2019

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2019

Offered by Educators Financial Group
Portfolio Manager: Beutel, Goodman & Company Ltd., Toronto, Ontario

Educators Balanced 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 Balanced Fund (the "Fund") is to provide a less volatile and more stable growth of assets by investing in a balanced asset mix of short-term fixed income securities, common and preferred shares, index participation units such as Standard & Poor's Depositary Receipts, and bonds. The Fund invests primarily in securities of Canadian governments and corporations. The asset mix is varied depending on the outlook for the economy and financial markets. There is no pre-determined percentage mix of securities. 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, 2019.

Results of Operations

The Fund's net assets increased by 7.9% to $257.3 million at the end of December 2019, up from $238.4 million at the end of December 2018.

Investment Performance

For the year ending December 31, 2019 (the 'period'), the Educators Balanced Fund – Class A Series provided a return of 12.51%, versus a Benchmark return of 15.65%. The Benchmark comprises 40% FTSE TMX Canada Universe Bond Index, 35% S&P/TSX Composite Total Return Index, 12% S&P 500 Index (Canadian$) and 13% MSCI EAFE Total Return Index (Canadian$) (the "Benchmark"). Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

The Fund underperformed its benchmark on a net of fees basis for the one year period under review. The primary source of relative underperformance was stock selection in the Canadian equities sleeve that was largely offset by allocation effects *(namely a relative underweight allocation to fixed income and an overweight allocation to U.S. equities)*. Stock selection in the international equities sleeve also contributed positively to performance.

After a sharp correction late last year, global markets rebounded during the period. Equities saw one of the best months in 30 years in January and momentum continued through April amid rising oil prices; signs the U.S. economy and job market were continuing to expand solidly; and a perceived dovish U-turn in monetary policy by the U.S. Federal Reserve *(the Fed)*. However, the mood turned somewhat risk-off by May, amid some weakness in economic data and growing concern that a quick resolution to the U.S.-China trade war was unlikely.

By the third quarter, volatility had become a main theme. In addition to central bank easing, the laundry list of distractions included, but was not limited to—another escalation of trade tensions; growing fears of a hard Brexit; unrest in Hong Kong; concern about a potential recession in Europe; an attack on Saudi Arabian oil fields; and a whistleblower complaint that sparked an impeachment inquiry in the U.S. However, by the fourth quarter, the U.S. and China had shaken hands on a Phase I trade deal; the Fed had cut rates a third time; and Britons had given Boris Johnson a Conservative majority *(and along with it, a green light to finalize Brexit)*—calming much of the uncertainty in equity markets. As a result, the S&P/TSX Composite Index rose 22.88%, the S&P 500 (C$) Index was up 24.84%, the MSCI EAFE (C$) Index advanced 15.85%, and the FTSE Canada Universe Bond Index returned 6.87%.

Within the Canadian equity component, the largest contributors on an absolute-return basis were Brookfield Asset Management and Royal Bank of Canada *(RBC)*. Brookfield benefitted from positive earnings results, as well as the declining interest rate backdrop. The company continues to deploy capital effectively, as evidenced by the Oaktree Capital acquisition. Oaktree Capital is a credit management firm with an excellent reputation and strong investment track record. RBC rose along with the broader industry, as market concerns about housing exposure propagated by U.S. short-sellers receded from the headlines.

The largest detractors on an absolute-return basis were Cameco Corp. and SNC-Lavalin Group. Short-term price weakness in the uranium spot market *(as a result of uncertainty surrounding the Section 232 trade case in the U.S.)* resulted in negative sentiment in Cameco. However, the portfolio manager continues to see Cameco as undervalued and the uranium price as unsustainably low. SNC's stock price declined notably—and when the stock breached its downside target, the portfolio manager conducted a full review, which resulted in the position being fully sold *(although it was a relatively small weight in the portfolio)*.

Within the U.S. component, notable contributors to performance on an absolute-return basis included KLA Corp. *(formerly KLA-Tencor Corp.)* and Ameriprise Financial, Inc.

KLA saw a relatively steady rise in 2019, benefiting from a flattening of memory prices, which the market took as an indication of an inflection point in the cycle. The company also benefitted from a surprise increase in management's forward guidance.

Ameriprise strengthened in the period amid positive earnings reports; aggressive stock buybacks; a broad rebound in asset manager share prices; and the announced sale of its non-core property & casualty insurance business *(which the portfolio manager believes represents a step by the company to limit its exposure to capital-intensive business)*.

