



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

ANNUAL INFORMATION FORM
dated May 12, 2017

Relating to an Offering of Class A units in

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

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

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NAME, FORMATION AND HISTORY OF THE FUNDS

The Educators Financial Group Inc. no-load mutual funds consist of the Educators Balanced Fund (the “Balanced Fund”), the Educators Bond Fund (the “Bond Fund”), the Educators North American Diversified Fund (the “North American Diversified Fund”), the Educators Dividend Fund (the “Dividend Fund”), the Educators Growth Fund (the “Growth Fund”), the Educators Money Market Fund (the “Money Market Fund”), the Educators Monthly Income Fund (the “Monthly Income Fund”) and the Educators Mortgage & Income Fund (the “Mortgage & Income Fund”) (collectively, the “Funds” and individually, a “Fund”).

Each of the Money Market Fund, Mortgage & Income Fund, North American Diversified Fund, Growth Fund and Balanced Fund is an unincorporated open-end investment trust created under the laws of Ontario by a Trust Indenture dated as of January 2, 1984, as amended September 18, 1984, February 20, 1988, April 25, 1989 and November 29, 1997, under which Educators Financial Group Inc. (“Educators Financial Group” or the “Manager”) became manager and trustee of such Funds effective December 31, 1997. These Funds resulted from a reorganization of the Ontario Teacher’s Group Retirement Savings Plan which was established in 1975 pursuant to an agreement between the Ontario Secondary School Teachers’ Federation (“O.S.S.T.F.”) and Montreal Trust Company of Canada and amended by agreement dated January 4, 1982.

The Dividend Fund was created under the laws of Ontario by a Declaration of Trust dated as of January 4, 2000 made by Educators Financial Group, the manager and trustee of the Dividend Fund.

The Balanced Fund, North American Diversified Fund, Dividend Fund, Growth Fund, Money Market Fund and Mortgage & Income Fund are now governed by a combined amended and restated declaration of trust made by Educators Financial Group as manager and trustee dated as of October 6, 2008 (the “Combined Amended and Restated Declaration of Trust”). The Combined Amended and Restated Declaration of Trust was amended to reflect the addition of the Bond Fund and the Monthly Income Fund effective March 14, 2011.

On June 30, 2011, the Educators Global Fund was merged into the Balanced Fund.

The North American Diversified Fund was originally known as the “Educators Diversified Fund”. The name was changed on January 15, 2013.

Educators Financial Group is a wholly-owned subsidiary of the O.S.S.T.F. The address of Educators Financial Group and of the principal office of each Fund is located at 2225 Sheppard Ave. East, Suite 1105, Toronto, Ontario M2J 5C2.

INVESTMENT RESTRICTIONS

Educators Financial Group manages each of the Funds in accordance with the standard restrictions and practices imposed by Canadian securities legislation, including National Instrument 81-102 *Investment Funds* of the Canadian securities administrators (“NI 81-102”). These standard restrictions and practices, which are incorporated into this annual information form by reference, have been designed in part to

ensure that the Funds' investments are diversified and relatively liquid, and to ensure the proper administration of the Funds.

Each of the Funds is also prohibited from making or retaining any investment which would result in the units of a Fund not being qualified investments for a trust governed by a registered retirement savings plan (includes locked-in and self-directed plans), registered retirement income fund (includes locked-in and self-directed plans), registered education savings plan, deferred profit sharing plan, registered disability savings plan or a tax-free savings account ("Registered Plans") under the *Income Tax Act* (Canada) and the regulations thereunder (the "Tax Act") or which would render a Fund subject to tax under Part X.2 of the Tax Act. During the financial year of the Funds ended December 31, 2016, each of the Funds observed the investment restrictions set forth in this paragraph.

Any change to the fundamental investment objectives of a Fund requires unitholder approval given at a meeting of the unitholders of the Fund called to consider such change.

DESCRIPTION OF UNITS

The Funds offer an unlimited number of Class A units (also referred to as the "units"). Each unit of a Fund represents an undivided interest in the assets of the Fund. Units are purchased and redeemed through Educators Financial Group and are offered to qualified investors only in the Provinces of Ontario and British Columbia.

All units have equal rights and privileges. Each unit entitles the holder to an equal allocation of income and capital gains, to an equal distribution of the net asset value per unit upon a redemption of the unit and, upon termination of a Fund, to an equal allocation of the net assets distributable to all unitholders after paying or providing for all obligations and liabilities of the Fund. Each unit also entitles the holder to one vote at any meeting of unitholders of the Fund.

A meeting of the unitholders of a Fund must be convened to consider and approve any matter as required by Canadian securities laws. These matters are set out in NI 81-102 and currently include:

- (a) the basis of the calculation of the fees or other expenses that are charged to the Fund or directly to unitholders by the Fund or the Manager in connection with the holding of units of the Fund is changed in a way that could result in an increase in charges to the Fund or unitholders (other than an increase in the management fees or expenses for which unitholders received at least 60 days prior notice);
- (b) a fee or expense to be charged to the Fund or its unitholders in connection with the holding of units of the Fund, that could result in an increase in charges to the Fund or unitholders, is introduced (other than a fee or expense for which unitholders received at least 60 days prior notice);
- (c) a change of the manager of the Fund (other than to an affiliate of the present Manager);
- (d) any change in the fundamental investment objectives of the Fund;
- (e) any decrease in the frequency of calculating the net asset value of the Fund;

- (f) certain mergers or reorganization involving the Fund, as specified in NI 81-102; and
- (g) any restructuring of the Fund into a non-redeemable investment fund or into an issuer that is not an investment fund.

A Fund may not bear any of the costs of a meeting held to approve a restructuring referred to in paragraph (g) above.

VALUATION OF PORTFOLIO SECURITIES

Purchases are made, distributions reinvested, and switches and redemptions are implemented for all Funds at 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 that Fund then outstanding.

The net asset value per unit of each of the Funds is determined as of the close of trading on each day the Toronto Stock Exchange is open for business. The days on which the net asset value per unit of a Fund is calculated are known as "Valuation Dates". The daily net asset value per unit of each Fund is available on the Manager's website at www.educatorsfinancialgroup.ca.

The Manager intends to maintain the net asset value of the units of the Money Market Fund at \$10.00 per unit by allocating income daily to unitholders. There can be no assurance, though, that the Manager will be able to maintain a stable price at all times.

The net asset value of the Funds at a particular time shall be calculated by RBC Investor Services Trust ("RBC") in the manner described below, pursuant to an Amended Fund Valuation Services Agreement dated as of August 15, 2014 (the "Fund Valuation Services Agreement").

