Management Report of Fund Performance

For the fiscal year ended December 31, 2018

This document contains the Annual Management Report of Fund Performance ("MRFP") for the Family Group Education Savings Plan (the "Plan"). The first preceding fiscal period of December 31, 2017 reflects only 8 months of activity. In October 2017, Knowledge First Foundation along with its wholly-owned subsidiary Knowledge First Financial Inc., obtained approval to change its year end date from April 30 to December 31.

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.

Subscribers may contact us using one of the above methods to also request a copy of the prior interim financial report.

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 (the latter with a minimum BBB credit rating at the time of acquisition), Canadian equity securities, and U.S. equities via an exchange-traded fund (ETF), both of which must be traded on a stock exchange in Canada or the U.S.

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 invests in Canadian fixed income securities including Canadian federal, provincial and municipal government bonds and some corporate bonds with a minimum BBB rating or equivalent. The investment income earned in the Plan may be invested in equity securities, including exchange traded funds (ETFs) that replicate the performance of a widely quoted market index of Canadian or U.S. equity securities listed on a stock exchange in Canada or the U.S.

Fiera Capital Corporation, Guardian Capital LP and TD Asset Management Inc. manage the Plan's fixed income assets. The assets were allocated amongst different market sectors with different maturity segments at our investment managers' discretion and subject to the investment policy for the Plan. The fixed income portfolio managers actively managed portions of the Plan's fixed income assets using strategies including sector allocation, duration management, credit research and certain yield curve strategies.
The Plan's Canadian equity securities are passively managed by BMO Asset Management and actively managed by Connor, Clark & Lunn Investment Management. The US equity ETF is passively managed by BMO Asset Management Inc.

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. 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 net assets attributable to subscribers and beneficiaries in the Plan decreased by 5.9% over the fiscal year from $3.3 billion as of December 31, 2017 to $3.1 billion as of December 31, 2018 primarily due to EAP's, net outflows from subscriber accounts, and higher realized and unrealized losses on the investments in the Plan.

Investments

Over the past five years, the Plan's net rate of return was 3.6%. For fiscal 2018, the Plan's net rate of return was -1.3% versus a return of 1.5% for the FTSE TMX Canada Universe All Government Bond Index , -4.4% return for the S&P 500 Index and -8.9% return for the S&P TSX . In addition the Plan's return was net of administration, investment counsel, custodial and independent review committee fees. Fees are not deducted from Benchmark returns.

2018 started on a positive note for Canadian financial markets, with strong economic data, including expectations for earnings growth and low unemployment. However, sentiment changed quickly, and during the first quarter equity markets generated negative investment returns for investors. Following that period, positive momentum returned, with equity markets ultimately hitting new all-time highs by mid July, offset by mildly negative investment returns for investors in Canadian bonds. This positive-growth sentiment did not last however, and financial markets ended 2018 with great uncertainty. Volatility spiked higher towards the end of the year, causing equity markets to retreat and give back their 2018 gains and turn negative for the year as whole. Towards the end of 2018, fixed income markets responded to this uncertainty with a lower and flatter yield curve, resulting in positive investment returns for fixed income investors during this volatile period. In general, Canadian fixed income markets outperformed U.S. and Canadian equity markets during 2018.

North American equity markets ended 2018 in negative territory. The S&P 500 Index declined by 4.4% during 2018, while the S&P/TSX Composite Index experienced a negative return of 8.9%. The TSX was highly impacted by a steep decline in oil prices, with the Energy sector experiencing negative returns of 18.3% during 2018. The best performing equity sector in Canada was Information Technology, up 13% during 2018.

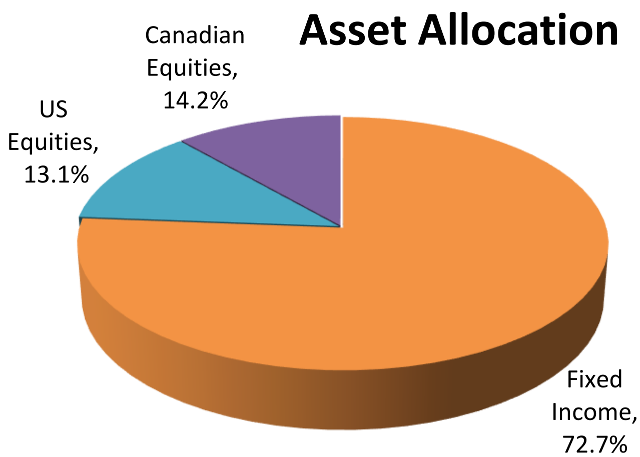
There were many reasons why the equity markets ended the year with negative returns. Concerns about rising interest rates, removal of monetary stimulus, Brexit, a trade dispute between the U.S. and China, and falling oil prices all negatively impacted equity markets and contributed to higher uncertainty.

