2015

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2015

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

Educators Balanced Fund

Educators
FINANCIAL GROUP

This annual management report of fund performance contains financial highlights but does not contain the complete 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 proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The investment objective of the Educators Balanced Fund (the "Fund") is to provide a less volatile and more stable growth of assets by investing in a balanced asset mix of short-term fixed income securities, bonds and common and preferred shares, as well as warrants, convertible securities and index participation units. The Fund invests primarily in securities issued by Canadian governments and corporations, and non-Canadian securities are generally limited to no more than 25% of the Fund's assets. The asset mix varies depending on the outlook for the economy and financial markets, and there is no pre-determined percentage mix of securities. Foreign currency exposure is not hedged.

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, 2015.

Results of Operations

For the twelve-month period ending December 31, 2015, the Fund provided a return of 1.61%, versus a Benchmark return of 3.16%. The Benchmark comprises 40% FTSE TMX Canada Universe Bond Index, 35% S&P/TSX Composite Total Return Index, 12% S&P 500 Index (Canadian$) and 13% MSCI EAFE Total Return Index (Canadian$) (the "Benchmark"). Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund's net assets increased by 5.2% to $180.8 million at the end of December 2015, up from $171.9 million at the end of December 2014.

The Fund achieved a positive return in the year ending December 31, 2015, but underperformed its blended performance benchmark. An overweight to U.S. and International equities added value, as both asset classes delivered double digit returns for the year. However, an overweight to Canadian equities detracted, as Canada continued to lag other developed equity markets, reflecting concerns over the direct and indirect economic impacts of lower oil prices.

Commodity prices continued to fall in 2015, in particular oil. By the end the year, oil had fallen to just over $37, a level not seen since the lows of the financial crisis. Prices for copper and several other industrial commodities similarly approached or breached their lows of 2008. The effect on the currencies of resource-based economies was pronounced. The Canadian dollar fell to 72.3 cents, a level not seen since 2004.

The main reason for the weakness in commodities was China, where manufacturing and exports continued to decline. In response, the People's Bank of China (PBOC) again cut their main interest rate and reduced the reserve requirement for bank deposits. In addition, they allowed the yuan to depreciate further, bringing its decline against the U.S. since the August 10 surprise devaluation to a fairly significant 4.4%. Near year-end, the Chinese government further committed to a more 'flexible' monetary policy and more 'forceful' fiscal policy. The decline in commodity prices was also partly a reflection of strength in the U.S. dollar leading up to the interest rate increase on December 16. The Fed decided to move after steady improvements in employment and incomes put consumer spending and core inflation on pace for a 2.0% or higher annual rate.

Conditions in Europe improved over the course of the year. The composite PMI for the Eurozone, which includes the services sector, hit 54.4 in November, its highest reading since 2011. The only major economy left out of the advance was France, which suffered an unexpected jump in unemployment even before the tragic events in Paris took place. Despite the improvements, the European Central Bank (ECB) decided to take additional easing steps in December as a pre-emptive measure against renewed deflationary forces, primarily as a result of low oil prices.

The Canadian equity component of the Fund outperformed the return of the S&P/TSX Composite Index for the year. Outperformance was attributable to sector weighting effects. An underweight to the poorest performing sectors in the index, Energy and Materials, added significant value. Overweights to Consumer Staples and Telecommunications and an underweight in Health Care also contributed to outperformance.

Stock selection in Consumer Staples added significant value due to Molson Coors, which advanced significantly upon confirmation that it would acquire SABMiller's stake in the MillerCoors joint venture, a step judged necessary for AB InBev to obtain anti-trust approval in the U.S. for its takeover of SABMiller. Offsetting this was selection in the Energy and Information Technology sectors. In Energy, Baytex Energy fell due to the view that oil was unlikely to recover in the near term to a level needed for them to generate positive returns on assets. While the company is adequately financed and does have good upside to a recovery in oil, increasing risk to the valuation led us to sell the position and redeploy proceeds in holdings with more certain upside potential. In Information Technology, Open Text declined after the company reduced guidance and announced cost-cutting measures, citing challenges in the transition of its legacy business lines to the cloud technology. While a setback, the company continues to generate ample free cash flow and is attractive on a valuation basis.