Valuation Principles

The assets of a Fund shall be deemed to include all cash on hand or on deposit, including any interest accrued thereon, adjusted for accruals derived from trades executed, but not yet settled; all bills, notes and accounts receivable; all bonds, debentures, shares, subscription rights, mortgages and other securities owned by, or contracted for the Fund; all shares, rights and cash dividends and cash distributions to be received by the Fund and not yet received by it when the net asset value is being determined so long as, in the case of cash dividends and cash distributions, to be received by the Fund and not yet received by it when the net asset value is being determined, the shares are trading ex-dividend; all interest accrued on any interest-bearing securities owned by the Fund other than interest, the payment of which is in default; and prepaid expenses.

The value of the assets of the Funds for the purpose of determining the purchase price and redemption price of the Fund's units is determined by RBC in its discretion, subject to the following:

1. the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless

RBC determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as RBC determines to be the reasonable value thereof;

2. the value of any bonds, debentures, and other debt obligations, excluding mortgages, shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as RBC, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
3. the value of any mortgages shall be the fair value determined by the Manager and provided to RBC as required in accordance with the Fund Valuation Services Agreement;
4. the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the closing sale price at the close of business on the Valuation Date or, if there is no closing sale price, the average between the closing bid and the closing asked price on the Valuation Date, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
5. the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by RBC;
6. the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that a Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
7. purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
8. where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by a Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of a Fund or the net asset value of a class of units. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
9. the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the close of business on the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are

in effect in which case fair value shall be based on the current market value of the underlying interest;

10. margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
11. all Fund property valued in a foreign currency and all liabilities and obligations of a Fund payable by a Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to RBC, including, but not limited to, RBC or any of its affiliates;
12. all expenses or liabilities, including fees payable to the Manager, shall be calculated on an accrual basis, on direction by the Manager to RBC; and
13. for the purpose of calculating the net asset value per unit, the liabilities of units of a Fund shall comprise the liabilities of that Fund.

The value of all other assets is their fair value as determined by the Manager in consultation with RBC. Nevertheless, if a competent regulatory authority, having jurisdiction over the distribution of the units of a Fund in any jurisdiction in which such distribution may from time to time take place, requires the adoption by the Fund of some other method of valuation of the assets of the Fund or any part thereof, such method shall be adopted with effect as at the date as of which such requirement became applicable to the Fund; and in the event of any real or apparent conflict between the requirements of two or more such authorities, the Manager shall determine which method shall be adopted.

The Manager has not deviated nor permitted RBC to deviate from these valuation principles in the past three completed financial years of the Funds.

Each Fund is required under National Instrument 81-106 *Investment Fund Continuous Disclosure* of the Canadian securities administrators to calculate its net asset value using “fair value”. The Manager believes that the valuation principles set forth above will result in a calculation of the fair value for the assets of the Funds.

Units of a Fund issued and sold on any Valuation Date shall be deemed to be outstanding immediately after the close of business on such Valuation Date, while units of the Fund redeemed on any Valuation Date shall be deemed to be redeemed immediately after the close of business on such Valuation Date. Portfolio purchases or sales are reflected, following confirmation of the net settlement amount of the transaction, in the calculation of net asset value on the next Valuation Date.

PURCHASES AND SWITCHES OF FUND UNITS

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. Units of the Funds may either be purchased directly or be held by Registered Plans of eligible investors.

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

Educators Financial Group may reject your purchase order within two business days of receiving it, but only if it believes this to be in the best interests of the Fund. Any monies sent with a purchase 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.

There are no acquisition charges applicable on purchases of units of the Funds or on the automatic reinvestment of distributions.

You should 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 application form or transaction request form; and mail the completed form to Educators Financial Group promptly with a cheque payable to Educators Financial Group Inc.

Once your account is opened, you may call your financial adviser or other licensed representative to purchase, switch or redeem units, open a pre-authorized contribution plan (a "PAC") or a systematic withdrawal program (an "SWP") or undertake other transactions (including transactions in third party funds), or meet with him or her in person. For trades made by telephone, signatures are not required. It is our policy that email trading instructions are not generally permitted, unless they are signed by you and we have agreed in advance to proceed on the basis of an email, and we have then acknowledged to you the receipt of the same.

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. Unless you are purchasing through 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.

The Manager reserves the right to accept or reject orders, provided that any decision to reject an order must be made promptly and, in any event, within two days of receipt of the order, and any monies received with a rejected order must be refunded immediately.

If the documentation on your purchase is incomplete, the Manager 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.

Pursuant to the provisions of NI 81-102, the payment of all subscriptions for units of a Fund must be received at the principal office of the Manager on or before the third business day from, but not including, the Valuation Date as of which the net asset value per unit was calculated for the purpose of issuing units pursuant to the subscription. Where payment for an order is not so received, the Fund shall be deemed to have received and accepted an order for the redemption of such units on the first business day following

such period. The redemption proceeds shall be applied to reduce the amount owing to that Fund in respect of the purchase of such units.

If the amount of such redemption proceeds exceeds the subscription price of such units, the Fund is permitted to retain such excess. If the amount of the redemption proceeds is less than the subscription price, then the Manager as the principal distributor of units of the Fund is required to pay to the Fund the amount of any such deficiency.

Switches

Unitholders may switch units of one Fund for units of another Fund without transfer or sales charges. A switch is the transfer of your investment money from one Fund to another. No switches will be permitted during any period when redemption of units has been suspended. To effect a switch a unitholder must redeem the appropriate number of units of the one Fund following the procedure set out below under “Redemption of Fund Units” and direct the Manager to apply the proceeds representing the aggregate redemption price to the purchase of units in the other Fund.

The redemption of units pursuant to the exercise of this transfer privilege will be a disposition for tax purposes and may cause a unitholder to realize a capital gain or loss. See “*Income Tax Considerations – Taxation of Individual Unitholders Resident in Canada*”.

Periodic Purchase Plans

Unitholders have the option to accumulate units on a regular basis – either weekly, bi-weekly, monthly, quarterly, semi-annually or annually – at the net asset value per unit on the date of acquisition by making use of the Funds’ PAC. By completing the appropriate authorization form, which can be obtained from Educators Financial Group or from our website, unitholders will authorize the deduction of a specified amount from their bank account for the regular purchase of units of a Fund. Unitholders using this option may terminate it at any time upon written notice to Educators Financial Group.

