

2015

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2015

Offered by Educators Financial Group
Portfolio Advisor: BMO Asset Management Inc., Toronto, Ontario

Educators Dividend Fund



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 Dividend Fund (the "Fund") is to provide investors with a stable and growing stream of after-tax income with long-term capital growth by investing primarily in dividend-producing preferred and common shares of Canadian corporations, aiming to take advantage of the favourable tax treatment generally available to individual Canadians who receive dividend income from Canadian corporations. To achieve lower volatility through diversification, the Fund also invests in debt securities. Non-Canadian securities are limited to no more than 25% of the Fund's assets. Foreign currency exposure may or may not be 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 negative 4.20%, versus the S&P/TSX 60 Index (the "Benchmark") return of negative 7.76%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets decreased by 0.1% to \$100.4 million at the end of December 2015, down from \$100.5 million at the end of December 2014.

Canadian equities, as measured by the S&P/TSX Composite Index, declined 8.3% during the period, widely trailing the Canadian-dollar returns of most equity markets. The weakness in Canadian equities and the Canadian dollar was caused by severe weakness in commodity prices, especially crude oil prices, which continued to fall as a result of a global oversupply relative to flat demand levels. Not surprisingly, the

commodity sectors led the S&P/TSX Composite Index lower. Energy was down 22.9%, while Materials was down 21.0%. Additionally, the once highly-positive Health Care sector was down 15.6%, reflecting Valeant Pharmaceuticals International, Inc.'s loss of over half its market capitalization after the integrity of its revenue reporting came into question. Only three S&P/TSX Composite Index sectors were positive over the year: Consumer Staples, Information Technology and Telecommunication Services, with total returns of 12.4%, 15.6% and 3.6%, respectively.

Contributing to the Fund's performance were: significant exposure to high-quality, dividend growth oriented U.S. companies (particularly in the Information Technology and Consumer-related sectors); security selection, and an overweight allocation to the Consumer Discretionary sector (one of the top performers in the 2015 market). Some of the top-performing Consumer Discretionary stocks held in the Fund include Dollarama Inc., Gildan Activewear Inc. and Loblaw Companies Limited. An additional contribution to the Fund's performance was a significant underweight exposure to the Materials sector, with no allocation to Canadian mining stocks. The Materials sector underperformed because of global economic weakness and reduced demand for raw materials. Significant individual contributors to the Fund's performance included holdings in Starbucks Corporation, Boyd Group Income Fund and Microsoft Corporation. Starbucks Corporation performed very well with strong sales growth. Boyd Group Income Fund benefited from ongoing consolidation in the auto repair industry. Microsoft Corporation has done a remarkable job in transitioning its business to the cloud and enterprise software, reducing its exposure to personal computer cycles and positioning the company for many years of growth.

Detracting from the Fund's performance was the Fund's underweight position in the Telecommunication Services sector, which sold off late in the year as a result of Shaw Communications Inc. entering the wireless business and

prompting fears of increased competition. Despite the move, the defensive attributes of Telecommunication Services companies allowed the sector to outperform the negative returns of the overall market. Security selection in the Information Technology sector also detracted from the Fund's performance. While the Fund's holdings in Microsoft Corporation and Visa Inc. performed well, other stocks from the sector not held in the Fund performed better (Constellation Software Inc. and Descartes Systems Group Inc.). In addition, the Fund's holding in DH Corporation was under pressure later in 2015 as a result of a negative hedge fund report, impacting investor sentiment. Energy sector holdings detracted from the Fund's performance amid continued commodity weakness. Significant individual detractors from performance included holdings in MacDonald, Dettwiler and Associates Ltd. and Monsanto Company. MacDonald, Dettwiler and Associates Ltd. declined as the satellite industry experienced a slower than usual year in 2015. Despite the company's strength, Monsanto Company stock fell amid global currency volatility, which had a highly-adverse impact on global seed companies.

The portfolio manager introduced shares of The Walt Disney Company, DH Corporation and The TJX Companies Inc. to the Fund during the period. The Walt Disney Company was purchased for its strengthening and development of its brand (including the Star Wars franchise and accompanying licensing and merchandising opportunities). Canadian financial technology company DH Corporation has most of its business in the U.S., where it is well-positioned to reap the benefits of a strengthening U.S. economy. The TJX Companies Inc., a dominant player in off-price merchandising, was added for its attractive secular growth story. In addition, the portfolio manager increased the Fund's existing holdings in Brookfield Asset Management Inc. because the company is transitioning toward a fee-based business model rather than an asset-based one.

