

2019

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2019

Offered by Educators Financial Group
Portfolio Manager: HSBC Global Asset Management (Canada) Limited, Toronto, Ontario

Educators Monitored Growth Portfolio



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 Monitored Growth Portfolio (the "Fund") is to provide potential for long-term capital growth with low to moderate income. It does this by maintaining a balance of investments across several asset classes. The Fund invests primarily in mutual funds that invest in securities of Canadian and foreign governments and corporations. The asset mix is varied depending on the outlook for the economy and financial markets. 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. Since inception of the Fund no changes affecting the overall level of risk of investing in the Fund were made to the Fund as at December 31, 2019.

Results of Operations

The Fund's net assets increased by 130.6% to \$11.3 million at the end of December 2019, up from \$4.9 million at the end of December 2018.

Investment Performance

For the period ending December 31, 2019 (the 'period'), the Educators Monitored Growth Portfolio – Class A Series provided a return of 14.41%, versus a Benchmark return of 17.64%. The benchmark is a weighted composite consisting of 20.0% MSCI EAFE Index C\$ (net of withholding taxes), 25.0% S&P 500 Index C\$ (net of withholding taxes), 30.0% S&P/TSX Composite Index, 22.5% FTSE TMX Canada Universe Bond Index, and 2.5% FTSE TMX Canada Short Term Bond Index (the "Benchmark"). Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in index returns.

2019 saw strong gains across equity, fixed income, and commodity markets—topped off with a generally calm fourth quarter. Accommodative monetary policy, stabilizing economic data, and a tentative easing in geopolitical tensions were key contributors to elevated market returns. Reasonable valuations and strong demand for yield also benefitted corporate assets, just as government bond prices rose (*yields fell*) in anticipation of easier central bank policy.

From a Canadian investor perspective, the domestic stock market returned 22.9% in 2019. This performance outdid the 20.2% Canadian dollar return from global equities—as measured by the MSCI All

Countries World (*net*) Index. Meanwhile, the domestic bond market lagged stock market performance but returned a solid 6.9% in 2019.

Focusing on 2019 performance drivers, the portfolio delivered a strong return, but underperformed its benchmark for the year and in the fourth quarter, after fees. Allocations to global high-yield bonds and emerging market debt, as well as stock selection in Canadian small cap equities, were positive contributors to performance. Tactical asset allocation detracted from performance slightly, owing to a higher than benchmark allocation to shorter maturity mortgages, as well as a lower allocation to Canadian stocks during the initial weeks of 2019. The former detracted from performance, as investors rushed towards longer maturity fixed income assets during the first nine months of the year—when economic worries took hold. Finally, overall stock selection across a number of categories had a negative impact.

Recent Developments

While investors saw volatility throughout 2019, global markets finally managed to close out on a high note. Canadian and U.S. equity markets reached new peaks; crude oil prices rose above USD60/bbl, and credit spreads continued to narrow.

The portfolio manager is entering 2020 with an ongoing *slight* bias towards stocks, with a focus towards domestic and U.S. equities. Within fixed income, the portfolio manager also holds a higher than benchmark allocation to mortgages, which is funded from a lower allocation to core domestic bonds.

Looking forward, the portfolio manager continues to see a low probability of recession in North America in 2020. Solid employment growth, low interest rates, and growing corporate profits should lend continuing support to economic activity. This may offer a reasonable backdrop for financial markets, although the portfolio manager has modestly tempered their long-term return expectations in light of the strong 2019 performance.

With respect to central bank policy, the U.S. Federal Reserve (*the Fed*) completed three rate cuts in 2019 as part of a mid-cycle adjustment. The Fed has further signaled its intention to refrain from further changes, unless its outlook changes materially. Given policymakers' ongoing concern about declining inflation expectations and inadvertently cutting short the current expansion, the portfolio manager expects officials to keep their word and stay accommodative. Meanwhile, the Bank of Canada remains cautious about encouraging further expansion in household debt. This has contributed to

policymakers' decision to hold firm against cutting interest rates, despite outlook risks from trade tensions and slow business investment.