Registered Plans

Each of the Funds is a “mutual fund trust” for purposes of the Tax Act. Provided each Fund continues at all times to qualify as a mutual fund trust for purposes of the Tax Act, units of all of the Funds will be qualified investments under the Tax Act for Registered Plans. Net realized capital gains and net income distributed in respect of units held by such plans and capital gains realized on the disposition of units held by such plans will not be subject to tax in such plans but will generally be subject to tax when taken out of a Registered Plan (other than a tax-free savings account). See “*Income Tax Considerations – Units Held by Registered Plans*”.

REDEMPTION OF FUND UNITS

A unitholder may, by an order to redeem units to the Manager of the Fund received by the Manager prior to 3:00 p.m. (Toronto time) on a Valuation Date, request that all, or any part, of the units be redeemed at the net asset value per unit of such units on the Valuation Date. Payment for units redeemed by the Funds will normally be made on or before the third business day following the Valuation Date. No interest will be paid in respect of a redemption payment.

You may call your financial adviser or other licensed representative to redeem units, or meet with him or her in person. For trades made by telephone, signatures are not required. It is our policy that email trading instructions are not generally permitted, unless they are signed by you and we have agreed in advance to proceed on the basis of an email, and we have then acknowledged to you the receipt of the same. If certificates representing the units to be redeemed have been issued, the application for redemption must be accompanied by such certificates.

No redemption fee will be charged, with the exception of an Account Transfer Fee of \$150 plus any applicable taxes, to any unitholder who transfers his or her account to another financial institution, but if the units tendered for redemption have been purchased within the preceding 90 days, the units will be redeemed at their net asset value less 1%.

No payment of redemption proceeds may be made prior to the receipt by the Fund of a written request for redemption of the units to be redeemed, duly completed and delivered and properly executed, together with any certificates representing such units, unless the Funds have established procedures for the acceptance of telephone or other telecommunication requests for redemption, in which event they may process redemption orders in accordance with such procedures.

Suspension of Redemption of Units

A Fund is permitted by the provisions of NI 81-102 to suspend the redemption of its units for any period when normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside of Canada on which securities are listed and posted for trading, or on which derivatives are traded, if those securities or derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the Fund, without allowance for liabilities, and if those securities or derivatives are not traded on any other exchange that represents a reasonably practical alternative for the Fund.

Systematic Withdrawal Plans

An SWP is available for the convenience of investors. Withdrawals will be made from the units held under this plan in accordance with instructions given by the planholder. No redemption fee will be charged. Planholders should note that if the planholder directs that withdrawals be made that are in excess of dividends, distributions, other income and net capital appreciation, such withdrawals may require the redemption of units which will be a disposition for tax purposes and may cause a unitholder to realize a capital gain or loss, and will result in an encroachment upon or possible exhaustion of the planholder's original capital. See "*Income Tax Considerations – Taxation of Individual Unitholders Resident in Canada*".

MANAGEMENT AND ADMINISTRATION OF THE FUNDS

The Manager and Trustee

Educators Financial Group, a wholly owned subsidiary of O.S.S.T.F., is the manager, trustee, promoter and principal distributor of each Fund. The Manager is responsible for providing the administrative services required by the Funds under the Combined Amended and Restated Declaration of Trust.

Directors and Executive Officers of the Manager

The names, municipalities of residence, and principal occupation during the last five years of the directors and executive officers of Educators Financial Group and the positions and offices held with it are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
James Spray Whitby, Ontario	Director	Chief Financial Officer/Associate General Secretary, Operational Services, O.S.S.T.F.
Andrew Poprawa Mississauga, Ontario	Chair and Director	Retired; formerly, Chief Executive Officer, Deposit Insurance Corporation of Ontario
Rhonda Kimberley-Young Scarborough, Ontario	Director	Secretary-Treasurer, Ontario Teachers Federation
Janet Dalicandro Toronto, Ontario	Director	President and Co-founder, Enrichment Enterprises Inc.
Pierre Côté Toronto, Ontario	Director	General Secretary, O.S.S.T.F.
John McDonald Newmarket, Ontario	Director	President, McDonald Investment Management Inc.
Charles Hamilton Ottawa, Ontario	Chief Executive Officer	Chief Executive Officer, Educators Financial Group
Stuart Mulcahy Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Educators Financial Group.
Mike Gavin Mississauga, Ontario	Chief Compliance Officer	Chief Compliance Officer, Educators Financial Group

The Funds have no officers or directors. The Funds have not paid, and are not obligated to pay, any remuneration to the directors and officers of the Manager.

Portfolio Advisers

The portfolio advisers for the Funds are:

Fund	Portfolio Adviser
Money Market Fund Monthly Income Fund North American Diversified Fund	Foresters Asset Management Inc. (“FAM”)
Mortgage & Income Fund	HSBC Global Asset Management (Canada) Limited (“HSBC”)
Dividend Fund Growth Fund	BMO Asset Management Inc. (“BMO AM”)
Balanced Fund Bond Fund	Beutel, Goodman & Company Ltd. (“Beutel Goodman”)

Each of HSBC and BMO AM has been retained pursuant to a portfolio advisory agreement dated as of June 30, 2004; FAM by an amended and restated agreement dated as of January 30, 2013; and Beutel Goodman by an amended and restated agreement dated as of October 21, 2013 (the “Advisory Agreements”).

The Advisory Agreement with HSBC may be terminated by either party on 30 days prior notice, and is subject to earlier termination upon the occurrence of certain events of bankruptcy or default or regulatory enforcement proceedings; the Advisory Agreement with BMO AM by either party on 30 days prior notice; the Advisory Agreement with FAM by either party on 60 days prior notice, and is subject to earlier termination upon the occurrence of certain events of bankruptcy or default or regulatory enforcement proceedings; and the Advisory Agreement with Beutel Goodman by either party on 90 days prior notice, and is subject to earlier termination upon the occurrence of certain events of bankruptcy or default or there is a change to a Fund’s investment objectives or restrictions that Beutel Goodman does not accept or if the Manager does not accept a change thereto proposed by Beutel Goodman. Educators Financial Group shall not give notice of termination to a portfolio adviser unless a successor has been selected.

The Advisory Agreements generally include customary provisions for advisory agreements of this nature including a right of the portfolio advisers to appoint sub-advisers, compliance by the portfolio advisers with applicable laws and the required statutory standard of care, exculpatory provisions, cross-indemnities, maintenance of books and records, and confidentiality provisions.

FAM has retained Clairwood Capital Management Inc. (“Clairwood Capital”) to provide investment sub-advisory services with respect to the equity portfolios of Educators Financial North American Diversified Fund and Educators Monthly Income Fund, pursuant to a sub-advisory agreement. Clairwood Capital is a registered portfolio manager and with its head office located at 993 Queen Street West, Suite 420, Toronto, Ontario, M6J 1H2. The investment sub-advisor agreement between FAM and Clairwood

Capital may be terminated, without cause, upon either party giving the other parties 10 days prior written notice and expires on December 31, 2017.

