



**EDUCATORS FINANCIAL GROUP INC.
NO LOAD MUTUAL FUNDS**

SIMPLIFIED PROSPECTUS
dated May 13, 2016
Relating to an Offering of Class A units in

**EDUCATORS BALANCED FUND
EDUCATORS BOND FUND
EDUCATORS NORTH AMERICAN DIVERSIFIED FUND
EDUCATORS DIVIDEND FUND
EDUCATORS GROWTH FUND
EDUCATORS MONEY MARKET FUND
EDUCATORS MONTHLY INCOME FUND
EDUCATORS MORTGAGE & INCOME FUND**

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.

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PART A: GENERAL INFORMATION ABOUT THE FUNDS

INTRODUCTION

This simplified prospectus contains selected important information to help you make an informed decision about investing in the Funds (the “Funds”) managed by Educators Financial Group Inc. (“Educators Financial Group” or the “Manager”) and to help you understand your rights as an investor in the Funds.

This document is divided into two parts:

- Part A, from pages 1 to 16, contains general information about all of the Funds.
- Part B, from pages 18 to 44, contains specific information about each individual Fund.

Additional information about each Fund is available in the following documents:

- The Annual Information Form,
- The most recently filed Fund Facts for each Fund,
- The most recently filed annual financial statements,
- Any interim financial statements filed after those annual financial statements,
- The most recently filed annual management report of fund performance, and
- Any interim management report of fund performance filed after that annual report of fund performance.

These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can get copies of these documents, at no cost, by calling us toll free at 1-800-263-9541.

These documents and other information about the Funds are also available on the internet site of SEDAR at www.sedar.com. or at www.educatorsfinancialgroup.ca.

WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?

A mutual fund is a pool of money contributed by investors with similar investment objectives. Fund investors share the fund’s income, expenses and the gains and losses the fund makes on its investments in proportion to the units they own. Other attributes of mutual funds are:

A mutual fund may invest in many different types of securities – stocks, bonds, and cash – depending on the fund’s investment objectives. The values of these securities will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a fund’s units may go up and down and the value of your investment in a mutual fund may be more, or less, when you redeem it, than when it was purchased.

Educators Financial Group does not guarantee that the full amount of your original investment in any of the Funds will be returned to you. Unlike bank accounts or GICs, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

When you want to exit your investment in a mutual fund, you cause the fund to buy back, or “redeem”, your units. Under exceptional circumstances, a mutual fund may suspend redemptions. Please see *Purchases, Switches and Redemptions – Redemptions* starting on page 9.

Investment Risks

All investments have some level and type of risk. Simply stated, risk is the possibility you will lose money, or not make money on your investment. Each investor has a different tolerance for risk. Some investors are more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial circumstances and goals. The risks associated with investing in a mutual fund are similar to the risks associated with the securities in which the mutual fund invests. Generally, the higher an investment's anticipated return, the greater the risk you must be prepared to take.

One way to reduce risk is to diversify your investments across the three main asset classes: money market investments for safety, bonds for income, and equity investments for growth. Since different types of investments tend to move independently from one another, positive performance in one asset class can help offset negative performance in another, thereby reducing overall risk in the long term.

When deciding how much risk is right for you, think about how much time you have until you need the money:

- If you are investing for less than a year, you should not take undue risk. There may not be enough time to recover the full amount of your investment if the mutual fund falls in value. Lower-risk money market funds might be the best choice in these circumstances.
- A longer time horizon allows you to take on more risk. Although the value of your investments may drop in the short term, longer investment horizons may help to lessen the effects of short-term market volatility. Short investment horizons may result in you having to sell your investments in adverse conditions. Ideally, investors in growth funds have an investment horizon of five years or more, which may provide enough time for their investments to overcome any short-term decreases in value and grow.

The following summarizes the range of potential risks generally associated with investing in the Funds. Not all of the risks outlined below apply to all of the Funds. For the specific risks associated with a particular Fund, please see *What are the Risks of Investing in the Fund?* in Part B.

Risks in Relation to Fixed Income Investments

Fixed income funds have the advantage of providing a consistent stream of income, but generally lack the growth potential of equity funds. Funds that invest primarily in fixed income securities will be affected by both interest rate risk and credit risk as discussed below.

Interest Rate Risk: Those funds which concentrate on bonds and other fixed income investments will generally be affected by the general level of interest rates and the prevailing market conditions. Bond prices are usually more stable than stock prices, but will fluctuate inversely with interest rates. Generally, when interest rates fall, unit values will rise and, conversely, when interest rates rise, unit values will fall.

Credit Risk: Credit risk is the risk that the issuer of a debt obligation owned by a fund will be unable to make interest payments or repay the principal owing on that debt instrument. Securities issued by well established companies or by governments of developed countries tend to have a lower credit risk, and are generally assigned a higher credit rating by rating organizations. Securities that have a low credit rating have a high credit risk. The market value of a debt security can be affected by a down grade in the issuer's credit rating, which generally reflects that the perceived credit worthiness of the issuer or any assets backing the debt security has deteriorated.

Risks in Relation to Equity Investments

Funds that invest primarily in equities will have varying degrees of risk, from being relatively conservative at one end, to very aggressive, or risky, at the other end, depending on the nature of their investment objectives and strategies. For example, a fund that invests in smaller capitalization companies and/or growth stocks may be more volatile than a fund that invests in value stocks.

Equity funds tend to be more volatile than fixed income funds and the value of their units may fluctuate to a greater degree than fixed income funds.

Those funds which concentrate on equity investment will be affected by the fortunes of the companies that issue the equity securities and will be influenced by conditions affecting the stock market prices where the securities are traded, as well as general economic trends.

Risks in Relation to Commodities

The Funds do not invest in commodities, such as oil, gold or natural gas. However, certain of the Funds invest in issuers that hold commodities or which derive their value from commodities. The market value of the securities of these issuers, and hence the value of the Fund's investment in these issuers, may be affected by adverse movements in commodity prices. When commodity prices decline, it generally has a negative impact on the earnings and hence share value of companies whose business is dependent on commodities.

Risks in Relation to Foreign Investments

In addition to the risks described above, funds that invest in foreign securities will be affected by the following:

Exchange Rate Risk. The investments of funds that directly invest in debt or equity securities of foreign issuers are affected by world economic factors and by the value of the Canadian dollar as measured against the foreign currencies in which those debt or equity investments are denominated.

Foreign Portfolio Investment Risk. Investing on a global basis involves certain additional risks that are not typically associated with investing in Canada and the United States. These include the following.

- Companies may be less regulated and may have lower accounting, auditing and financial reporting standards.
- There may be less publicly available information about a foreign issuer than about a Canadian or a US company.
- Volume and liquidity in some foreign stock and bond markets are less than in Canada and the United States. Fewer market trades mean greater volatility.

- Commissions on foreign securities transactions are generally higher than negotiated commissions on Canadian and United States exchanges.
- There is generally less government supervision and regulation of stock exchanges, listed companies, and investment dealers.
- With respect to certain foreign countries, particularly emerging countries, there is a possibility of asset expropriation or confiscatory taxation, political or social instability, adverse diplomatic developments or restrictions on the movement of capital and the availability of securities that could affect the value or liquidity of investments.

Risks in Relation to Derivatives

Certain of the Funds may invest in permitted derivatives to the extent and for the purposes permitted by securities legislation. Some of such Funds may use permitted derivatives for both hedging and non-hedging purposes. The primary risk associated with an investment in a permitted derivative is that its value can be reduced to nil or a nominal amount if the price of the underlying security should decrease significantly below the exercise price (in the case of a call option or warrant) or increase significantly above the exercise price (in the case of a put option). Also, because permitted derivatives have a limited term, their value is influenced by the length of time to expiry. Some other risks of investing in derivatives are:

- We cannot assure you the Fund's hedging strategies will be effective. There may be an imperfect historical correlation between changes in the market value of the investment or attributes of the investment (including currency exposure) being hedged and the instrument with which the investment or attribute is hedged. Any historical correlation may not continue for the period during which the hedge is in place. Hedging against changes in stock markets or interest rates does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline.
- We cannot assure you that a liquid exchange or over-the-counter market will exist to permit the Fund to realize profits or limit losses by closing out positions.
- The Fund is subject to the credit risk that its counterparties may be unable to meet their obligations.
- There is a risk of loss of margin deposits in the event of bankruptcy of a dealer with whom the Fund has an open position in an option or futures or forward contract.
- Derivative investments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets.
- The Fund's ability to close out a position may also be affected by stock exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize profits or limit losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. If the Fund is unable to close out options, futures or forward positions, then this could have an adverse impact on the Fund's ability to use derivatives to hedge its portfolio effectively or implement its investment strategy.

