

2018

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2018

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

Educators Growth Fund



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

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objectives and Strategies

The investment objective of the Educators Growth Fund (the "Fund") is to provide above-average capital growth over the long term by primarily investing in growth-oriented Canadian companies. The Fund invests primarily in common shares of established Canadian corporations and other equity securities, and non-Canadian securities are generally limited to no more than 25% of the Fund's assets. Foreign currency exposure may or may not be hedged. The fundamental investment objective of the Fund may not be changed without the prior approval of the unitholders.

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, 2018.

Results of Operations

The Fund's net assets decreased by 11.5% to \$84.5 million at the end of December 2018, down from \$95.5 million at the end of December 2017.

Investment Performance

For the year ending December 31, 2018 (the 'period'), the Educators Growth Fund – Class A Series provided a negative return of 11.34%, versus the S&P/TSX Composite Total Return Index (the 'Benchmark') return of negative 8.89%. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

The first and fourth quarters of 2018 were particularly challenging for Canadian equities as a result of fragile investor sentiment. During the period, the S&P/TSX Composite Index ('S&P/TSX'), representing the performance of Canadian equities, fell 8.9%. Oil was under pressure in the latter half of the year as concerns rose over excess supply. Coupled with decelerating global economic growth and U.S. waivers for a number of countries to buy Iranian oil, oil experienced significant downward pressure in the fourth quarter as the West Texas Intermediate ('WTI') oil price fell to levels last seen in 2017. Weaker economic data, particularly in the second half of 2018, along with rising interest rates and a flattening yield curve, weighed on investor

sentiment given the potential for weaker consumer credit growth. On the positive side, Information Technology sector stocks were a bright spot, delivering double-digit gains.

During the period, the Fund underperformed the S&P/TSX primarily as a result of security selection, although slightly offset by positive sector allocation. An underweight allocation to the Energy sector contributed to the Fund's relative performance as energy prices declined in the fourth quarter, weighing down gains experienced in the sector earlier in the year. Security selection within the Communication Services and Real Estate sectors was another contributor to performance, as higher-quality stocks outperformed within defensive sectors. Individual contributors to performance included underweight holdings in energy producers Suncor Energy Inc. and Encana Corp., which underperformed with declining crude oil prices. CGI Group Inc. also contributed to performance after several of its higher-valued, higher-growth peers declined during the market downturn.

Stock selection in the Consumer Staples and Consumer Discretionary sectors detracted from the Fund's relative performance, as companies facing higher input costs and negative sentiment were impacted by fears of slowing demand. Individual detractors from performance included Canadian Natural Resources Ltd. and no position to Barrick Gold Corp. Canadian Natural Resources Ltd. underperformed as crude oil prices declined, particularly in Canada, where export pipeline capacity has been severely constrained. Large gold producer, Barrick Gold Corp., rebounded strongly amid higher metal prices and after announcing the acquisition of Randgold Resources Ltd.

The portfolio manager added to the existing position in Canadian Pacific Railway Co., as higher volumes, along with an expanded crude-by-rail capacity and operational efficiencies may lead to better earnings. Fortis Inc. was also purchased for the Fund in order to increase exposure to the more defensive Utilities sector. The company is expected to have steady dividend growth and is focused on execution after integrating previous acquisitions. BMO Low Volatility Canadian Equity ETF was also added to the Fund to increase its defensive positioning, which should provide more protection in a declining equity market. An existing holding in Canadian Apartment Properties REIT was increased for its strong rental pricing growth as a result of high employment growth and a lack of new supply in markets such as Ontario.

Dollarama Inc. was eliminated from the Fund after consecutive quarters of slowing same-store sales growth. A position in Magna International Inc. was trimmed during the period. While its valuation remains attractive, concerns over the end of the economic cycle and reduced auto demand have resulted in negative sentiment about the company and its auto part peers. The Bank of Nova Scotia was also reduced as a result of the company's exposure to challenging emerging markets in Latin America and large acquisitions that may become a challenge if the economy slows.

Recent Developments

While economic fundamentals have remained strong, they have not been sufficient to counter negative investor sentiment and concerns over trade disputes and the economic cycle. This has led the portfolio manager to take a more defensive positioning within the Fund, even as valuations remain attractive for a number of cyclical holdings.