The name, title and business experience of the persons who are principally responsible for the day-to-day management of the Funds' portfolio assets are as follows:

<u>Fund</u>	<u>Name of Person Responsible for the Fund</u>	<u>Title and Length of Service with the Portfolio Adviser</u>	<u>Business Experience in the Last Five Years</u>
Balanced Fund	Mark Thomson	Managing Director, Equities, Beutel, Goodman & Company Ltd. 28 years	Managing Director, Equities, Beutel, Goodman & Company Ltd.
Bond Fund	David Gregoris	Managing Director, Fixed Income, Beutel, Goodman & Company Ltd. 25 years	Vice President, Fixed Income, Beutel, Goodman & Company Ltd.
Dividend Fund	Phillip Harrington	Vice President & Portfolio Manager, Canadian Fundamental Equities BMO Asset Management Inc. 5 years	Vice President & Portfolio Manager, Canadian Fundamental Equities BMO Asset Management Inc. since March 2012; prior thereto, Analyst and Portfolio Manager at BMO Harris Investment Management since 2001.
	Lutz Zeitler	Vice President & Portfolio Manager, Canadian Fundamental Equities BMO Asset Management Inc. 5 years	Vice President & Portfolio Manager, Canadian Fundamental Equities BMO Asset Management Inc. since March 2012; prior thereto, Portfolio Manager for the Canadian Conservative Equity and Diversified Yield strategies at BMO Harris Investment Management since 2000.
Growth Fund	Jeffrey Bradacs	Vice President & Portfolio Manager, Canadian Fundamental Equities BMO Asset Management Inc. 4 years	Vice President & Portfolio Manager for Canadian Fundamental Equities at BMO Asset Management Inc. since 2013; prior thereto, Portfolio Manager at Manulife Asset Management since 2010.

<u>Fund</u>	<u>Name of Person Responsible for the Fund</u>	<u>Title and Length of Service with the Portfolio Adviser</u>	<u>Business Experience in the Last Five Years</u>
	Jordan Luckock	Vice President & Portfolio Manager, Canadian Fundamental Equities BMO Asset Management Inc. 5 years	Vice President & Portfolio Manager for Canadian Fundamental Equities at BMO Asset Management Inc. since March 2013; prior thereto, Analyst at BMO Harris Investment Management since 2007.
Money Market Fund	Barbara Berry	Assistant Vice President, Portfolio Manager, Money Market, Foresters Asset Management Inc. 20 years	Assistant Vice-President, Money Market Portfolio Manager.
Monthly Income Fund	Suzann Pennington	Chief Investment Officer, Foresters Asset Management Inc.	Appointed Chief Investment Officer in March 2017.
Mortgage & Income Fund	Derek Amery	Head of Canadian Fixed Income, HSBC Global Asset Management (Canada) Limited 13 years	Head of Canadian Fixed Income, HSBC Global Asset Management (Canada) Limited.
North American Diversified Fund	Suzann Pennington	Chief Investment Officer, Foresters Asset Management Inc.	Appointed Chief Investment Officer in March 2017.

Brokerage Arrangements

Brokerage fees are usually paid at the most favourable rates available to a Fund. When allocating trades to brokers, a portfolio adviser considers the quality of research provided, the commission cost and the ability of the broker to execute the trade.

BMO AM utilizes various brokers to effect security transactions on behalf of client accounts. These brokers may directly provide BMO AM with research and related services, as outlined below, in addition to executing transactions, which are often referred to as bundled services. Although not all research and related services received from a broker may benefit each client account equally, BMO AM will endeavour for client accounts to receive an equitable benefit over time. BMO AM does not use client brokerage commissions to pay for services provided by third parties, a practice that you may know as monetary “soft dollar” arrangements.

BMO AM maintains a list of brokers that have been approved to effect securities transactions on behalf of client accounts. When determining whether a broker should be added to that list there are numerous factors that are considered including: (1) Trading - Level of service; Response time; Availability of securities (liquidity); Account management; Idea generation; Access to alternative markets/liquidity pools, (2) Research - Proprietary research reports; Industry knowledge; Access to analysts; Access to staff, (3) Personnel - Back office support; Sales contact, (4) Infrastructure - Trade settlement; Confirmations; Reporting

Approved brokers are monitored on a regular basis to ensure that the value of the goods and services, as outlined above, that they provide offer a reasonable benefit as compared to the amount of brokerage commissions paid to them. The selection and monitoring processes are the same regardless of whether the broker is affiliated or an unrelated third party.

During the year ended December 31, 2016, BMO AM received proprietary research reports, industry knowledge and access to both analysts and staff, from BMO Nesbitt Burns Inc. an affiliated broker. Also during the year BMO AM received proprietary research reports, industry knowledge and access to analysts, staff and alternative trading systems, variously, from unrelated third party brokers.

Effective 2011, FAM eliminated soft dollar transactions so no such arrangements were in place in respect of the North American Diversified, Money Market and Monthly Income Funds. FAM maintains a policy in the event that they re-enter into client commission activities.

Beutel Goodman recognizes that all brokerage is the property of and must be used exclusively for the benefit of the client.

Payments in soft dollars will only be made to acquire products or services which directly assist Beutel Goodman in its order execution or research and decision making services. Eligible research goods and services means advice relating to the value of a security or the advisability of effecting a security transaction or report concerning a security, portfolio strategy, issuer, industry or economic or political factor or trend. The types of such research goods or services that might be provided include: advice, analyses and reports, databases and software related to investments and provided or used before an adviser makes an investment or trading decision. Order execution goods and services may include order management systems (to the extent they effect a securities transaction), algorithmic trading software (if assist in order execution) and custody, clearing and settlement services directly related to an executed order that generated commissions.

No product or service designed to assist in the management of the firm will be secured through soft dollar payments.

Brokerage generated from a client account will not be used to pay for a product or service purchased under another client's directed brokerage arrangement.

When selecting brokers to execute transactions, priority will at all times be given to the most efficient execution at minimum transaction cost. In selecting brokers, Beutel Goodman considers the capabilities of the broker to provide best execution, the broker's financial responsibility, responsiveness to the firm, commission or spread involved and the range of services offered.

Soft dollar commissions are limited to 25% of total commissions generated.

