

# 2021

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2021

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

### **Educators Dividend Fund**



This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or 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 proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Risk

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 increased by 17.6% to \$181.5 million at the end of June 2021, up from \$154.4 million at the end of December 2020.

#### Investment Performance

For the year/period ending June 30, 2021 (the 'period'), the Educators Dividend Fund – Class A Series provided a return of 13.76% versus the S&P/TSX 60 Index (the 'Benchmark') return of 18.59%.

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.

Class F units of the Fund were first offered by prospectus dated May 14, 2021 however no Class F units had been offered for sale at June 30, 2021. Due to policies issued by the Canadian Securities Administrators, investment performance data is not reported for funds in existence for less than one year.

Canadian equities, as represented by the S&P/TSX 60 Index, posted a relatively strong gain over the first half of 2021. This performance was driven by optimism about the vaccine rollout, as well as continued financial support from the Canadian government and the Bank of Canada. Energy and Financials were among the top-performing sectors in the Canadian equity market. Energy stocks benefited from rising oil prices, as investors anticipated an economic re-opening including strong travel-related household spending and, therefore, higher demand for oil.

During the six-month period, the Fund underperformed its benchmark, the S&P/TSX 60 Index, due to primarily security selection—while sector positioning and currency effect were flat. The Fund's overweight to the

Utilities sector detracted from relative performance, as did its underweight to the Energy sector. The Fund's security selection in the Financials, Information Technology, and Energy sectors detracted from performance. Individual detractors from performance included Becton, Dickinson & Co., which produced weak quarterly results in response to the pandemic's detrimental effects on the company's revenues and operating margins. The TJX Companies Inc. was negatively impacted by continued lockdowns, operating cost pressures, and the company's inability to consistently re-open stores. The Walt Disney Co. also detracted from performance as a result of lower subscription trends for the company's Disney+ streaming service.

In terms of positive contributors to the Fund's relative performance, an underweight position to the Materials sector, as well as strong selection amongst the Materials stocks held in the Fund, contributed the most. In addition, the Fund's overweight position in the Real Estate sector and stock selection in the Industrials sector also contributed to performance. Individual contributors to relative returns included CCL Industries Inc., which benefited from improvements in the operating and financial positions of its business units, alongside the global economic recovery. WSP Global Inc. benefited from growing investor confidence in the company's outlook and its significant exposure to the transit, building, and environmental sub-sectors that have been widely expected to benefit from an improving global economy. Canadian Apartment Properties REIT outperformed on signs of improving rental fundamentals in tandem with the easing of lockdown conditions and the strong value proposition for rental accommodations.

During the period, a new position was added to the Fund in Thomson Reuters Corp., a leading provider of specialized information-enabled software and tools for legal, tax, accounting, and compliance professionals. The portfolio manager believes the company offers the potential for attractive long-term returns based on its dominant position in a growing market, highly defensive business model, organic growth opportunities, and long track record of steady dividend increases.

The Fund's positions in Air Products and Chemicals, Algonquin Power & Utilities Corp., Allied Properties REIT, and Northland Power Inc. were all increased during the period. Air Products and Chemicals is one of the largest industrial gas providers in the world. Given its scale and technology, the company is at the forefront of the green energy movement and the portfolio manager is of the opinion that the company should provide sustained dividend growth potential. Algonquin Power & Utilities owns and operates high-quality assets and has a strong focus

on replacing traditional coal assets with new investments in renewables, such as wind and solar power. The portfolio manager feels the company is well positioned to achieve above-average dividend growth in response to a sizeable five-year capital program. The portfolio manager believes Allied Properties REIT has a strong urban office portfolio, maintains a flexible balance sheet, and has plenty of development opportunities to grow cash for a number of years. The company also has an attractive dividend yield, visionary management team, and a higher payout ratio than many industry peers. Northland Power Inc. is a well-managed, independent power producer with experience developing and operating renewable power facilities. The company has grown through large, transformational development projects and strategic acquisitions.

### Recent Developments

While the pandemic continues to pose risks to financial markets, the portfolio manager remains optimistic about North American equity markets in response to the effective distribution of vaccines, the rebound in hiring and earnings trends, the strength of pent-up consumer demand, and continued government stimulus measures. While the portfolio manager remains optimistic about equities, the stock market is expected to remain highly-sensitive to any perceived risks related to the recovery, inflation, and/or government and central bank policy direction.

The portfolio manager's strategy remains focused on investing in high-quality, sustainable businesses that have strong competitive advantages, produce attractive returns on capital, and demonstrate smart capital allocation to provide the best offense and defense throughout the business cycle. Companies with these attributes tend to have flexible business models and corporate strategies that should allow them to take advantage of opportunities and create value for stakeholders.

