

2016

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2016

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

Educators Growth Fund



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.263.9541, by writing to us at Educators Financial Group, 2225 Sheppard Ave. East, Suite 1105, Toronto, Ontario, M2J 5C2, or by visiting our website at www.educatorsfinancialgroup.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The investment objective of the Educators Growth Fund (the "Fund") is to provide above-average capital growth over the long term by primarily investing in growth-oriented Canadian companies. The Fund invests primarily in common shares of established Canadian corporations and other equity securities, and non-Canadian securities are generally limited to no more than 25% of the Fund's assets. Foreign currency exposure may or may not be hedged.

Risk

The risks of investing in the Fund remain as discussed in the Simplified Prospectus. No changes affecting the overall level of risk of investing in the Fund were made to the Fund in the one-year period ending December 31, 2016.

Results of Operations

For the twelve-month period ending December 31, 2016, the Fund provided a return of 14.39%, versus the S&P/TSX Composite Total Return Index (the "Benchmark") return of 21.08%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets increased by 10.6% to \$87.8million at the end of December 2016, up from \$79.4 million at the end of December 2015.

The S&P/TSX Composite Index ("S&P/TSX") enjoyed double-digit returns in 2016 on the back of firmer oil prices, an improving outlook for the U.S. economy and, more recently, rising interest rates that benefited financial institutions. The S&P/TSX delivered a 21.1% return, outperforming a number of developed equity markets. The Financials sector, which rallied 24.1%, made the largest positive contribution to the S&P/TSX. Revenue associated with capital markets benefited from the volatility generated by various global events such as the U.K.'s decision to leave the European Union.

Operating leverage was one of the key catalysts that supported the banks in a slow-growth environment that persisted for most of 2016. However, interest rates surged at the end of 2016, improving the outlook for banks and insurance companies. The Materials sector also registered solid performance in 2016 as gold prices rose significantly. Despite a pullback at the end of 2016, bullion prices gained 8.1%. In addition, following a weak first quarter, energy stocks rebounded as the price of West Texas Intermediate (WTI) oil rose approximately 45.0% in 2016. While gains in early 2016 were driven primarily by production outages, more recent increases in WTI prices were supported by an agreement among members of the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producers to cut their output. With the exception of the Health Care sector, all other equity sectors made positive contributions to the S&P/TSX in 2016.

The key sources of detractor from performance were the Fund's underweight exposure to the Materials sector and an underweight position in Canadian banks. The former was due to a significant rally in precious metals stocks in 2016 as gold and silver prices rallied, particularly in the first half of the year. The S&P/TSX Gold sub-index was up 48.0% in 2016, with Metals & Mining up 61.0% (after both being down significantly in 2015). The Fund remained underweight precious metals stocks due to a lack of companies that met the portfolio manager's high standards for quality and growth. The underweight allocation to Canadian banks detracted from performance as bank stocks rose alongside U.S. peers partly on expectations for higher long-term interest rates. The portfolio manager remained underweight the Canadian banking sector due to expectations of modest growth combined with relatively unattractive valuations. Individual holdings that detracted from performance included underweight allocations to holdings of Royal Bank of Canada, Suncor Energy Inc. and Silver Wheaton Corp. Royal Bank of Canada, along with its Canadian bank peers, rose on lessening credit fears and expectations of higher interest rates. Suncor Energy Inc.

stock was up as rising oil and gas prices fueled strong quarterly financial results. Silver Wheaton Corp. performed well with rising gold and silver prices.

Underweight exposures to the Real Estate, Telecommunication Services and Consumer Staples sectors contributed to the Fund's performance. Security selections within the Health Care, Energy and Information Technology sectors also contributed to relative performance, particularly the Fund's zero weighting in Valeant Pharmaceuticals International, Inc. stock, which was down significantly. Top individual contributors included Franco-Nevada Corporation, which outperformed on rising gold and silver prices and a number of acquisitions, and holdings in Canadian Natural Resources Limited, which beat expectations as a result of stronger oil and natural gas prices and strong operational execution. Canadian Natural Resources Limited also had success in its ramp-up of significant new oil sands production and continued cost efficiency gains.

Recent Developments

The portfolio manager added a new position in Power Financial Corporation for its strong insurance and asset management subsidiaries. Over the past few years, the company has delivered improving earnings growth and consistent return on equity. In addition, the stock is currently trading at a significant discount to net asset value. The Fund's existing shares of Intact Financial Corporation were increased as acquisition activity in the industry is likely to increase, and the company's scale and strong balance sheet provides an opportunity to lead that consolidation.

The Fund's position in MacDonald, Dettwiler and Associates Ltd. was eliminated. On the growth side, the general industry slowdown in satellite activity is well known and is likely to revert to normal conditions. However, the company's new initiative to pursue U.S. government business is expected to take longer to ramp up, while costs are expected to have a significant negative impact on earnings. The Fund's holdings of The Bank of Nova Scotia were reduced following a significant rise in the stock price. The portfolio manager continues to have a favourable view of the company for its international exposure and above-average growth potential.