- Stock index options and futures contracts present the additional risk that index prices may be distorted if trading of certain stocks included in the index is interrupted. Trading in these derivative instruments also may be interrupted if trading is halted in a substantial number of stocks included in the index. If this occurred, the Fund would be unable to close out options and futures positions, and if restrictions on exercise of the options or performance of the futures contracts were imposed, the Fund might experience substantial losses.

Risks in Relation to Asset-backed and Mortgage-backed Securities

Asset-backed securities are debt obligations that are backed by pools of consumer or business loans. Some asset-backed securities are short-term debt obligations, called asset-backed commercial paper (“ABCP”). Mortgage-backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. If there are changes in the market perception of issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. In the case of ABCP, there is an additional risk that there may be a mismatch in timing between the cash flow of the underlying assets backing the security and the repayment obligation of the security upon maturity. In the case of mortgage-backed securities, there is also the risk that there may be a drop in the interest rates charged on the mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

Risks in Relation to Tax Matters

If a Fund ceases to qualify as a mutual fund trust under the *Income Tax Act* (Canada) and the regulations thereunder (the “Tax Act”), the income tax considerations described under “Income Tax Considerations for Investors” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the unitholders.

In determining its income for tax purposes, each Fund will treat gains or losses realized on the disposition of portfolio securities held by it as capital gains and losses. Each of the Mortgage & Income Fund and North American Diversified Fund intends to take the position that gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in its portfolio will constitute capital gains and capital losses to such Fund if the portfolio securities are capital property to such Fund and there is sufficient linkage, subject to the DFA Rules discussed below. Designations with respect to each Fund’s income and capital gains will be made and reported to unitholders on the foregoing basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these foregoing dispositions or transactions of a Fund are determined not to be on capital account (whether because of the DFA Rules discussed below or otherwise), the net income of the Fund for tax purposes and the taxable component of distributions to unitholders could increase. Any such redetermination by the CRA may result in a Fund being liable for unremitted withholding taxes on prior distributions made to unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the net asset value of a Fund or net asset value per unit of a Fund.

The Tax Act contains rules (the “DFA Rules”) that target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions (including, certain forward currency contracts). If the DFA Rules were to apply in respect of derivatives utilized by a Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

Pursuant to rules in the Tax Act, a Fund that experiences a “loss restriction event” (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Fund’s income and net realized capital gains, if any, at such time to unitholders so that the Fund is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, a Fund will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a Fund is a beneficiary in the income or capital, as the case may be, of the Fund whose beneficial interests, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the Fund. See “*Income Tax Considerations for Investors*” for the tax consequences of an unscheduled or other distribution to unitholders. Pursuant to proposed amendments to the Tax Act, in many circumstances, the loss restriction event rules would not apply to a trust that meets certain requirements including certain asset diversification requirements.

Certain of the Funds invest in foreign securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“Tax Treaties”) to impose tax on dividends and interest paid or credited to persons who are not resident in such countries. While the Funds intend to make their investments in such a manner as to mitigate the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in selected foreign securities may subject a Fund to foreign taxes on dividends and interest paid or credited to the Fund or any gains realized on the disposition of such securities. Any foreign taxes incurred by a Fund will generally reduce the value of the Fund and amounts payable to its unitholders. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income and the Fund designates its income from a foreign source in respect of a unitholder of the Fund, the unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the unitholder’s proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the unitholder. The availability of foreign tax credits to a unitholder of a Fund is subject to the detailed rules in the Tax Act.

Exchange of Tax Information

In March 2010, the U.S. enacted the Foreign Account Tax Compliance Act (“FATCA”) which requires non-U.S. financial institutions to report to the U.S. Internal Revenue Service (“IRS”) accounts held by U.S. taxpayers. Failure to comply with FATCA could subject a financial institution or its account holders to certain sanctions including special U.S. withholding taxes on payments to them from the U.S. For purposes of the FATCA rules, each Fund is expected to be treated as a non-U.S. financial institution.

On February 5, 2014, Canada and the U.S. signed the Canada-United States Enhanced Tax Information Exchange Agreement (the “IGA”) relating to FATCA, and Canada has enacted legislation to implement the IGA. Generally, under the terms of the IGA and the related legislation, a Canadian investment fund that is treated as a non-U.S. financial institution may be required to collect information from holders of its units regarding such holders’ status as “Specified U.S. Persons” as defined in the IGA (generally, U.S. residents and U.S. citizens) or as non-U.S. entities controlled by one or more Specified U.S. Persons and, in the case of a Specified U.S. Person or such a non-U.S. entity, report certain information to the CRA

regarding such unitholder's investment in the fund. The CRA will then communicate this information to the IRS under the existing provisions of the *Canada-United States Tax Convention (1980)* (as amended).

Based on the IGA, the related legislation and the Manager's understanding of the relevant facts, the Manager believes that, provided a Fund complies with its information collection and reporting obligations under the legislation, the Fund will not be (i) subject to any withholding tax under FATCA in respect of payments made to the Fund, nor (ii) required to withhold any amounts under FATCA on payments to unitholders. The Funds intend to comply with the IGA and related legislation to the extent applicable in their respective circumstances.

On April 15, 2016, the Department of Finance (Canada) released for consultation proposals to amend the Tax Act to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the "CRS Proposals"). Pursuant to the CRS Proposals, "Canadian financial institutions" (as defined in the CRS Proposals) would be required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) that have agreed to bilateral information exchange with Canada under the Common Reporting Standard ("Participating Jurisdictions") or by certain entities the "controlling persons" of which are resident in a Participating Jurisdiction and to report required information to the CRA. Such information would be exchanged on a reciprocal, bilateral basis with the Participating Jurisdictions in which the account holders or such controlling persons are resident. Under the CRS Proposals, after June 30, 2017, holders of units of a Fund will be required to provide certain information regarding their investment in the Fund for the purpose of such information exchange (which information exchange is expected to occur beginning in May 2018), unless the investment is held within certain Registered Plans.

The Manager will continue to monitor the implications of FATCA and the CRS Proposals to the Funds and to unitholders, including any further guidance from the CRA on the Funds' obligations under the related legislation.

Risks in Relation to Securities Lending

Each Fund is permitted to lend its portfolio securities. In a securities lending transaction, the Fund lends its portfolio securities to another party (known as the counterparty) in exchange for a fee and collateral of a type acceptable to the Canadian securities administrators. The value of this collateral relative to the value of the loaned securities is adjusted each trading day, so that at the end of the day the Fund has collateral with a value greater than the value of the securities which have been loaned. There is the possibility that the counterparty may default on its obligation to return the loaned securities to the Fund, and that the collateral held by the Fund might not be sufficient to permit the Fund to replace the loaned securities, if (for example) there has been a significant increase in the value of the loaned securities on the day the default occurs.

As part of a Fund's securities lending activities, the Fund may enter into repurchase or reverse repurchase agreements. A repurchase transaction occurs when the Fund sells a security that it owns to a third party for cash and agrees to buy back the same security from the same party at a specified price at an agreed upon future date. In a reverse repurchase transaction, the Fund buys a security at one price from a third party and agrees to sell the same security back to that party at a specified price at an agreed upon future date. One of the risks with these types of transactions is that the other party may default under its agreement with the Fund or become insolvent. In a reverse repurchase transaction, the Fund is left holding the security and may not be able to sell the security at the same price it paid for it, plus interest, if the other party defaults and the value of the security has dropped in the meantime. In a repurchase transaction, the Fund could incur a loss if the other party defaults and the value of the security sold has increased more than the value of the cash and the collateral held by the Fund. As with securities lending generally, these risks are reduced by the collateral requirements in applicable securities legislation, as

well as the other limits such legislation imposes on a Fund's securities lending activities including the use of repurchase or reverse repurchase agreements.

Confidentiality of Personal Information

At Educators Financial Group we maintain current security standards to ensure that personal and financial information is protected against unauthorized access, disclosure, inappropriate alteration or misuse. All safety and security measures are appropriate to the sensitivity of the information. Some of our service providers may be located in the United States, and to the extent your personal information is located outside of Canada, it will be subject to any legal requirements in the US applicable to these service providers. For example, there could be lawful requirements imposed on our US service providers to disclose personal information to various US government authorities.