Halliburton Company was the sole detractor from performance on an absolute-return basis, due to weakness in oil prices and spending in the U.S. shale industry—which weighed heavily on Halliburton's revenues. Despite what the portfolio manager believed to be a significant upside, the share price went through its downside target price and the position was exited, as the portfolio manager remained concerned that the end-market situation in North American land drilling remained under pressure.

Within the international component, Tokyo Electron and Carlsberg A/S were among the top contributors on an absolute-return basis.

Despite an expected down cycle in the capital equipment market during the period, Tokyo Electron continued to gain share in its core areas of focus, while maintaining a leading position in the photoresist segment. The company is expanding margins, cash flows, and ROEs; has returned significant cash to shareholders; and in October, revised its fiscal 2020 financial guidance upward. Carlsberg advanced within the period on strong earnings and positive market sentiment.

Detractors for the period included Resona Holdings Inc., Henkel AG & Co KGaA, and GEA Group AG.

Resona's share price weakened considerably in the first half of the year on disappointing earnings results. It continued its downward trend amid weakness in the international Financials sector *(banks specifically)* due to unfavourable central bank policy trends.

German chemical and Consumer Goods Company Henkel saw share price volatility in the year, due in part to some disappointing earnings. GEA Group AG, on the other hand, detracted early in the year and breached its downside target, leading to a review and ultimately a full sale of the stock. Despite the sale, the portfolio manager continues to keep an eye on GEA Group AG—carefully monitoring the progress of its new management team and ongoing restructuring efforts.

In the fixed income component, duration detracted from performance within the period—as the portfolio was generally short-duration, versus the benchmark in a falling bond yield environment. The Fund's overweight position in the mid part of the yield curve also detracted, as the yield curve flattened during the period. Sector allocation contributed to this, as the portfolio was underweight in federal bonds and overweight in corporate bonds.

Adding value, however, was government security selection—largely due to overweight positions in the provinces of Ontario and Quebec. Corporate security selection, on the other hand, detracted from performance—as higher-quality credits underperformed higher-beta credits amid continued strength in credit market sentiment.

During the reporting period, the portfolio's asset mix was adjusted. While the portfolio manager maintains high conviction in equities due to the significant upside of *(our)* individual holdings, along with the strong downside protection the portfolios have provided over time—the portfolio manager felt it prudent to move to a slightly more balanced positioning. As such, the portfolio's allocation to bonds was increased and the allocation to equities was decreased. Within the equities sleeve, allocation to each of Canadian, U.S., and international equities was reduced by 50 to 100 basis points.

At the equity level, the portfolio manager initiated new positions in Gardner Denver Holdings Inc., Suncor Energy Inc., and Teck Resources Ltd—and added broadly to existing positions.

The portfolio manager also completed a number of process-driven sales for holdings that reached their respective target prices: Brookfield Asset Management; Canadian Pacific Railway; Franco-Nevada Corp.; Open Text; Eli Lilly and Co.; AutoZone Inc.; Ingersoll-Rand plc; Oracle Corp.; American Express; KLA Corp.; Merck & Co.; JPMorgan Chase & Co.; Carlsberg A/S; SMC Corp.; Tokyo Electron; GlaxoSmithKline plc; Gjensidige Forsikring ASA; and Air Liquide SA. Full sales of Gjensidige, GEA Group AG, Resona Holdings Inc., Eli Lilly, Halliburton, IGM Financial, and SNC-Lavalin were also conducted—as were trims of Smith & Nephew, Quebecor Inc., Tokyo Electron, Air Liquide, American Express, and KLA. In addition, the Fund's position in small-cap equities was eliminated early during the period, as the portfolio manager saw better risk-adjusted returns in both large-cap Canadian and U.S. equities.

Recent Developments

As they've reached their respective target prices, the portfolio manager has trimmed a number of positions over the past year. However, as noted in previous commentaries, finding new opportunities to replace those positions has become somewhat of a challenge. The portfolio manager believes this is due to the fact that stock values have been rising faster than fundamental earnings growth. This, in turn, has been leading to higher valuations and what the portfolio manager believes are stretched valuations in many swathes of the market. Because of this, there are now far fewer 'great companies' trading at deep discounts.