The portfolio manager expects solid returns from Canadian stocks and, in particular, from those companies with good exposure to the strengthening U.S. economy. While there is potential for global news headlines to cause short-term market volatility, the portfolio manager continues to believe that, on balance,

the current environment will remain supportive to equities. The Fund will continue to be focused on higher-quality companies with solid growth prospects and reasonable valuations, which should continue to generate attractive risk-adjusted returns for long-term investors.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements, whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Related Party Transactions

BMO Asset Management Inc. (BMO AM), the Fund's Portfolio Adviser, is an affiliate of the BMO Financial Group. From time to time, BMO AM may on behalf of the Fund enter into transactions or arrangements with, or

involving, other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio Adviser of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's Portfolio Adviser BMO AM. The maximum amount of BMO common shares held during the period in the Fund was approximately 2.8% and at the end of the period was approximately 1.7%.

Brokerage Fees

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

	<u>2016</u> (Dec 31)	<u>2015</u> (Dec 31)
<i>Total Brokerage Fees</i>	<i>\$40,068</i>	<i>\$47,475</i>
<i>Brokerage Fees Paid to BMO Capital Markets</i>	<i>\$5,154</i>	<i>\$5,183</i>

In 2016 Educators Financial Group did not refer any conflict of interest matters to the Fund's Independent Review Committee (IRC) and accordingly did not rely upon any recommendation of the IRC in respect of any related party transactions.

Educators Financial Group is the Manager and Trustee of the Fund. Educators Financial Group is a wholly-owned subsidiary of the Ontario Secondary School Teachers' Federation ("OSSTF"). OSSTF may from time to time invest in units of the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each year ended December 31 for the past five years.

The Fund's Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2016	2015	2014	2013	2012
Net Assets, beginning of year	\$20.79	\$21.58	\$20.70	\$17.42	\$16.47
Increase (decrease) from operations:					
Total revenue	\$0.50	\$0.52	\$0.49	\$0.43	\$0.40
Total expenses, including transaction costs [excluding distributions]	\$(0.44)	\$(0.44)	\$(0.45)	\$(0.39)	\$(0.34)
Realized gains (losses) for the period	\$0.71	\$0.89	\$1.50	\$1.57	\$0.29
Unrealized gains (losses) for the period	\$2.21	\$(1.44)	\$0.15	\$1.99	\$0.56
Total increase (decrease) from operations ⁽²⁾	\$2.98	\$(0.47)	\$1.69	\$3.60	\$0.91
Distributions:					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$0.07	\$0.31	\$0.83	\$0.32	\$--
Return of capital	\$--	\$--	\$--	\$0.01	\$--
Total Annual Distributions ⁽³⁾	\$0.07	\$0.31	\$0.83	\$--	\$--
Net Assets, end of year	\$23.71	\$20.79	\$21.58	\$20.70	\$17.41

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

For the financial year beginning after January 1, 2014, the financial highlights were derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

For the financial year ended December 31, 2013, the financial highlights numbers were restated to comply with IFRS reporting.

For financial years beginning before January 1, 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with Canadian GAAP.

For financial years beginning after January 1, 2013, all references to "Net Assets" or "Net Assets per Unit" in these financial highlights are references to net assets attributable to holders of redeemable units determined in accordance with IFRS as presented in the financial statements of the Fund.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

⁽³⁾ Distributions were either paid in cash or reinvested in additional units of the Fund.

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2016	2015	2014	2013	2012
Total Net Asset Value (000's) ⁽¹⁾	\$87,830	\$79,447	\$82,523	\$74,953	\$60,391
Number of units outstanding ⁽¹⁾	3,704,213	3,821,905	3,823,911	3,620,896	3,465,993
Management expense ratio ⁽²⁾	1.93%	1.93%	1.93%	1.90%	1.90%
Management expense ratio before waivers or absorptions ⁽³⁾	1.98%	1.98%	1.98%	1.98%	1.99%
Trading expense ratio ⁽⁴⁾	0.05%	0.06%	0.07%	0.11%	0.15%
Portfolio turnover rate ⁽⁵⁾	27.81%	40.63%	36.95%	54.08%	74.46%
Net Asset Value per unit	\$23.71	\$20.79	\$21.58	\$20.70	\$17.42

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

⁽²⁾ Management expense ratio is based on total expenses (excluding [distributions], commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

- (3) The management expense ratio before waivers or absorptions shows what the management expense ratio of the Fund would have been if Educators Financial Group had not charged a lesser amount for its management fee.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rates in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

Educators Financial Group is the Manager-Trustee, promoter and principal distributor of the Fund, and is responsible for the day-to-day management and administration of the Fund.