ORGANIZATION AND MANAGEMENT OF THE FUNDS

<p>Manager Educators Financial Group Inc. 2225 Sheppard Ave. East Suite 1105 Toronto, Ontario M2J 5C2 1-800-263-9541</p>	<p>The manager is responsible for the management of the overall business and operations of the Funds.</p>
<p>Trustee Educators Financial Group Inc. Toronto, Ontario</p>	<p>The Funds are organized as trusts. When you invest in the Funds, you are buying units of the trust. The Trustee holds actual title to the property in the Funds – the cash and securities – on your behalf and has a fiduciary responsibility to act in the best interest of the unitholders.</p>
<p>Portfolio Advisers Foresters Asset Management Inc. Toronto, Ontario HSBC Global Asset Management (Canada) Limited Vancouver, British Columbia BMO Asset Management Inc. Toronto, Ontario Beutel, Goodman & Company Ltd. Toronto, Ontario</p>	<p>The portfolio advisers have been retained to manage the Funds' investment portfolios. They make decisions relating to the investment of the Funds' assets and supervise the Funds' investment portfolios on a continuous basis. Information as to which portfolio advisers are responsible for a particular Fund is set out under <i>Fund Details</i> in Part B.</p>
<p>Principal Distributor Educators Financial Group Inc. Toronto, Ontario</p>	<p>The principal distributor sells units of the Funds and may enter into arrangements with other dealers to assist it in this regard.</p>
<p>Custodian RBC Investor Services Trust Toronto, Ontario</p>	<p>The custodian holds the Funds' cash and securities on behalf of the Funds. The custodian also provides certain administrative services to the Funds, including Fund valuation and accounting services.</p>

Registrar Educators Financial Group Inc. Toronto, Ontario	The registrar keeps a register of the owners of units for each Fund, processes orders and issues account statements to unitholders. The registrar is assisted in these functions by RPM Technologies.
Securities Lending Agent RBC Investor Services Trust Toronto, Ontario	The securities lending agent manages the Funds' securities lending program in accordance with the requirements of National Instrument 81-102 <i>Investment Funds</i> .
Auditor Grant Thornton LLP Chartered Accountants Markham, Ontario	The auditor is an independent firm of chartered accountants. The auditor audits the annual financial statements of the Funds and provides an opinion as to whether they are fairly presented in accordance with Canadian generally accepted accounting principles.

Independent Review Committee

The Manager has established an independent review committee ("IRC") for the Funds, as required by National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"). The purpose of the IRC is to review and provide a recommendation or decision to the Manager with respect to conflict of interest matters referred by the Manager to the IRC and to assist the Manager in preparing appropriate conflict of interest policies. A conflict of interest matter is any matter in which the interests of the Manager may be such that they conflict, or could be perceived to conflict, with its obligation to act in the best interests of the Funds.

The members of the Funds' IRC are David Taylor, Michele D. McCarthy and Tom Hockin. For biographical details of the IRC members and additional information about the IRC, see the Fund's Annual Information Form. The IRC prepares a report to unitholders for each Fund annually in respect of its activities during the previous fiscal year of the Fund. Such reports are available on SEDAR at www.sedar.com, and the most recent report may be found on the Manager's website at www.educatorsfinancialgroup.ca. A copy of the most recent of such reports will also be provided, free of charge, by the Manager to any unitholder who requests a copy. Unitholders should contact the Manager by telephone or in writing, at the telephone number and address specified on the last page of this Simplified Prospectus.

PURCHASES, SWITCHES AND REDEMPTIONS

Class A units (also referred to as the "units") are purchased and redeemed through Educators Financial Group and are offered to qualified investors only in the Provinces of Ontario and British Columbia. Purchases are made, distributions reinvested, and switches and redemptions are implemented for all Funds on the basis of the net asset value per unit applicable to the transaction, which are then reflected in the next calculation of the net asset value. The net asset value per unit of a particular Fund is calculated by dividing the value of net assets of the Fund (that is, the value of the Fund's assets less the Fund's liabilities) by the total number of units of the Fund then outstanding.

The net asset value per unit for each of the Funds is calculated at the close of business on each Fund's Valuation Date. If we receive a buy, switch or redemption order before 3:00 p.m. (Eastern Time) on a Valuation Date, the order will be processed at the net asset value determined on that day. Otherwise, we

will process your order at the net asset value on the first Valuation Date following the date by which the request was received.

The Valuation Dates for each Fund are the close of trading on each day the Toronto Stock Exchange is open for business.

Purchases

Units of the Funds are offered for sale only in the Provinces of Ontario and British Columbia to eligible purchasers, who must be members of the education community in those provinces, meaning teachers and non-teaching administration personnel and staff employed by a Board of Education and their immediate family members in Ontario or British Columbia. Units of the Funds may only be purchased from Educators Financial Group or from selected dealers authorized by Educators Financial Group to sell units. Unless you are purchasing through a pre-authorized contribution plan (a "PAC"), the minimum initial purchase order for any Fund is \$500, regardless of whether you already have invested in another Fund or not. With a PAC the minimum investment that can be made in a Fund on any investment date is \$25.

Educators Financial Group may reject your purchase order within two business day of receiving it, but only if we believe it is in the best interests of the Fund. Any monies sent with your order will be returned immediately, without interest. Also, Educators Financial Group may not be able to process purchase, switch or redemption orders if market trading is suspended.

Units of the Funds must be purchased in Canadian dollars and are redeemed in Canadian dollars.

There are no acquisition charges applicable on purchases of units of the Funds or on the automatic reinvestment of distributions of net income and net capital gains.

How to Submit a Purchase Order

Please follow these steps if you are buying units through Educators Financial Group:

- Contact Educators Financial Group in person or by telephone to request appropriate documentation or print an appropriate application form or transaction request form from our website.
- Complete the appropriate application form or transaction request form.
- Forward the completed application form or transaction request form to Educators Financial Group promptly with a cheque payable to **Educators Financial Group Inc.**

If you are buying units through another dealer, contact a representative of that dealer for its purchase procedures. The dealer will forward your application and cheque to Educators Financial Group promptly after receiving them.

Your money will be invested in the Fund(s) you select on the day it is received if it arrives in the Educators Financial Group office before 3:00 p.m. (Toronto time) on a Valuation Date or on the next Valuation Date, if it is received after that time.

If the documentation on your purchase is incomplete, we will generally invest your money in the Money Market Fund so that you will earn daily interest until complete instructions have been received. Your investment, including interest, will then be exchanged into the Fund(s) you select without any additional charge once completed documentation is received. The only situation in which a temporary investment in

the Money Market Fund is not made is the rare case where the Manager is not legally permitted to make such an investment. In these circumstances, funds received remain un-invested pending receipt of the complete subscription documentation.

Switches

Unitholders may switch from one of the Funds to another. A switch is the transfer of your investment money from one Fund to another. Switches may be effected using the form authorized from time to time by Educators Financial Group. No switches will be permitted during any period when redemption of units has been suspended (see “*Redemptions*” below). See “*Income Tax Considerations for Investors*” for a discussion of tax considerations relating to a switch.

Redemptions

Requests for redemption may be made in the form authorized from time to time by Educators Financial Group and submitted to Educators Financial Group at its head office in Toronto, Ontario. You may also contact the dealer through which you purchased units, if other than Educators Financial Group. No administration or other fees are charged in respect of redemption of units, other than an Account Transfer Fee in respect of transfers of an account to another financial institution or a Short-Term Trading Fee in respect of units redeemed within 90 days of the date of purchase.

The minimum account balance that you must maintain with Educators Financial Group is \$500. In the discretion of Educators Financial Group, if the value of the Funds in your account falls below the minimum, Educators Financial Group may redeem the Funds you hold. Educators Financial Group will generally try to contact you before any such redemption, to give you an opportunity to contribute additional amounts to your account, and will generally not exercise their discretion to effect a redemption if the reason for having less than \$500 in your account is market declines.

The units will be redeemed at their net asset value. Redemption payments will be made in Canadian dollars. See “*Income Tax Considerations for Investors*” for a discussion of tax considerations relating to a redemption.

How to Submit a Redemption Order

Please follow these steps to redeem your units purchased through Educators Financial Group:

- Forward your redemption request to Educators Financial Group.
- To protect you from fraud, Educators Financial Group may require that your written request be signature-guaranteed by a bank, trust company or member of a Canadian stock exchange.

If you are redeeming units through another dealer, contact a representative of that dealer for its redemption procedures. The dealer will forward your redemption request to Educators Financial Group promptly after receiving it.

Educators Financial Group will redeem your units on the day the request is received if it arrives at the Educators Financial Group office before 3:00 p.m. (Toronto time) on a Valuation Date or on the next Valuation Date if it is received later.

Educators Financial Group will mail your cheque, or electronically transfer the funds to your bank account if instructed, on or before the third business day following the applicable Valuation Date.

Under exceptional circumstances we may be unable to process your redemption order. This would most likely occur if market trading has been suspended on any stock exchange on which a significant portion of a Fund's assets are listed.

Short-Term Trading

Where investors make short-term trades in a Fund's units, buying such units one day and redeeming them a short time thereafter, there can be adverse effects on the other investors in the Fund. For example, the Fund may incur extra trading costs in first purchasing portfolio securities with the short term investor's subscription funds, and then in selling portfolio securities to pay the proceeds of redemption to that investor, depending upon the Fund's cash position. Further, short-term investors may enjoy the benefits of capital appreciation incurred in the Fund without that investor's subscription actually being invested in time to contribute to that appreciation.