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 general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

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

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

Related Party Transactions

BMO Asset Management Inc. (BMO AM), the Fund's Portfolio Manager, is an affiliate of the BMO Financial Group. From time to time, BMO AM may on behalf of the Fund enter into transactions or arrangements with, or involving, other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio Manager of the Fund.

Buying and Selling Securities

Bank of Montreal Common Shares

Bank of Montreal (BMO) is an affiliate of the Fund's Portfolio Manager BMO AM. The maximum amount of BMO common shares held during the period in the Fund was approximately 3.2% and at the end of the period was approximately 3.0%.

Brokerage Fees

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

	<u>2018</u> (Dec 31)	<u>2017</u> (Dec 31)
Total Brokerage Fees	\$23,749	\$37,253
Brokerage Fees Paid to BMO Capital Markets	\$5,298	\$10,819

In 2018 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 the six-month period and for the past five years.

Educators Growth Fund – Class A Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31				
	2018	2017	2016	2015	2014
Net Assets, beginning of period	\$23.97	\$23.71	\$20.79	\$21.58	\$20.70
Increase (decrease) from operations:					
Total revenue	\$0.55	\$0.56	\$0.50	\$0.52	\$0.49
Total expenses, including transaction costs [excluding distributions]	\$(0.46)	\$(0.47)	\$(0.44)	\$(0.44)	\$(0.45)
Realized gains (losses) for the period	\$1.03	\$2.28	\$0.71	\$0.89	\$1.50
Unrealized gains (losses) for the period	\$(3.80)	\$(0.37)	\$2.21	\$(1.44)	\$0.15
Total increase (decrease) from operations ⁽²⁾	\$(2.68)	\$2.00	\$2.98	\$(0.47)	\$1.69

Distributions:

From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$--	\$--	\$--	\$--	\$--
From capital gains	\$1.00	\$1.69	\$0.07	\$0.31	\$0.83
Return of capital	\$--	\$--	\$--	\$--	\$--
Total Annual Distributions ⁽³⁾	\$1.00	\$1.69	\$0.07	\$0.31	\$0.83
Net Assets, end of period	\$20.22	\$23.97	\$23.71	\$20.79	\$21.58

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2018	2017	2016	2015	2014
Total Net Asset Value (000's) ⁽⁴⁾	\$78,907	\$95,447	\$87,830	\$79,447	\$82,523
Number of units outstanding ⁽⁴⁾	3,901,914	3,981,738	3,704,213	3,821,905	3,823,911
Management expense ratio ⁽⁵⁾	1.93%	1.93%	1.93%	1.93%	1.93%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.98%	1.98%	1.98%	1.98%	1.98%
Trading expense ratio ⁽⁷⁾	0.03%	0.04%	0.05%	0.06%	0.07%
Portfolio turnover rate ⁽⁸⁾	44.76%	65.54%	27.81%	40.63%	36.95%
Net Asset Value per unit	\$20.22	\$23.97	\$23.71	\$20.79	\$21.58

Educators Growth Fund – Class I Series – Net Assets per Unit ⁽¹⁾

	Year ended December 31
	2018
Net Assets, beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	\$0.24
Total expenses, including transaction costs [excluding distributions]	\$0.00
Realized gains (losses) for the period	\$0.31
Unrealized gains (losses) for the period	(\$2.21)
Total increase (decrease) from operations ⁽²⁾	(\$1.66)
Distributions:	
From net investment income (excluding dividends)	\$--
From dividends	\$--
From capital gains	\$0.53
Return of capital	\$--
Total Annual Distributions ⁽³⁾	\$0.53
Net Assets, end of period	\$8.50

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31
	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$5,598
Number of units outstanding ⁽⁴⁾	658,596
Management expense ratio ⁽⁵⁾	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%
Trading expense ratio ⁽⁷⁾	0.03%
Portfolio turnover rate ⁽⁸⁾	44.76%
Net Asset Value per unit	\$8.50

- (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 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.
- (4) This information is provided as at December 31 of the year shown.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rates in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

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

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

Series, except that there is no management fee payable by the Fund in respect of the Class I units.

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

Approximately 12.0% of the total management fees collected from all series were used to pay for portfolio management services, with the remainder of the fees being allocated to custodial services, marketing, technology and Manager-Trustee operating expenses.

