Management Report of Fund Performance

For the fiscal year ended April 30, 2017

This document contains the Annual Management Report of Fund Performance ("MRFP") for the Classic Education Savings Plan (the "Plan").

This MRFP contains financial highlights but does not contain the complete annual financial statements of the Plan. You can obtain a copy of the annual financial statements of the Plan at your request, and at no cost, by calling us at 1-800-363-7377 or by writing to us at 50 Burnhamthorpe Road West, Suite 1000, Mississauga, Ontario, L5B 4A5. Alternatively, you can visit our website at www.knowledgefirstfinancial.ca or SEDAR at www.sedar.com.

The investment policies of the Plan, as well as those contained in the Canadian Securities Administrators ("CSA") policies, limit the Plan's investments to government bonds, guaranteed investment certificates, guaranteed mortgages, mortgage backed securities and corporate debt instruments of financial institutions (the latter with a minimum A credit rating at the time of acquisition).

Any decision on security voting matters has been delegated to each of our portfolio managers as described in their respective Investment Management Agreements

Topics Covered in this Report

Management Discussion of Fund Performance

Investment Objectives and Strategies

The investment objectives of the Plan are foremost to protect the principal of the investor and maximize return over the long term, in accordance with the Plan's investment policy. The Plan is no longer accepting new subscribers. The Plan invests in Canadian fixed income securities including Canadian federal, provincial and municipal government bonds.

The manager of the Plan is Baker Gilmore. Baker Gilmore manages the Plan's assets using an immunization investment management approach which the Foundation's Board of Directors considers appropriate to meet the investment objectives of the Plan and its subscribers. Immunization involves closely matching the cash flows from the Plan's investments with the projected net cash flows out of the Plan.

Risk

The Plan is a conservative investment fund suitable for investors focusing on a long term savings program, intended to fund post-secondary education, and generally for those investors having a lower tolerance for risk. An immunization investment management approach is intended to reduce the risk from changes in interest rates. Prior to June 2006, the investments held in the Plan had been actively, but conservatively, managed. Active management strategies attempt to capitalize on expectations of interest rate movements and therefore tend to have greater exposure to interest rate risk. The risk of investing in the Plan and its suitability for investors remain as discussed in the Prospectus for the Plan.

Results of Operations

The Classic Plan is winding down as the Plan matures and Education Assistant Payments are made. As a result, the net assets in the Plan declined by 34.1% over the fiscal year from $49.4 million as of April 30, 2016 to $32.5 million as of April 30, 2017 as payments to existing subscribers and beneficiaries of the Plan exceeded new deposits offset by the income earned on the investments in the Plan.

Investments

The Plan's overall investment mix did not change significantly from the previous fiscal year. At April 30, 2017, all funds were invested in government and corporate bonds and short-term investments.

Over the past five years the Plan's net rate of return was 1.0%. For fiscal 2017, the Plan's net rate of return was 0.6% versus a return of 2.3% for the FTSE TMX Canada Universe All Government Bond Index (formerly called DEX All Government Bond Index). The Plan's investment performance was below that of its benchmark in fiscal 2017. Further, the Plan is immunized and the average term until funds are paid out is shorter than the average term of the benchmark. As a result, the return on shorter term bonds was lower than that of the benchmark. Fees are not deducted from Benchmark returns.

Over the twelve months ending April 30, 2017, financial markets reacted frequently to major political events, often with volatile day-to-day and hourly swings. Last June's brief downturn in United States ("US") and Canadian equities after the United Kingdom's Brexit referendum was followed by a sharp rally in equities, and a rise in bond yields, after the November US presidential election, as markets priced in anticipated pro-growth and low-tax policies within the United States.

By the end April 2017, North American financial markets appeared to reflect confidence in future growth, central bank policies that deemphasize monetary tools, expectations of a greater focus on fiscal stimulus together with a lessening of perceived deflationary risks. Global Central banks have expressed concern over the negative impact of sub-zero interest rates and flat yield curves on financial sector profitability and rates of personal savings or consumer debt levels. Therefore, many expect Central Banks to do less of the "heavy lifting" in support of economic growth, with the role of fiscal policymakers expected to increase. This, combined with the rise of populism in developed economies which is supportive of higher inflation, could support a steeper yield curve going forward.