The Fund's U.S. component underperformed, primarily due to stock selection. Selection in the Consumer Discretionary and Information Technology sectors were the main causes of underperformance. Returns for the S&P 500 over the year were largely driven by mega cap growth names in these sectors. In Consumer Discretionary, ongoing strength in Internet based names such as Amazon and Netflix dominated returns compared to weakness for the broader consumer retail space. Internet-based names, such as Google and Facebook, drove returns in Information Technology, with prices that ran far ahead of fundamentals. Our exposure to more mature undervalued technology names detracted over the year.

The international equity segment produced double digit returns, but underperformed its benchmark due to both sector allocation and stock selection over the period. With regards to sector allocation, positive effects from an overweight in Telecommunications were more than offset by negative effects from underweights in Health Care and the Consumer sectors and an overweight in Industrials. Stock selection in Industrials and Financials were significant detractors over the period. In Financials, despite meeting all regulatory minimums, negative sentiment in Banco Santander continued due to its exposure to Brazil's economic turmoil, Spain's political turmoil, and the market's continued worry about its capital position. Hana Financial declined as significant government pressure on banks to ease the financial burdens on its customers further compressed interest margins. At Aberdeen, the global asset manager, asset outflows continued around negative investor sentiment related to its emerging and global market exposures, despite having a net cash balance sheet and generating strong free cash flow. In Industrials, holdings in UK-based Vesuvius, IMI and Rolls-Royce detracted. Notably, the UK Industrial sector continued to exhibit significant weakness relative to all other EAFE Industrial sub-sectors, as the market reacted to reduced economic outlooks, commodity outlooks, and the implications for industrial earnings. After significant profit warnings, Rolls-Royce cancelled its buyback and highlighted that the dividend was at risk. At this point we doubted that the new management team was truly aligned with shareholders, and we exited the position. Vesuvius continued to be weighed down by gloomy sentiment around the global steel market, despite being a global leader in steel flow control products and continuing to generate positive free cash flow with a stable balance sheet.

Canadian interest rates declined in the year. The Bank of Canada surprised the market with a 25 basis point cut to the overnight rate in January, which sent yields spiralling downward. The Bank stated that the decision to decrease rates was in response to the sharp drop in oil prices, which the Bank expects will have a negative effect on growth and underlying inflation in Canada. The Bank of Canada further lowered its target for the overnight rate by 25 basis points to 0.5% in July. After the "atrocious" GDP and trade numbers that were released in June, a cut had been widely expected by the market.

For the one year period under review, the FTSE TMX Canada Bond Universe Index increased 3.52%. The Provincial and Federal sectors both outperformed the Index while the Corporate and Municipal sectors underperformed. Yields decreased, with the greatest movement in the short-end of the yield curve. Corporate credit spreads widened over the period. Corporate sector performance has been affected by illiquidity as well as a heavy amount of new issuance, mostly with significant concessions to secondary spreads. The depressed commodity price environment has weighed heavily on energy related credits. There was continued pullback in reach for yield as the FTSE TMX Canada High Yield Index underperformed all other corporate indices, returning -3.81% for the year, mainly due to concerns in the oil and gas sector, as well as increased leverage.

The fixed income component underperformed the FTSE TMX Canada Bond Universe Index for the period. The shortfall was largely attributed to the portfolio's short duration position, with the majority of the underperformance occurring earlier in the year after the Bank of Canada cut the overnight rate. Curve positioning also detracted due to underperformance in the short end of the curve. Underperformance due to these factors was mitigated slightly by a tactical move to a short term bond strategy from late February to late October. This strategy added value as rates increased during that period.