The Fund's position in QUALCOMM Incorporated was eliminated due to concerns about increasing competitive threats in the wireless chip business. Aimia Inc. shares were sold after disappointing results and a downgrade of its outlook by the management. Shares of Baytex Energy Corp. were eliminated as a result of the impact of lower oil prices. Holdings in both Monsanto Company and Praxair, Inc. were divested because global currency concerns affected results. The portfolio manager also sold the Fund's shares of high-quality asset manager T. Rowe Price Group Inc., amid continued outflows from its institutional business.

Recent Developments

In 2016 equity markets recorded one of the worst starts to a calendar year in recent history. Volatile oil prices and continued fears over a slowdown in Chinese economic activity rattled markets. Despite these factors, the portfolio manager expects that moderate economic growth in North America will continue, with the U.S. outpacing Canada. While interest rates have started to move higher in the U.S. as a result of improving macroeconomic conditions, the portfolio manager believes that interest rates in Canada will remain at current levels given its exposure to resources, a more leveraged consumer and an over-heated housing market. The portfolio manager does not expect a rebound in energy pricing in the near-term as production remains stubbornly high and demand remains low. As such, economic activity in Western Canada could weaken before it improves.

The portfolio manager will maintain the Fund's underweight exposure to companies exposed to Western Canada and focus on Canadian and U.S. companies exposed to U.S. economic activity, where there are attractive investment opportunities in consumer-related industries (such as Starbucks Corporation, Gildan Activewear Inc. and The TJX Companies Inc.) and the Information Technology sector (with names such as DH Corporation, Microsoft Corporation and Visa Inc.).

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

BMO Asset Management Inc. (BMO AM), the Fund's portfolio adviser, is an affiliate of the BMO Financial Group. From time to time, BMO AM may on behalf of the Fund enter into transactions or arrangements with, or involving, other members of BMO Financial Group, or certain other persons or companies that are related or connected to the portfolio adviser of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's portfolio adviser BMO AM. The Fund did not hold BMO common shares during the period.

Brokerage Fees

The Fund pays standard brokerage commissions at market rates to BMO Capital Markets, an affiliate of the portfolio adviser. The brokerage fees charged to the Fund were as follows:

	<u>2015</u> <u>(Dec 31)</u>	<u>2014</u> <u>(Dec 31)</u>
<i>Total Brokerage Fees</i>	\$20,939	\$12,458
<i>Brokerage Fees Paid to BMO Capital Markets</i>	\$1,677	\$414

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	\$24.39	\$21.98	\$19.01	\$17.78	\$18.29
Increase (decrease) from operations:					
Total revenue	\$0.72	\$0.69	\$0.64	\$0.61	\$0.60
Total expenses, including transaction costs [excluding distributions]	\$(0.44)	\$(0.43)	\$(0.36)	\$(0.33)	\$(0.32)
Realized gains (losses) for the period	\$(0.55)	\$(0.08)	\$0.13	\$0.52	\$(0.02)
Unrealized gains (losses) for the period	\$(0.77)	\$2.36	\$2.81	\$0.54	\$(0.73)
Total increase (decrease) from operations ⁽²⁾	\$(1.04)	\$2.54	\$3.22	\$1.34	\$(0.47)
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.17	\$0.16	\$0.22	\$0.15	\$0.08
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.17	\$0.16	\$0.22	\$0.15	\$0.08
Net Assets , end of period	\$23.19	\$24.39	\$21.98	\$18.98	\$17.78

⁽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⁾	\$100,434	\$100,510	\$82,763	\$63,681	\$59,749
Number of units outstanding ⁽¹⁾	4,330,034	4,121,188	3,765,817	3,350,067	3,356,859
Management expense ratio ⁽²⁾	1.73%	1.73%	1.73%	1.74%	1.74%
Management expense ratio before waivers or absorptions ⁽³⁾	1.81%	1.81%	1.81%	1.82%	1.82%
Trading expense ratio ⁽⁴⁾	0.02%	0.01%	0.05%	0.04%	0.05%
Portfolio turnover rate ⁽⁵⁾	16.80%	9.01%	28.43%	22.26%	25.69%
Net Asset Value per unit	\$23.19	\$24.39	\$21.98	\$19.01	\$17.80

⁽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 1.60%.