In fixed income markets, North American yield curves flattened further during 2018, with multiple segments of the yield curve inverting for the first time since 2007, reflecting heightened concerns about the outlook for growth. After maintaining its policy rates at ultra-low levels for most of the past decade, the Bank of Canada hiked its policy rate five times (125 bps in total) since July 2017, and three times alone during 2018. Corporate spreads widened during 2018, suggesting an economy that is nearing the end of a strong economic cycle which started in 2009. Within Canadian fixed income investments, federal bonds outperformed corporate bonds which, in turn, outperformed provincial bonds during 2018.

The Canadian economy grew about 2.1% during 2018, compared to prior year's 3.0% growth. Rising interest rates, stretched household credit, uncertainty about NAFTA, rising concern about a global trade war, falling oil prices and a greater discount for Canadian oil versus global prices for crude, and tighter mortgage rules - all negatively affected the Canadian economy. Canada's elevated household debt compared to historical levels is also a concern for the markets, potentially depressing consumer spending during 2019 and making the economy more sensitive to interest rates.

The Canadian dollar depreciated by about 8% against the U.S. dollar during 2018, primarily reflecting perceived differences in economic growth and prospects for the direction of future interest rates.

The asset allocation as at December 31, 2018 is presented in the chart below:



Recent Developments

None for fiscal 2018.

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 December 31, 2018.)

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 (as a Scholarship Plan Dealer) for the Plan. Financial provides various corporate administrative services to the Foundation 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 $21.4 million was paid to Financial in fiscal 2018 ($14.2 million for the 8-month period ended December 31, 2017; $21.0 million for year ended April 30, 2017).

Pursuant to the Fund Management Agreement dated May 1, 2013, administration fees are paid 100% to Financial. Financial is entitled to receive a depository fee payable by subscribers and also an annual fee of up to 0.6% (effective March 1, 2014) of all funds on deposit related to the Plan. The administration fee is calculated and paid monthly by the Plan to Financial.

The 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 $2.2 million ($1.7 million for the 8-month period ended December 31, 2017; $2.5 million for year ended April 30, 2017) 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' deposit 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 $2.8 million ($2.2 million for the 8-month period ended December 31, 2017; $3.3 million for year ended April 30, 2017) 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 dated May 1, 2013, 100% of insurance administration-related fees are paid to Financial. Insurance administration fees are estimated to be 25% 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 periods. This information is derived from the Plan's audited annual financial statements.

($ in thousands)	**Year ended December 31, 2018**	**Period ended December 31, 2017**	**Year ended April 30, 2017**	**Year ended April 30, 2016**	**Year ended April 30, 2015**
Statements of Financial Position					
Total Assets [1]	3,178,939	3,372,756	3,516,197	3,439,863	3,384,585
Net Assets Attributable to Subscribers and Beneficiaries [2]	3,119,644	3,314,555	3,456,394	3,351,505	3,329,710
% Change of Net Assets	(5.9)%	(4.1)%	3.1%	0.7%	8.9%
Statement of Changes in Net Assets Attributable to Subscribers and					
Scholarship Awards (Educational Assistance Payments).	73,519	67,883	57,796	45,279	36,492
Government Grants (net) [3]	2,017	(3,741)	6,197	22,982	27,603
Statement of Operations					
Net Investment Income [4]	62,494	37,509	53,932	55,456	64,978
Other					
Total number of units outstanding	3,366,775	3,541,903	3,691,282	3,789,419	3,857,007
% change in total number of units	(4.9)%	(4.0)%	(2.6)%	(1.8)%	(0.6)%

[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.

Other Fees

(Any applicable sales taxes are added to the fees shown below and are included in the total amounts for the year ended December 31, 2018.)

Investment Counsel Fees

Investment Counsel fees of $3.6 million ($3.0 million for the 8-mont period ended December 31, 2017; $4.2 million for year ended April 30, 2017) 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 0.02% to 0.45%, on a graduated scale. Investment counsel fees paid for the year, amounted to 0.11% (0.08% for the 8-month period ended December 31, 2017; 0.12% for the year ended April 30, 2017) of the total fair value of the investment portfolio in the Plan.

