

# 2022

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

Offered by Educators Financial Group  
Portfolio Manager: Fiera Capital Inc., Toronto, Ontario

### Educators Monthly 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 proxy interim financial report, 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 Objective and Strategies

The investment objective of the Educators Monthly Income Fund (the “Fund”) is to provide a consistent stream of monthly income and some capital appreciation by investing in a portfolio of fixed income, investment trust units and equity investments. A minimum of 6% and a maximum of 60% of the portfolio will be invested in fixed income securities, while a minimum of 40% and a maximum of 94% of the portfolio will be invested in Canadian equity securities. Non-Canadian securities are generally limited to no more than 30% of the Fund’s net assets. Foreign currency exposure may or may not be hedged. The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders.

### Risk

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

### Results of Operations

The Fund’s net assets decreased by 1.7% to \$59.9 million at the end of December 2022, down from \$60.9 million at the end of December 2021.

#### Investment Performance

For the year/period ending December 31, 2022 (*the “period”*), the Educators Monthly Income Fund – Class A Series provided a negative return of 4.28%, versus a Benchmark return of negative 7.05%. The Benchmark comprises 70% S&P/TSX Composite Total Return Index, 27% FTSE Canada Bond Universe Index and 3% FTSE Canada 91 Day Treasury Bill Index.

The Fund outperformed its blended 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.

Overall, the Canadian equity performance on the year was negative. The equity market began the year with continued uncertainty as investor fears shifted from COVID-19 variants towards socio-political crises and the war between Russia and the Ukraine. Coupled with rising energy prices and inflation concerns, the first quarter was one of significant volatility and the S&P/TSX Composite posted a positive return, benefitting from strong performance in the Energy and Materials sectors. The volatility continued in the second quarter, as investors adjusted to a more persistent inflationary environment and socio-political turmoil in Europe showed no signs of ending. After eight consecutive quarters of positive returns, the S&P/TSX Composite Index shifted into negative territory in April, with a broad-based downturn affecting all sectors. Performance was muted in the third quarter, as companies with strong pricing power performed well,

managing inflationary pressures, while interest rate-sensitive companies lagged on the back of continued aggressive central bank action. Closer to year-end, the Canadian market rallied on the back on improving market sentiment and despite continued recession fears, improving inflation data led to the market seeing a potential end to the rate hike cycle.

Despite improved credit spreads in the second half of 2022, the Canadian fixed income market was also negative to end the year. The Federal Reserve and Bank of Canada (BoC) began their tightening cycle, reiterating that interest rates must rise, even at the risk of negative impact on growth to achieve price stability. The BoC took the overnight interest rate from near 0% levels, to 4.25% at year-end. Such an aggressive move negatively impacted performance within the fixed income market, leading to negative total returns for fixed income in 2022. New issuance was strong in 2022, totaling \$118B. Canadian banks made up 56% of the total, with the bulk occurring in the first half of the year.

The equity portfolio enhanced Fund performance relative to the Benchmark, due principally to the Fund’s Canadian equity holdings—posting a small positive return over the period. The Fund benefited from positive relative contributions in most sectors. The Fund is positioned with strong capital preservation attributes, which provide protection in down markets—while also providing growth in up markets. This positioning was particularly beneficial during the second and third quarters. The Information Technology sector contributed significantly as the Fund’s holdings outperformed the sector, the performance of which was negatively impacted by the steep decline of Shopify Inc’s share price. The Fund does not hold Shopify, which contributed positively on a relative basis. Positive relative contributions came from the Financials sectors, where the Fund benefitted from its holdings in property and casualty insurance provider Intact Financial and in TMX Group. Additionally, fund performance benefitted from not holding Bank of Nova Scotia or CIBC, two banks that underperformed compared to their peers. Within the Consumer Staples sector, the Fund benefitted from good security selection, which included holdings of national Canadian grocer Metro and a U.S. food and beverage company PepsiCo. The principal detractor to relative performance during the period was the Energy sector, where the Fund has a lower exposure than the Benchmark. The sector performed positively as energy prices rose, fueled by geopolitical concerns.

The fixed income portfolio underperformed the FTSE Canada Universe Bond Index during the period. Corporate spreads widened significantly in the early part of the year and only recovered partially by year-end. Given the increase in yields, longer-dated issues underperformed. The Fund benefitted from its underweight position in the Provincial sector, which are primarily of longer duration. Strong corporate earnings and demand for yield and diversification helped to support credit spreads to a certain degree during the period. Nevertheless, demand for yield was overshadowed by record-



breaking primary supply, particularly in the Financial sector. The Securitization sector also detracted as valuations weakened, despite displaying strong credit metrics.