For this and other reasons, the Manager has the right to impose a short-term trading fee if units of the Funds are redeemed within 90 days of the date of purchase. See "*Fees and Expenses – Fees and Expenses Payable Directly by You*" for details of this fee. The Manager would generally not charge this fee in circumstances where the reason for an early redemption was an unexpected change in personal or financial circumstances, or other legitimate reason, and was not part of a course of conduct of short-term trading. Where the Manager detects repeated short-term trading occurring by an investor, in addition to charging the short-term trading fee the Manager may decline to accept future purchase orders from that investor.

OPTIONAL SERVICES

Educators Financial Group offers Registered Retirement Savings Plans ("RRSPs"), Locked-in Retirement Savings Plans ("LIRAs"), Registered Retirement Income Funds ("RRIFs"), Locked-in Retirement Income Funds ("LIFs"), Registered Educational Savings Plans ("RESPs") and Tax-Free Savings Accounts ("TFSA") (collectively, "registered plans"). The Royal Trust Company acts as trustee of these registered plans. Other dealers may also offer registered plans. Registered plans may invest in units of a Fund without penalty if units of the Fund are "qualified investments" as defined in the Tax Act for registered plans and are not "prohibited investments" for purposes of the Tax Act. Provided the Funds continue to qualify or are deemed to qualify as mutual fund trusts or registered investments under the Tax Act, units of each of the Funds will be qualified investments for registered plans. See "*Fund Details*" in Part B and see "*Income Tax Considerations for Investors*" for information regarding the status of units as "prohibited investments" for purposes of the Tax Act and for more information on the registered plan tax status for each of the Funds.

All of the provisions concerning the registered plans offered by Educators Financial Group are contained in the application and the Declaration of Trust which is attached to the application form. There are no annual administration fees for this service.

Regular Investment Plan

You can buy units of the Funds through a pre-authorized regular investment plan. You can invest weekly, bi-weekly, monthly, quarterly, semi-annually or annually. Ask Educators Financial Group for an authorization form to start the plan. There is no charge for this service.

Regular Withdrawal Plan

You can also set up a regular withdrawal program. You can choose when to withdraw (monthly, quarterly, semi-annually or annually) and how much to redeem each time. There is no charge for this

program. Please be advised that regular withdrawals could eventually consume your entire account. See “*Income Tax Considerations for Investors*” for a discussion of tax considerations relating to redemptions of units of the Funds.

Automatic Reinvestment of Distributions

We automatically reinvest your distributions to purchase additional units of the Funds. If you would prefer to receive your distributions in cash, please request this service in writing.

FEES AND EXPENSES

The tables below list the fees and expenses that you have to pay if you invest in units of the Funds. Each Fund itself will pay some of these fees and expenses, which will therefore reduce the value of your investment in the Fund. The fees or expenses may be increased by the Manager on not less than 60 days’ notice to unitholders. The Funds are also responsible for paying any applicable harmonized sales taxes (HST) owing on the management fees or expenses of the Funds.

The Manager may charge management fees that are less than the management fees the Manager is otherwise entitled to charge a Fund. If the Manager does so, it may later charge the maximum rate of the annual management fee without giving notice to unitholders.

Fees and Expenses Payable by the Funds

Management Fees Management fees differ by Fund. The management fees are as follows:

	Management Fees
Balanced Fund:	1.75%
Bond Fund:	1.10%
North American Diversified Fund:	1.75%
Dividend Fund:	1.60%
Growth Fund:	1.75%
Money Market Fund:	0.55%
Monthly Income Fund:	1.15%
Mortgage & Income Fund:	1.10%

The Manager is responsible for the day-to-day management and administration of the Fund. As compensation for its services, the Manager is entitled to receive a management fee, which is calculated daily based on the net asset value of a Fund from the previous trading day and payable monthly. The Manager monitors and evaluates the performance of each Fund, pays for the investment management services of the portfolio adviser and arranges for the other administrative services required to be provided to support the Fund. Other administrative services include: marketing, advertising, product development, information technology, and general business services.

Portfolio Adviser Fees The fees of the Portfolio Advisers with respect to the Funds are borne by Educators Financial Group.

Operating Expenses

All of the expenses incurred by or on behalf of a Fund, excluding commissions and brokerage fees on the purchase and sale of its portfolio securities (“Portfolio Transaction Costs”) and the fees and expenses of the Fund’s IRC, but including

- all charges made for bookkeeping, accounting, registry and transfer agency services,
 - all services required in connection with the provision of information to investors,
 - interest expenses,
 - audit and legal fees, RSP fees and custodial charges,
- are borne by Educators Financial Group.

Each Fund is responsible for paying its own brokerage commissions and its pro rata share of the fees and expenses of the IRC (consisting of the annual fees of \$22,500 paid to the Chair, \$18,000 paid to each additional member of the IRC, any reimbursement of their expenses and any other expenses related to the operation of the IRC such as the fees and expenses of any independent counsel retained by the IRC and the costs of any approved continuing education courses).

Management Expense Ratio

The management expense ratio, or MER, of a Fund is the total of the management expenses payable plus the HST payable on that management fee, plus the share of the expenses of the IRC, expressed as an annualized percentage of the average net asset value allocated during the period. The MER of a Fund excludes Portfolio Transaction Costs.

Fees and Expenses Payable Directly by You

Short Term Trading Fee	If units tendered for redemption have been purchased within the preceding 90 days, units are redeemed at their net asset value less 1%. This short term trading fee is retained by the Fund.
Account Transfer Fee (excluding RESPs)	A fee of \$150, plus any applicable taxes, is charged to any unitholder who transfers his or her account to another financial institution.

Impact of Sales Charges

You do not pay any administration or sales charges in connection with the purchase, switching and redemption of units of the Funds.

The following table shows the sales charges that you would pay if you made an investment of \$1,000 in a Fund, and if you held that investment in the Fund for one, three, five or ten years and redeemed immediately before the end of each of those periods.

	AT TIME OF PURCHASE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
All sales are made on a “no load” basis	Nil	Nil	Nil	Nil	Nil

DEALER COMPENSATION

Third party dealers will not receive any sales commissions or trailing commissions from the Funds or Educators Financial Group.

INCOME TAX CONSIDERATIONS FOR INVESTORS

This is a brief summary of the principal Canadian federal income tax considerations for investors who are Canadian-resident individuals, who hold their units as capital property and who deal at arm's length with and are not affiliated with the Funds. This summary is only a general discussion and does not discuss all income tax considerations and is not intended to be legal or tax advice. The summary is qualified in its entirety by the more detailed discussion of income tax considerations in the Funds' Annual Information Form. Investors should consult their own tax advisers with respect to their individual circumstances.

The taxes payable by an investor depend on the kind of account that units of the Fund are held in.

For Fund Units Held in a Registered Plan

You do not pay tax on earnings distributed to you if units of the Funds are held in a registered plan such as an RRSP, RRIF, LIF, LIRA, RESP or TFSA, nor on any capital gains the registered plan realizes from redeeming units or switching between Funds, as long as the proceeds remain in the registered plan and the units are qualified investments under the Tax Act for registered plans.

You will be taxed at your personal tax rate if you withdraw money from an RRSP, RRIF, LIF, LIRA, or (subject to the comments below) RESP but not if you withdraw money from a TFSA. Withdrawing large sums may even put you into a higher tax bracket.

Amounts may generally be distributed by an RESP either to a beneficiary or to a subscriber, provided the requirements of the Tax Act are met. Amounts so distributed by an RESP to a beneficiary or subscriber will generally be subject to ordinary income tax, unless they are considered a return of contributions. Amounts distributed by an RESP to a subscriber will generally also be subject to an additional 20% tax, unless they are considered to be a return of contributions. However, ordinary income tax and the above additional 20% tax will not apply to amounts distributed by an RESP to a subscriber if the subscriber transfers the amounts to an RRSP under which the subscriber or his or her spouse is the annuitant. Such transfers to an RRSP may not exceed the subscriber's unused RRSP contribution room and are subject to a cumulative lifetime maximum of \$50,000. In addition, in certain circumstances investment income earned in an RESP may be transferred on a tax-free basis to a registered disability saving plan subject to the limitations set out in the Tax Act in this regard.

The units of a Fund will not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm's length with such Fund for purposes of the Tax Act or has a "significant interest" as defined in the Tax Act in such Fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in a Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under such Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under such Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length. In addition, the units of a Fund will not be a prohibited investment if such units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF.

Holders or annuitants should consult their own tax advisors with respect to whether units of a Fund would be prohibited investments, including with respect to whether such units would be excluded property.

For Fund Units Not Held in a Registered Plan

If you do not hold your Fund units in a registered plan, you must report for income tax purposes all the income or capital gains distributed by a Fund to you in cash or reinvested in additional units during the year. You may also realize a capital gain or a capital loss if you redeem units or switch between Funds. The taxable portion of capital gains distributed to you by a Fund or realized by you on a redemption or switch of units of a Fund must be included in your income.

