

2016

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2016

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

Educators Money Market 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 Money Market Fund (the "Fund") is to produce a high level of interest income consistent with the goal of preserving 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, selecting a variety of investment maturities based on the interest rate outlook, analyzing the credit-worthiness of various issuers and achieving a diversified portfolio by allocating investments among government and corporate securities.

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 0.08%, versus the FTSE TMX Canada 91 Day Treasury Bill Index (the "Benchmark") return of 0.51%. Note that investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The Fund's net assets decreased by 11.9% to \$17.1million at the end of December 2016, down from \$19.4 million at the end of December 2015.

As at December 31, 2016, the Fund held 27.0% of its investments in a combination of R1 high rated corporate paper, R1 high rated bank-sponsored asset-backed commercial paper and bankers' acceptances, with the balance of the portfolio invested in Government of Canada treasury bills. The term of the portfolio has remained in line with that of the benchmark, averaging 90 days over the year.

World markets were quite volatile in the first half of 2016, as they continued to react to the Federal Open Market Committee's (FOMC) rise in interest rates in December 2015, compounded by slowing global growth and collapsing commodity prices. During the second quarter, yields were heavily influenced by the market's attention to the Alberta wildfires and reaction during the lead-up to the United Kingdom's referendum to exit the European Union ("Brexit"). These events cast increased uncertainty over Canada's level of growth, as well as highlighting global economic risks going forward. In the second half of 2016, market participants concentrated on the U.S. election and the unanticipated record highs in equity markets, which followed the unexpected results.

During the fourth quarter, the Bank of Canada (BoC) expressed openness to considering alternative measures of stimulus, beyond cuts to the overnight interest rate. In October, Governor Poloz revealed in a press conference following that month's rate decision release, that the BoC's decision-making Governing Council "*actively discussed the possibility of adding more monetary stimulus at this time*". As was widely expected, the BoC left its overnight lending rate unchanged at 0.5% on December 7, 2016. The bank noted in their statement that the growth outlook is evolving largely as anticipated, but that the level of global uncertainty remains undiminished. The BoC expressed concern about "*uncertainty, which has been undermining business confidence and investment in Canada's major trading partners*". Despite the largely neutral tone of the statement, many market participants remain cautious and still view the possibility of interest rate cuts or other additional stimulus as a possibility in 2017.

Canadian real GDP fell significantly in October and economists also believe that Canadian growth slowed in the fourth quarter as a whole. In the October Monetary Policy Report (MPR), the forecast for 2016 real GDP growth was revised down to 1.1% from 1.3% in the July

MPR, primarily because of a weaker outlook for both exports and the housing market.

Canadian employment ended the year on a high note, led by a large increase in full-time jobs. This was surprising given that of the 214,000 jobs added to the Canadian economy for the year only 60,400 were in the full-time category.

Canadian inflation continued to highlight the weak demand that still plagues the country's economy. The inflation rate has slowed from 2.0% in January 2016, as oil prices declined and the presence of unused economic assets persisted amid falling business investment and lackluster exports, despite the recent recovery in energy prices.

Throughout 2016, Canadian treasury yields have traded within a fairly tight range, with a few notable exceptions. Yields of Canadian Treasury bills plunged in the first few days following the Brexit vote, while after the U.S. election, the yield of one year treasury bills increased substantially within a week. Nearing the end of the year, yields were also influenced by supply. The yields for banker's acceptance paper's with maturities of one to three months have increased as borrowers sought funding in the short term debt market. In contrast, the BoC has gradually reduced the quantity of Government of Canada Treasury bills, by shrinking their bi-weekly auctions, although there continues to be a strong demand for the treasury bills, putting downward pressure on yields.

Market expectations are that Canada Treasury bills will continue to trade near current levels for the foreseeable future. At current levels, they are not pricing in upcoming rate hikes or cuts. This supports market expectations that the BoC will not make any changes to its overnight interest rate until 2018, unless economic conditions deteriorate. As such, the portfolio manager continues to focus on selecting the investment maturities which present the most attractive yields and diversifying the portfolio to include non-government short-term investments, which provide a yield in excess of treasury bills, while maintaining a duration that is in-line with that of the Benchmark.