During the twelve months ended April 30, 2017, the Bank of Canada did not change its over-night target interest rate, which was held steady at 0.5%. However, yields on ten-year Government of Canada bonds reached an historical low during September 2016, and then rebounded, reaching its highest point over that period during March 2017. The Government of Canada ten-year yield at the end of April 2017 was almost unchanged compared to levels twelve months earlier, resulting in a small positive net return for bonds over that period.

Recent Developments

On June 1, 2017, William Woods, IRC Chairman, resigned in the normal course. His replacement as Chairman is Don Hathaway. Mr. Hathaway's term also started on June 1, 2017.

Related Party Transactions

(Any applicable sales taxes are added to the fees shown below and are included in the total amounts for the year ended April 30, 2017.)

Administration Fees

The Foundation is the sponsor and promoter of the Plan. Knowledge First Financial Inc. (Financial), a wholly owned subsidiary of the Foundation, is the distributor and investment fund manager (as a Scholarship Plan Dealer) for the Plan. Financial also provides various corporate administrative services to the Foundation on behalf of the Plans including processing and call centre services related to new agreements, payments, government grants, plan modifications, terminations, maturities and Education Assistance Payments (EAPs). An annual administration fee (inclusive of audit fees) of $0.2 million (2016 - $0.3 million) was paid to Financial.

Pursuant to the Fund Management Agreement dated May 1, 2013, administration fees are paid 100% to Financial. Financial is entitled to receive an annual fee of up to 0.5% of all funds on deposit related to the Plan. The administration fee is calculated and paid monthly by the Plan to Financial.

Knowledge First Financial Plans, which include the Plan, may be considered to be connected issuers of Financial. A connected issuer includes an issuer distributing securities that has a relationship with a securities dealer or certain parties related to that dealer, which may lead a reasonable prospective investor to question if the dealer and the issuer are independent of each other.

Enrolment Fees

Financial, as the Plan's distributor, deducts enrolment fees from subscribers' deposits to the Plan equivalent to $100 per unit purchased. All of the subscribers' deposits to the Plan are applied against the enrolment fee until one half of the total enrolment fee has been paid. Thereafter, one half of subsequent deposits to the Plan are applied against the enrolment fee until the fee is paid in full. Out of the enrolment fees received by the distributor, approximately 63% of the enrolment fees are paid out as sales commissions to the licensed sales representatives and branch directors of the distributor.

Depository and Special Processing Fees

Depository and special processing fees of $1 thousand ($3 thousand in fiscal 2016) were deducted from subscribers' deposits. The depository fee is an annual fee for processing subscribers' deposits. This fee is dependent upon the deposit frequency chosen by the subscriber: monthly, annual or single deposit. Special processing fees are one-time fees for specific transactions in the subscribers' savings account. Pursuant to the Fund Management Agreement dated May 1, 2013, 100% of the depository fees collected from subscribers and 100% of special processing fees are paid to Financial as these fees are directly related to plan administration activities.

Insurance Premiums

Insurance premiums of $1 thousand ($1 thousand in fiscal 2016) were deducted from subscribers' deposits prior to depositing the balance into the Plan. The insurance premium for the embedded group life and total disability insurance is calculated at 1.7% of subscribers' deposits. No premium is deducted for one-time deposits or if the subscriber is under the age of 18 or over the age of 64. Pursuant to the Fund Management Agreement, 100% of insurance administration-related fees are paid to Financial. Insurance administration fees are estimated to be 25% to 30% of the insurance premium.

Financial and Operating Highlights (with comparative figures)

The following table shows key financial and operating data for the Plan and is intended to help you understand the Plan's financial and operating results for the past five fiscal years ended April 30. This information is derived from the Plan's audited annual financial statements.

