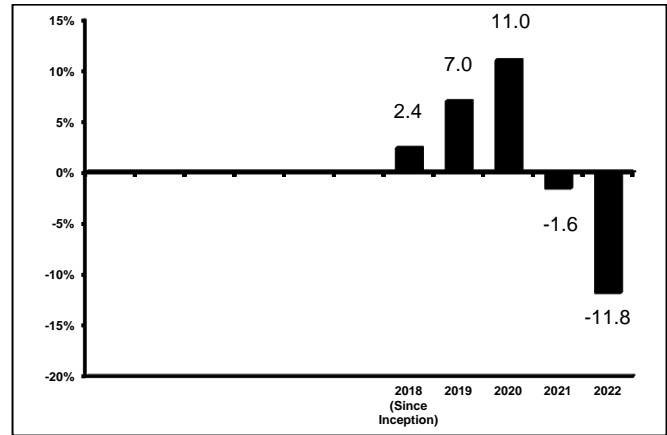
Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

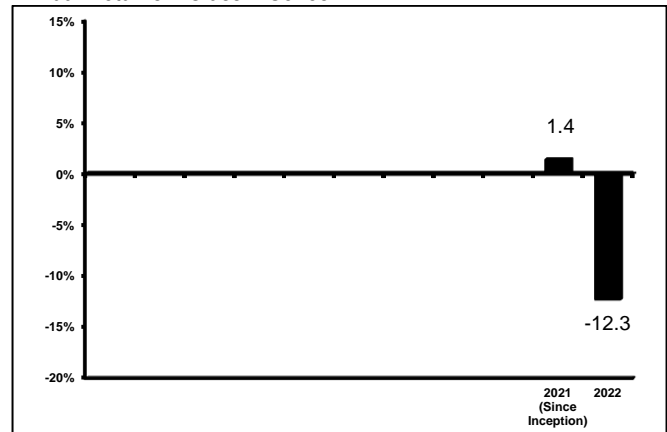
Annual Returns – Class A Series



Annual Returns – Class I Series ⁽¹⁾



Annual Returns – Class F Series ⁽²⁾



⁽¹⁾ The Class I Series commenced operation January 4, 2018

⁽²⁾ The Class F Series commenced operation May 14, 2021

Annual Compound Returns

The following table compares the historical annual compound returns of the Fund with the performance of the Benchmark index, FTSE Canada Universe Bond Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year.

| Educators Bond Fund | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------------|--------|--------|--------|---------|
| Class A Series | -12.94 | -2.20 | -0.20 | 0.40 |
| Class F Series ¹ | -12.28 | NA | NA | NA |
| Class I Series ² | -11.83 | -1.23 | NA | NA |
| FTSE Canada Universe Bond Index | -11.69 | -2.20 | 0.27 | 1.63 |

¹ Since Inception (May 14, 2021)

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, 2022

| Sector Mix | Percentage of Net Asset Value |
|--------------------------------|-------------------------------|
| Corporate Bonds | 51.21 % |
| Government Bonds | 41.17 % |
| Short-term investments | 0.88 % |
| Cash and Cash Equivalents | 6.31 % |
| Net Other Assets (Liabilities) | 0.43 % |

Top 25 Holdings

| Security Name | Percentage of Net Asset Value |
|---|-------------------------------|
| Canadian Government Bond, 2.00%, June 1, 2026 | 6.94 % |
| Province of Ontario, 1.90%, December 2, 2051 | 4.75 % |
| Canadian Government Bond, 2.00%, December 1, 2051 | 4.16 % |
| Province of Alberta, 2.05%, June 1, 2030 | 3.00 % |
| Canadian Imperial Bank of Commerce, 1.96%, April 21, 2031 | 2.86 % |
| Province of Ontario, 3.75%, June 2, 2032 | 2.72 % |
| Province of Ontario, 2.15%, June 2, 2031 | 2.35 % |
| Canadian Government Bond, 1.50%, December 1, 2031 | 2.33 % |
| TransCanada Pipelines Ltd., 7.90%, April 15, 2027 | 2.20 % |
| United States Treasury Note, 0.13%, January 15, 2024 | 2.18 % |
| Royal Bank of Canada, 4.50%, November 24, 2080 | 2.03 % |
| Province of Quebec, 3.50%, December 1, 2045 | 2.00 % |
| Province of Quebec, 3.25%, September 1, 2032 | 1.94 % |
| Enbridge Gas Inc., 7.60%, October 29, 2026 | 1.84 % |
| Air Canada, 4.63%, August 15, 2029 | 1.70 % |
| Province of Ontario, 3.45%, June 2, 2045 | 1.55 % |
| Bell Canada, 3.60%, September 29, 2027 | 1.47 % |
| New Economy Assets Phase 1 Sponsor LLC, 1.91%, October 20, 2061 | 1.45 % |
| Algonquin Power Co., 2.85%, July 15, 2031 | 1.43 % |
| Province of Alberta, 3.10%, June 1, 2050 | 1.41 % |
| Province of Quebec, 3.50%, December 1, 2048 | 1.33 % |
| Air Lease Corp., 2.63%, December 5, 2024 | 1.31 % |
| AltaGas Ltd., 7.35%, August 17, 2082 | 1.28 % |
| Westcoast Energy Inc., 8.85%, July 21, 2025 | 1.20 % |
| Toronto-Dominion Bank, 2.67%, September 9, 2025 | 1.18 % |
| Total Net Assets (000's) | \$53,340 |

The top 25 holdings represent approximately 56.61% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2022 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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