

# 2020

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2020

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

### Educators Dividend 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](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.

## 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 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, 2020.

The impact of the coronavirus (*COVID-19*) pandemic on the financial performance of the Fund's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. This public health crisis and the impact of *COVID-19* on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially affected.

### Results of Operations

The Fund's net assets decreased by 1.8% to \$154.4 million at the end of December 2020, down from \$157.2 million at the end of December 2019.

#### Investment Performance

For the year/period ending December 31, 2020 (the 'period'), the Educators Dividend Fund – Class A Series provided a return of 1.18% versus the S&P/TSX 60 Index (the 'Benchmark') return of 5.56%.

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. Please refer to the "Annual Compound Returns" in the Past Performance section for the returns of all classes of 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 index returns.

During the 12 months ending December 31, 2020, *COVID-19* captured the headlines as the virus began to spread across the world early in the year and concern of an economic recession weighed on business and consumer spending. As a result, global stock markets declined significantly. After markets reached their low in March 2020, the unprecedented monetary and fiscal policy support began to lift Canadian equities. During the second (*and part of the third*) quarter, a gradual easing of lockdowns brought back some economic activity, which helped to create jobs and improve consumer sentiment. Despite rising *COVID-19* case counts and re-imposed restrictions in the fourth quarter, Canada's employment continued to improve. The Canadian Energy sector posted a double-digit loss in 2020 as a result of the weaker demand for oil. Conversely, the Information Technology sector posted a high double-digit gain, driven by the growth of e-commerce. Despite the volatility throughout the period, Canadian equities, as measured by the S&P/TSX 60 Index, posted a 5.56% gain in 2020.

The Fund underperformed its benchmark, the S&P/TSX 60 Index, due to both stock selection and sector allocation.

From a sector perspective, an underweight position in Energy added the most value to the Fund's relative performance. However, this was offset by an overweight allocation in Real Estate and underweight position in Materials, which both detracted (*from performance*). Within Real Estate, the REITs were significantly impacted by pandemic-induced lockdown and social distancing measures, while Materials, a sector where gold stocks are a large component, rallied as investors flocked to the bullion as a safe-haven asset.

Stock selection overall was a detractor from performance, but this was largely attributed to the Information Technology sector, where Shopify Inc. gained nearly 180% over the 12-month period. Shopify dominates the sector from a market capitalization perspective but does not pay a dividend so is not held in the Fund. However, helping to offset this was strong stock selection within the Utilities and Real Estate sectors which both contributed to performance.

At the individual securities level, Northland Power Inc. contributed to performance as the stock continued to rally on strong financial performance. Meanwhile, WSP Global Inc., also contributed to performance amid the announcement that it was joining forces with

Golder Associates Inc. to create the world's leading environmental consulting firm. On the other hand, holdings in Visa Inc., Microsoft Corporation, and Texas Instruments Inc. were all relative detractors from performance—given that their double digit gains over the period did not keep pace with the even greater double digit gains of the overall IT sector (*to which they belong*). Also, Morneau Shepell Inc., a leading human resource consulting company, detracted as it lagged the market on fears over the potential of heightened corporate restructurings and the impact this may have on the company's business offerings.

The portfolio manager initiated a position in Tricon Residential Inc.—an asset management company with an aligned management team, a successful track record of capital allocation, strong value creation, and the potential for above-average cash flow generation. Air Products and Chemicals Inc. was also added to the Fund, as the company has leading scale and technology, in addition to being at the forefront of the green energy movement, while offering sustained dividend growth potential.

Existing positions in Northland Power Inc. and Algonquin Power & Utilities Corp were increased during the period. Northland Power is a well-managed independent power producer with proven experience in developing and operating renewable power facilities. Algonquin Power & Utilities is a renewable utility company with a strong role in the transition to a new clean energy paradigm.

The portfolio manager eliminated the Fund's position in Restaurant Brands International Inc., as the restaurant industry has been undergoing a wave of disruption given the rise of e-commerce and delivery. Other stocks which were eliminated from the Fund included Alimentation Couche-Tard Inc. and Brookfield Property Partners LP which were sold on the basis of their strong price appreciation that pushed their stock valuations past fair value, thereby limiting further upside potential.

While Dollarama Inc. and CCL Industries Inc. continue to be core holdings, the positions were trimmed, with proceeds being redeployed into more attractive risk/reward opportunities.

