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 Flex First (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), Canadian equity securities, and US equities via an exchange-traded fund (ETF), both of which must be traded on a Canadian stock exchange.

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

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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. Pursuant to the Knowledge First Financial Inc.'s (Financial) Undertaking with the Ontario Securities Commission (OSC), the Plan has the opportunity to invest a portion of the Plan's assets (up to 30%) in Canadian equity securities directly, US equities via exchange-traded funds (ETFs) and corporate bonds with a minimum BBB rating or equivalent. All equities and ETFs must be traded on a Canadian stock exchange. The Plan started investing in Canadian equities securities and US equities via exchange-traded funds (ETFs) in fiscal 2015.

Guardian Capital LP 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 manages 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 2013, the Plan commenced operations. 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 attributable to subscribers and beneficiaries "net assets" in the Plan as of April 30, 2017 increased to $81.1 million from $42.6 million in the prior year. The increase primarily resulted from deposits, grants and income earned on the investments in the Plan.

Investments

At April 30, 2017, about 75% of total investments were invested in fixed income, mainly provincial and corporate bonds with the remaining 25% invested in equities (a mix of Canadian equities and US equities held through exchange-traded funds).

Over the past three years the Plan's net rate of return was 5.8%. For fiscal 2017, the Plan's overall net rate of return was 5.4% 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 independent review committee fees and management fees have been deducted.

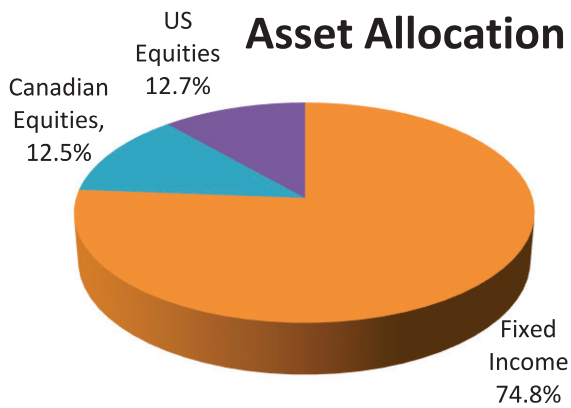
Over the twelve months ending April 30, 2017, financial markets reacted frequently to major political events, often with volatile day-to-day and hourly swings. Last June's brief downturn in United States ("US") and Canadian equities after the United Kingdom's Brexit referendum was followed by a sharp 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. Since 2012, the Canadian dollar has steadily depreciated versus the US dollar, but recently seems to have found near-term stability.

During the twelve months ended April 30, 2017, the unhedged return on US equities was 28.3%, while the Canadian-dollar-hedged return on US equities was 17.9%. The best and worst performing sectors within US equities were Technology and Telecom, respectively. Canadian equity returns were 14.9%, with the Industrial sector having the best, and the Healthcare sector having the worst performance over this period.

The asset allocation as at April 30, 2017 is presented in the chart below:



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).

Management Fees

The Foundation is the sponsor of the Plan. The general administration of the Plan is carried out on behalf of the Foundation by its wholly owned subsidiary, Financial and includes processing and call centre services related to new agreements, payments, government grants, plan modifications, subscriber payouts, plan closings, EAPs, administration, depository, investment management and custodial-related costs for the Plan. Under the Fund Management Agreement dated May 1, 2013, in consideration for its administrative services, Financial is entitled to receive a management fee payable by the Plan. Management fees are calculated as a percentage of the sum of the closing balances of net contributions, grants and income. This fee is intended to cover ongoing costs of supporting the Plan including Plan administration, audit, depository, investment management and custodial-related costs for the Plan. This fee can increase or decrease, but will not exceed 1.5% per annum plus applicable sales taxes.

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 based on the total contribution goal the subscriber has set for the Plan. This fee will not exceed 9.5% of the total contribution goal. All of the subscribers' deposits to the Plan are applied against the enrolment fee until the total enrolment fee has been paid. 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.

Special Processing Fees

Special processing fees are one-time fees for specific transactions in the subscribers' savings account. 100% of special processing fees are paid to Financial as these fees are directly related to plan administration activities. Special processing fees in fiscal 2017 were $1 thousand (2016 - $nil).

Financial and Operating Highlights

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 five fiscal years ended April 30, 2017. This information is derived from the Plan's audited annual financial statements.

($ in thousands)	2017	2016	2015	2014[(6)]	2013
Statements of Financial Position					
Total Assets [(1)]	82,243	43,446	18,708	5,539	494
Net Assets [(2)]	81,094	42,614	17,894	4,998	123
% Change of Net Assets	90.3%	138%	258%	n/m[(5)]	n/m[(5)]
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries					
Scholarship Awards (Educational Assistance Payments)	(22)	(4.0)	(0.3)	-	-
Government Grants (net) [(3)]	12,002	9,743	5,381	2,490	109
Statements of Comprehensive Income					
Net Investment Income [(4)]	327	176	244	29	1

[(1)] "Total Assets" represents cash, investments and receivables.
[(2)] "Net Assets" 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 plans.
[(4)] Net investment income excludes realized gains (losses) on investments and the net change in unrealized gains on investments.
[(5)] n/m - not meaningful.
[(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.