$ in thousands	2017	2016	2015	2014[5]	2013
Statements of Financial Position					
Total Assets [1]	38,411	57,416	83,409	126,062	194,107
Net Assets Attributable to Subscribers and Beneficiaries [2]	32,540	49,357	77,236	115,725	142,624
% Change of Net Assets	(34.1%)	(36.1%)	(33.3%)	(18.9)	(28.6%)
Statement of Changes in Net Assets Attributable to Subscribers and Beneficiaries					
Scholarship Awards (Educational Assistance Payments)	7,756	12,637	20,965	38,333	53,749
Government Grants (net) [3]	(2,877)	(4,160)	(4,191)	(5,429)	(4,374)
Statement of Comprehensive Income					
Net Investment Income [4]	570	794	2,367	4,011	5,260
Other					
Total number of units outstanding	22,306	43,076	76,359	133,149	197,504
% change in total number of units	(48.2%)	(43.6%)	(42.7%)	(32.6%)	(29.4%)

(1) "Total Assets" represents cash, investments, and receivables.
(2) "Net Assets Attributable to Subscribers and Beneficiaries" represents total assets less total liabilities.
(3) Government grants are grants received or receivable from the government net of repayments to beneficiaries upon eligibility and grants transferred to or from other institutions and other plans.
(4) Net investment income excludes realized gains (losses) on investments and the net change in unrealized gains (losses) on investments.
(5) The Plan adopted International Financial Reporting Standards (IFRS) commencing May 1, 2013. This information for the years up to and including 2013 is stated under Canadian GAAP. Starting in 2014 and onwards, this information has been prepared under IFRS.

Other Fees

(Any applicable sales taxes are added to the fees shown and are included below in the total amounts for the year ended April 30, 2017).

Investment Counsel Fees

Investment Counsel fees of $29 thousand ($26 thousand in fiscal 2016) were paid to the Plan's investment managers. Fees are calculated as a percentage of the total market value of the investment portfolio in the Plan and during the current and prior years ranged from 0.07% to 0.02% on a graduated scale. Investment counsel fees paid for the year amounted to 0.05% (0.05% in fiscal 2016) of the total fair value of the investment portfolio in the Plan.

Annual Custodial Fees

The Plan paid custodial fees of $9 thousand ($9 thousand in fiscal 2016) to RBC Investor & Treasury Services to settle all investment trades and disburse fees and other amounts in accordance with the terms of the Plan Agreement.

Independent Review Committee Fees

The Plan paid the Independent Review Committee, a committee mandated by legislation, fees of $1 thousand ($3 thousand in fiscal 2016) to Independent Review Inc. (IRI). The independent review committee reviews all conflict of interest matters referred to it by the Foundation.

Summary of Investment Portfolio

The following table indicates the largest 25 holdings of the Plan at the end of fiscal 2017. This summary of investment portfolio may change due to ongoing portfolio transactions. The Plan is prohibited from holding short positions in securities.

Name	Coupon	Maturity Date	% of Investment
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-05-04	26.0%
PROVINCE OF QUEBEC	4.25%	2021-12-01	11.4%
PROVINCE OF QUEBEC	4.50%	2017-12-01	8.0%
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2017-06-01	7.7%
CANADA HOUSING TRUST	2.05%	2017-06-15	6.1%
CANADA HOUSING TRUST	3.80%	2021-06-15	5.1%
PROVINCE OF NEW BRUNSWICK	6.75%	2017-06-27	4.2%
PROVINCE OF MANITOBA	3.85%	2021-12-01	3.5%
PROVINCE OF NEW BRUNSWICK	3.35%	2021-12-03	3.4%
PROVINCE OF ONTARIO	5.50%	2018-06-02	2.7%
PROVINCE OF BRITISH COLUMBIA	4.70%	2017-12-01	2.4%
PROVINCE OF QUEBEC	4.50%	2018-12-01	2.1%
PROVINCE OF NOVA SCOTIA	4.45%	2021-10-24	2.0%
CANADIAN IMPERIAL BANK OF COMMERCE	2.35%	2017-10-18	1.6%
TORONTO DOMINION BANK	2.43%	2017-08-15	1.6%
CAISSE CENTRALE DESJARDINS	2.80%	2018-11-19	1.3%
PROVINCE OF NOVA SCOTIA	4.15%	2019-11-25	1.1%
BANK OF MONTREAL	3.40%	2021-04-23	1.1%
BANK OF NOVA SCOTIA	2.87%	2021-06-04	1.1%
ROYAL BANK OF CANADA	2.86%	2021-03-04	1.1%
BANK OF MONTREAL	4.55%	2017-08-01	0.9%
PROVINCE OF MANITOBA	5.50%	2018-11-15	0.8%

CAISSE CENTRALE DESJARDINS	3.50%	2017-10-05	0.7%
TORONTO DOMINION BANK	2.17%	2018-04-02	0.6%
ROYAL BANK OF CANADA	2.36%	2017-09-21	0.6%
Largest 25 holdings as a % of investments			**97.1%**

The following table illustrates the Plan's assets in appropriate sub-groups and indicates the percentage of the overall investment asset value that each sub-group represents, excluding short-term investments.