PAST PERFORMANCE

General

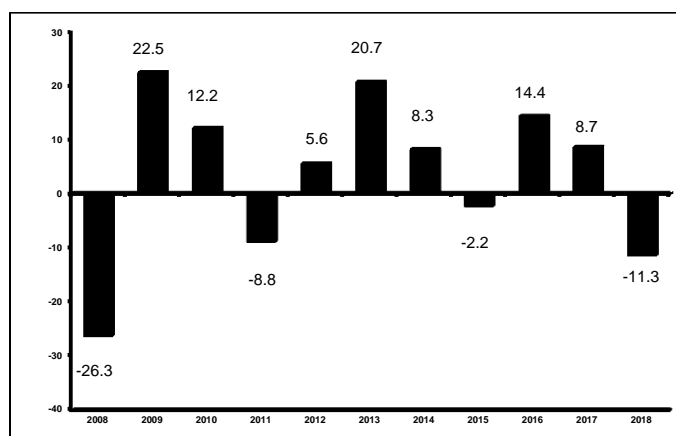
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance of different fund series may vary for a number of reasons, including differences in management fees and expenses. Please remember that how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

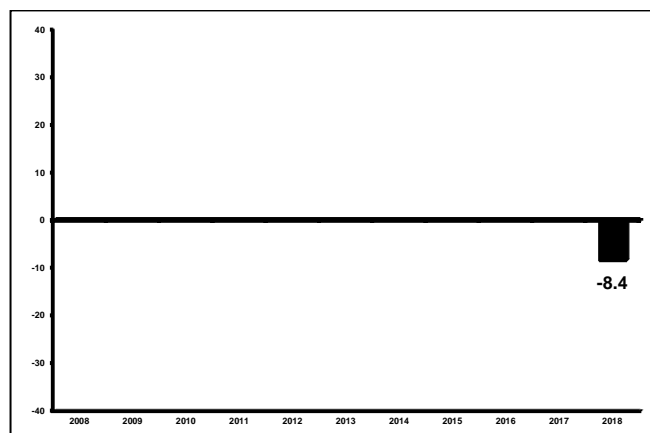
Year-by-Year Returns

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

Annual Returns – Class A Series



Annual Returns – Class I Series ⁽¹⁾



⁽¹⁾ The Class I Series commenced operations January 4, 2018

Annual Compound Returns

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

Class A Series

	1 Year	3 Year	5 Year	10 Year
Educators Growth Fund	-11.34%	3.29%	3.13%	6.43%
<i>S&P/TSX Composite Total Return Index</i>	-8.89%	6.37%	4.06%	7.92%

Class I Series ⁽¹⁾

	Since Inception
Educators Growth Fund	-8.39%
<i>S&P/TSX Composite Total Return Index</i>	-7.60%

⁽¹⁾ The Class I Series commenced operation January 4, 2018

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

SUMMARY OF INVESTMENT PORTFOLIO (Based on Net Asset Value)

As at December 31, 2018

Sector Mix	Percentage of Net Asset Value
Financials	29.12%
Energy	13.89%
Materials	13.66%
Industrials	11.27%
Exchange-Traded Fund	6.69%
Communication Services	5.95%
Information Technology	5.20%
Utilities	3.99%
Consumer Discretionary	2.94%
Consumer Staples	2.52%
Real Estate	2.76%
Short-term Investments	1.64%
Health Care	0.34%
Net Other Assets	0.03%

The top 25 holdings represent approximately 78.97% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2018 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	8.91%
Toronto-Dominion Bank	8.17%
Manulife Financial Corp.	4.16%
BMO S&P 500 Index ETF	4.01%
Canadian Pacific Railway Ltd.	3.93%
TransCanada Corp.	3.58%
CGI Group Inc., Class A	3.55%
Canadian Natural Resources Ltd.	3.27%
Rogers Communications Inc.	3.16%
Franco-Nevada Corp.	3.07%
Bank of Montreal	3.02%
Teck Resources Ltd.	3.00%
Air Canada	2.86%
Canadian Apartment Properties REIT	2.76%
Canadian National Railway Co.	2.43%
Methanex Corp.	2.31%
Onex Corp.	2.14%
BMO Low Volatility Canadian Equity ETF	2.07%
Cenovus Energy Inc.	2.05%
Magna International Inc.	1.99%
Quebecor Inc.	1.81%
Brookfield Infrastructure Partners LP	1.75%
Fortis Inc.	1.69%
Constellation Software Inc.	1.65%
Pretium Resources Inc.	1.63%
Total Net Assets (000's)	\$84,505

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