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EDUCATORS

Annual Report of IRC

Annual Report of the Independent Review Committee of the Educators Financial Group Family of Funds

February 27, 2018

Independent Review Committee Annual Report to:

Securityholders in the Educators Financial Group of Funds (*the 'Funds'*) as listed at the end of this report.

Dear Securityholders,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** (*'NI 81-107'* or the *'Instrument'*), Educators Financial Group (the "Manager") established an Independent Review Committee (*the 'Committee' or 'IRC'*) for the Funds in April 2007. The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Funds, the Manager, and each entity related to the Manager (*as defined in the Instrument*).

The IRC is pleased to publish its annual report to securityholders, covering the period from **January 1, 2017 to December 31, 2017** (*the 'Reporting Period'*).

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide decisions to the Manager in regard to any conflicts of interest the Manager may be subject to (*when managing the Funds*). The Manager is required (*under the Instrument*) to identify potential conflicts of interest inherent in its management of the Funds; develop written policies and procedures guiding its management of those conflicts; and request input from the IRC on those written policies and procedures, hereinafter referred to as the Conflict of Interest Matters (*'COIM'*) manual.

When a conflict matter arises, the Manager must refer its proposed course of action (*in respect to any conflict*) to the IRC for its review. The IRC will then provide a decision to the Manager as to whether or not the Manager's proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (*"SIs"*) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval—providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any conflict of interest matter that has been referred to by the Manager. In those cases, the IRC has sought to ensure that the Manager's proposed course of action represents a fair and reasonable result for the Funds.

In order to provide certain administrative and record keeping functions, and to act as the IRC's independent Secretariat, the IRC has engaged Independent Review Inc. to assist it in its duties in accordance with the provisions of the Instrument and the IRC's written charter,



PLANNING



INVESTING



LENDING

Composition of the IRC

The current members of the IRC and their principal occupations are as follows:

Name and Municipality of Residence	Principal Occupation	Term of Office
Michèle McCarthy (<i>Chair</i>) Toronto, Ontario	President McCarthy Law Professional Corp.	Initial Appointment: April 2007 Term: One year from January 1, 2018
Ken Thomson Toronto, Ontario.	President, Universal Financial Corp., an Investment Holding Company	Initial Appointment: November 29, 2017 with effect from January 1, 2018 for three years
David Taylor Toronto, Ontario	Corporate Director and retired partner of KPMG, LLP	Initial Appointment: April 2007 Term: Two years from January 1, 2016
W. William Woods Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Initial Appointment: December 8, 2016 with effect from January 1, 2017 for three years

Michele McCarthy's term was renewed on November 29, 2017 for a period of one year, effective January 1, 2018. The re-appointment extended Ms. McCarthy's total years of service beyond the six-year term limit set out in the Instrument. However, the Manager has provided its consent to and agreement with the re-appointment beyond the six-year term limit, in accordance with the provisions of the Instrument.

David Taylor's term ended on December 31, 2017. As part of the IRC's established succession plan, he did not stand for re-appointment. Ken Thomson was appointed to the IRC as his replacement on November 29, 2017 for a period of three years with effect from January 1, 2018.

Members' Fees

In aggregate, the IRC members were paid \$57,500 plus applicable taxes during the Reporting Period. The Manager also paid \$15,000 plus applicable taxes to Independent Review Inc. during the Reporting Period.

Compensation and Indemnification

Review of Compensation

At least annually, the IRC reviews its compensation giving consideration to the following:

- The nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member
- The number of meetings required by the IRC, including special meetings to consider conflict issues brought to the Committee
- Industry best practices, including industry averages and surveys on IRC compensation
- The complexity of the conflict issues brought to the IRC

The IRC determined that no changes were required in its compensation.

Indemnities Granted

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. The Funds or the Manager paid no payments to the IRC Members pursuant to this indemnity during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2017, the IRC Members did not beneficially own (*directly or indirectly*):

- Any units in any of the Funds
- Any interests in the Manager
- Any interests in a company or person that provides services to the Manager or any Fund

Decisions and Approvals

The IRC did not provide any decisions or approvals during the Reporting Period.

Standing Instructions Approved

The IRC has approved two Standing Instructions (*S/Is*) which constitute a written approval or decision from the IRC that permits the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis—without having to refer the conflict of interest matter, or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC. The Manager relied on the SIs during the Reporting Period.

Standing Instruction No. 1: Omnibus.

This SI deals with a number of conflict of interest matters including:

1. Soft dollar arrangements
2. Best execution
3. Participation in new issues underwritten by affiliated dealers
4. Allocation of investment opportunities
5. Trade error policy
6. Proxy voting procedures
7. Security valuation policies
8. Personal trading by the money managers
9. Personal trading by the Manager
10. Confidentiality policy
11. Expense allocation

Standing Instruction No. 2: Related Party Issues.

Manager's Report on its Standing Instructions

In accordance with the Instrument, the Manager provided annual written reports to the IRC describing its reliance on the SIs during the Reporting Period.

Funds served by the IRC

Educators Balanced Fund
Educators Dividend Fund
Educators U.S. Equity Fund
Educators Growth Fund
Educators Money Market Fund
Educators Mortgage and Income Fund
Educators Bond Fund
Educators Monthly Income Fund

This report is available on the Manager's website at educatorsfinancialgroup.ca, or you may request a copy (*at no cost to you*) by contacting Educators Financial Group at **416.752.6843** or **1.800.263.9541**, or email Educators Financial Group at info@educatorsfinancialgroup.ca. This document and other information about Educators Financial Group's Funds are available on www.sedar.com.

Yours truly,

Signed,

"Michèle McCarthy"

Michèle McCarthy, Chair

Schedule of IRC Members who sit on IRCs for other Fund Families

Michèle McCarthy serves as a member of the Independent Review Committees for the following funds:

- Investment funds that are reporting issuers, managed by Alignvest Management Corporation;
- Investment funds that are reporting issuers, managed by Foresters Financial Investment Corporation of Canada Inc.;
- Investment funds that are reporting issuers, managed by Integra Capital Limited;
- Investment funds that are reporting issuers, managed by Picton Mahoney Asset Management Inc.; and
- Investment funds that are reporting issuers, managed by Timbercreek Investment Management Inc.

W. William Woods serves as a member of the Independent Review Committees for the following funds:

- Investment funds that are reporting issuers managed by Goodwood Inc.;
- Investment funds that are reporting issuers managed by Integra Capital Limited
(resigned effective December 31, 2017);
- Investment funds that are reporting issuers managed by Next Edge Capital Corp.;
- Investment funds that are reporting issuers managed by Ninepoint Partners LP;
- Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P
- Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;
- Investment funds that are reporting issuers, managed by Picton Mahoney Asset Management Inc.
- Investment funds that are reporting issuers managed by Questrade Inc.
(Ceased to be a member December 6, 2017);
- Investment funds that are reporting issuers managed by Russell Investments Canada Limited;
- Investment funds that are reporting issuers managed by Spartan Asset Management Inc.;
- Investment funds that are reporting issuers managed by Sprott Asset Management Inc.; and
- Investment funds that are reporting issuers managed by The Knowledge First Foundation
(resigned effective May 31, 2017).

Ken Thomson serves as a member of the Independent Review Committees for the following funds:

- Investment funds that are reporting issuers managed by Timbercreek Investment Management Inc.