With that said, the portfolio does not *own the market*—it owns a basket of what the portfolio manager views as high-quality companies that generate: sustainable, free cash flows; have business models that allow for high returns; have strong balance sheets and capital allocation policies that strike the right balance between corporate needs and shareholder returns; and trade at a discount.

Despite the more challenging operating environment, the portfolio manager has not wavered from its disciplined and patient approach to investment management. Forced decisions are marginal decisions, usually followed by profound regret. As the market becomes more expensive, the portfolio manager believes owning more of its gems *(I.e. increasing concentration)*, is a far better approach than simply forcing a decision on a stock that might only be 'good enough'.

Moving into 2020, the equity portfolio is still trading at a discount *(compared to what the portfolio manager feels is its true value)*. As a result, while the market appears to be more expensive than in previous years, the portfolio manager doesn't believe their outlook for growth and profitability *(of the businesses it owns)* is stretched. In fact, they remain quite positive that the holdings will continue to outperform in the years ahead.

On the bond side, central bank easing has reduced the risk of any near-term recession. This has prompted the portfolio manager's shift to a slightly shorter duration versus the benchmark. The curve position remains bulleted, although this is being reviewed. The portfolio remains slightly overweight in credit, albeit with lower beta and more liquid corporate securities, as the portfolio manager is cognizant that there could be a bubble building. As the portfolio manager believes the Canadian dollar could strengthen over the next several months, the Fund remains long in Canada. From a provincial perspective, the Fund has overweight positions in the provinces of Ontario and Quebec and to a lesser extent, Alberta. The Fund remains fractionally underweight in British Columbia.

The spread of the Corona Virus (COVID-19), and the monetary response by Central Banks, is being carefully monitored by the portfolio manager. They will consider if changes are warranted to their investment strategies.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, risks, 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 forward-looking 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, unless required by applicable law.

Related Party Transactions

Pursuant to the Fund's investment strategies included in the Fund's Simplified Prospectus, the Fund may invest in other mutual funds, and for the period has invested in Beutel Goodman American Equity Fund, Class I; Beutel Goodman International Equity Fund, Class I; and Beutel Goodman Small Cap Fund, Class I, all of which are funds managed by the Fund's portfolio manager.

In 2019 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 past five years. Currently Class I units of the Fund are not being offered to purchase.

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

	Year ended December 31				
	2019	**2018**	**2017**	**2016**	**2015**
Net Assets, beginning of year	$18.18	$19.62	$18.11	$17.11	$17.16
Increase (decrease) from operations:					
Total revenue	$0.53	$0.52	$0.47	$0.53	$0.51
Total expenses, including transaction costs [excluding distributions]	($0.37)	($0.37)	$(0.36)	$(0.34)	$(0.34)
Realized gains (losses) for the period	$0.58	$0.64	$0.36	$0.55	$0.31
Unrealized gains (losses) for the period	($1.54)	($1.62)	$1.18	$0.80	$(0.22)
Total increase (decrease) from operations (2)	$2.28	($0.83)	$1.65	$1.54	$0.26
Distributions:					
From net investment income (excluding dividends)	$--	$--	$--	$--	$--
From dividends	$0.17	$0.14	$0.07	$0.19	$0.15
From capital gains	$0.20	$0.46	$0.08	$0.34	$0.18
Return of capital	$--	$--	$--	$--	$--
Total Annual Distributions (3)	$0.37	$0.60	$0.15	$0.53	$0.33
Net Assets, end of year	$20.09	$18.18	$19.62	$18.11	$17.11

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31				
	2019	2018	2017	2016	2015
Total Net Asset Value (000's) (4)	$257,306	$238,381	$245,879	$202,168	$180,771
Number of units outstanding (4)	12,805,897	13,109,688	12,529,872	11,162,886	10,565,315
Management expense ratio (5)	1.87%	1.87%	1.91%	1.93%	1.93%
Management expense ratio before waivers or absorptions (6)	1.87%	1.87%	1.95%	1.98%	1.98%
Trading expense ratio (7)	0.01%	0.01%	0.01%	0.01%	0.01%
Portfolio turnover rate (8)	56.44%	65.59%	71.81%	82.03%	104.56%
Net Asset Value per unit	$20.09	$18.18	$19.62	$18.11	$17.11

(1) This information is derived from the Fund's audited annual financial statements. For financial years 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").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 rate 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 1.65% for the Class A Series. The Class I Series is identical in all respects 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 12.1% of the total management fees collected 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