#### **Recent Developments**

The upcoming year will likely be just as unpredictable given the uneven economic recovery, ongoing lockdowns, and unanticipated aftershocks. On a medium to long-term basis, a supportive backdrop for North American equity markets exists based on vaccine rollout, increasing consumer and business optimism, and waves of government policy stimulus.

The Fund will continue to be anchored to positions in high-quality, sustainable businesses with safe and growing dividend streams. The portfolio manager's focus is on businesses built to last given their strong competitive advantages, attractive return on capital, and smart capital allocation. Companies with these attributes have the flexibility within their business models and corporate strategies to be opportunistic and well-positioned to create value for stakeholders after the pandemic.

#### **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 the potential 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.

### 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 3.0% and at the end of the period was approximately 2.6%.

#### 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>2020</u> (Dec 31)	<u>2019</u> (Dec 31)
Total Brokerage Fees	\$27,998	\$22,844
Brokerage Fees Paid to BMO Capital Markets	\$3,240	\$2,120

In 2020 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 by retail investors.

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

	Year ended December 31				
	2020	2019	2018	2017	2016
Net Assets, beginning of year/period	\$32.70	\$26.38	\$28.74	\$25.86	\$23.19
<b>Increase (decrease) from operations:</b>					
Total revenue	\$0.94	\$0.85	\$0.79	\$0.73	\$0.68
Total expenses, including transaction costs [excluding distributions]	(\$0.57)	(\$0.57)	(\$0.51)	(\$0.49)	(\$0.44)
Realized gains (losses) for the period	(\$0.20)	\$0.89	\$0.44	\$0.74	\$0.58
Unrealized gains (losses) for the period	(\$0.06)	\$5.35	(\$2.95)	\$1.99	\$2.01
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$0.11</b>	<b>\$6.52</b>	<b>(\$2.23)</b>	<b>\$2.97</b>	<b>\$2.83</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--	\$--
From dividends	\$0.28	\$0.17	\$0.14	\$0.08	\$0.16
From capital gains	\$--	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.28</b>	<b>\$0.17</b>	<b>\$0.14</b>	<b>\$0.08</b>	<b>\$0.16</b>
<b>Net Assets, end of year/period</b>	<b>\$32.77</b>	<b>\$32.70</b>	<b>\$26.38</b>	<b>\$28.74</b>	<b>\$25.86</b>

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

	Year ended December 31				
	2020	2019	2018	2017	2016
Total Net Asset Value (000's) <sup>(4)</sup>	\$146,103	\$151,109	\$125,811	\$135,781	\$114,203
Number of units outstanding <sup>(4)</sup>	4,458,520	4,621,623	4,770,089	4,725,267	4,415,490
Management expense ratio <sup>(5)</sup>	1.81%	1.80%	1.73%	1.73%	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>	0.02%	0.02%	0.02%	0.02%	0.04%
Portfolio turnover rate <sup>(8)</sup>	9.41%	9.99%	14.49%	12.77%	19.37%
Net Asset Value per unit	\$32.77	\$32.70	\$26.38	\$28.74	\$25.86

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

	Year ended December 31		
	2020	2019	2018
Net Assets, beginning of year/period	\$11.42	\$9.20	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	\$0.33	\$0.30	\$0.28
Total expenses, including transaction costs [excluding distributions]	(\$0.01)	(\$0.01)	(\$0.01)
Realized gains (losses) for the period	(\$0.09)	\$0.41	\$0.11
Unrealized gains (losses) for the period	\$0.40	\$1.44	(\$1.41)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$0.63</b>	<b>\$2.14</b>	<b>(\$1.03)</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	\$--	\$--	\$--
From dividends	\$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>\$0.25</b>	<b>\$0.20</b>
<b>Net Assets, end of year/period</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		
	2020	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$8,326	\$6,069	\$2,022
Number of units outstanding <sup>(4)</sup>	727,804	531,550	219,663
Management expense ratio <sup>(5)</sup>	0.01%	0.01%	0.01%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.01%	0.01%	0.01%
Trading expense ratio <sup>(7)</sup>	0.02%	0.02%	0.02%
Portfolio turnover rate <sup>(8)</sup>	9.41%	9.99%	14.49%
Net Asset Value per unit	\$11.44	\$11.42	\$9.20

(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 1.60% for the Class A 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 13.1% 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