Prior to a distribution date, the unit values of a Fund may reflect income and capital gains earned by a Fund, but not yet distributed, and unrealized gains. Distribution of these amounts to you may result in a decrease in unit value and you will generally be taxed on the amount distributed. In other words, if you buy units just before a Fund's distribution date (especially late in the year), you may have to pay income tax on income or capital gains the Fund earned before you purchased units, which amounts may be reflected in a portion of the purchase price you paid for the units.

Calculating Capital Gains and Losses

Your capital gain or loss for tax purposes is generally the difference between the amount you received for a redemption or switch of your units and the adjusted cost base of your units and any reasonable costs of disposition. The adjusted cost base of your units will be increased by the amount distributed to you by way of the reinvestment in additional units. This will reduce any capital gains when you redeem or switch units. The adjusted cost base of your units is generally equal to:

the total of all amounts paid to purchase your units

plus

the amount of any reinvested distributions

less

the return of capital component of distributions

less

the adjusted cost base of any units you have previously redeemed.

We will issue a tax statement to you each year identifying your share of a Fund's distributions of dividends from Canadian corporations, capital gains, foreign source income, other income and returns of capital. You should keep detailed records of the purchase cost and distributions related to your Fund units in order to calculate the adjusted cost base of those units. You may wish to consult a tax adviser to help you with these calculations.

WHAT ARE YOUR LEGAL RIGHTS?

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the Simplified Prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy Fund units and get your money back, or to make a claim for damages, if the Simplified Prospectus, Annual Information Form, Fund Facts or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or consult a lawyer.

PART B: FUND SPECIFIC INFORMATION

INTRODUCTION

You will find the key information about each of the Funds in the following pages. The following information is provided to help you more easily understand the specific information about each of the Funds described in Part B of this Simplified Prospectus.

Fund Details

This section contains an overview of the Fund – what kind of Fund it is and when it was established. This section identifies whether units of the Fund are eligible for investment by registered plans such as RRSPs, RRIFs, RESPs and TFSAs. This section also shows the name of the Portfolio Adviser of each Fund – the company that manages the Fund's investment portfolio.

What Does the Fund Invest In?

Investment Objective and Strategies

This section outlines the investment objectives and strategies of the Fund. A Fund's investment objectives are the primary goals of the Fund and the type of securities the Fund invests in. The Fund's investment strategies set out how the Fund's Portfolio Adviser tries to achieve the Fund's investment objective.

Securities Lending

Each of the Funds may engage in securities lending, using the Custodian as the Funds' securities lending agent. Securities lending transactions earn fees for the Funds from the counterparty to whom the securities are loaned. The rules regarding the Funds' securities lending activities are prescribed by the securities regulatory authorities. In particular, a Fund may only deal with counterparties that meet generally acceptable creditworthiness standards; the Fund must receive collateral from the counterparty equal to 102% of the value of the securities loaned, adjusted each trading day that the loan remains outstanding; and the Fund is limited in the aggregate value of the securities which may be loaned to no more than 50% of the total assets of the Fund (calculated without including the value of the collateral received by the Fund).

What are the Risks of Investing in the Fund?

This section sets out the specific risks of investing in the Fund. You will find general information on the risks associated with investing in mutual funds in *What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund – General Investment Risks*, on page 2.

Investment Risk Classification Methodology

We assign a risk rating to each Fund as a guide to help you decide whether to invest in the Fund. These risk ratings are based on a methodology recommended by the Fund Risk Calculation Task Force of the Investment Funds Institute of Canada. As a starting point, the level of risk is based on historical volatility of a Fund, as measured by the standard deviation of the Fund's performance. (Standard deviation is used to estimate the variation of a series of data points from the average value of the series. The higher the standard deviation, the greater the range of data points for a given series.)

However, other types of risk, some of which we can measure and some of which we cannot measure may exist, and you should remember both that a Fund's historical performance may not be indicative of future returns and that a Fund's historical volatility may not be indicative of future volatility. As part of our determination of each Fund's risk ranking, therefore, we consider other quantitative and qualitative factors including the investment style or approach adopted by the Fund's portfolio managers, any geographic or sector concentration of the portfolio and permitted ranges for different types of investments.

We will review the level of investment risk at least annually, when each Fund's Fund Facts documents is reviewed and updated. Each annual review considers, among other things, the volatility of the Fund over the previous year, changes in asset mix or investment strategies or approaches, and any changes to our risk ratings methodology.

The methodology that we use to identify the investment risk level of the Funds is available at no cost by calling us or writing to us at the telephone number and address set out on the last page of this simplified prospectus.

Risk tolerance can be defined by how comfortable you are with fluctuations in the value of your investments. Each Fund is assigned an investment risk rating in one of the following categories. Please refer to these risk categories to assist you in determining your own acceptable level of risk.

Low – Low risk investments demonstrate a low volatility and are for investors who are willing to accept lower returns for greater safety of capital and may include money market funds and some fixed income funds.

Low to Medium – Low to medium risk investments demonstrate a low to medium volatility but a higher volatility than those described above and may include bond funds as well as balanced funds.

Medium – Medium risk investments demonstrate a medium volatility and are for investors looking for moderate growth over a longer period of time and may include balanced funds, as well as certain Canadian and U.S. Equity funds.

Medium to High – Medium to High risk investments demonstrate a medium to high volatility and are for investors looking for long-term growth and may include funds that invest in smaller companies, specific market sectors or geographic areas.

High – High risk investments demonstrate a high volatility and are for investors who are growth oriented and are willing to accept significant short-term fluctuations in portfolio value in exchange for potentially higher long-term returns. Examples may include labour sponsored venture capital funds or funds that invest in specific market sectors or geographic areas such as emerging markets and science and technology funds.

We do not currently offer any Funds in the medium to high or high risk classifications.

Who Should Invest in this Fund?

This section describes the kind of investor the Fund may be suitable for, including the investor's level of risk tolerance and investment horizon. Determining which Fund or Funds may be suitable for you involves considering the volatility of the Funds (based on our investment risk classification methodology discussed below) and your investment goals, your willingness and ability to accept risk, and your investment time horizon. We, or the dealer through whom you are purchasing units, will assist you in examining these issues and work with you to select the most suitable Fund(s) for you.

Distribution Policy

This section describes each Fund's policies regarding the distribution of income and capital gains to investors. Each year net income and net realized capital gains of a Fund are paid or made payable to investors to the extent necessary to ensure that the Fund will not be subject to non-refundable income tax under Part I of the Tax Act in respect of that year.

Fund Expenses Indirectly Borne by Investors

The information in this table may assist you in comparing the indirect costs of investing in a Fund with the indirect cost of investing in other mutual funds. These costs are indirect, because they are paid out of the Fund's assets instead of being paid directly by you. As a result they have the effect of lowering the return you receive on an investment in the Fund. Details of these indirect costs are provided starting on page 11. The information provided in this table shows your cumulative proportionate share of the fees and expenses of the Fund, in Canadian dollars, over a period of one, three, five and ten years assuming:

- an initial investment of \$1,000;
- a total annual return of the Fund of 5% in each year; and
- that the MER of the Fund for each year was the same as the Fund's MER in 2015, calculated in accordance with the requirements of National Instrument 81-106.

EDUCATORS BALANCED FUND

Fund Details

Type of Fund:	Canadian Neutral Balanced
Date Fund was Started:	June 24, 1984
Nature of Securities Offered:	Class A units
Portfolio Adviser:	Beutel, Goodman & Company Ltd.
Registered Plan Eligibility:	Yes

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective 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, common and preferred shares, index participation units such as Standard & Poor's Depository Receipts, and bonds. The Fund invests primarily in securities of Canadian governments and corporations. The asset mix is varied depending on the outlook for the economy and financial markets. There is no pre-determined percentage mix of securities.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

When selecting companies to invest in to achieve the Fund's investment objective, the Portfolio Adviser uses a disciplined investment process to maintain the most suitable asset mix to achieve a balance of the portfolio securities given the Portfolio Adviser's investment outlook.

Acceptable equity investments include the following:

- common and preferred stocks listed on major recognized Canadian or global exchanges;
- warrants on qualified stocks;
- securities which are convertible into qualified stocks;
- income trusts;
- with respect to that portion of the Fund's portfolio invested in foreign securities, which are generally limited to no more than 30% of the Fund's net assets, the Fund may hold index participation units and index certificates, mutual funds units and American or Global Depository Receipts.

EDUCATORS BALANCED FUND

Acceptable debt and cash investments include the following:

- cash equivalent instruments issued by governments or corporations, with a term to maturity of up to 12 months;
- bonds, debentures, mortgages, mortgage-backed securities, and asset-backed securities.