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

Approximately 13.1% 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

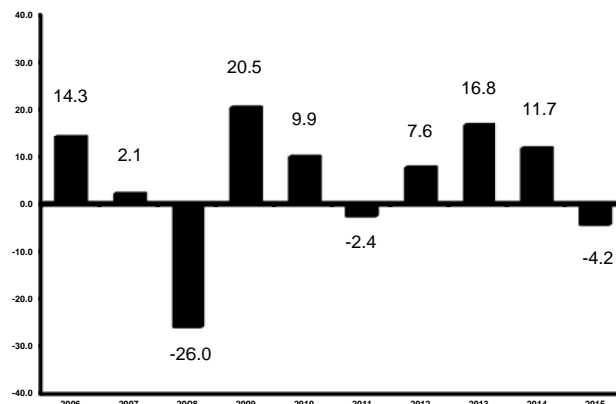
General

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.



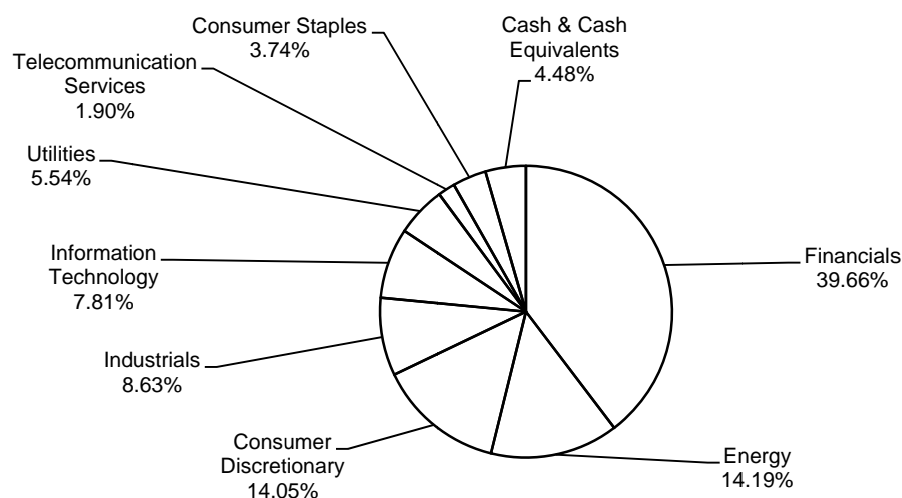
Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the Benchmark, the S&P/TSX 60 Index, a stock index of 60 large companies listed on the Toronto Stock Exchange.

	Educators Dividend Fund (%)	S&P/TSX 60 Index (%)
Past 10 years	4.15	4.67
Past 5 years	5.61	2.88
Past 3 years	7.73	5.46
Past year	-4.20	-7.76

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)



Top 25 Holdings

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	6.95%
Royal Bank of Canada	4.71%
Canadian National Railway Co.	4.44%
Bank of Nova Scotia	3.88%
Brookfield Asset Management Inc.	3.65%
Wells Fargo & Co.	3.53%
JPMorgan Chase & Co.	3.53%
Enbridge Inc.	3.06%
Intact Financial Corp.	2.93%
Microsoft Corp.	2.68%
Brookfield Infrastructure Partners LP	2.49%
Visa Inc.	2.45%
Walgreens Boots Alliance Inc.	2.38%
Starbucks Corp.	2.33%
TJX Cos Inc.	2.29%
Manulife Financial Corp.	2.28%
Dollarama Inc.	2.18%
Gildan Activewear Inc.	2.18%
Boyd Group Income Fund	2.05%
Magna International Inc.	1.93%
TELUS Corp.	1.90%
TransCanada Corp.	1.86%
Keyera Corp.	1.82%
MacDonald Dettwiler & Associates Ltd.	1.80%
Apple Inc.	1.79%
Total Net Assets (000's)	\$100,434

The top 25 holdings represent approximately 71.09% 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.

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