

# 2022

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

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

### Educators Dividend Fund





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This annual management report of fund performance contains financial highlights but does not contain the 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](http://www.educatorsfinancialgroup.ca) or SEDAR at [www.sedar.com](http://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.

### **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, including any potential continued impact of the COVID-19 pandemic on the Fund and/or its operations.

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.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objectives and Strategies

The investment objective of the Educators Dividend Fund (*the "Fund"*) is to provide investors with a stable and growing stream of after-tax income with long-term capital growth by investing primarily in dividend producing preferred and common shares of Canadian corporations, aiming to take advantage of the favorable tax treatment generally available to individual Canadians who receive dividend income from Canadian corporations. To achieve lower volatility through diversification, the Fund also invests in debt securities. Non-Canadian securities are generally limited to no more than 25% of the Fund's net 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, 2022.

### Results of Operations

The Fund's net assets decreased by 9.3% to \$185.1 million at the end of December 2022, down from \$204.2 million at the end of December 2021.

### Investment Performance

For the year/period ending December 31, 2022 (*the "period"*), the Educators Dividend Fund – Class A Series provided a negative return of 10.05% versus the S&P/TSX 60 Index (*the "Benchmark"*) return of negative 6.24%.

The Fund underperformed its Benchmark over the period. Unlike the Benchmark, the Fund's return is net of fees and expenses paid by the Fund. Detailed performance is provided under the heading "Past Performance" in this report. Investors cannot invest in the Benchmark without incurring fees, expenses and commissions which are not reflected in Benchmark returns.

Soaring inflation prompted aggressive monetary tightening by the Bank of Canada (*BoC*) to tame inflation. The policies were reflected in lower equity valuations. Recession concerns also dominated the Period, as investors evaluated the impact of tighter central bank policies. With interest rates sharply rising, investors questioned the attractiveness of Canadian dividends. As a result, Canadian dividend-paying equities, as measured by S&P/TSX Composite Dividend Index, declined 0.1%, but outperformed the broader S&P/TSX Composite Index. The Health Care sector delivered the weakest return, partly due to concerns over regulatory uncertainty for cannabis companies in the U.S. Conversely, Energy was the strongest-performing sector, benefiting from higher oil prices and still relatively strong demand.

The Fund's overweight exposure to the Industrials sector contributed to performance, as did its underweight positioning in the Consumer Discretionary sector. The Fund's stock selection within the Information Technology, Health Care, and Financials sectors also contributed. Individual contributors included Microsoft Corp., which benefited from continued strength in its Azure cloud computing business. The company's diversification and sustainable business model proved advantageous in an information technology market environment moving away from growth-at-all-cost businesses. Visa Inc. benefited from the inflationary environment, particularly as consumers transitioned their spending toward higher-margin cross-border experiences. Texas Instruments Inc. benefited from strong operating results and growing visibility on its multi-year growth platform.

The Fund's sector allocation detracted from performance, largely owing to its overweight position in the Real Estate sector and underweight positions in the Energy and Materials sectors. The Fund's security selection in the Energy, Materials, and Communication Services sectors also detracted from performance. Individual detractors included TC Energy Corp., which underperformed due to a lacklustre investor day, additional capital cost overruns, and an unexpected equity rise. Algonquin Power & Utilities Corp. was negatively affected by lower earnings trends and the removal of long-term growth guidance. The Walt Disney Company's share price weakened following softer subscription trends within its Disney+ streaming service.

New positions included Fastenal Co., a large distributor of industrial tools and supplies in the U.S. The company's business model uses scale to integrate deeper into its customer's supply chain. TMX Group Ltd. offers defence attributes, durable dividend growth, and attractive valuation. Network effects and switching costs formed part of the company's distinct competitive advantage. TELUS Corp. is Canada's second-largest telecommunications company. Its wireless network-sharing agreement with BCE Inc., combined with its decade-long fibre optics investment program, should enhance its competitive advantages. Costco Wholesale Corp.'s unique retail business model offers competitive prices for customers and membership fees produce a high-margin business line.

Increased positions included Intact Financial Corp., Prologis Inc., Abbott Laboratories, Thomson Reuters Corp., and Brookfield Infrastructure Partners L.P. because of their attractive risk/return profiles. Decreased positions included Microsoft Corp., Visa Inc., and Air Products and Chemicals Inc.—and the proceeds were deployed into better opportunities.