Independent Review Committee Fees

The Plan paid the Independent Review Committee, a committee mandated by legislation, fees of $1 thousand ($1 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
BMO S&P 500 Hedged to CAD Index ETF			9.5%
PROVINCE OF ONTARIO	3.50%	2024-06-02	7.2%
PROVINCE OF ONTARIO	2.60%	2025-06-02	5.3%
BANK OF MONTREAL	2.12%	2022-03-16	4.8%
CANADA HOUSING TRUST	3.15%	2023-09-15	3.7%
PROVINCE OF BRITISH COLUMBIA	3.30%	2023-12-18	3.6%
PROVINCE OF ONTARIO	3.15%	2022-06-02	3.5%
PROVINCE OF ALBERTA	2.35%	2025-06-01	3.3%
TORONTO-DOMINION BANK	2.62%	2021-12-22	3.2%
BMO S&P 500 INDEX ETF			3.2%
PROVINCE OF ONTARIO	2.40%	2026-06-02	3.0%
CANADIAN IMPERIAL BANK	2.04%	2022-03-21	2.5%
ROYAL BANK OF CANADA	2.86%	2021-03-04	2.5%
BANK OF NOVA SCOTIA	1.90%	2021-12-02	2.4%
PROVINCE OF BRITISH COLUMBIA	5.70%	2029-06-18	2.3%
NATIONAL BANK OF CANADA	2.11%	2022-03-18	2.1%
PROVINCE OF BRITISH COLUMBIA	2.85%	2025-06-18	1.9%
PROVINCE OF QUEBEC	3.00%	2023-09-01	1.8%
ROYAL BANK OF CANADA	1.97%	2022-03-02	1.7%
BANK OF NOVA SCOTIA	3.27%	2021-01-11	1.7%
CANADA HOUSING TRUST	2.40%	2022-12-15	1.7%
PROVINCE OF QUEBEC	3.50%	2022-12-01	1.5%
CANADIAN IMPERIAL BANK	1.64%	2021-07-12	1.4%
PROVINCE OF SASKATCHEWAN	3.20%	2024-06-03	1.3%
ROYAL BANK OF CANADA	2.00%	2022-03-21	1.3%
Largest 25 holdings as a % of total investments			**76.4%**

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	5,247	7.0
Provincial	30,532	40.7
Corporate	18,702	25.0
Short-term investments	1,604	2.1
Equities & ETFs	18,888	25.2
Total	**74,973**	**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:

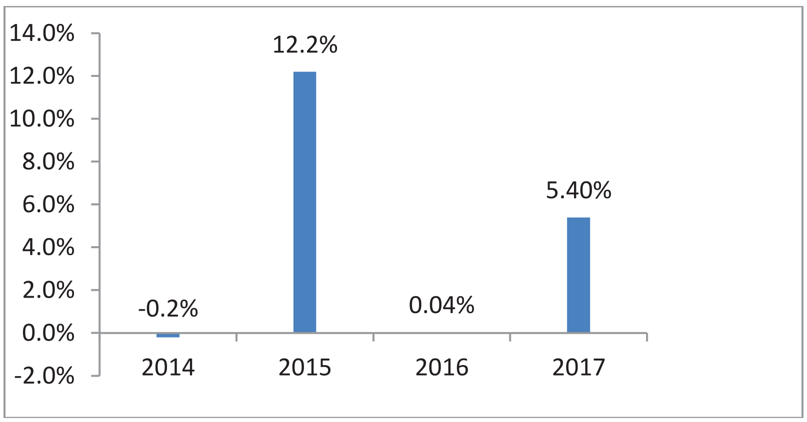
- For the investment portfolio only;
- After the management and independent review committee fees have been deducted; and
- Assume that all of the income, interest earned, dividends earned and capital gains distributions are reinvested in the Plan.

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

Management fees were assessed in the years ending April 30, 2017 and April 30, 2016.

Year by Year Returns

The following bar chart illustrates the Plan's annual performance over the past four complete fiscal years to April 30, 2017 (the Plan was established in November 2012). 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 return, as well as past returns.

RETURNS	1 Year	3 Year
Flex First Plan	5.4%	5.8%
FTSE TMX Canada Universe All Government Bond Index	2.3%	4.4%
S&P 500 in USD	17.9%	10.5%
S&P 500 in CAD	28.3%	18.9%
S&P TSX	14.9%	5.1%

* 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.