

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 Family Single Student 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.

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 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

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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 securities.

Fiera Capital Corporation manages the Plan’s assets. The assets were allocated amongst different market sectors with different maturity segments at our investment manager’s discretion and subject to the investment policy for the Plan. Our investment manager actively managed the Plan using strategies including sector allocation, duration management, credit research and certain yield curve strategies.

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. In fiscal 2017, there were no significant changes to the Plan that had an impact on the overall level of risk associated with an investment in the Plan. Furthermore, the Plan’s investment philosophy, style and method remain the same. 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 in the Plan increased by 11.5% over the fiscal year from \$66.1 million as of April 30, 2016 to \$73.7 million as of April 30, 2017 as new deposits (inclusive of government grants), transfers in and income earned on the investments in the Plan exceeded payments to existing subscribers and beneficiaries of the Plan.

Investments

Over the past five years, the Plan's net rate of return was 2.7%. For fiscal 2017, the Plan's net rate of return was 1.0% versus a return of 2.3% for the FTSE TMX Canada Universe All Government Bond Index (formerly called DEX All Government Bond Index). Unlike the Index, the Plan's return is after administration, investment counsel, custodial and independent review committee fees have been deducted.

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

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, 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 \$376 thousand (2016 – \$332 thousand) 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 a depository fee payable by subscribers and also 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 \$88 thousand (\$83 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 \$23 thousand (\$28 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 dated May 1, 2013, 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 ⁽⁶⁾	2013 ⁽¹⁾
Statements of Financial Position					
Total Assets ⁽²⁾	80,491	75,075	68,460	63,801	59,085
Net Assets Attributable to Subscribers and Beneficiaries ⁽³⁾	73,734	66,109	60,985	53,517	28,193
% Change of Net Assets	11.5%	8.4%	14.0%	89.9%	55.8%
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries					
Scholarship Awards (Educational Assistance Payments).	13,107	10,320	8,279	6,751	3,831
Government Grants (net) ⁽⁴⁾	1,354	1,352	758	733	642
Statements of Comprehensive Income					
Net Investment Income ⁽⁵⁾	1,124	1,068	1,245	1,133	1,174

⁽¹⁾ Figures for 2013 include the transfer of agreements and assets in fiscal 2013 of the Family Multiple Student Education Savings Plan, Family Multiple Student Grandfathered Education Savings Plan, and Family Single Student Grandfathered Education Savings Plan (which had been previously offered by the Foundation) into the Plan.

⁽²⁾ "Total Assets" represents cash, investments, and receivables.

⁽³⁾ "Net Assets Attributable to Subscribers and Beneficiaries" represents total assets less total liabilities.

⁽⁴⁾ 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.

⁽⁵⁾ Net investment income excludes realized gains (losses) on investments and the net change in unrealized gains (losses) on investments.

⁽⁶⁾ 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 below and are included in the total amounts for the year ended April 30, 2017).

Investment Counsel Fees

Investment Counsel fees of \$106 thousand (\$99 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 0.27% to 0.09% on a graduated scale. Investment counsel fees paid for the year amounted to 0.13% (0.13% in fiscal 2016) of the total fair value of the investment portfolio in the Plan.

Annual Custodial Fees

The Plan paid custodial fees of \$16 thousand (\$14 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 \$2 thousand (\$2 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%	2017-06-15	9.2%
GOVERNMENT OF CANADA	0.50%	2019-02-01	7.9%
GOVERNMENT OF CANADA	1.50%	2026-06-01	6.6%
CANADA HOUSING TRUST	1.95%	2019-06-15	5.5%
PROVINCE OF ONTARIO	4.20%	2020-06-02	5.1%
PROVINCE OF QUEBEC	3.50%	2022-12-01	5.0%
PROVINCE OF ONTARIO	2.85%	2023-06-02	4.7%
PROVINCE OF ONTARIO	3.15%	2022-06-02	4.2%
PROVINCE OF QUEBEC	3.75%	2024-09-01	4.0%
CANADA HOUSING TRUST	3.35%	2020-12-15	3.4%
PROVINCE OF ONTARIO	3.50%	2024-06-02	3.1%
PROVINCE OF QUEBEC	2.75%	2025-09-01	2.5%
ROYAL OFFICE FINANCE LP	5.21%	2032-11-12	2.4%
PROVINCE OF QUEBEC	4.50%	2019-12-01	2.2%
PROVINCE OF ONTARIO	2.60%	2025-06-02	2.0%
GOVERNMENT OF CANADA	4.00%	2041-06-01	2.0%
PROVINCE OF ONTARIO	2.90%	2046-12-02	1.9%
PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	1.9%
GOVERNMENT OF CANADA	3.50%	2045-12-01	1.7%
PROVINCE OF ALBERTA	3.90%	2033-12-01	1.6%
PROVINCE OF ONTARIO	3.45%	2045-06-02	1.6%
PROVINCE OF MANITOBA	4.05%	2045-09-05	1.5%

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PSP CAPITAL INC	3.03%	2020-10-22	1.4%
PROVINCE OF NOVA SCOTIA	4.10%	2021-06-01	1.3%
PROVINCE OF BRITISH COLUMBIA	3.20%	2044-06-18	1.0%
Largest 25 holdings as a % of investments			83.7%

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	25,392	35.0%
Provincial	39,004	53.8%
Municipal	1,320	1.8%
Short Term	6,795	9.4%
Total	72,511	100%

Past Performance

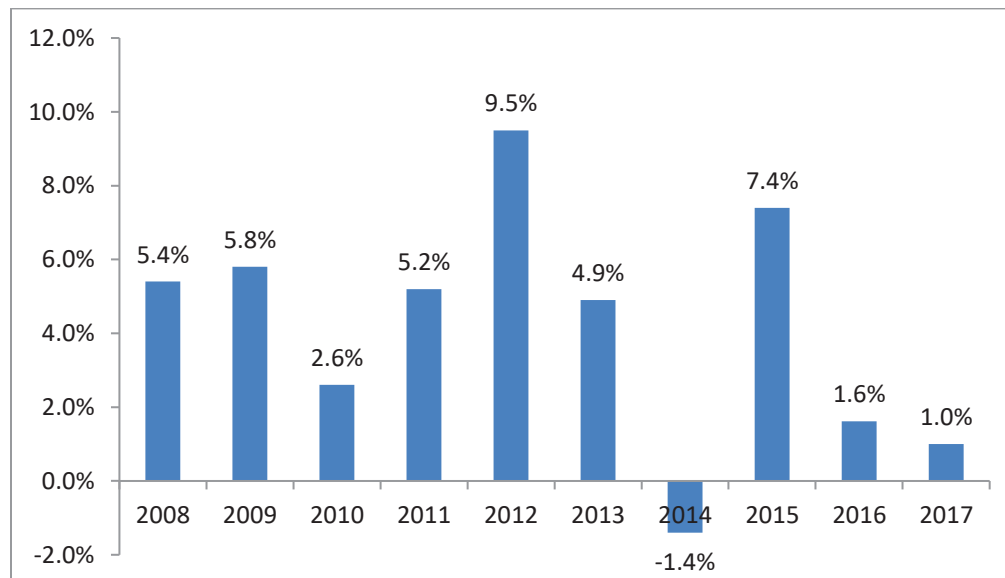
Past performance of the Plan is set out in the following chart and compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the year(s). Rates of return shown below for the Plan are:

- 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 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	1.0%	3.3%	2.7%	4.2%
Benchmark*	2.3%	3.4%	3.5%	4.7%

* 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.