Recent Developments

The Fed has consistently reassured markets that its path to normalization would be gradual and data-dependent. Investors seem to have lost sight of the fact that monetary conditions in the U.S. continue to be stimulative and should remain so for some time to come. In any case, it is unlikely that the Fed would choose to run ahead of the pace of improvement in the global economy, especially given the fragility of the U.S. industrial sector at present.

Ultimately, the combination of moderate global growth, low inflation and supportive monetary policy is positive for equities. Weakness this past year has improved valuations for many high-quality companies, even relative to reduced earnings expectations. An exception is resources stocks, where in many cases valuations still do not fully reflect the reality of weak fundamentals. In this area, we remain focused on a select number of opportunities in niche markets, such as agriculture or producers with the cost structures and balance sheets necessary to both survive the current environment and capitalize on opportunities. Valuations for our holdings across the rest of the portfolio remain well supported by free cash flow, resilient business models and records of prudent capital allocation. While near-term challenges definitely exist, we are confident in the strong upside potential of the portfolio over a longer horizon.

From a fixed income perspective, Canada and the U.S. are set on diverging paths for monetary policy. The Federal Reserve has tightened, while the Bank of Canada is more likely to ease or at the very least keep the overnight rate at its current 0.50% level for a lengthy period. While very cautious on the Canadian economy and concerned about where growth and leadership will come from, there is some impetus for Canadian interest rates to rise moderately from their extremely low current levels. The relative strength of the U.S. economy, coupled with the beginning of the tightening cycle, will in turn lead to normalization or a rise in U.S. interest rates. Quantitative easing and zero interest rate policy have compressed the long-term interest rate premium as the partial intention was to keep long-term rates low to facilitate the housing market through low mortgage rates. With the removal of the unconventional policy pressure on long-term rates, the term premium will likely decompress leading rates to normalize. There is concern that this increase could be tempered by a tightening of financial conditions or events that would cause the “risk off” flight to quality trade to be re-initiated. While short-term bond yields in Canada will be anchored by the overnight rate and Bank of Canada policy, mid- and long-term yields will likely follow the lead of U.S. interest rates. The flow of “official money” must be followed, as pressured selling from central banks, sovereign wealth funds, and currency reserve managers resulting from the currency wars, could be a possible catalyst for yields to increase.

The Fund’s fixed income strategy was adjusted over the year. A tactical move was made from late February to late October, where the fixed income component switched to a short term bond strategy to mitigate risks from an increase in rates. This position has since been exited. While remaining short duration versus the FTSE TMX Canada Universe Bond Index, some of the magnitude of that short position has been trimmed. Term maturity bucket strategy has also been altered slightly, moving some weightings further out the yield curve. The Fund remains zero weight in the cash maturity bucket in the belief that the Bank of Canada will keep an easing bias. The Fund remains underweight in Government of Canada and provincial bonds and overweight in corporate bonds. With respect to the corporate bond market, the Fund remains constructive on corporate bond spreads. The removal of unconventional monetary policy will likely lead to the “unreached for yield” reversing flows into high yield and higher beta corporates. After a relatively benign 2015, event risk is intensifying, stemming from an increased chance of mergers and acquisitions, leveraged buyouts, corporate defaults, and ratings downgrades. With the liquidity pressure from the outflows on higher risk corporates together with increased event risk, the Fund continues to invest in safe haven corporate bonds and is not enticed to chase yield at the expense of the proper evaluation of credit risk. The recent widening in corporate credit spreads is overdone and represents an opportunity.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, 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 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 events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

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.

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.

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 Beutel Goodman American Equity Fund, Class I; Beutel Goodman International Equity Fund, Class I; and Beutel Goodman Small Cap Fund, Class I, all of which are funds managed by the Fund’s portfolio adviser.

In 2015 Educators Financial Group did not refer any conflict of interest matters to the Fund’s Independent Review Committee (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 each year ended December 31 for the past five years.