Category	Fair Value ($000s)	% of Total Investments
Federal	3,866	11.1%
Provincial	14,486	41.9%
Corporate	4,609	13.3%
Short-term	11,648	33.7%
Total	**34,609**	**100.0%**

Past Performance

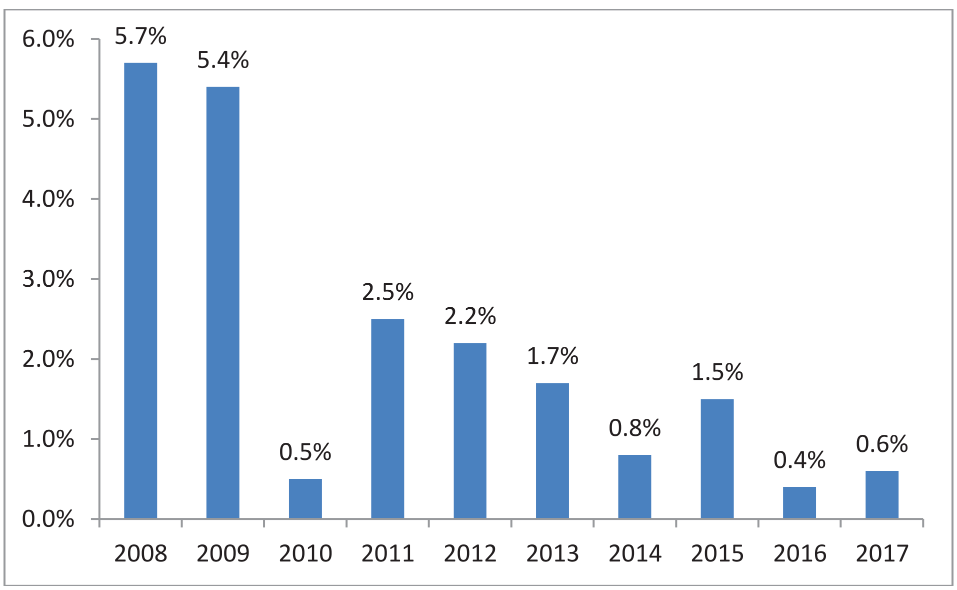
Past performance of the Plan is set out in the following chart and compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the year(s). Rates of return shown below for the Plan are:

- For the investment portfolio only;
- After administration, investment counsel, custodial and independent review committee fees have been deducted; and
- Assume that all of the income, interest earned, and capital gains distributions are reinvested in the Plan.

Past performance does not necessarily indicate how the Plan's investment portfolio will perform in the future.

Year-by-Year Returns

The following bar chart illustrates the Plan's annual performance in each of the past ten fiscal years to April 30, 2017. The chart illustrates in percentage terms how much an investment made in the investment portfolio on the first day of each financial year would have increased or decreased by the last day of that financial year.



Annual Compound Returns

The following table illustrates the Plan's annual compound returns for the periods shown ended April 30, 2017.

	1 year	3 year	5 year	10 year
The Plan	0.6%	0.8%	1.0%	2.1%
Benchmark*	2.3%	4.4%	3.5%	4.7%

* The FTSE TMX Canada Universe All Government Bond Index (formerly called DEX Canada All Government Bond Index) measures Canadian investment grade fixed income securities including bonds issued by the Government of Canada (including Crown Corporations), provincial bonds (including provincially-guaranteed securities) and municipal bonds.

The Plan uses an immunization investment management approach. Because there is no broad-based securities market index that approximates the construction of the portfolio that is based on the net cash flows out of the Plan, the comparison of past performance to a securities market index is less meaningful than was the case in the past.