The Fund will only invest in debt securities rated “BBB” or higher by Standard & Poor’s or an equivalent rating from another rating agency. The maximum allocation to BBB rated debt securities will be 15% of the Fund’s assets. Overall, the average rating of the bonds in the portfolio will be at least “A”.

The Fund’s current target asset mix and allowable ranges are set out in the table below.

<u>Asset Class</u>	<u>Minimum</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>	<u>Maximum</u> <u>(%)</u>
Total Fixed Income	30	40	60
Cash and Equivalents	0	0	15
Bonds	30	40	60
Total Equities	40	60	70
Canadian Equities	25	35	55
Foreign Equities	15	25	30

Depending upon the proportion of equity securities and debt securities in the portfolio, the term to maturity of the debt securities held and the Portfolio Adviser’s frequency of trading the equity securities, the portfolio turnover rate of the Fund may in some years be higher than 70%. The higher the Fund's portfolio turnover rate, 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.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Fixed Income Investments (Interest Rate Risk and Credit Risk)
- Equity Investments
- Commodities
- Securities Lending
- Tax

In addition, for the portion of the Fund’s portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- want a Canadian fund that focuses on investing in a balanced mix of fixed income and equity securities
- have longer term investment goals
- are comfortable with low to medium investment risk

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under “*Who Should Invest in this Fund – Investment Risk Classification Methodology*”.

This Fund may not be appropriate for an investor who needs regular income or stability of capital or is pursuing a short-term investment goal.

Distribution Policy

The Fund’s net income is distributed semi-annually to unitholders at the end of June and December. Net realized capital gains are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we’re required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$20.17	\$63.59	\$111.46	\$253.72

EDUCATORS BOND FUND

Fund Details

Type of Fund:	Canadian Fixed Income
Date Fund was Started:	March 31, 2011 ⁽¹⁾
Nature of Securities Offered:	Class A units
Portfolio Adviser:	Beutel, Goodman & Company Ltd.
Registered Plan Eligibility:	Yes

¹ The Fund was established on March 14, 2011; first offered by Prospectus dated March 31, 2011.

What Does the Fund Invest In?

Investment Objectives

This Fund seeks to earn a high rate of income return by investing primarily in fixed-income securities of Canadian governments and corporate issuers.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

The current operating strategies of the Fund to maintain consistency of style, risk, and return are as follows:

- The Fund will invest primarily in a well-diversified portfolio of Canadian governments and Canadian corporate bonds of various maturities. The bonds must have a credit rating of BBB or higher by a recognized rating agency and no more than 20% of the fixed income portfolio will consist of securities having this minimum credit rating.
- A minimum of 15% must be invested in Government of Canada bonds, and there are no limits as to the amount of the portfolio which may be invested in such bonds.
- No more than 60% of the portfolio may be invested in bonds issued by provincial governments, no more than 5% of the portfolio invested in municipal bonds, no more than 50% in corporate bonds and no more than 20% in mortgages.
- Up to 30% of the portfolio may be invested in cash or short-term securities having a minimum rating of A or R-1 low.
- With respect the holdings of provincial government bonds, the maximum portfolio weighting in bonds rated AA is 50% and the maximum portfolio weighting in bonds rated A is 40%.
- The weighted average credit quality of the portfolio as a whole must be A or higher.

EDUCATORS BOND FUND

- The average duration (meaning the sensitivity of a bond's price to interest rate movements) will be kept within 1.5 years of the DEX Universe Bond Index (which represents a broad selection of hundreds of Canadian corporate and government bonds, including short-, medium- and long-term issues).

The Fund's current target asset mix and allowable ranges are set out in the table below.

<u>Asset Class</u>	<u>Minimum</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>	<u>Maximum</u> <u>(%)</u>
Total Fixed Income	100	100	100
Canadian Bonds	70	100	100
Foreign Bonds	0	0	20
Cash & Cash Equivalents	0	0	30

This Fund is intended to be invested primarily in Canadian dollar denominated securities. No more than 20% of the fixed income portfolio will be denominated for payment in non-Canadian currency. Any foreign currency exposure arising from foreign currency denominated securities will generally be left unhedged.

The Fund may also enter into securities lending transactions to generate additional income.

Until such time as the Fund reaches a sufficient asset size to achieve appropriate portfolio diversification, the Portfolio Manager intends to achieve the Fund's objectives by investing in I-Class units of Portfolio Advisers Income Fund (the "Underlying Fund"), another mutual fund managed by the Portfolio Manager which has substantially similar investment objectives and strategies to the Fund. No duplicate management fees will be charged, and the Fund will not pay any sales or redemption fees in acquiring or selling units of the Underlying Fund.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Fixed Income Investments (Interest Rate Risk and Credit Risk)
- Securities Lending
- Tax

In addition, for the portion of the Fund's portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- Are seeking fixed income level returns

EDUCATORS BOND FUND

- Have a low tolerance for risk
- Are investing for the medium term to long term

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under “*Who Should Invest in this Fund – Investment Risk Classification Methodology*”.

Distribution Policy

The Fund’s net income is currently distributed quarterly to unitholders. Net realized capital gains are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we’re required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$12.97	\$40.90	\$71.69	\$163.19

EDUCATORS NORTH AMERICAN DIVERSIFIED FUND

Fund Details

Type of Fund:	Canadian Focused Equity
Date Fund was Started:	June 24, 1984 ¹
Nature of Securities Offered:	Class A units
Portfolio Adviser:	Foresters Asset Management Inc.
Registered Plan Eligibility:	Yes

¹ *The Fund was established on June 1, 1975; first offered by Prospectus on June 24, 1984.*

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective is to provide long-term capital growth by investing primarily in common shares of established Canadian corporations and other equity securities.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

The Fund's holdings will normally comprise at least 65% in large cap stocks.

Acceptable equity investments include the following:

- common and preferred stocks listed on major recognized North American exchanges;
- warrants on qualified stocks;
- securities which are convertible into qualified stocks;
- income trusts, such as REITS, royalty trusts and other trusts the units of which are traded on North American exchanges;
- limited partnership units and master limited partnership units which are traded on North American exchanges;
- ETFs;
- with respect to that portion of the Fund's portfolio invested in securities of non-North American securities, which are generally limited to no more than 5% of the Fund's net assets, the Fund may hold index participation units and index certificates, mutual fund units and American or Global Depository Receipts.

EDUCATORS NORTH AMERICAN DIVERSIFIED FUND

The Fund's asset mix targets and allowable investment ranges are set forth in the table below:

<u>Asset Class</u>	<u>Minimum</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>	<u>Maximum</u> <u>(%)</u>
Total Equities	90	100	100
Canadian Equities	45	55	60
U.S. Equities	40	45	49
Small Cap Equities ⁽¹⁾	0	5	10
Cash & Cash Equivalents	0	0	10

⁽¹⁾ With small cap companies defined as companies with approximate market capitalizations between \$300 million (USD) and \$3 billion (USD) respectively. Small Cap equities may be used to satisfy the allocation to either Canadian or U.S. equities.

The Fund may but need not use derivatives to hedge its exposure to foreign currencies. To the extent the Fund does not hedge its foreign currency exposure, it will be exposed to the risks of foreign investments (exchange rate risk) discussed on page 3 of the Simplified Prospectus.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Equity Investments
- Commodities
- Securities Lending
- Tax

In addition, for the portion of the Fund's portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)
- Risks in Relation to Derivatives

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- want a core North American equity fund that focuses on investing in established North American corporations
- have longer term investment goals
- are comfortable with medium investment risk

EDUCATORS NORTH AMERICAN DIVERSIFIED FUND

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under “*Who Should Invest in this Fund – Investment Risk Classification Methodology*”.

This Fund may not be appropriate for an investor who needs regular income or stability of capital or is pursuing a short-term investment goal.

Distribution Policy

The Fund's net income is distributed semi-annually to unitholders at the end of June and December. Net realized capital gains are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we're required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$20.17	\$63.59	\$111.46	\$253.72

EDUCATORS DIVIDEND FUND

Fund Details

Type of Fund:	Canadian Dividend & Income Equity
Date Fund was Started:	February 7, 2000
Nature of Securities Offered:	Class A units
Portfolio Adviser:	BMO Asset Management Inc.
Registered Plan Eligibility:	Yes

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective is to provide investors with a stable and growing stream of after-tax income with long-term capital growth.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

To achieve its investment objective, the Fund invests primarily in dividend producing preferred and common shares of Canadian corporations 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.

Acceptable equity investments include the following:

- common and preferred stocks listed on major recognized Canadian or global exchanges;
- warrants on qualified stocks;
- securities which are convertible into qualified stocks;
- income trusts;
- with respect to that portion of the Fund's portfolio invested in foreign securities, the Fund may hold index participation units and index certificates, mutual fund units and ADRs or GDRs.

Acceptable money market investments include the following:

- cash equivalent instruments issued by governments of corporations, with terms to maturity of up to 12 months.