### 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 3.7% and at the end of the period was approximately 3.6%.

#### 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>2021</u> (June 30)	<u>2020</u> (June 30)
Total Brokerage Fees	\$4,918	\$20,809
Brokerage Fees Paid to BMO Capital Markets	\$2,670	\$3,240

In the first six months of 2021 Educators Financial Group did not refer any conflict of interest matters to the Fund's Independent Review Committee (IRC) and accordingly did not rely upon any recommendation of the IRC in respect of any related party transactions.

Educators Financial Group is the Manager and Trustee of the Fund. Educators Financial Group is a wholly-owned subsidiary of the Ontario

Secondary School Teachers' Federation ("OSSTF"). OSSTF may from time to time invest in units of the Fund.

### FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six-month period and for the past five years. As the Class F units of the Fund have recently been created no Financial Highlights are provided in this document, Financial Highlights will be provided in our next interim management report of fund performance ("MRFP"). 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>

	Six months ended June 30		Year ended December 31			
	2021	2020	2019	2018	2017	2016
Net Assets, beginning of year/period	\$32.77	\$32.70	\$26.38	\$28.74	\$25.86	\$23.19
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.47	\$0.94	\$0.85	\$0.79	\$0.73	\$0.68
Total expenses, including transaction costs [excluding distributions]	(\$0.33)	(\$0.57)	(\$0.57)	(\$0.51)	(\$0.49)	(\$0.44)
Realized gains (losses) for the period	\$0.55	(\$0.20)	\$0.89	\$0.44	\$0.74	\$0.58
Unrealized gains (losses) for the period	\$3.82	(\$0.06)	\$5.35	(\$2.95)	\$1.99	\$2.01
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$4.51</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	\$0.12	\$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>\$0.12</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>\$37.15</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)

	Six months ended June 30		Year ended December 31			
	2021	2020	2019	2018	2017	2016
Total Net Asset Value (000's) <sup>(4)</sup>	\$170,595	\$146,103	\$151,109	\$125,811	\$135,781	\$114,203
Number of units outstanding <sup>(4)</sup>	4,591,707	4,458,520	4,621,623	4,770,089	4,725,267	4,415,490
Management expense ratio <sup>(5)</sup>	1.81%	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%	1.81%
Trading expense ratio <sup>(7)</sup>	0.01%	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	\$37.15	\$32.77	\$32.70	\$26.38	\$28.74	\$25.86

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

	Six months ended June 30	Year ended December 31		
	2021	2020	2019	2018
Net Assets, beginning of year/period	\$11.44	\$11.42	\$9.20	\$10.00
<b>Increase (decrease) from operations:</b>				
Total revenue	\$0.16	\$0.33	\$0.30	\$0.28
Total expenses, including transaction costs [excluding distributions]	\$0.00	(\$0.01)	(\$0.01)	(\$0.01)
Realized gains (losses) for the period	\$0.20	(\$0.09)	\$0.41	\$0.11
Unrealized gains (losses) for the period	\$1.32	\$0.40	\$1.44	(\$1.41)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>\$1.68</b>	<b>\$0.63</b>	<b>\$2.14</b>	<b>(\$1.03)</b>
<b>Distributions:</b>				
From net investment income (excluding dividends)	\$--	\$--	\$--	\$--
From dividends	\$0.15	\$0.30	\$0.25	\$0.20
From capital gains	\$--	\$--	\$--	\$--
Return of capital	\$--	\$--	\$--	\$--
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>\$0.12</b>	<b>\$0.30</b>	<b>\$0.25</b>	<b>\$0.20</b>
<b>Net Assets, end of year/period</b>	<b>\$12.98</b>	<b>\$11.44</b>	<b>\$11.42</b>	<b>\$9.20</b>

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

	Six months ended June 30	Year ended December 31		
	2021	2020	2019	2018
Total Net Asset Value (000's) <sup>(4)</sup>	\$10,867	\$8,326	\$6,069	\$2,022
Number of units outstanding <sup>(4)</sup>	837,252	727,804	531,550	219,663
Management expense ratio <sup>(5)</sup>	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%
Trading expense ratio <sup>(7)</sup>	0.01%	0.02%	0.02%	0.02%
Portfolio turnover rate <sup>(8)</sup>	--%	9.41%	9.99%	14.49%
Net Asset Value per unit	\$12.98	\$11.44	\$11.42	\$9.20

<sup>(1)</sup> This information is derived from the Fund's interim financial report and 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 June 30 or 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.