Before Beutel Goodman opens a client account, the firm will provide the client with this policy and thereafter, when there are any significant changes to the policy. In conjunction with quarterly institutional client reports, Beutel Goodman provides clients with a summary of all soft dollar payments, a description of the research goods or the services received under a soft dollar arrangement, the names of the brokers or third parties that provided such goods or services and whether any affiliated broker is involved. Beutel Goodman does not use the services of an affiliated broker in trading or for soft dollars. If not disclosed as part of a client report, a client may request Beutel Goodman to provide the client with the name(s) of any dealer(s) or third party(ies) that provided Beutel Goodman with research goods or services under a soft dollar arrangement.

Fund Governance

The Manager is responsible for fund governance. The Manager is a member of the Mutual Fund Dealers Association of Canada and is therefore subject to its rules, by-laws and policies covering such matters as business practices and conflicts of interest, and it has developed policies to reflect those and other applicable legislative requirements. There are no other written policies or guidelines relating to business practices, sales practices, risk management or internal conflicts of interest. The Manager is not affiliated with the Funds' portfolio advisers, custodian or other service providers; the Manager believes this significantly lessens the conflicts of interest to which it is subject.

A Fund's portfolio adviser is responsible for voting (or deciding to refrain from voting) all shares or other voting securities of the Fund in accordance with its best judgement in this regard.

BMO AM acts in the best interest of each client including the Growth Fund and the Dividend Fund with regard to each proxy vote. BMO AM, as part of its decision making process, utilizes Glass, Lewis & Co., LLC, to provide in depth analysis, guidelines and voting recommendations on all proxy proposals with financial implications for Canadian companies and non-Canadian companies. The recommendations from Glass, Lewis & Co., LLC serve only as guidelines for voting of proxies on behalf of the Funds. The final decision on any proxy vote rests with BMO AM.

HSBC has adopted policies and guidelines (the "Proxy Voting Policy") with respect to the voting of the Fund's proxies. HSBC's Proxy Voting Policy sets out the voting procedures to be followed in voting on routine and non-routine matters, and contains guidelines to ensure that when real or perceived conflicts of interest arise between HSBC's interests and the interests of its clients, those issues are properly addressed and resolved.

HSBC has retained Institutional Shareholder Services ("ISS"), a leading, independent firm with expertise in global proxy voting and corporate governance issues, to provide in-depth research and analysis on all proxies for which HSBC has authority to vote, and to administer the proxy voting process. HSBC has adopted HSBC Global Asset Management Global Voting Guidelines and Policies (the "HSBC Voting Guidelines"). HSBC will generally vote the Fund's proxies in accordance with the HSBC Voting Guidelines; however, there may be circumstances where HSBC believe that it is in the best interests of the Fund to vote differently than the manner contemplated by the guidelines, as further discussed below. The ultimate decision as to the manner in which the Fund's proxies will be voted rests with HSBC. HSBC may amend the Proxy Voting Policy or guidelines at any time and without notice.

HSBC's Investment Governance Committee has appointed a Proxy Voting Committee to administer the Proxy Voting Policy. HSBC's Proxy Voting Committee meets at least once a year to review the Proxy Voting Policy and its administration, and as otherwise needed to resolve any proxy voting issues that may arise. In accordance with the Proxy Voting Policy, in those circumstances where the primary investment advisor determines that it may be appropriate to vote contrary to ISS's recommendations, the Proxy Voting Committee will review the matter and make the final decision regarding how the proxy will be voted. In making its decision, the Proxy Voting Committee may consider information from ISS, internal research staff, the management of the subject company, and shareholder groups. If a conflict of interest is determined to exist, the Proxy Voting Committee will direct that the proxy issue must be voted with ISS's recommendation.

In the event ISS is unable to make a recommendation on a proxy vote and where no conflict of interest is determined to exist, the Proxy Voting Committee will make the determination on the matter. In circumstances where a conflict of interest is determined to exist, the Proxy Voting Committee will refer the decision to HSBC's senior management and, if deemed necessary, an independent consultant or outside counsel to resolve the material conflict of interest and ensure that the proxy is voted in the best interests of the Fund.

FAM considers the voting of proxies to be an integral part of the investment manager's fiduciary role to its clients including the North American Diversified Fund, Money Market Fund and Monthly Income Fund. Accurate proxy voting records must be maintained with voting procedures clearly stated. Its managers must ensure that the necessary information and forms are received, and distributed in a timely manner, and they must adopt procedures to ensure that issues, both routine and non-routine, are noted, analyzed and considered before voting. Its compliance manual provides detailed procedures to be followed to ensure voting instructions are properly analysed and completed. FAM uses ProxyEdge, a Broadridge suite of electronic voting services that help simplify the management of institutional proxies. ProxyEdge allows FAM to manage, track, reconcile and report proxy voting through electronic delivery of ballots, online voting, and integrated reporting and record keeping.

Beutel Goodman believes that the voting of proxies is essential to the advancement of shareholder value through the encouragement of sound corporate governance. To assist it in analyzing proxies in respect of the Balanced Fund and the Bond Fund, Beutel Goodman subscribes to Institutional Shareholder Services ("ISS"), an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, record keeping and vote disclosure services. Beutel Goodman, in conjunction with ISS, has established proxy voting guidelines for this Fund. These guidelines are designed to be responsive to the wide range of issues that can be raised in proxy situations. Beutel Goodman reviews each proxy item before casting votes, with Beutel Goodman taking into consideration the relevant facts and circumstances at the time of the vote.

Educators Financial Group will, with the assistance of the portfolio advisers, maintain a proxy voting record for each Fund which includes details of the issuers and securities in respect of which the Funds have the right to vote, as well as details regarding the types of meetings and the matters to be voted on at those meetings. This proxy voting record will also specify whether, and if so how, the Funds' securities were voted on such matters. Each Fund prepares a proxy voting record for the twelve month period ending on June 30 no later than August 31 of the year. Upon request made by a Unitholder, the Fund will deliver a copy of its proxy voting record to such Unitholder without charge. This record will also be available on the Funds' website.

The Funds do not have any specific policies to deal with any potential conflicts of interest in respect of the voting of their portfolio securities by their portfolio advisers. Such portfolio advisers, both under the terms of their contractual arrangements with a Fund and under applicable securities laws, are required to deal fairly, honestly and in good faith with the Funds, and the portfolio advisers are therefore required to put the Funds' interests ahead of their own in exercising their voting powers and responsibilities on behalf of the Funds.

Use of Derivatives by the Funds

The Mortgage & Income Fund, North American Diversified Fund, Dividend Fund and Growth Fund may use derivatives solely for the purpose of hedging any foreign currency exposure it may have from time to time, in the discretion of its Portfolio Adviser. The other Funds do not use derivatives.