The Fund's allocation to both equities and fixed income decreased during the period, while the allocation to cash increased. The Fund's holdings in equities decreased from 70.2% to 58.7%, composed of a 43.9% exposure to Canadian equity and an 14.8% exposure to foreign equity. The fixed income allocation ended the period at 19.9%, down from 23.6%, and it continues to include exposure to short-term Canadian fixed income. The Fund ended the period with an allocation of 21.5% in cash and equivalents. The overweight allocation to money market securities and the underweight allocation to both fixed income and equity enhanced returns through the period.

#### **Recent Developments**

Within the equity portfolio, the portfolio manager remains disciplined and focused on high-quality businesses that can withstand tough times. The portfolio manager believes the Fund is well positioned for the long-term compounding of returns. The equity portfolio will continue to be complemented by a diversified fixed income portfolio, with a significant concentration of corporate bonds. The fixed income portfolio will continue to remain duration-neutral to its Benchmark to reduce interest rate risk. The Fund will continue to focus on defensive characteristics as it navigates through these volatile times to drive performance.

#### **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.



EDUCATORS MONTHLY INCOME 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 Monthly Income Fund – Class A Series – Net Assets per Unit <sup>(1)</sup>**

	Year ended December 31				
	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$10.20	\$9.30	\$9.74	\$9.07	\$10.33
<b>Increase (decrease) from operations:</b>					
Total revenue	\$0.27	\$0.27	\$0.29	\$0.33	\$0.31
Total expenses, including transaction costs [excluding	(\$0.13)	(\$0.13)	(\$0.13)	(\$0.14)	(\$0.15)
Realized gains (losses) for the period	\$0.13	\$0.28	(\$0.04)	\$0.62	\$0.44
Unrealized gains (losses) for the period	(\$0.70)	\$1.08	(\$0.04)	\$0.47	(\$1.27)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(\$0.43)</b>	<b>\$1.50</b>	<b>\$0.08</b>	<b>\$1.28</b>	<b>(\$0.67)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.14	\$0.12	\$0.15	\$0.20	\$0.16
From capital gains	\$0.11	\$--	\$0.02	\$0.39	\$0.45
Return of capital	\$0.35	\$0.48	\$0.43	\$0.01	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.61</b>
<b>Net Assets, end of year/period</b>	<b>\$9.17</b>	<b>\$10.20</b>	<b>\$9.30</b>	<b>\$9.74</b>	<b>\$9.07</b>

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

	Year ended December 31				
	2022	2021	2020	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$57,070	\$59,185	\$53,215	\$59,411	\$59,836
Number of units outstanding <sup>(4)</sup>	6,224,925	5,799,608	5,721,925	6,101,290	6,596,034
Management expense ratio <sup>(5)</sup>	1.31%	1.31%	1.31%	1.31%	1.31%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.31%	1.31%	1.31%	1.31%	1.31%
Trading expense ratio <sup>(7)</sup>	0.01%	0.01%	0.02%	0.05%	0.07%
Portfolio turnover rate <sup>(8)</sup>	23.22%	27.14%	46.75%	98.31%	78.88%
Net Asset Value per unit	\$9.17	\$10.20	\$9.30	\$9.74	\$9.07



EDUCATORS MONTHLY INCOME FUND

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

	Year ended December 31	
	2022	2021
Net Assets, beginning of year/period	\$10.06	\$10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	\$0.27	\$0.10
Total expenses, including transaction costs [excluding distributions]	(\$0.07)	(\$0.02)
Realized gains (losses) for the period	\$0.15	\$0.01
Unrealized gains (losses) for the period	(\$0.56)	\$0.72
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(\$0.21)</b>	<b>\$0.81</b>
<b>Distributions:</b>		
From net investment income (excluding dividends)	\$--	\$--
From dividends	\$0.14	\$0.06
From capital gains	\$0.11	\$--
Return of capital	\$0.35	\$0.24
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.60</b>	<b>\$0.30</b>
<b>Net Assets, end of year/period</b>	<b>\$9.09</b>	<b>\$10.06</b>

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

	Year ended December 31	
	2022	2021
Total Net Asset Value (000's) <sup>(4)</sup>	\$2,862	\$1,756
Number of units outstanding <sup>(4)</sup>	314,875	174,594
Management expense ratio <sup>(5)</sup>	0.63%	0.62%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.63%	0.62%
Trading expense ratio <sup>(7)</sup>	0.01%	0.01%
Portfolio turnover rate <sup>(8)</sup>	23.22%	27.14%
Net Asset Value per unit	\$9.09	\$10.06

<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 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 1.15% for the Class A Series and 0.55% for the Class F Series. The Class I Series is identical on 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 15.1% 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**