The Fund's Net Assets per Unit [1]

	Year ended December 31				
	2015	2014	2013	2012	2011
Net Assets, beginning of period	$17.16	$16.38	$16.35	$15.81	$16.17
Increase (decrease) from operations:					
Total revenue	$0.51	$0.50	$0.60	$0.51	$0.50
Total expenses, including transaction costs [excluding distributions]	$(0.34)	$(0.33)	$(0.35)	$(0.32)	$(0.32)
Realized gains (losses) for the period	$0.31	$0.39	$1.93	$0.20	$0.44
Unrealized gains (losses) for the period	$(0.22)	$0.61	$(0.44)	$0.34	$(0.83)
Total increase (decrease) from operations [2]	$0.26	$1.17	$1.74	$0.73	$(0.21)
Distributions:					
From net investment income (excluding dividends)	$--	$0.01	$0.12	$0.02	$--
From dividends	$0.15	$0.16	$0.17	$0.18	$0.18
From capital gains	$0.18	$0.23	$1.41	$--	$--
Return of capital	$--	$--	$--	$--	$--
Total Annual Distributions [3]	$0.33	$0.40	$1.70	$0.20	$0.18
Net Assets , end of period	$17.11	$17.16	$16.38	$16.33	$15.81

(1) This information is derived from the Fund's audited annual financial statements.
For the financial year 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").
For the financial year ended December 31, 2013, the financial highlights numbers were restated to comply with IFRS reporting.
For financial years beginning before January 1, 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with Canadian GAAP.
For financial years beginning after January 1, 2013, 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.

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2015	2014	2013	2012	2011
Total Net Asset Value (000's) [1]	$180,771	$171,914	$152,046	$136,187	$136,552
Number of units outstanding [1]	10,565,315	10,017,434	9,280,357	8,327,242	8,625,141
Management expense ratio [2]	1.93%	1.93%	1.90%	1.90%	1.90%
Management expense ratio before waivers or absorptions [3]	1.98%	1.98%	1.98%	1.99%	1.99%
Trading expense ratio [4]	0.01%	0.01%	0.15%	0.05%	0.06%
Portfolio turnover rate [5]	104.56%	45.75%	207.27%	99.68%	100.28%
Net Asset Value per unit	$17.11	$17.16	$16.38	$16.35	$15.83

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

(2) 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.

(3) 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.

(4) 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.

(5) 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 rates 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 1.75%.

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

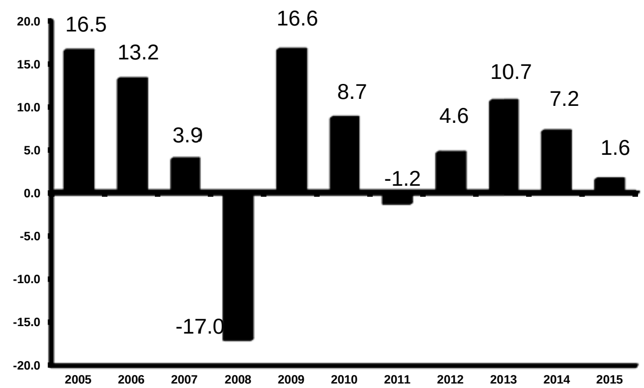
Approximately 13.7% of the management fees were used to pay for portfolio management services, with the remainder of the fees being allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

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. 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 performance for each of its past 10 financial years and illustrates how the Fund's performance has changed for each 12-month period ending December 31. The 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.