The Manager-Trustee monitors and evaluates the performance of the Fund, and pays for the investment management services of the portfolio adviser, as well as all administrative services required by the Fund. As compensation for these services, Educators Financial Group is entitled to receive a fee, payable monthly and calculated daily, based on the Net Asset Value of the Fund, at the annual rate of 1.75%.

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

Approximately 11.9% of the management fees were used to pay for portfolio management services, with the remainder of the fees being allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

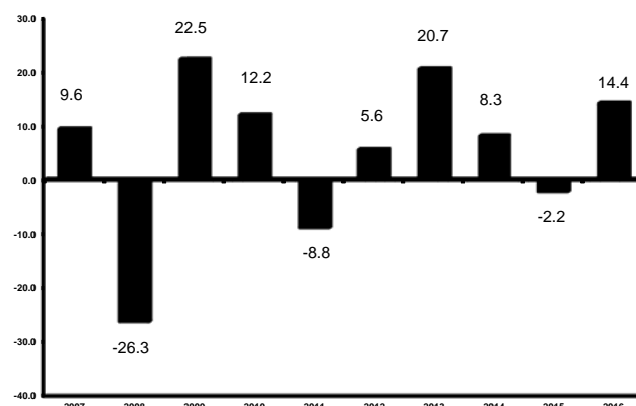
General

The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's performance for each of its past 10 financial years and illustrates how the Fund's performance has changed for each 12-month period ending December 31. The chart shows, in percentage terms, how much an investment made on the first day of

each financial period would have grown or decreased by the last day of each financial period.



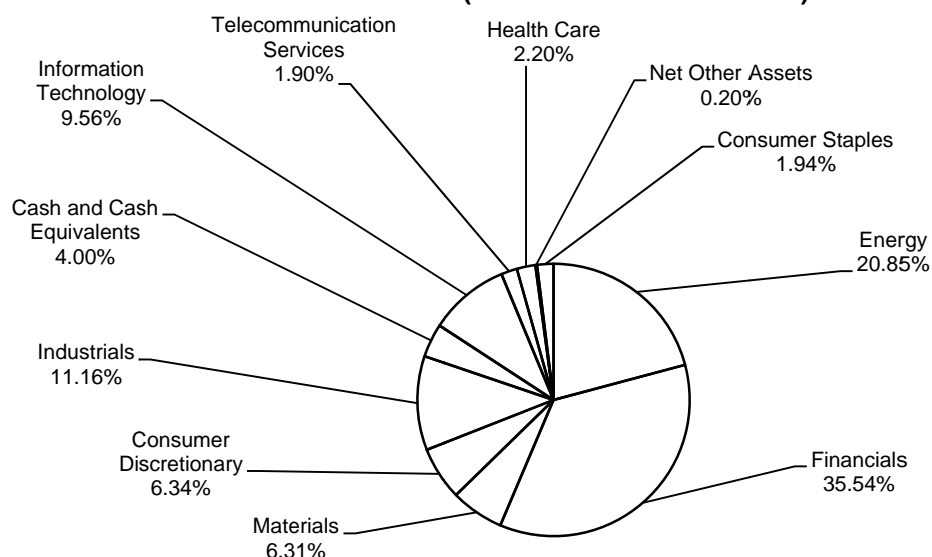
Annual Compound Returns

This table compares the historical annual compound returns of the Fund with the Benchmark, the S&P/TSX Composite Total Return Index (S&P/TSX Index), a capitalization-weighted index designed to measure the market activity of some of the largest float adjusted stocks listed on the Toronto Stock Exchange.

	Educators Growth Fund (%)	S&P/TSX Index (%)
Past 10 years	4.57	4.72
Past 5 years	9.07	8.25
Past 3 years	6.59	7.06
Past year	14.39	21.08

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

SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)



Top 25 Holdings

Security Name	Percentage of Net Asset Value
Toronto-Dominion Bank	8.35%
Canadian National Railway Co.	5.62%
Canadian Natural Resources Ltd.	4.70%
CGI Group Inc., Class A	4.34%
Intact Financial Corp.	4.31%
Brookfield Asset Management Inc.	4.30%
Franco-Nevada Corp.	3.58%
Royal Bank of Canada	3.54%
PrairieSky Royalty Ltd.	3.43%
Bank of Nova Scotia	3.40%
Onex Corp.	3.27%
Cenovus Energy Inc.	2.87%
Canada Treasury Bill	2.79%
Canadian Pacific Railway Ltd.	2.73%
Waste Connections Inc.	2.62%
Becton Dickinson and Co.	2.20%
Dollarama Inc.	2.18%
TransCanada Corp.	2.10%
Pembina Pipeline Corp.	2.09%
Agrium Inc.	2.04%
Cineplex Inc.	2.04%
Manulife Financial Corp.	2.01%
Alimentation Couche-Tard Inc.	1.94%
Sun Life Financial Inc.	1.93%
Rogers Communications Inc.	1.90%
Total Net Assets (000's)	\$87,830

The top 25 holdings represent approximately 80.28% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2016 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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