Eliminated positions included Manulife Financial Corp., which was sold so that capital could be deployed into positions with more attractive risk/return profiles. Walt Disney Co. was sold as the company failed to reinstate its dividend. Rogers Communications

Inc. was sold as governance issues appeared to reduce the shareholder protection. LifeWorks Inc. was sold following a takeover offer.

### Recent Developments

2022 was difficult for Canadian equities, with investor sentiment weighed down by unforeseen macroeconomic, geopolitical, and energy crises. U.S. and Canadian central banks implemented their most aggressive interest-rate-tightening programs to curb extraordinary inflation levels. The approach, combined with an energy shock and the Russian invasion of Ukraine, led to broad-based selling of most financial asset classes.

Many of these issues remain unresolved and the full economic impact of the extreme financial tightening is still unclear. While recent inflation and commodity trends have been encouraging, the heightened uncertainty regarding inflation, interest rates, monetary policy, and earnings has dampened appetite for risk assets in the near term. Longer term, the portfolio manager believes the Bank of Canada will ultimately rein in inflation, providing a better backdrop for stocks.

Dividend and dividend growth strategies tend to stand out during challenging periods. The Fund's strategy remains anchored to investing in high-quality, sustainable businesses with safe and growing dividend streams. The portfolio manager focuses on businesses built to last with strong competitive advantages, attractive returns on capital, and smart capital allocation.

### Related Party Transactions

BMO Asset Management Inc. ("BMO AM"), the Fund's portfolio manager, is an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"). 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*

The maximum amount of BMO common shares held in the Fund during the period was approximately 3.76% and at the end of the period was approximately 3.38%.

#### *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>2022</u> (Dec 31)	<u>2021</u> (Dec 31)
<i>Total Brokerage Fees</i>	\$21,207	\$15,596
<i>Brokerage Fees Paid to BMO Capital Markets</i>	\$0	\$4,104

In 2022 Educators Financial Group did not refer any conflict of interest matters to the Fund's Independent Review Committee (*the "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.



## EDUCATORS DIVIDEND 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 by retail investors.

**Educators Dividend Fund – Class A Series – Net Assets per Unit<sup>(1)</sup>**

	Year ended December 31				
	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$40.35	\$32.77	\$32.70	\$26.38	\$28.74
<b>Increase (decrease) from operations:</b>					
Total revenue	\$1.01	\$0.98	\$0.94	\$0.85	\$0.79
Total expenses, including transaction costs [excluding distributions]	(\$0.71)	(\$0.69)	(\$0.57)	(\$0.57)	(\$0.51)
Realized gains (losses) for the period	\$0.09	\$0.69	(\$0.20)	\$0.89	\$0.44
Unrealized gains (losses) for the period	(\$4.43)	\$6.71	(\$0.06)	\$5.35	(\$2.95)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(\$4.04)</b>	<b>\$7.69</b>	<b>\$0.11</b>	<b>\$6.52</b>	<b>(\$2.23)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.16	\$0.12	\$0.28	\$0.17	\$0.14
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>\$0.16</b>	<b>\$0.12</b>	<b>\$0.28</b>	<b>\$0.17</b>	<b>\$0.14</b>
<b>Net Assets, end of year/period</b>	<b>\$36.14</b>	<b>\$40.35</b>	<b>\$32.77</b>	<b>\$32.70</b>	<b>\$26.38</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Year ended December 31				
	2022	2021	2020	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$163,962	\$183,480	\$146,103	\$151,109	\$125,811
Number of units outstanding <sup>(4)</sup>	4,537,010	4,547,148	4,458,520	4,621,623	4,770,089
Management expense ratio <sup>(5)</sup>	1.81%	1.81%	1.81%	1.80%	1.73%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.81%	1.81%	1.81%	1.81%	1.81%
Trading expense ratio <sup>(7)</sup>	0.01%	0.01%	0.02%	0.02%	0.02%
Portfolio turnover rate <sup>(8)</sup>	7.30%	4.11%	9.41%	9.99%	14.49%
Net Asset Value per unit	\$36.14	\$40.35	\$32.77	\$32.70	\$26.38



## EDUCATORS DIVIDEND FUND

**Educators Dividend Fund – Class I Series – Net Assets per Unit<sup>(1)</sup>**

	Year ended December 31				
	2022	2021	2020	2019	2018
Net Assets, beginning of year/period	\$14.15	\$11.44	\$11.42	\$9.20	\$10.00
<b>Increase (decrease) from operations:</b>					
Total revenue	\$0.36	\$0.34	\$0.33	\$0.30	\$0.28
Total expenses, including transaction costs [excluding distributions]	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Realized gains (losses) for the period	\$0.03	\$0.23	(\$0.09)	\$0.41	\$0.11
Unrealized gains (losses) for the period	(\$1.56)	\$2.36	\$0.40	\$1.44	(\$1.41)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(\$1.18)</b>	<b>\$2.92</b>	<b>\$0.63</b>	<b>\$2.14</b>	<b>(\$1.03)</b>