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 HSBC International Equity Pooled Fund; HSBC Emerging Markets Debt Fund, Institutional Series; HSBC Emerging Markets Pooled Fund; HSBC Global High Yield Bond Pooled Fund; HSBC Small Cap Growth Fund, Institutional Series; HSBC Global Inflation Linked Bond Pooled Fund; and HSBC Mortgage Fund, Institutional Series 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 since inception. Currently Class I units of the Fund are not being offered to purchase.

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

	Year ended December 31	
	2019	2018
Net Assets, beginning of year	\$9.10	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.28	\$0.26
Total expenses, including transaction costs [excluding distributions]	(\$0.20)	(\$0.19)
Realized gains (losses) for the period	\$0.10	\$0.42
Unrealized gains (losses) for the period	\$1.02	(\$1.39)
Total increase (decrease) from operations ⁽²⁾	\$1.20	(\$0.90)
Distributions:		
From net investment income (excluding dividends)	\$0.04	\$0.04
From dividends	\$0.05	\$--
From capital gains	\$0.08	\$0.24
Return of capital	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.17	\$0.28
Net Assets, end of year	\$10.24	\$9.10

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31	
	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$10,452	\$4,260
Number of units outstanding ⁽⁴⁾	1,020,525	468,052
Management expense ratio ⁽⁵⁾	1.98%	1.99%
Management expense ratio before waivers or absorptions ⁽⁶⁾	1.98%	1.99%
Trading expense ratio ⁽⁷⁾	--	--
Portfolio turnover rate ⁽⁸⁾	15.13%	7.46%
Net Asset Value per unit	\$10.24	\$9.10

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

	Year ended December 31	
	2019	2018
Net Assets, beginning of year	\$9.19	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.26	\$0.18
Total expenses, including transaction costs [excluding distributions]	\$--	\$0.00
Realized gains (losses) for the period	\$0.09	\$0.27
Unrealized gains (losses) for the period	\$1.17	(\$0.93)
Total increase (decrease) from operations ⁽²⁾	\$1.52	(\$0.48)
Distributions:		
From net investment income (excluding dividends)	\$0.10	\$0.12
From dividends	\$0.14	\$0.00
From capital gains	\$0.09	\$0.25
Return of capital	\$--	\$--
Total Annual Distributions ⁽³⁾	\$0.33	\$0.37
Net Assets, end of year	\$10.39	\$9.19

Ratios and Supplemental Data (based on Net Asset Value)

	Year ended December 31	
	2019	2018
Total Net Asset Value (000's) ⁽⁴⁾	\$801	\$596
Number of units outstanding ⁽⁴⁾	77,062	64,535
Management expense ratio ⁽⁵⁾	0.01%	0.01%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.01%	0.01%
Trading expense ratio ⁽⁷⁾	--	--
Portfolio turnover rate ⁽⁸⁾	15.13%	7.46%
Net Asset Value per unit	\$10.39	\$9.19

- ⁽¹⁾ This information is derived from the Fund's audited annual financial statements. For 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"). 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 1.75% 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 15.2% 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

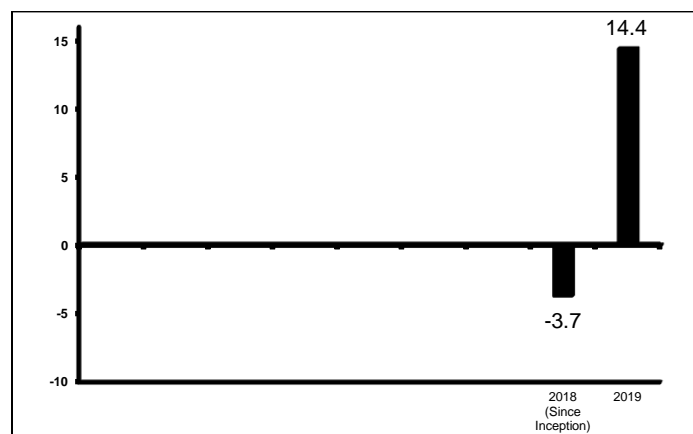
The Fund's performance information shown assumes that all distributions made by the Fund in the period(s) shown were reinvested in additional units of the Fund.

