

2022

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

Offered by Educators Financial Group
Portfolio Manager: 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, 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 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, 2022.

Results of Operations

The Fund's net assets decreased by 27.3% to \$96.0 million at the end of December 2022, down from \$132.0 million at the end of December 2021.

Investment Performance

For the year/period ending December 31, 2022 (the "period"), the Educators Mortgage & Income Fund – Class A Series provided a negative return of 4.47%, versus the FTSE Canada Short Term Bond Index (the "Benchmark") return of negative 4.04%.

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.

In a challenging, absolute-return environment for fixed income, the Fund's lower average term to maturity versus its Benchmark—combined with its allocation to mortgages, were the largest contributors to the Fund's relative performance. Whereas security selection in corporate bonds and an allocation to preferred-shared detracted from performance.

Following relatively robust market conditions in both 2020 and 2021, 2022 was punctuated by elevated inflation and, in turn, aggressive rate hikes from central banks around the world. All told, the Bank of Canada increased its target rate by 400 basis points (or 4%) in roughly nine months, the fastest rate hike cycle of this magnitude on record. 2022 was also the first calendar year on record with U.S. stocks (*S&P 500 Index*) and U.S. bonds (*Bloomberg Aggregate Bond Index*) posting double digit declines. Further, the yield on the five-year Government of Canada bond rose from 1.25% to 3.40% in 2022, which produced a full-year price decline of 8.27%.

Corporate credit spreads (the difference in yields between government bonds and corporate bonds) widened for most of the year, as investors shed risk assets en masse. Canadian banks raised capital and funding beyond the market's expectations in 2022, which pressured credit spreads on senior and subordinated securities significantly wider over the year. Mortgage credit spreads versus similar-dated Government of Canada bonds widened over the year as banks' funding costs increased.

Recent Developments

In 2022, the overnight rate increased by 400 basis points (bps) in Canada and 425 bps in the U.S., taking the respective rates to 4.25% and 4.5%. This rapid hiking cycle, combined with persistent inflation and slowing economic growth created a very challenging environment for both debt and equity markets. Inflation has begun to moderate in both the U.S. and Canada, but more significant improvements will need to be seen in 2023 to prevent rate hikes beyond what is currently priced into the market. The current consensus for the 2023 peak in rates is 5.0 to 5.25% in the U.S. and 4.50 to 4.75% in Canada. With these tight financial conditions, the portfolio manager now expects a recession across developed economies, with the Canadian economy likely experiencing a mild downturn. On a constructive note, the challenging environment experienced in 2022 has resulted in materially improved valuations in both equity and fixed income markets at the outset of 2023. Should the global economy slowdown prove to be relatively mild and brief, with earnings staying resilient for the full year, return potentials could look more promising for 2023 relative to the past 12 months.

Entering 2023, the Fund is pursuing a modest, pro-risk allocation for Canadian fixed income, as valuations on both government and corporate debt have improved to historically attractive levels. The Bank of Canada has noted they are closer to the end of the rate hike cycle, which should enable a period of rate stability to be constructive for fixed income, given the high level of yields. In the Fund's bond sleeve, the portfolio manager maintains a higher-than-Benchmark allocation to high-quality corporate bonds, given their attractive valuations. The Fund's allocation to mortgages is at its target allocation with historically widespread levels, versus similarly dated Government of Canada bonds. The Fund has a small allocation to preferred shares and expects a more promising year for this asset class.

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 Manager.

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.

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

	Year ended December 31				
	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$11.34	\$11.58	\$11.25	\$11.09	\$11.22
Increase (decrease) from operations:					
Total revenue	\$0.28	\$0.26	\$0.30	\$0.32	\$0.32
Total expenses, including transaction costs [excluding distributions]	(\$0.14)	(\$0.14)	(\$0.14)	(\$0.14)	(\$0.13)
Realized gains (losses) for the period	(\$0.26)	\$0.04	\$0.09	\$0.01	(\$0.13)
Unrealized gains (losses) for the period	(\$0.43)	(\$0.27)	\$0.23	\$0.17	(\$0.01)
Total increase (decrease) from operations ⁽²⁾	(\$0.55)	(\$0.11)	\$0.48	\$0.36	\$0.05
Distributions:					
From net investment income (excluding dividends)	\$0.14	\$0.12	\$0.15	\$0.19	\$0.19
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.14	\$0.12	\$0.15	\$0.19	\$0.19
Net Assets, end of year/period	\$10.69	\$11.34	\$11.58	\$11.25	\$11.09

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⁾	\$94,184	\$130,448	\$144,701	\$129,221	\$140,483
Number of units outstanding ⁽⁴⁾	8,808,376	11,499,952	12,499,441	11,485,494	12,668,872
Management expense ratio ⁽⁵⁾	1.25%	1.25%	1.25%	1.24%	1.19%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.25%	1.25%	1.25%	1.25%	1.24%
Trading expense ratio ⁽⁷⁾	--	0.01%	--	--	--
Portfolio turnover rate ⁽⁸⁾	52.98%	32.19%	40.79%	24.71%	30.75%
Net Asset Value per unit	\$10.69	\$11.34	\$11.58	\$11.25	\$11.09