**Distributions:**

From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.30	\$0.22	\$0.30	\$0.25	\$0.20
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>\$0.30</b>	<b>\$0.22</b>	<b>\$0.30</b>	<b>\$0.25</b>	<b>\$0.20</b>
<b>Net Assets, end of year/period</b>	<b>\$12.66</b>	<b>\$14.15</b>	<b>\$11.44</b>	<b>\$11.42</b>	<b>\$9.20</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Year ended December 31				
	2022	2021	2020	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$11,481	\$13,244	\$8,326	\$6,069	\$2,022
Number of units outstanding <sup>(4)</sup>	906,899	935,810	727,804	531,550	219,663
Management expense ratio <sup>(5)</sup>	0.01%	0.01%	0.01%	0.01%	0.01%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.01%	0.01%	0.01%	0.01%	0.01%
Trading expense ratio <sup>(7)</sup>	0.01%	0.01%	0.02%	0.02%	0.02%
Portfolio turnover rate <sup>(8)</sup>	7.30%	4.11%	9.41%	9.99%	14.49%
Net Asset Value per unit	\$12.66	\$14.15	\$11.44	\$11.42	\$9.20



## EDUCATORS DIVIDEND FUND

**Educators Dividend Fund – Class F Series – Net Assets per Unit<sup>(1)</sup>**

	Year ended December 31	
	2022	2021
Net Assets, beginning of year/period	\$10.75	\$10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	\$0.27	\$0.13
Total expenses, including transaction costs [excluding distributions]	(\$0.09)	(\$0.04)
Realized gains (losses) for the period	\$0.01	(\$0.01)
Unrealized gains (losses) for the period	(\$1.21)	\$0.88
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(\$1.02)</b>	<b>\$0.96</b>

**Distributions:**

From net investment income (excluding dividends)	\$--	\$--
From dividends	\$0.15	\$0.05
From capital gains	\$--	\$--
Return of capital	\$--	\$--
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>\$0.15</b>	<b>\$0.05</b>
<b>Net Assets, end of year/period</b>	<b>\$9.62</b>	<b>\$10.75</b>

**Ratios and Supplemental Data (based on Net Asset Value)**

	Year ended December 31	
	2022	2021
Total Net Asset Value (000's) <sup>(4)</sup>	\$9,683	\$7,495
Number of units outstanding <sup>(4)</sup>	1,006,959	696,955
Management expense ratio <sup>(5)</sup>	0.80%	0.79%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.80%	0.79%
Trading expense ratio <sup>(7)</sup>	0.01%	0.01%
Portfolio turnover rate <sup>(8)</sup>	7.30%	4.11%
<b>Net Asset Value per unit</b>	<b>\$9.62</b>	<b>\$10.75</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund.

<sup>(4)</sup> This information is provided as at December 31 of the year shown.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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 1.60% for the Class A Series and 0.70% for the Class F Series. The Class I Series is identical in all respect 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 13.7% 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

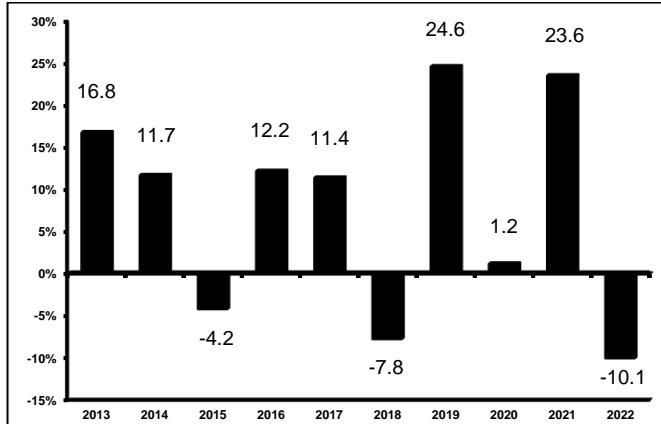
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