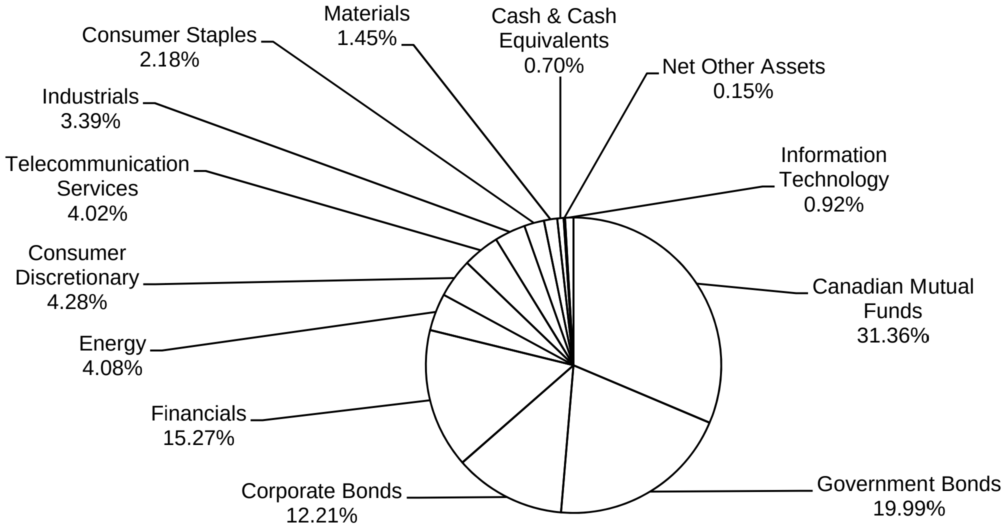


Annual Compound Returns
The following table compares the historical annual compound returns of the Fund with the performance of the blended Benchmark index comprised as follows: 40% FTSE TMX Canada Universe Bond Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year, 35% S&P/TSX Composite Total Return Index (S&P/TSX 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, 12% S&P500 Index (Canadian$), a stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange, and 13% MSCI EAFE Total Return Index (Canadian$) (MSCI Index).

	Educators Balanced Fund (%)	FTSE TMX Bond Index (%)	S&P/ TSX Index (%)	S&P500 Index (CDN$) (%)	MSCI Index (%)	Blended Index (%)
Past 10 years	4.43	5.03	4.38	9.16	5.31	5.59
Past 5 years	4.50	4.80	2.30	20.26	11.28	5.97
Past 3 years	6.42	3.63	4.62	28.52	17.84	7.71
Past year	1.61	3.52	-8.32	20.95	19.46	3.16

The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)



Top 25 Holdings

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Beutel Goodman International Equity Fund, Class I			14.84%
Beutel Goodman American Equity Fund, Class I			13.70%
Toronto-Dominion Bank			3.50%
Royal Bank of Canada			3.48%
Canada Housing Trust No. 1	2.05%	June 15, 2017	3.44%
Beutel Goodman Small Cap Fund, Class I			2.82%
Rogers Communications Inc.			2.80%
Bank of Nova Scotia			2.20%
Canada Housing Trust No. 1	2.35%	December 15, 2018	1.96%
Canada Housing Trust No. 1	1.75%	June 15, 2018	1.82%
Cenovus Energy Inc.			1.75%
Magna International Inc.			1.66%
Canadian Natural Resources Ltd.			1.54%
Canadian Imperial Bank of Commerce			1.49%
Brookfield Asset Management Inc.			1.46%
Great-West Lifeco Inc.			1.43%
Province of Ontario Canada	2.60%	June 2, 2025	1.39%
Canada Housing Trust No. 1	1.25%	December 15, 2020	1.38%
Canadian National Railway Co.			1.37%
Manulife Financial Corp.			1.23%
Molson Coors Canada Inc.			1.23%
TELUS Corp.			1.21%
Royal Bank of Canada	1.92%	July 17, 2020	1.01%
Canadian Tire Corp Ltd.			1.00%
Province of Ontario Canada	4.20%	June 2, 2020	0.93%
Total Net Assets (000's) ………………………………………………………………………			**$180,771**

The top 25 holdings represent approximately 70.64% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2015 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the Beutel Goodman 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.