- (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 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 13.4% 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.

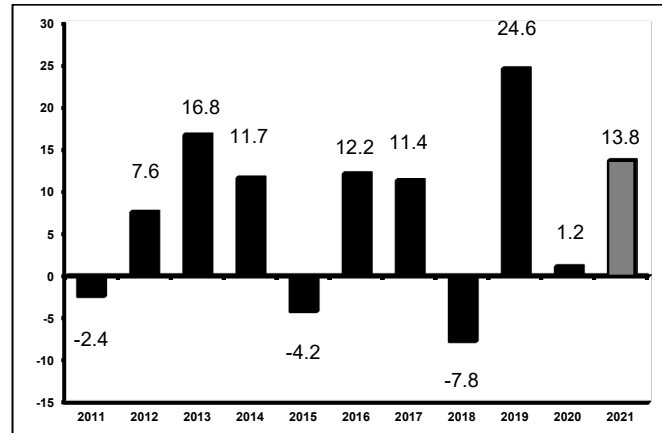
The performance information does not take into account sales, redemption, distribution, or other optional charges that would have reduced returns or performance. The performance of different fund series may vary for a number of reasons, including differences in management fees and expenses. Please remember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

**Year-by-Year Returns**

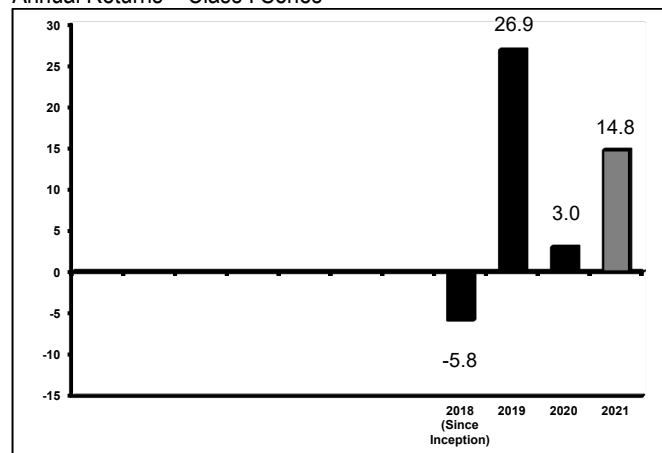
The bar chart shows the Fund's annual performance for each of the years shown and for the six-month period and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each

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>



■ % Increase/decrease    ■ For the six-month period ended June 30, 2021

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

Annual Returns – Class F Series

Regulatory restrictions limit publishing performance for investment funds with a history of less than one year. As at June 30, 2021 no Class F units had been offered to purchase.



**SUMMARY OF INVESTMENT PORTFOLIO**  
**(Based on Net Asset Value)**

As at June 30, 2021

Sector Mix	Percentage of Net Asset Value
Financials	39.32%
Utilities	10.81%
Industrials	10.45%
Information Technology	10.18%
Energy	7.36%
Real Estate	6.86%
Consumer Discretionary	4.51%
Communication Services	3.98%
Short-term Investments	2.23%
Consumer Staples	2.22%
Materials	1.31%
Health Care	1.28%
Cash and Cash Equivalents	(0.01)%
Net Other Liabilities	(0.50)%

The summary of investment portfolio of the Fund is as at June 30, 2021 and may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

**Top 25 Holdings**

Security Name	Percentage of Net Asset Value
Royal Bank of Canada	7.81%
Toronto-Dominion Bank	7.01%
Bank of Nova Scotia	5.71%
Brookfield Asset Management Inc.	5.54%
Microsoft Corp.	4.01%
Brookfield Infrastructure Partners LP	3.75%
Canadian National Railway Co.	3.71%
Bank of Montreal	3.57%
Enbridge Inc.	3.03%
Intact Financial Corp.	2.81%
Rogers Communications Inc.	2.76%
Manulife Financial Corp.	2.56%
TC Energy Corp.	2.55%
JPMorgan Chase & Co.	2.49%
Visa Inc.	2.44%
Algonquin Power & Utilities Corp.	2.44%
Waste Connections Inc.	2.43%
Texas Instruments Inc.	2.26%
Northland Power Inc.	2.16%
Killam Apartment REIT	1.83%
WSP Global Inc.	1.81%
Canadian Apartment Properties REIT	1.80%
Pembina Pipeline Corp.	1.78%
S&P Global Inc.	1.76%
Tricon Capital Group Inc.	1.70%
<b>Total Net Assets (000's)</b>	<b>\$181,462</b>

The top 25 holdings represent approximately 79.75% of the total net assets of the Fund.

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