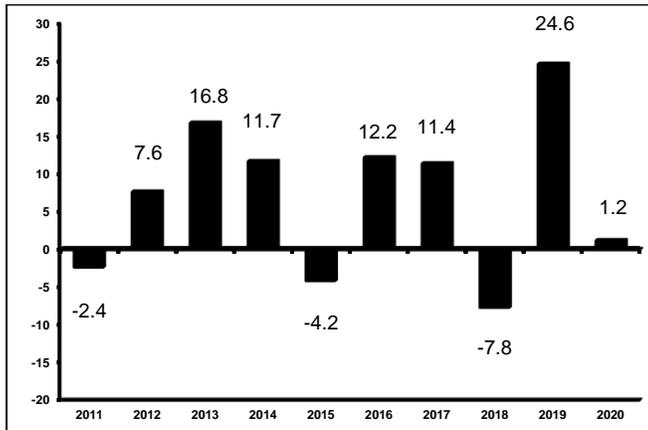
The Fund's performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

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.

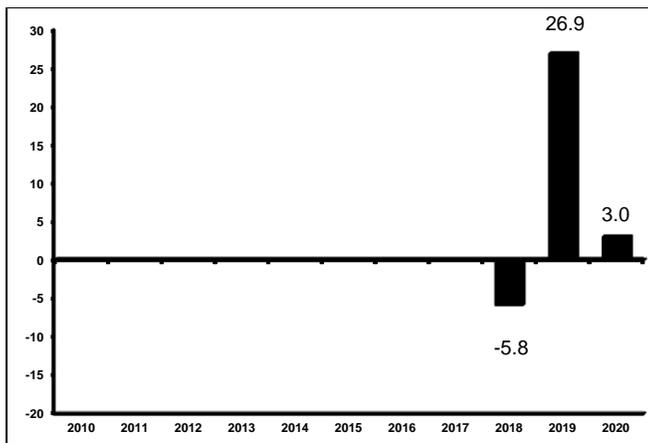
### Year-by-Year Returns

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>



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

### 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.

#### Class A Series

	1 Year	3 Year	5 Year	10 Year
Educators Dividend Fund	1.18%	5.17%	7.78%	6.69%
S&P/TSX 60 Index	5.56%	5.96%	9.65%	6.21%

#### Class I Series <sup>(1)</sup>

	1 Year	3 Year	5 Year	10 Year
Educators Dividend Fund	3.03%	NA	NA	NA
S&P/TSX 60 Index	5.56%	5.96%	9.65%	6.21%

<sup>(1)</sup> 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, 2020

Sector Mix	Percentage of Net Asset Value
Financials	37.35%
Utilities	11.74%
Information Technology	10.46%
Industrials	10.19%
Energy	6.68%
Real Estate	6.55%
Consumer Discretionary	4.40%
Communication Services	3.98%
Short-term Investments	2.78%
Consumer Staples	2.50%
Health Care	1.59%
Materials	1.30%
Net Other Assets	0.46%
Cash and Cash Equivalents	0.02%

## Top 25 Holdings

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	6.85%
Toronto-Dominion Bank	6.52%
Bank of Nova Scotia	5.72%
Brookfield Asset Management Inc.	5.42%
Canadian National Railway Co.	4.67%
Brookfield Infrastructure Partners LP	4.04%
Microsoft Corp.	3.98%
Intact Financial Corp.	2.96%
Enbridge Inc.	2.92%
Bank of Montreal	2.91%
Manulife Financial Corp.	2.80%
Visa Inc.	2.76%
Algonquin Power & Utilities Corp.	2.68%
TC Energy Corp.	2.52%
Waste Connections Inc.	2.52%
JPMorgan Chase & Co.	2.46%
Royal Bank of Canada, 0.20%, January 4, 2021	2.46%
Rogers Communications Inc.	2.46%
Northland Power Inc.	2.41%
Texas Instruments Inc.	2.33%
TJX Cos Inc.	2.07%
Killam Apartment REIT	1.82%
Canadian Apartment Properties REIT	1.82%
WSP Global Inc.	1.77%
S&P Global Inc.	1.71%
<b>Total Net Assets (000's)</b>	<b>\$154,428</b>

The top 25 holdings represent approximately 80.58% of the total net assets of the Fund.

The summary of investment portfolio of the Fund is as at December 31, 2020 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

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