EDUCATORS DIVIDEND FUND

The preferred shares will have a minimum rating of “P3”. Overall, the average rating of the preferred shares in the portfolio will be at least “P2”. The Fund will only invest in money market securities rated “R1” or higher at the time of purchase.

The Fund’s current target asset mix and allowable ranges are set out in the table below.

<u>Asset Class</u>	<u>Minimum</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>	<u>Maximum</u> <u>(%)</u>
Total Equities	90	100	100
Canadian Equities	65	100	100
Foreign Equities	0	0	25
Cash and Equivalents	0	0	10

The Portfolio Adviser may, in its discretion, hedge all, or a portion of, the foreign currency exposure to protect the Fund’s capital from adverse movements between the Canadian dollar and those foreign currencies.

Depending upon the proportion of equity securities and debt securities in the portfolio, the term to maturity of the debt securities held and the Portfolio Adviser’s frequency of trading the equity securities, the portfolio turnover rate of the Fund may in some years be higher than 70%. The higher the Fund’s portfolio turnover rate, 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.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Fixed Income Investments (Interest Rate Risk and Credit Risk)
- Equity Investments
- Securities Lending
- Tax

In addition, for the portion of the Fund’s portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)
- Risks in Relation to Derivatives

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- want to maximize their after tax income in a non-registered account

EDUCATORS DIVIDEND FUND

- want a Canadian equity fund that focuses on investing in established companies
- are comfortable with medium investment risk

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under “*Who Should Invest in this Fund – Investment Risk Classification Methodology*”.

Distribution Policy

The Fund’s net income is distributed semi-annually to unitholders at the end of June and December. Net realized capital gains are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we’re required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$18.04	\$56.89	\$99.71	\$226.96

EDUCATORS GROWTH FUND

Fund Details

Type of Fund:	Canadian Equity
Date Fund was Started:	June 24, 1984 ¹
Nature of Securities Offered:	Class A units
Portfolio Adviser:	BMO Asset Management Inc.
Registered Plan Eligibility:	Yes

¹ The Fund was established on June 1, 1975; first offered by Prospectus on June 24, 1984.

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective is to provide above-average capital growth over the long-term by investing in growth oriented Canadian companies.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

The Fund invests primarily in common shares of established Canadian corporations and other equity securities.

Acceptable equity investments include the following:

- common and preferred stocks listed on major recognized Canadian or global exchanges;
- warrants on qualified stocks;
- securities which are convertible into qualified stocks;
- income trusts;
- with respect to that portion of the Fund's portfolio invested in foreign securities, which are generally limited to no more than 25% of the Fund's net assets, the Fund may hold index participation units and index certificates, mutual fund units and American or Global Depository Receipts.

Acceptable money market investments include the following:

- cash equivalent instruments issued by governments of corporations, with terms to maturity of up to 12 months.

EDUCATORS GROWTH FUND

The preferred shares will have a minimum rating of “P3”. Overall, the average rating of the preferred shares in the portfolio will be at least “P2”. The Fund will only invest in money market securities rated “R1” or higher at the time of purchase.

The Fund’s current target asset mix and allowable ranges are set out in the table below.

<u>Asset Class</u>	<u>Minimum</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>	<u>Maximum</u> <u>(%)</u>
Total Equities	90	100	100
Canadian Equities	65	100	100
Foreign Equities	0	0	25
Cash and Equivalents	0	0	10

The Portfolio Adviser may, in its discretion, hedge all, or a portion of, the foreign currency exposure to protect the Fund’s capital from adverse movements between the Canadian dollar and those foreign currencies.

The companies that the Fund invests in will be continuously monitored for changes that may affect its financial outlook. The portfolio turnover rate of the Fund will generally be higher than 70% each year. The higher the Fund's portfolio turnover rate, 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.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Equity Investments
- Commodities
- Securities Lending
- Tax

In addition, for the portion of the Fund's portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)
- Risks in Relation to Derivatives

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- want to invest in a fund which invests in Canadian companies with high growth potential

EDUCATORS GROWTH FUND

- are comfortable with medium investment risk

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under “*Who Should Invest in this Fund – Investment Risk Classification Methodology*”.

This Fund may not be appropriate for an investor who needs regular income or stability of principal, or is pursuing a short-term investment goal.

Distribution Policy

The Fund’s net income is distributed semi-annually to unitholders at the end of June and December. Net realized capital gains are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we’re required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$20.17	\$63.59	\$111.46	\$253.72

EDUCATORS MONEY MARKET FUND

Funds Details

Type of Fund:	Canadian Money Market
Date Fund was Started:	June 24, 1984 ¹
Nature of Securities Offered:	Class A units
Portfolio Adviser::	Foresters Asset Management Inc.
Registered Plan Eligibility:	Yes

¹ The Fund was established on June 1, 1975; first offered by Prospectus on June 24, 1984.

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective is to produce a high level of interest income consistent with the goal to preserve invested capital. The Fund invests primarily in Canadian government treasury bills and other high quality short-term Canadian corporate debt instruments of not more than one year to maturity.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

The Portfolio Adviser primarily uses the following strategies to achieve the Fund's objectives:

- select a variety of investment maturities based on the interest rate outlook
- determine the best potential investments for the portfolio by analyzing the credit worthiness of various issuers
- diversify the Fund's portfolio by allocating investments among government and corporate securities

The Fund invests primarily in Canadian government treasury bills and high-quality short-term Canadian corporate debt instruments maturing within one year. The weighted average term to maturity of the holdings of the Fund shall not exceed

- (i) 90 days, and
- (ii) 90 days when calculated on the basis that the term of a floating rate debt obligation is the period remaining to the date of the next rate setting.

Cash equivalents originally issued with a term to maturity of 12 months or less will have a minimum credit rating by Dominion Bond Rating Service Limited of R1 or have an equivalent rating from another

EDUCATORS MONEY MARKET FUND

designated credit rating organization. Assets denominated in a currency other than the Canadian dollar will not exceed 5% of the portfolio.

At least 5% of the Fund's assets are invested in cash or in assets readily convertible into cash within one day, and at least 15% of its assets are invested in cash or in assets readily convertible into cash within one week.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Fixed Income Investments (Interest Rate Risk and Credit Risk)
- Asset-backed and Mortgage-backed Securities
- Securities Lending
- Tax

In addition, the net asset value of the Fund will fluctuate throughout a month, until the income for the month is distributed to unitholders, as described under "*Distribution Policy*".

In addition, for the portion of the Fund's portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- want a core Canadian money market fund for their portfolio
- want a regular income stream
- prefer low investment risk
- want a secure investment for the cash portion of their portfolio along with interest income
- want a short term investment

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under "*Who Should Invest in this Fund – Investment Risk Classification Methodology*".

EDUCATORS MONEY MARKET FUND

Distribution Policy

Each month, the Fund distributes all of its net income, and typically does not realize any capital gains, with the result that the net asset value per unit of the Fund typically resets to \$10.00 at the end of each month. For example, if the net asset value of a unit is \$10.00 at the start of the month, and the Fund earns \$0.05 of income per unit during the month, the net asset value of the Fund immediately prior to month end will be \$10.05 (assuming no expenses that month). When that \$0.05 per unit of income is paid to the holders at the end of the month, the net asset value per unit again becomes \$10.00. Net realized capital gains, if any, are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash. Please note that there can be no guarantee that the net asset value of a unit of the Fund will always reset to \$10.00 at month end.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we're required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$5.46	\$17.22	\$30.18	\$68.69

EDUCATORS MONTHLY INCOME FUND

Fund Details

Type of Fund:	Canadian Equity Balanced
Date Fund was Started:	March 31, 2011 ⁽¹⁾
Nature of Securities Offered:	Class A units
Portfolio Adviser:	Foresters Asset Management Inc.
Registered Plan Eligibility:	Yes

¹ The Fund was established on March 14, 2011; first offered by Prospectus dated March 31, 2011.

What Does the Fund Invest In?

Investment Objectives

The fundamental investment objective of 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.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

The Fund will invest in fixed income and equity securities. If the Fund invests in bank sponsored asset-backed commercial paper (ABCP), such investments will not exceed 5% of the Fund, in aggregate.

Acceptable equity investments include the following:

- common and preferred stocks listed on major recognized Canadian or global exchanges;
- warrants on qualified stocks;
- securities which are convertible into qualified stocks;
- income trusts, REITS and royalty trusts;
- with respect to that portion of the Fund's portfolio invested in foreign securities, which are generally limited to no more than 30% of the Fund's net assets, the Fund may hold index participation units and index certificates, mutual funds units and American or Global Depository Receipts.

Acceptable debt and cash investments include the following:

EDUCATORS MONTHLY INCOME FUND

- cash equivalent instruments issued by governments or corporations, with a term to maturity of up to 12 months;
- bonds, debentures, mortgages, mortgage-backed securities, and asset-backed securities.