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.

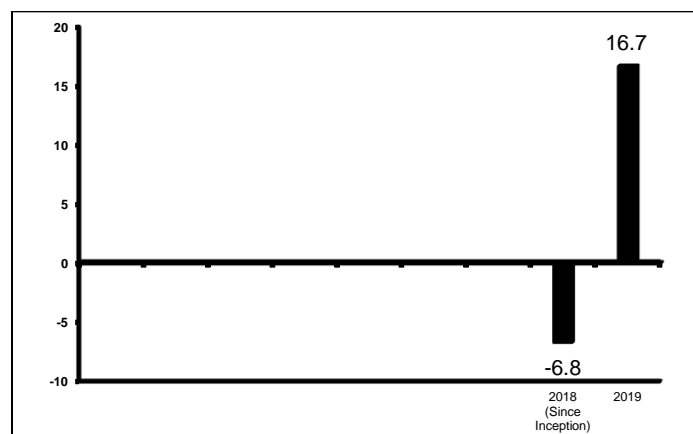
Year-by-Year Returns

The bar chart shows the Fund's annual performance since inception 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 ⁽¹⁾



Annual Returns – Class I Series ⁽¹⁾



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

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: 20.0% MSCI EAFE Index C\$ (net of withholding taxes), a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada, 25.0% S&P 500 Index C\$ (net of withholding taxes), a stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange, 30.0% S&P/TSX Composite 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, 22.5% 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 and 2.5% FTSE Canada Short Term Bond Index, a market capitalization-weighted index consisting of a broadly diversified range of investment grade federal, provincial, municipal and corporate bonds with a term to maturity between one and five years.

Class A Series

1 Year	
Educators Monitored Growth Portfolio	14.41%
20.0% MSCI EAFE Index C\$ (net of withholding taxes), 25.0% S&P 500 Index C\$ (net of withholding taxes), 30.0% S&P/TSX Composite Index, 22.5% FTSE TMX Canada Universe Bond Index, 2.5% FTSE Canada Short Term Bond Index	
	17.64%

Class I Series ⁽¹⁾

1 Year	
Educators Monitored Growth Portfolio	16.69%
20.0% MSCI EAFE Index C\$ (net of withholding taxes), 25.0% S&P 500 Index C\$ (net of withholding taxes), 30.0% S&P/TSX Composite Index, 22.5% FTSE TMX Canada Universe Bond Index, 2.5% FTSE Canada Short Term Bond Index	
	17.64%

⁽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, 2019

Sector Mix	Percentage of Net Asset Value
Canadian Mutual Funds	98.84%
Net Other Assets	1.02%
Cash and Cash Equivalents	0.14%

Top Holdings

Security Name	Percentage of Net Asset Value
Educators Growth Fund, Class I	27.37%
Educators U.S. Equity Fund, Class I	25.25%
HSBC International Equity Pooled Fund	14.96%
Educators Bond Fund, Class I	9.74%
HSBC Emerging Markets Debt Fund, Institutional Series	5.07%
HSBC Emerging Markets Pooled Fund	5.05%
HSBC Global High Yield Bond Pooled Fund	4.80%
HSBC Mortgage Fund, Institutional Series	3.78%
HSBC Small Cap Growth Fund, Institutional Series	2.49%
HSBC Global Inflation Linked Bond Pooled Fund	0.650.33%

Total Net Assets (000's) **\$11,253**

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 HSBC 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.

EDUCATORS FINANCIAL GROUP

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

Telephone: 416.752.6843
1.800.263.9541

Fax: 416.752.6649
1.888.662.2209

E-Mail: info@educatorsfinancialgroup.ca

Web: www.educatorsfinancialgroup.ca