EDUCATORS MORTGAGE & INCOME FUND

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

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

Ratios and Supplemental Data (based on Net Asset Value)

	Year ending December 31	
	2022	2021
Total Net Asset Value (000's) ⁽⁴⁾	\$1,780	\$1,508
Number of units outstanding ⁽⁴⁾	191,002	152,425
Management expense ratio ⁽⁵⁾	0.46%	0.45%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.46%	0.45%
Trading expense ratio ⁽⁷⁾	--	0.01%
Portfolio turnover rate ⁽⁸⁾	52.98%	32.19%
Net Asset Value per unit	\$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 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 0.40% for the Class F Series. The Class I Series is 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 12.0% 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

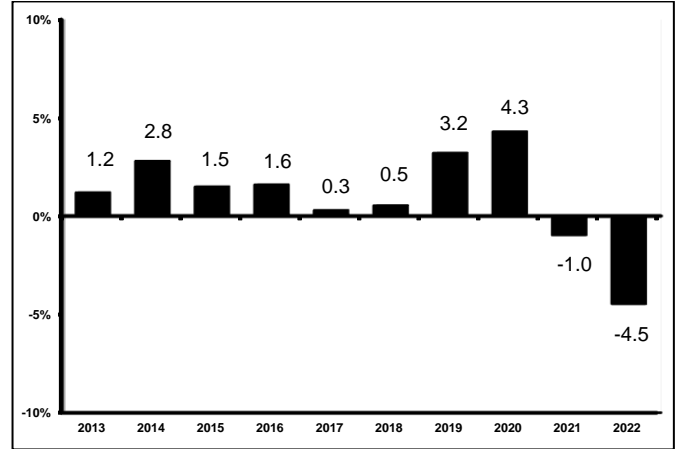
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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	-4.47	-0.45	0.47	0.97
Class F Series ¹	-3.75	NA	NA	NA
Class I Series ²	--	--	--	--
<i>FTSE Canada Short Term Bond Index</i>	-4.04	0.03	1.01	1.35

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, 2022

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	48.63 %
Corporate Bonds	37.31 %
Government Bonds	10.32 %
Preferred Shares	1.97 %
Asset-Backed Securities	1.01 %
Short-term investments	0.21 %
Net Other Assets (Liabilities)	0.47 %
Cash and Cash Equivalents	0.08 %

Top 25 Holdings

Security Name	Percentage of Net Asset Value
HSBC Mortgage Fund, Institutional Series	48.63 %
Canada Housing Trust No. 1, 2.35%, June 15, 2027	10.32 %
Toronto-Dominion Bank, 3.11%, April 22, 2030	4.19 %
Granite REIT Holdings LP, 3.06%, June 4, 2027	2.92 %
Royal Bank of Canada, 2.09%, June 30, 2030	2.19 %
Citigroup Inc., 4.09%, June 9, 2025	2.17 %
Coast Capital Savings Credit Union, 5.00%, May 3, 2028	2.17 %
Canadian Imperial Bank of Commerce, 2.25%, January 7, 2027	1.64 %
Toronto-Dominion Bank	1.58 %
Choice Properties Real Estate Investment Trust, 4.06%, November 24, 2025	1.51 %
Summit Industrial Income Real Estate Investment Trust, 2.25%, January 12, 2027	1.39 %
Brookfield Asset Management Inc., 4.82%, January 28, 2026	1.35 %
MCAP Commercial LP, 3.74%, August 25, 2025	1.21 %
Bank of America Corp., 2.09%, March 16, 2026	1.13 %
Bank of America Corp., 3.62%, March 16, 2028	1.00 %
MCAP Commercial LP, 4.15%, June 17, 2027	0.96 %
First National Financial Corp., 2.96%, November 17, 2025	0.95 %
AIMCo Realty Investors LP, 2.20%, November 4, 2026	0.94 %
Summit Industrial Income Real Estate Investment Trust, 2.15%, September 17, 2025	0.87 %
Bank of Nova Scotia, 1.85%, November 2, 2026	0.73 %
Dream Industrial Real Estate Investment Trust, 2.06%, June 17, 2027	0.72 %
Royal Bank of Canada, 2.74%, July 25, 2029	0.70 %
Brookfield Infrastructure Finance ULC, 4.19%, September 11, 2028	0.62 %
Royal Bank of Canada, 3.37%, September 29, 2025	0.60 %
Canadian Natural Resources Ltd., 3.42%, December 1, 2026	0.60 %
Total Net Assets (000's)	\$95,964

The top 25 holdings represent approximately 91.09% 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. 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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