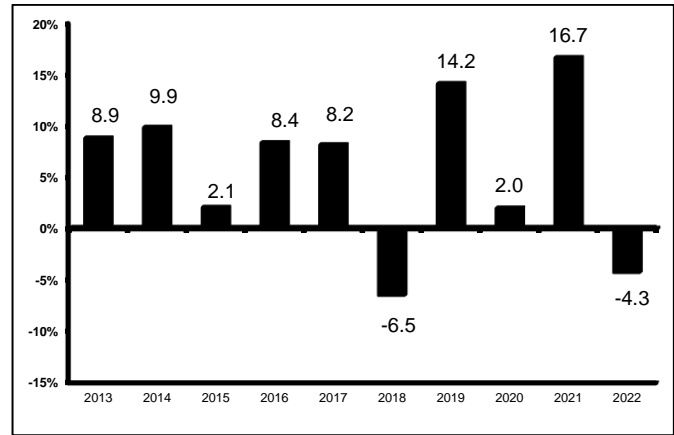
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

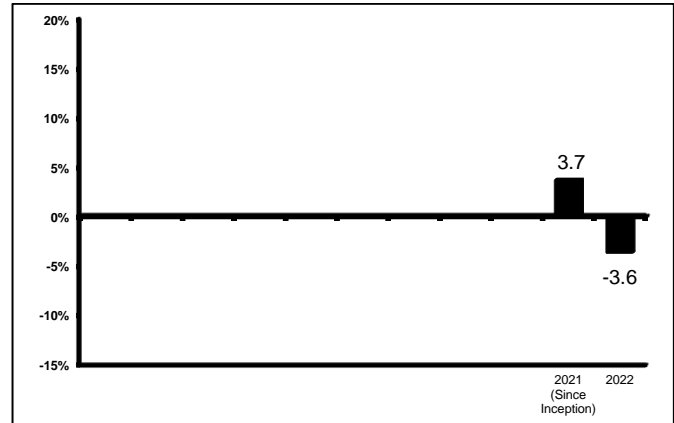
**Year-by-Year Returns**

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 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 since inception with the performance of the blended Benchmark index comprised as follows: 70% 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, 27% FTSE Canada Universe Bond Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year and 3% FTSE Canada 91 Day Treasury Bill Index, which measures the performance attributable to 91-day Treasury Bills of the provincial and federal governments.

Educators Monthly Income Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	-4.28	4.45	3.99	5.71
Class F Series <sup>1</sup>	-3.62	NA	NA	NA
Class I Series <sup>2</sup>	--	--	--	--
Blended Benchmark	-7.05	4.94	5.10	6.00

<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, 2022

Sector Mix	Percentage of Net Asset Value
Financials	22.28 %
Short-term investments	21.42 %
Consumer Staples	10.75 %
Industrials	10.31 %
Corporate Bonds	9.65 %
Information Technology	5.50 %
Government Bonds	4.56 %
Mutual funds	4.29 %
Communication Services	4.04 %
Consumer Discretionary	2.77 %
Utilities	1.84 %
Asset-Backed Securities	1.28 %
Energy	1.01 %
Net Other Assets (Liabilities)	0.24 %
Cash and Cash Equivalents	0.06 %

### Top 25 Holdings

Security Name	Percentage of Net Asset Value
Canadian Treasury Bill, 4.29%, March 30, 2023	20.59 %
IMAXX Short Term Bond Fund, Class O	4.29 %
Royal Bank of Canada	2.75 %
Toronto-Dominion Bank	2.68 %
National Bank of Canada	2.63 %
Canadian Pacific Railway Ltd.	2.61 %
TELUS Corp.	2.57 %
PepsiCo Inc.	2.56 %
Bank of Montreal	2.52 %
Metro Inc.	2.47 %
Intact Financial Corp.	2.37 %
Mastercard Inc.	2.18 %
Restaurant Brands International Inc.	2.10 %
Canadian National Railway Co.	2.04 %
Constellation Software Inc.	2.00 %
TMX Group Ltd.	1.93 %
Canadian Utilities Ltd.	1.84 %
Thomson Reuters Corp.	1.74 %
Costco Wholesale Corp.	1.66 %
Alimentation Couche-Tard Inc.	1.66 %
FactSet Research Systems Inc.	1.61 %
Power Corp of Canada	1.52 %
Quebecor Inc.	1.48 %
Unilever PLC	1.45 %
Finning International Inc.	1.44 %
<b>Total Net Assets (000's)</b>	<b>\$59,932</b>

The top 25 holdings represent approximately 72.69% 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.



**EDUCATORS FINANCIAL GROUP**

2225 Sheppard Ave. East  
Suite 1105  
Toronto, Ontario M2J 5C2

Telephone: 416.752.6843  
1.800.263.9541

Fax: 416.752.6649  
1.888.662.2209

E-Mail: [info@educatorsfinancialgroup.ca](mailto:info@educatorsfinancialgroup.ca)

Web: [www.educatorsfinancialgroup.ca](http://www.educatorsfinancialgroup.ca)