Annual Custodial Fees

The Plan paid custodial fees of $416 thousand ($329 thousand for the 8-month period ended December 31, 2017; $476 thousand for the year ended April 30, 2017) to RBC Investor & Treasury Services and Northern Trust Company, Canada Branch as of November 1, 2018 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 $89 thousand ($91 thousand for the 8-month period ended December 31, 2017; $83 thousand for the year ended April 30, 2017) 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 2018. 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 Investments
BMO S&P 500 INDEX HEDGED to CAD ETF			9.7%
BMO S&P/TSX CAPPED COMPOSITE ETF			7.1%
PROVINCE OF ONTARIO	2.60%	2025-06-02	3.4%
BMO S&P 500 INDEX ETF			3.4%
GOVERNMENT OF CANADA	2.50%	2024-06-01	2.9%
PROVINCE OF ALBERTA	2.35%	2025-06-01	2.4%
PROVINCE OF ONTARIO	2.40%	2026-06-02	2.3%
GOVERNMENT OF CANADA	2.00%	2028-06-01	2.1%
GOVERNMENT OF CANADA	1.50%	2026-06-01	2.1%
CANADA HOUSING TRUST	2.90%	2024-06-15	2.0%
GOVERNMENT OF CANADA	5.75%	2029-06-01	2.0%
PROVINCE OF QUEBEC	3.50%	2022-12-01	1.9%
TORONTO-DOMINION BANK	3.22%	2024-07-25	1.8%
PROVINCE OF BRITISH COLUMBIA	5.70%	2029-06-18	1.6%
ROYAL BANK OF CANADA	3.45%	2026-09-29	1.6%
BANK OF MONTREAL	3.19%	2028-03-01	1.6%
CANADA HOUSING TRUST	3.15%	2023-09-15	1.5%
PROVINCE OF ONTARIO	2.60%	2027-06-02	1.5%
BANK OF MONTREAL	2.57%	2027-06-01	1.4%
CANADIAN IMPERIAL BANK OF COMMERCE	3.42%	2026-01-26	1.4%
HSBC BANK CANADA	3.25%	2023-09-15	1.4%
PROVINCE OF SASKATCHEWAN	3.20%	2024-06-03	1.3%
BANK OF NOVA SCOTIA	3.37%	2025-12-08	1.3%
CANADA HOUSING TRUST	1.90%	2026-09-15	1.0%
PROVINCE OF ONTARIO	3.50%	2024-06-02	0.9%
Largest 25 holdings as a % of total investments			**59.6%**

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 Bonds	515,765	16.4%
Provincial Bonds	648,240	20.6%
Corporate Bonds	1,088,981	34.8%
Short-term	29,609	0.9%
Equities & ETFs	863,064	27.3%
Total	**3,145,659**	**100%**

Past Performance

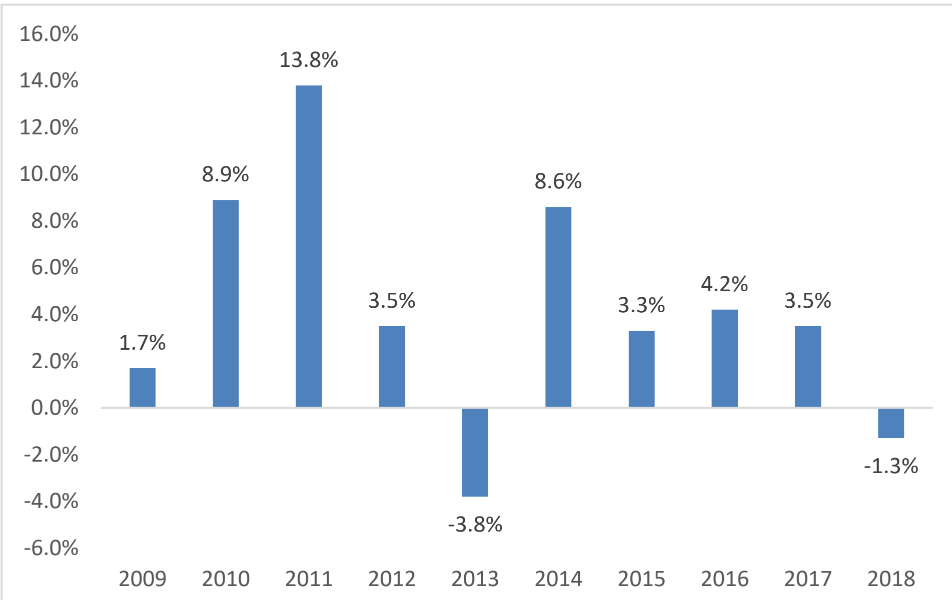
Past performance of the Plan is set out in the following chart and compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the year(s). Rates of return shown below for the Plan are:

- 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 December 30, 2018. 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

With the implementation of the new investment strategy in fiscal 2015, which introduced equities within the Plan's investment portfolio, the Plan's broad based benchmark has changed from 100% FTSE TMX Canada Universe All Government Bond Index in Fiscal 2014 to (for Fiscal 2015 onwards):

- 75% FTSE TMX Canada Universe All Government Bond Index
- 12.5% S&P/TSX Composite Index
- 12.5% S&P 500 Index

The following table illustrates the Plan's annual compound returns for the periods shown ended December 31, 2018.

	1 Year	3 Year	5 Year	10 Year
Family Group Plan	-1.3%	2.1%	3.6%	4.1%
FTSE TMX Canada Universe All Government Bond Index	1.5%	1.5%	3.5%	3.6%
S&P TSX Composite Index	-8.9%	6.4%	4.1%	7.9%
S&P 500 in USD	-4.4%	9.3%	8.5%	13.1%
S&P 500 Index (in CAD)	4.3%	8.8%	14.1%	14.4%

The FTSE TMX Canada Universe All Government Bond Index (formerly called DEX 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 S&P/TSX Composite Index is the headline index for the Canadian equity market and measures the performance of the largest by market capitalization stocks listed on the Toronto Stock Exchange.

The S&P 500 Index is a capitalization-weighted index of 500 largest US stocks. Since the underlying investments are in USD, the appreciation or depreciation of the US dollar against the Canadian dollar can either add to or detract from the total return.