Securities Lending Provisions

The Funds have retained RBC, Toronto, Ontario as their securities lending agent, in order to manage the Funds' securities lending activities in accordance with the requirements of NI 81-102. RBC is not an affiliate or an associate of the Manager. Under the agreement with RBC, the aggregate market value of the collateral provided to a Fund in respect of securities loaned must never be less than the percentage of the aggregate market value of the loaned securities which is the higher of the minimum percentage required by any applicable legislation or regulatory authority having jurisdiction over the Fund (currently 102%) and the prevailing market practice. Such agreement may be terminated by the Manager on behalf of the Fund or RBC at any time upon notice to the other and neither party indemnifies the other under such agreement. The Manager relies on the policies and procedures that RBC has put in place to ensure that the extensive requirements of NI 81-102 are complied with. Given the limitations imposed by NI 81-102, the Manager has concluded that no additional limitations are necessary. No risk measurement procedures or simulations are used to test a Fund's portfolio under stressed conditions beyond such procedures as RBC may undertake in its discretion from time to time.

Independent Review Committee

The Independent Review Committee ("IRC"), is responsible for reviewing, and if desirable providing input on, the Funds' written policies and procedures on conflicts of interest involving the Funds and the Manager. The IRC also reviews conflicts of interest matters referred to it by the Manager and provides a recommendation or decision to the Manager with respect to such conflicts. The current members of the IRC are David Taylor, Michele D. McCarthy and William Woods. Each member of the IRC is independent as that term is defined under National Instrument 81-107 Independent Review Committee for Investment Funds. The Funds do not have any directors, or a board of governors or advisory board other than the IRC.

<u>Name and Municipality of Residence</u>	<u>Position with IRC</u>	<u>Principal Occupation</u>
David Taylor Toronto, Ontario	Member	Corporate Director and a retired partner of KPMG LLP
Michele D. McCarthy Toronto, Ontario	Chair	President, McCarthy Law Professional Corp.

<u>Name and Municipality of Residence</u>	<u>Position with IRC</u>	<u>Principal Occupation</u>
William Woods Toronto, Ontario	Member	Chairman and Chief Executive Officer , WWoods & Co. Limited

Remuneration of the IRC

Members of the IRC receive compensation payable on an semi-annual basis, in respect of all of the Funds, in the amount of \$9,000.00 plus HST and shall be reimbursed for all expenses reasonably incurred. The Chair of the IRC receives compensation payable on an semi-annual basis, in respect of all of the Funds, in the amount of \$11,250.00 plus HST and shall be reimbursed for all expenses reasonably incurred. During the fiscal year of the Funds ended December 31, 2015, the Funds paid an aggregate of \$79,004 to members of the IRC. Such amounts were apportioned among the Funds in accordance with the Manager's policies in this regard.

PRINCIPAL HOLDERS OF SECURITIES

To the best of the knowledge of the Manager, the following tables show the number of units of Class A each Fund owned of record or beneficially, directly or indirectly, by persons owning 10% or more of such units of the Funds as at April 30, 2017.

<u>Names & Address</u>	<u>Fund</u>	<u>Type of Ownership</u>	<u>No. of Units Owned</u>	<u>Percentage of Fund</u>
The Royal Trust Company 155 Wellington Street West Toronto, Ontario M5V 3K7	Money Market Fund	Of record*	1,229,549.51	3.27%
	Mortgage & Income Fund	Of record*	12,937,436.23	34.41%
	North American Diversified Fund	Of record*	3,718,743.91	9.89%
	Growth Fund	Of record*	2,973,026.63	7.91%
	Balanced Fund	Of record*	8,718,734.36	23.19%
	Dividend Fund	Of record*	3,028,040.30	8.05%
	Bond Fund	Of record*	747,340.56	1.99%
	Monthly Income Fund	Of record*	4,242,493.32	11.28%

* These units are held of record by The Royal Trust Company in its capacity as trustee for the beneficiaries of Educators Financial Group Inc. Retirement Savings Plans, Education Savings Plans, Retirement Income Funds and Life Income Funds. To the knowledge of the Manager, no one unitholder was the beneficial owner of more than 10% of the units of any Fund on April 30, 2017.

As at April 30, 2017, the aggregate percentage of securities of each class or series of voting or equity securities of the Funds beneficially owned, directly or indirectly, by members of the IRC or by the Manager or its directors of senior officers did not exceed 10%.

The Manager is wholly-owned by O.S.S.T.F.

Short-Term Trading

The Manager has not entered into arrangements with any person or company to permit short-term trading in the Funds and there are no formal policies and procedures in place to detect short-term trading. The Manager does, however, monitor purchases and redemptions of the Funds daily with a view, among other things, to detecting any inappropriate short-term trading.

FEES AND EXPENSES

The Funds do not have any management fee rebate or distribution programs for unitholders.

INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Funds, the following is a fair summary of the principal Canadian federal income tax considerations generally applicable to the Funds and to purchasers of units of the Funds who are, at all relevant times, individuals (other than trusts that are not governed by Registered Plans) resident in Canada, who deal at arm's length with and are not affiliated with the Funds and who hold their units as capital property, all within the meaning of the Tax Act. Generally, units will be considered to be capital property to a purchaser of units provided that such purchaser does not hold the units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain unitholders who might not otherwise be considered to hold their units as capital property may, in certain circumstances, be entitled to have such units and all other Canadian securities owned in the taxation year of the election or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary does not apply to an investor who has entered or will enter into a “derivative forward agreement” as such term is defined in the Tax Act, with respect to the units.

This summary is based upon the information set out in this annual information form, a certificate of the Manager, the current provisions of the Tax Act, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) made publicly available in writing prior to the date hereof. This summary takes into account specific proposals to amend the Tax Act publicly announced and made available prior to the date hereof by the Minister of Finance (Canada) (the “Proposed Amendments”) and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will be enacted in the form currently proposed, or at all. Otherwise, this summary does not take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, governmental or judicial action or decision.

This summary is based on the assumptions that none of the issuers of the securities held in the portfolios of the Funds is a foreign affiliate of any of the Funds or of any unitholder and that none of the securities held in the portfolio of any of the Funds is a tax shelter investment. Further, this summary assumes that none of the securities held in any of the portfolios of the Funds will be (i) a share of, an interest in, or a debt of a non-resident entity, an interest in or a right or option to acquire such a share, interest or debt or an interest in a partnership which holds such a share, interest or debt that would cause the Fund (or partnership) to include any significant amounts in income under section 94.1 of the Tax Act, (ii) securities of a non-resident trust other than an “exempt foreign trust” as defined in subsection 94(1) of the Tax Act,

or (iii) an interest in a trust that would require the Fund to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act.