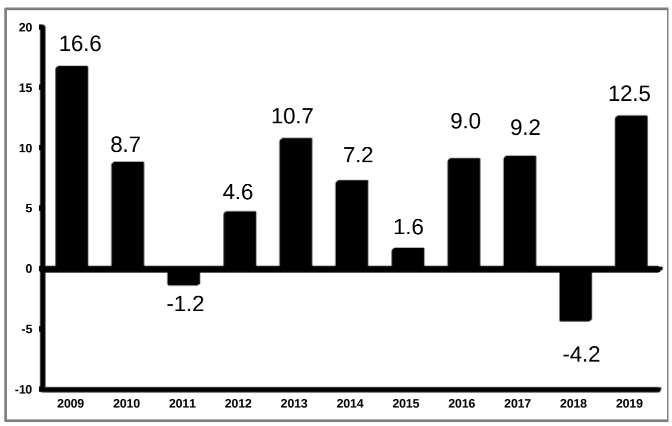
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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 annual performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Annual Returns – Class A Series



Annual Returns – Class I Series

Currently Class I units of the Fund are not being offered to purchase.

Annual Compound Returns

The following table compares the historical annual compound returns of the Fund with the performance of the blended Benchmark index comprised as follows: 40% FTSE TMX Canada Universe Bond Index, which is a broad measure of the total return of Canadian bonds that mature in more than one year, 35% 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, 12% S&P500 Index (Canadian$), a stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange, and 13% MSCI EAFE Total Return Index (Canadian$) a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The index is market-capitalization weighted.

Class A Series

	1 Year	3 Year	5 Year	10 Year
Educators Balanced Fund	12.51%	5.58%	5.44%	5.67%
40% FTSE TMX Canada Universe Bond Index, 35% S&P/TSX Index, 12% S&P500 Index (C$), 13% MSCI EAFE Total Return Index (C$)	15.65%	6.63%	6.27%	6.93%

Class I Series

Currently Class I units of the Fund are not being offered to purchase.

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

SUMMARY OF INVESTMENT PORTFOLIO
(Based on Net Asset Value)
As at December 31, 2019

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	36.87%
Government Bonds	16.09%
Corporate Bonds	14.73%
Financials	12.63%
Communication Services	3.53%
Energy	3.50%
Consumer Staples	3.26%
Consumer Discretionary	2.55%
Industrials	2.35%
Materials	2.14%
Short-Term Investments	1.14%
Information Technology	0.69%
Asset-Backed Securities	0.41%
Cash and Cash Equivalents	0.03%
Net Other Assets	0.08%

Top 25 Holdings

Security Name	Percentage of Net Asset Value
Beutel Goodman International Equity Fund, Class I	18.74%
Beutel Goodman American Equity Fund, Class I	18.13%
Royal Bank of Canada	2.84%
Toronto-Dominion Bank	2.60%
Province of Ontario, 2.40%, June 2, 2026	2.30%
Rogers Communications Inc.	2.26%
Canadian Government Bond, 2.75%, December 1, 2048	1.98%
Metro Inc.	1.70%
Canadian Natural Resources Ltd.	1.63%
Magna International Inc.	1.55%
Sun Life Financial Inc.	1.35%
Bank of Nova Scotia	1.34%
Nutrien Ltd.	1.32%
Brookfield Asset Management Inc.	1.32%
Canadian Government Bond, 2.25%, June 1, 2029	1.24%
Province of Ontario, 2.70%, June 2, 2029	1.13%
Province of Quebec, 2.30%, September 1, 2029	1.12%
Bank of Montreal	1.04%
Canadian Tire Corp Ltd.	1.00%
Canadian National Railway Co.	0.95%
Canadian Imperial Bank of Commerce, 2.04%, March 21, 2022	0.95%
Province of Ontario, 2.60%, June 2, 2025	0.90%
Royal Bank of Canada, 2.61%, November 1, 2024	0.90%
Canadian Treasury Bill, 1.65%, March 19, 2020	0.87%
Suncor Energy Inc.	0.87%
Total Net Assets (000's)	**$257,306**

The top 25 holdings represent approximately 70.03% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2019 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly. Information about the holdings of the Beutel Goodman Funds owned by the Fund is contained in their simplified prospectus, annual information form and fund facts documents available on SEDAR at www.sedar.com.

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