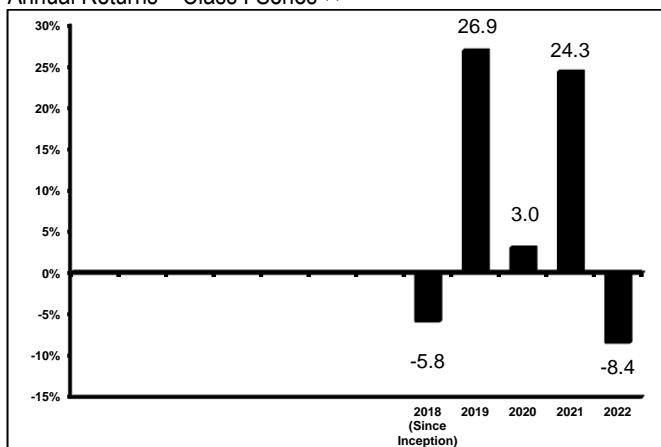
#### Year-by-Year Returns

The bar chart shows the Fund's 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 period would have grown or decreased by the last day of each financial period.

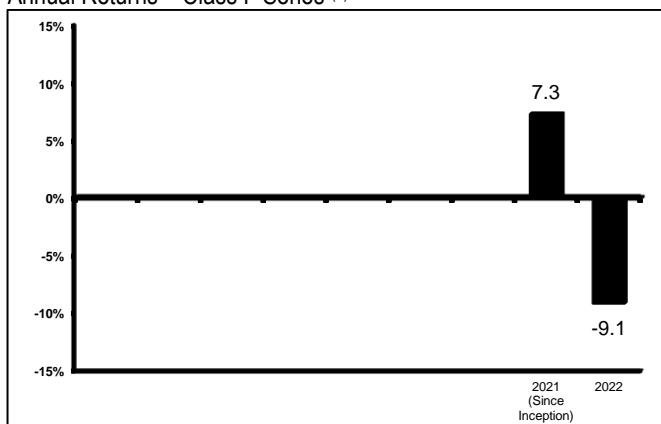
**Annual Returns – Class A Series**



**Annual Returns – Class I Series <sup>(1)</sup>**



**Annual Returns – Class F Series <sup>(2)</sup>**



<sup>(1)</sup> The Class I Series commenced operations January 4, 2018

<sup>(2)</sup> The Class F Series commenced operation May 14, 2021

**Annual Compound Returns**

The following table compares the historical annual compound returns of the Fund with the performance of the Benchmark index, S&P/TSX 60 Index, a stock index of 60 large companies listed on the Toronto Stock Exchange.

Educators Dividend Fund	1 Year	3 Year	5 Year	10 Year
Class A Series	-10.05	3.99	5.27	7.29
Class F Series <sup>1</sup>	-9.14	NA	NA	NA
Class I Series <sup>2</sup>	-8.41	5.47	NA	NA
S&P/TSX 60 Index	-6.24	8.22	7.39	8.36

<sup>1</sup> Since Inception (May 14, 2021)

<sup>2</sup> Since Inception (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, 2022

Sector Mix	Percentage of Net Asset Value
Financials	38.54 %
Industrials	11.65 %
Information Technology	10.92 %
Utilities	9.26 %
Energy	7.77 %
Real Estate	4.80 %
Consumer Discretionary	4.05 %
Consumer Staples	3.65 %
Communication Services	3.22 %
Materials	2.56 %
Short-term investments	2.06 %
Health Care	1.48 %
Cash and Cash Equivalents	0.04 %

**Top 25 Holdings**

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	8.04 %
Toronto-Dominion Bank	7.27 %
Bank of Nova Scotia	4.17 %
Brookfield Corp.	3.66 %
Intact Financial Corp.	3.61 %
Microsoft Corp.	3.41 %
Bank of Montreal	3.38 %
Brookfield Infrastructure Partners LP	3.36 %
TELUS Corp.	3.22 %
Enbridge Inc.	3.16 %
Waste Connections Inc.	2.89 %
TC Energy Corp.	2.57 %
Canadian Pacific Railway Ltd.	2.39 %
Canadian National Railway Co.	2.26 %
Thomson Reuters Corp.	2.19 %
Element Fleet Management Corp.	2.18 %
TJX Cos Inc.	2.14 %
JPMorgan Chase & Co.	2.11 %
Texas Instruments Inc.	2.08 %
Visa Inc.	2.07 %
Pembina Pipeline Corp.	2.04 %
WSP Global Inc.	1.93 %
Dollarama Inc.	1.91 %
Motorola Solutions Inc.	1.87 %
Northland Power Inc.	1.86 %
<b>Total Net Assets (000's)</b>	<b>\$185,127</b>

The top 25 holdings represent approximately 75.77% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2022 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

## **EDUCATORS FINANCIAL GROUP**

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