This summary is also based on the assumption that none of the Funds will at any time be a “SIFT trust” as defined in the rules in the Tax Act relating to the tax for SIFT trusts and SIFT partnerships (the “SIFT Rules”). One of the conditions for a trust to be a SIFT trust is that investments in the trust must be listed or traded on a stock exchange or other public market, which includes a trading system or other organized facility on which securities that are qualified for public distribution are listed or traded, but does not include a facility that is operated solely to carry out the issuance of a security or its redemption, acquisition or cancellation by the issuer. The Manager has advised counsel that the units of the Funds will not be listed or traded on a stock exchange and it is not expected that the units will trade on any other trading system or organized facility. On this basis, the Funds should not be SIFT trusts.

This summary is of a general nature only and does not take into account the tax laws of any province or territory of Canada or of any jurisdiction outside Canada. In particular, this summary does not address the deductibility of interest on any funds borrowed by a unitholder to purchase units of a Fund. It is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Investors are urged to consult with their own tax advisers for advice regarding the income tax consequences of investing in units with respect to their particular circumstances.

Status of the Fund

The Manager has advised counsel that each Fund is a “unit trust” and a “mutual fund trust” as defined in the Tax Act. The following discussion is based on the assumption that each Fund qualifies and will continue to qualify as a mutual fund trust at all material times. If a Fund were to fail to qualify as a mutual fund trust, the tax considerations may, in some respects, be materially different from those described below.

In order for a Fund to qualify as a mutual fund trust, it must satisfy various requirements including minimum distribution requirements relating to the units of the Fund. In addition, a Fund may not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof).

Taxation of the Funds

Each Fund will be subject to tax under Part I of the Tax Act on the amount of its income for each taxation year, including net realized taxable capital gains. However, the Tax Act provides that a trust, in computing its income for a year, may deduct such part of its income for the taxation year as became payable in the year to a unitholder. The Manager has advised counsel that the net income and net realized capital gains of each Fund for each taxation year will be payable to such Fund’s unitholders each year to the extent necessary so that there will be no tax payable by the Funds under Part I of the Tax Act (after taking into account any applicable losses or capital gains refunds of the Funds).

Each Fund will be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security in its portfolio and all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the

extent that such interest was included in computing its income for a preceding taxation year. Upon the actual or deemed disposition of indebtedness, a Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year and such income inclusion will not be included in the proceeds of disposition for purposes of computing any capital gain or loss.

On a conversion by a Fund of a convertible debenture into shares of a corporation, the Fund is considered not to have disposed of the convertible debenture and to have acquired the shares at a cost equal to the adjusted cost base to the Fund of the convertible debenture immediately before the exchange.

On a redemption or repayment of a convertible debenture, a Fund is considered to have disposed of the convertible debenture for proceeds of disposition equal to the amount received by the Fund (other than an amount received on account of interest) on such redemption or repayment.

Upon the actual or deemed disposition of a security included in the portfolio of a Fund, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that each Fund has purchased, and will continue to purchase, securities in the portfolio of such Fund with the objective of receiving distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Manager has also advised counsel that each Fund has made an election under subsection 39(4) of the Tax Act so that all securities included in the portfolio of such Fund that are "Canadian securities" (as defined in the Tax Act) will be deemed to be capital property to such Fund.

A loss realized by a Fund on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the Fund, or a person affiliated with the Fund, acquires a property (a "substituted property") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund, or a person affiliated with the Fund, owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund's capital gains until the substituted property is sold and is not reacquired by the Fund, or a person affiliated with the Fund, within 30 days before and after the sale.

Each Fund is entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemption of units during the year ("capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with a redemption of units.

Income of a Fund from foreign sources may be subject to foreign income and withholding taxes. To the extent that such foreign tax paid by a 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, the Fund may designate in respect of

a unitholder a portion of its foreign source income which can reasonably be considered to be part of the Fund's income distributed to such unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

Each of the Funds is required to compute its income, the cost and proceeds of disposition of portfolio securities, interest and all other amounts in Canadian dollars for purposes of the Tax Act in accordance with the rules in the Tax Act in that regard and may, as a consequence, realize income or capital gains by virtue of changes in the value of a foreign currency relative to the Canadian dollar. Subject to the DFA Rules discussed below, gains or losses in respect of currency hedges entered into in respect of amounts invested in securities by a Fund will likely constitute capital gains and capital losses to such Fund if the securities are capital property to the Fund provided there is sufficient linkage. Certain Proposed Amendments, if enacted as proposed, would clarify that the DFA Rules discussed above generally would not apply to such foreign currency hedges.

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, subject to the Proposed Amendments discussed in the preceding paragraph, 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.

Taxation of Individual Unitholders Resident in Canada

A unitholder will generally be required to include in computing his or her income for purposes of the Tax Act the amount of any net income, including net taxable capital gains, of a Fund for each year (computed prior to the deduction of amounts payable to unitholders for the year) which is paid or payable to the unitholder in such year, whether such amount is reinvested in additional units or paid to the unitholder in cash. The Manager has advised counsel that a sufficient amount of the net income and net realized capital gains of the Funds for each taxation year will be payable to unitholders each year and distributed in the manner described under "Distribution Policy" in Part B of the Funds' simplified prospectus so that there will be no tax payable by the Funds under Part I of the Tax Act (after taking into account any applicable losses or capital gains refunds). Because capital gains of the Funds are allocated only in the year that they are realized and income is distributed on a periodic basis, prospective purchasers acquiring units of a Fund may become taxable on unrealized gains and gains that have been realized or income that has been earned but not yet distributed by that Fund at the time the units were acquired, despite the fact that such income or gains are reflected in the cost of the units acquired.

In general, provided the appropriate designations are made by a Fund, unitholders will be subject to tax under the Tax Act on their allocated portion of dividends from taxable Canadian corporations, foreign source income and taxable capital gains of a Fund for a year, in the same manner as if such designated amounts had been received directly by the unitholder. Accordingly, such amounts will generally retain their character and source for tax purposes including determining a unitholder's entitlement to the applicable dividend gross-up and tax credit (including the enhanced gross-up and tax credit for certain eligible dividends) and the foreign tax credit.