The Fund will generally only invest in debt securities rated “B” or higher. Overall, the average rating of the bonds in the portfolio will be a least “BBB”. No more than 10% of the fixed income component of the Fund’s portfolio can be invested in bonds rated B; 25% in bonds rated BB or 60% in bonds rated BBB.

The Fund’s current target asset mix and allowable ranges are set forth in the table below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>
Total Fixed Income	6	30	60
Cash and equivalents	0	3	25
Bonds	6	27	60
Total Equities	40	70	94
Canadian Equities ⁽¹⁾	40	70	94
Foreign Equities	0	0	30

⁽¹⁾ Includes income trust units, common and preferred shares, convertible bonds and convertible debentures.

The Fund may enter into repurchase agreements and may invest in securities of another mutual fund.

The portfolio turnover rate of the Fund may exceed 70% each year. The higher the Fund's portfolio turnover rate, 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.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Fixed Income Investments (Interest Rate Risk and Credit Risk)
- Equity Investments
- Asset-backed and Mortgage-backed Securities
- Securities Lending
- Tax

In addition, for the portion of the Fund’s portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- Are looking for a steady flow of income and modest capital growth
- Are looking to invest for the medium to long term
- Prefer a low-medium level of investment risk

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under “*Who Should Invest in this Fund – Investment Risk Classification Methodology*”.

Distribution Policy

The Fund distributes income and/or return of capital monthly and capital gains annually in December. The Fund also intends to make monthly distributions. The Manager reserves the right to change the monthly per unit distribution rate or to change from a monthly per unit distribution rate to another form of monthly distributions.

These distributions are automatically reinvested in additional units of the Fund as applicable, unless you tell us in writing that you would prefer cash payments.

A portion of distributions made by the Fund is expected to consist of a return of capital, which is not taxable but will generally reduce the adjusted cost base of your units.

The character for Canadian tax purposes of monthly distributions made during the year will not be determined with certainty until after the end of the Fund’s taxation year. The target distribution rate may be adjusted from time to time. If the target distribution rate is increased it may result in a larger amount being distributed as a return of capital.

Returns of capital will result in a reduction of a unitholder’s original investment and may result in the return to a unitholder of the entire amount of the unitholder’s original investment. You should consult your tax adviser regarding the tax implications of receiving monthly income and/or return of capital. Distributions are not guaranteed to occur on a specific date and the Fund is not responsible for any fees or charges incurred by you because the Fund did not effect a distribution on a particular day.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we’re required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$13.61	\$42.89	\$75.18	\$171.13

EDUCATORS MORTGAGE & INCOME FUND

Fund Details

Type of Fund:	Canadian Short-Term Fixed Income
Date Fund was Started:	June 24, 1984 ¹
Nature of Securities Offered:	Class A units
Portfolio Advisers:	HSBC Global Asset Management (Canada) Limited.
Registered Plan Eligibility:	Yes

¹ The Fund was established on June 1, 1975; first offered by Prospectus on June 24, 1984.

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective is to provide income by investing in high quality fixed income securities including mortgages, mortgage related securities, and corporate and government bonds. Another goal of the Fund is to achieve lower volatility of return than the overall bond universe.

The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders of the Fund.

Investment Strategies

This Fund seeks to achieve adequate diversification of assets and a reasonable level of net real return while not being exposed to undue market risk. It also seeks to achieve reasonable real rates of return.

The Fund will ordinarily be invested in the following asset weighting ranges based on market value:

<u>Asset Class</u>	<u>Minimum</u> <u>(%)</u>	<u>Maximum</u> <u>(%)</u>
Cash and Cash Equivalents	0%	35%
Fixed Income ⁽¹⁾	65%	100%
Residential Mortgages ⁽²⁾	0%	10%

(1) Includes mortgage mutual funds holding residential mortgages.

(2) Includes direct mortgage investments and mortgage-backed securities based on residential mortgages.

Up to a maximum of 10% of the market value of the Fund may be invested in securities of a single issuer unless such investment is guaranteed by the federal or a provincial government.

Early in 2009, following consultation with HSBC Global Asset Management (Canada) Ltd., the Fund's Portfolio Adviser, Educators Financial Group decided that the Fund would not acquire any additional residential first mortgages, and would obtain exposure to mortgages through residential and commercial

EDUCATORS MORTGAGE & INCOME FUND

mortgage-backed securities and mortgage mutual funds. Accordingly, as mortgages held by the Fund mature, they are not being renewed.

This Fund is intended to be invested primarily in Canadian dollar denominated securities. The aggregate exposure to U.S. or other foreign securities shall not exceed 30% of the Fund. The Portfolio Adviser may, at its discretion, use derivatives to hedge all, or a portion of, the foreign currency exposure to protect the Fund's capital from adverse movements between the Canadian dollar and those foreign currencies. The Fund will only invest in money market securities rated "R-1-L" or higher at the time of purchase, and debt securities rated "BBB Low" issued or guaranteed by foreign government agencies and foreign corporations. Such instruments should have a minimum rating of "BBB Low" by Standard & Poor's or an equivalent rating by another recognized rating agency. The aggregate exposure to U.S. or other foreign bonds is not to exceed 30% of the Fund.

The Fund may also invest up to 5% of its assets in portfolios of lower rated ("high yield") securities and up to 5% in emerging market bonds through the use of commingled funds, exchange-traded funds, index participation units or other index certificates denominated in Canadian dollars or foreign currencies. The aggregate exposure of these high yield bonds, emerging market bonds and individual "BBB Low" rated securities will not to exceed 15%. The aggregate exposure to corporate securities will not to exceed 50%.

Foreign government securities (other than those of the United States of America), which are guaranteed as to principal and interest, are subject to the restriction that, immediately after purchase, no more than 10% of the net assets of the Fund can represent investment in the securities of any one of those foreign governments.

Privately administered policies or mortgages advanced by financial institutions may be acquired. The Fund may also invest in residential mortgage-backed securities. These securities must be approved under the National Housing Act or similar provincial statutes.

Up to a maximum of 5% of the market value of the Fund may be invested in a single ETF, index or certificate. These investments must be consistent with achieving the objectives of the Fund.

The Fund may invest in units of other Canadian prospectus-qualified mutual funds or pooled funds, including other HSBC mutual or pooled funds, provided not more than 10% of the outstanding units of the other funds are purchased. The investment in other funds must be consistent with the investment objectives of this Fund and the investment must be permitted by securities regulatory authorities.

The investment will only be made if there is not duplication of management fees, incentive fees or sales charges between the funds. This will see to it that investors in the Fund are not paying two sets of fees.

The Fund may also enter into securities lending transactions to generate additional income.

What are the Risks of Investing in the Fund?

Investing in this Fund may involve the following risks, which are detailed starting on page 2:

- Fixed Income Investments (Interest Rate Risk and Credit Risk)
- Asset-backed and Mortgage-Backed Securities
- Securities Lending

EDUCATORS MORTGAGE & INCOME FUND

- Tax

In addition, mortgage loan defaults may be more frequent than defaults on government bonds. In addition, for the portion of the Fund's portfolio which is invested in foreign securities, investing in the Fund will also involve the risks associated with the following (detailed on pages 3 and 4):

- Foreign Investments (Exchange Rate Risk and Foreign Portfolio Investments Risk)
- Risks in Relation to Derivatives

Who Should Invest in this Fund?

The Fund is suitable for investors who:

- want a Canadian fund that focuses on investing in established interest paying mortgages, mortgage related securities and other fixed income securities
- want regular income
- want reasonable stability of capital
- are comfortable with low investment risk

You will find an explanation of the risk classification we use in the Introduction to Part B of this Simplified Prospectus under "*Who Should Invest in this Fund – Investment Risk Classification Methodology*".

This Fund may not be appropriate for an investor seeking capital growth.

Distribution Policy

The Fund's net income is distributed monthly to unitholders. Net realized capital gains are generally distributed to unitholders at the end of December. Distributions are automatically reinvested in additional units of the Fund, unless you request that the Fund pay the distributions to you in cash.

Fund Expenses Indirectly Borne by Investors

See *Fund Expenses Indirectly Borne by Investors* on page 19 for the assumptions we're required to use in this table. The assumptions do not reflect the actual performance of the Fund.

	1 year	3 years	5 years	10 years
Expenses payable over:	\$12.34	\$38.92	\$68.21	\$155.27

EDUCATORS BALANCED FUND

EDUCATORS BOND FUND

EDUCATORS NORTH AMERICAN DIVERSIFIED FUND

EDUCATORS DIVIDEND FUND

EDUCATORS GROWTH FUND

EDUCATORS MONEY MARKET FUND

EDUCATORS MONTHLY INCOME FUND

EDUCATORS MORTGAGE & INCOME FUND

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