Recent Developments

The FOMC raised the fed funds target range by 0.25%, from 0.50% to 0.75%, on December 14. The decision was unanimous and was accompanied by a statement indicating there would be no changes to the FOMC's forward guidance on policy rates and its balance sheet. Market participants had anticipated the increase and yields rose, as expected. However, the dot plot within the summary of Economic Projections proposed one

additional interest rate hike in 2017, which caught the markets by surprise.

U.S. non-farm payrolls continued to post above-average results, adding a total of 2.2 million jobs in 2016, coupled with a solid rebound in wage growth towards the end of the year. Market participants appear cautiously optimistic about the U.S. economy going into 2017 and money market instruments currently reflect market expectation of at least two more rate hikes. Both the labour market and fiscal policy will drive the actual hikes that occur.

Donald Trump's victory in the U.S. presidential election has enhanced uncertainty for the Canadian economy. The President-elect has discussed renegotiating NAFTA and imposing tariffs, which, if enacted, could further weaken Canada's manufacturing and export position. While most market participants don't expect the BoC to raise interest rates until mid-2018, the concern of a further reduction in rates remains present, given the internal and external uncertainties for Canadian growth.

In the current low rate environment, the portfolio manager continues to take advantage of yield-enhancing opportunities, as they arise. The Fund maintains between 25-30% in a combination of commercial paper, provincial guaranteed paper, bank-sponsored asset-backed commercial paper and banker's acceptances, to enhance yield and complement the Fund's holdings in Government of Canada treasury bills.

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

On May 14, 2016, Foresters Financial, through Foresters Life Insurance Company, acquired 100 percent of the shares of Aegon Capital Management Inc.) and was renamed Foresters Asset Management Inc. ("FAM")., FAM the Fund's Portfolio Adviser, is an indirect wholly-owned subsidiary of The Independent Order of Foresters, which is not a publicly listed company.

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 period	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Increase (decrease) from operations:					
Total revenue	\$0.06	\$0.08	\$0.10	\$0.11	\$0.10
Total expenses [excluding distributions]	\$(0.05)	\$(0.06)	\$(0.06)	\$(0.06)	\$(0.06)
Realized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--
Unrealized gains (losses) for the period	\$--	\$--	\$--	\$--	\$--
Total increase (decrease) from operations ⁽²⁾	\$0.01	\$0.02	\$0.04	\$0.05	\$0.04
Distributions:					
From net investment income (excluding dividends)	\$0.01	\$0.02	\$0.04	\$0.05	\$0.04
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.01	\$0.02	\$0.04	\$0.05	\$0.04
Net Assets , end of period	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

⁽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
Net Asset Value (000's) ⁽¹⁾	\$17,129	\$19,434	\$20,163	\$20,931	\$28,417
Number of units outstanding ⁽¹⁾	1,712,916	1,943,435	2,016,314	2,093,122	2,841,737
Management expense ratio ⁽²⁾	0.53%	0.53%	0.59%	0.59%	0.59%
Management expense ratio before waivers or absorptions ⁽³⁾	0.61%	0.61%	0.62%	0.62%	0.62%
Trading expense ratio ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A
Net Asset Value per unit	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

⁽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.

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, the Manager-Trustee is entitled to receive a fee payable monthly, calculated daily, and based on the Net Asset Value of the Fund, at a maximum annual rate of 0.55%.

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

Approximately 21.5% of the management fees were used to pay for portfolio management services, with the remainder of the fees allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