A trust is permitted to deduct in computing its income for purposes of the Tax Act an amount less than the amount of its distributions of income in a year to the extent necessary to utilize in the year losses from prior years without affecting the ability of the Fund to distribute its income annually. Such amount distributed but not deducted by the Fund is not required to be included in the income of unitholders. However, unless such amount relates to the non-taxable portion of capital gains, the taxable portion of which has been allocated to the unitholder, such amount generally reduces the adjusted cost base of the unitholder's units of the Fund. A Fund may distribute amounts in excess of the Fund's income. Such excess distributions will generally not be included in the income of a unitholder but, subject to the comments above, will generally reduce the adjusted cost base of the unitholder's units of the Fund. To the extent that the adjusted cost base of a unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the unit to the unitholder would then be nil.

Upon the disposition or deemed disposition of a unit (including a redemption, and, in particular, a redemption effected as part of a switch of units from one Fund to another or pursuant to an SWP), the unitholder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the unit, net of reasonable expenses of disposition, exceed (or are exceeded by) the unitholder's adjusted cost base of the unit as determined for the purposes of the Tax Act. For the purpose of determining the adjusted cost base of a unit to a unitholder, when the unit is acquired, the cost of the newly acquired unit will be averaged with the adjusted cost base of all units of the same class of the same Fund owned by the unitholder as capital property immediately before that time. One-half of any capital gains realized will be included in computing the income of an individual as taxable capital gains and one-half of any capital loss ("allowable capital loss") sustained must be deducted against taxable capital gains for the year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

Individual unitholders are generally subject to an alternative minimum tax. In general terms, net income of a Fund paid or payable to a unitholder will not increase the unitholder's liability under the Tax Act for alternative minimum tax. However, amounts designated as, or deemed to be, net realized capital gains or taxable dividends from taxable Canadian corporations paid or payable to a unitholder by the Fund or taxable capital gains realized on the disposition of units by the unitholder may increase the unitholder's liability, if any, for alternative minimum tax under the Tax Act.

Units held by Registered Plans

The Manager has advised counsel that each Fund currently qualifies as a "mutual fund trust" under the Tax Act and (except in the case of the Dividend Fund, the Bond Fund and the Monthly Income Fund) is a registered investment under the Tax Act. Accordingly, units of each Fund are qualified investments for Registered Plans, so long as each Fund qualifies or is deemed to qualify as a mutual fund trust (or, in the case of the Funds other than the Dividend Fund, the Bond Fund and the Monthly Income Fund, continue to be registered investments under the Tax Act).

The units of a Fund will not be a "prohibited investment" for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, 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 the 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 tax free savings account, registered retirement savings plan or registered retirement income fund.

Pursuant to Proposed Amendments released on March 22, 2017, the rules in respect of "prohibited investments" are also proposed to apply to (i) registered disability savings plans and the holders thereof and (ii) registered education savings plans and the subscribers thereof.

Holders, annuitants or subscribers 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.

The proceeds of redemption of units of the Funds and the amount of income including net realized taxable capital gains distributed by the Funds to Registered Plans are generally not taxable under Part I of the Tax Act while retained by such Registered Plans. Investors are urged to consult their own tax advisers regarding the implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Investors are responsible for complying with the relevant income tax legislation in acquiring or holding units of a Fund through a Registered Plan, and the Funds and Manager assume no liability to such persons as a result of the units being made available for investment.

CUSTODIAN OF PORTFOLIO SECURITIES

RBC is the custodian of the Funds' cash and Canadian securities (in such capacity, the "Custodian") pursuant to an Amended and Restated Custodian Agreement dated May 19, 2005, as amended October 6, 2008, March 15, 2011 and January 15, 2013. Such securities are held at 155 Wellington Street West, Toronto, Ontario M5V 3L3. Foreign securities are held through the Custodian's sub-custodial network.

The securities other than the teacher mortgages held by the Custodian shall be surrendered only on the written order of the two authorized officers of a portfolio adviser or the Manager, and the Custodian may act in all matters on instruction given by or on behalf of a Fund by any two authorized officers of a portfolio adviser or the Manager. For its services, the Custodian's normal fees and charges prevailing from time to time are paid by the Manager.

MATERIAL CONTRACTS

The material contracts of the Funds are the Combined Amended and Restated Declaration of Trust for the Funds, the Advisory Agreements, and the Amended and Restated Custodian Agreement, as amended. These documents may be inspected during ordinary business hours at the office of the Manager at 2225 Sheppard Ave. East, Suite 1105, Toronto, Ontario M2J 5C2 and are also available at www.sedar.com.

ADDITIONAL INFORMATION

Because many attributes of the Funds, and the units of the Funds, are identical, units of the Funds are being offered under one combined simplified prospectus which is to be filed with Canadian securities administrators, together with this combined annual information form. No Fund assumes responsibility for disclosure relating to any other Fund contained herein or in the simplified prospectus, however, or for any misrepresentation relating to any other Fund.

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.

CERTIFICATE OF THE FUNDS, THE MANAGER AND PROMOTER

Dated the 12th day of May, 2017

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities of the Funds offered by the simplified prospectus, as required by the securities legislation of Ontario and British Columbia and do not contain any misrepresentations.

(Signed) Charles Hamilton

Charles Hamilton

Chief Executive Officer of Educators Financial Group Inc., as Manager, Trustee and promoter of the Funds

(Signed) Stuart Mulcahy

Stuart Mulcahy

Chief Financial Officer of Educators Financial Group Inc., as Manager, Trustee and promoter of the Funds

On behalf of the Board of Directors of Educators Financial Group Inc. as Manager, Trustee and promoter of the Funds

(Signed) Andrew Poprawa

Andrew Poprawa

Director

(Signed) James Spray

James Spray

Director

CERTIFICATE OF THE FUND'S PRINCIPAL DISTRIBUTOR

Dated the 12th day of May, 2017

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities of the Funds offered by the simplified prospectus, as required by the securities legislation of Ontario and British Columbia and do not contain any misrepresentations.

(Signed) Charles Hamilton

Charles Hamilton

Chief Executive Officer of Educators Financial Group Inc., as principal distributor of the Funds

(Signed) Stuart Mulcahy

Stuart Mulcahy

Chief Financial Officer of Educators Financial Group Inc., as principal distributor of the Funds

On behalf of the Board of Directors of Educators Financial Group Inc. as principal distributor of the Funds

(Signed) Andrew Poprawa

Andrew Poprawa

Director

(Signed) James Spray

James Spray

Director

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

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Additional information about the Funds is available in the Funds' management reports of fund performance and financial statements. You can obtain a copy of these documents, at no cost by calling the number set out above, or from your financial adviser. These documents and other information about the Funds, such as information circulars and material contracts, are also available on SEDAR's website at www.sedar.com or at www.educatorsfinancialgroup.ca.