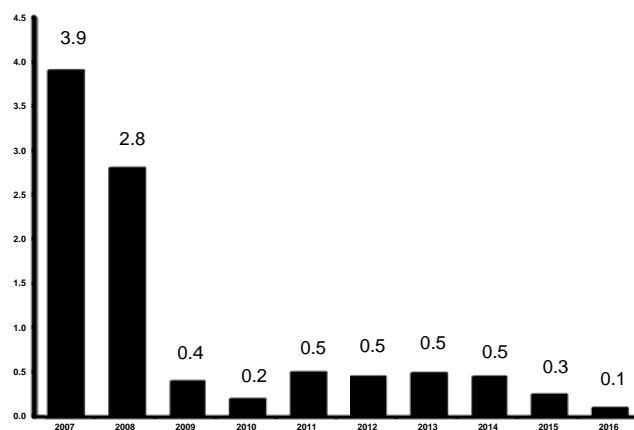
General

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

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

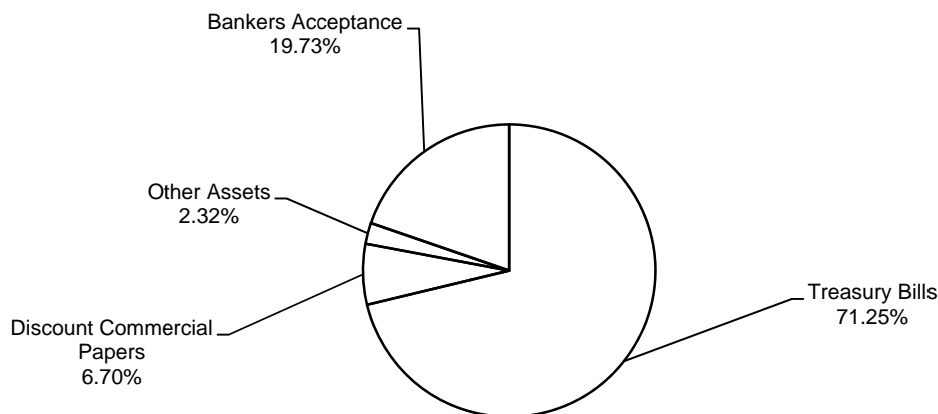
Year-by-Year Returns

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.





SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)



Top Holdings

Security Name	Coupon Rate	Maturity Date	Percentage of Net Asset Value
Canada Treasury Bill	0.56%	June 29, 2017	10.62%
Canada Treasury Bill	0.51%	January 26, 2017	10.47%
Canada Treasury Bill	0.53%	March 9, 2017	8.43%
Canada Treasury Bill	0.51%	June 1, 2017	7.79%
Canada Treasury Bill	0.54%	February 9, 2017	6.20%
Canada Treasury Bill	0.53%	January 12, 2017	4.54%
Canada Treasury Bill	0.53%	March 23, 2017	4.43%
Canada Treasury Bill	0.50%	February 23, 2017	4.08%
Canada Treasury Bill	0.56%	June 15, 2017	4.08%
Canadian Imperial Bank of Commerce	0.89%	July 7, 2017	3.93%
Canada Treasury Bill	0.54%	April 6, 2017	3.90%
OMERS Finance Trust	0.78%	March 6, 2017	3.79%
Clarity Trust	0.93%	January 6, 2017	2.91%
Royal Bank of Canada	0.87%	March 22, 2017	2.62%
Bank of Nova Scotia	0.95%	June 7, 2017	2.32%
Toronto Dominion Bank	0.95%	April 17, 2017	2.32%
Canada Treasury Bill	0.48%	April 20, 2017	2.03%
Bank of Montreal	0.90%	April 25, 2017	1.98%
Canada Treasury Bill	0.42%	January 5, 2017	1.96%
Bank of Montreal	0.78%	January 3, 2017	1.95%
Canada Treasury Bill	0.44%	January 4, 2017	1.61%
Toronto Dominion Bank	0.80%	January 12, 2017	1.60%
Bank of Nova Scotia	0.85%	May 3, 2017	1.60%
Royal Bank of Canada	0.89%	March 28, 2017	1.41%
Canada Treasury Bill	0.53%	May 18, 2017	1.11%
Total Net Assets (000's)			\$17,129

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.

EDUCATORS FINANCIAL GROUP

2225 Sheppard Ave. East
Suite 1105
Toronto, Ontario M2J 5C2

Telephone: 416.752.6843
1.800.263.9541

Fax: 416.752.6649
1.888.662.2209

E-Mail: info@educatorsfinancialgroup.ca

Web: www.educatorsfinancialgroup.ca

