

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 Single Student 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 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.

Prior to February 1, 2019, Fiera Capital Corporation managed the Plan’s assets (refer to Recent Developments). 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 2018, 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. There was a portfolio management team change at Fiera as of January 1, 2018, with risk of investing in the Plan and its suitability for investors remaining as discussed in the Prospectus for the Plan.

Results of Operations

The net assets in the Plan increased by 14.7% over the fiscal year from \$87.9 million as of December 31, 2017 to \$100.9 million as of December 31, 2018 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 2.5%. For fiscal 2018, the Plan's net rate of return was 0.8% versus a return of 1.5% 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 December 31, 2018, investments were invested in government bonds and short-term investments.

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.

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.

Recent Developments

Effective February 1, 2019, Guardian Capital LP was appointed portfolio manager, replacing Fiera Capital Corporation. Pursuant to Amendment No. 1 dated February 7, 2019 to the Detailed Plan Disclosure Dated August 28, 2018, effective January 1, 2020, the administrative fee (described below) component of the management fee will increase from 0.5% to 0.6%, applicable to all customers that become subscribers to the Plan after that date.

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, 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 \$504 thousand (\$294 thousand for the 8-month period ended December 31, 2017; \$376 thousand for the year ended April 30, 2017) 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 \$49 thousand (\$82 thousand for the 8-month period ended December 31, 2017; \$88 thousand for the 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' 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 \$22 thousand (\$16 thousand for the 8-month period ended December 31, 2017; \$23 thousand for the 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⁾	125,980	105,994	80,491	75,075	68,460
Net Assets Attributable to Subscribers and Beneficiaries ⁽²⁾	100,877	87,936	73,734	66,109	60,985
% Change of Net Assets	14.7%	19.3%	11.5%	8.4%	14.0%
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries					
Scholarship Awards (Educational Assistance Payments).	16,701	11,530	13,107	10,320	8,279
Government Grants (net) ⁽³⁾	3,697	5,059	1,354	1,352	758
Statements of Comprehensive					
Net Investment Income ⁽⁴⁾	1,813	819	1,124	1,068	1,245

⁽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 \$168 thousand (\$72 thousand for the 8-month period ended December 31, 2017; \$106 thousand for the 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 0.09% to 0.27% on a graduated scale. Investment counsel fees paid for the year amounted to 0.15% (0.08% for the 8-month period ended December 31, 2017; 0.13% 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 \$16 thousand (\$11 thousand for the 8-month period ended December 31, 2017; \$16 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 \$3 thousand (\$2 for the 8-month period ended December 31, 2017; \$2 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 Investment
1 GOVERNMENT OF CANADA	2.75%	2022-06-01	8.2%
2 PROVINCE OF ONTARIO	2.40%	2026-06-02	6.6%
3 PROVINCE OF ONTARIO	5.60%	2035-06-02	5.7%
4 PROVINCE OF ONTARIO	3.45%	2045-06-02	5.5%
5 CANADA HOUSING TRUST	2.46%	2021-09-15	5.4%
6 PROVINCE OF ONTARIO	4.20%	2020-06-02	5.1%
7 CANADA HOUSING TRUST	3.35%	2020-12-15	4.6%
8 GOVERNMENT OF CANADA	2.75%	2048-12-01	4.3%
9 PROVINCE OF ONTARIO	3.15%	2022-06-02	3.6%
10 PROVINCE OF QUEBEC	4.50%	2019-12-01	3.5%
11 PROVINCE OF ONTARIO	2.80%	2048-06-02	3.3%
12 PROVINCE OF QUEBEC	3.50%	2022-12-01	3.1%
13 PROVINCE OF ONTARIO	2.90%	2046-12-02	3.0%
14 CANADA HOUSING TRUST	2.40%	2022-12-15	3.0%
15 PROVINCE OF ONTARIO	2.85%	2023-06-02	2.9%
16 PROVINCE OF QUEBEC	8.50%	2026-04-01	2.7%
17 PROVINCE OF QUEBEC	3.50%	2045-12-01	2.3%
18 PROVINCE OF ONTARIO	2.60%	2027-06-02	2.2%
19 PROVINCE OF ONTARIO	3.50%	2024-06-02	1.9%
20 PROVINCE OF QUEBEC	3.75%	2024-09-01	1.6%
21 ROYAL OFFICE FIN LTD PARTNERSHIP	5.21%	2032-11-12	1.4%
22 PROVINCE OF QUEBEC	2.50%	2026-09-01	1.4%
23 PROVINCE OF NEWFOUNDLAND	3.00%	2026-06-02	1.2%
24 PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	1.1%
25 PROVINCE OF ALBERTA	3.90%	2033-12-01	1.0%
Largest 25 holdings as a % of investments			84.6%

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	33,919	29.8%
Provincial	74,361	65.3%
Municipal	5,355	4.7%
Short Term	279	0.2%
Total	113,914	100%

Past Performance

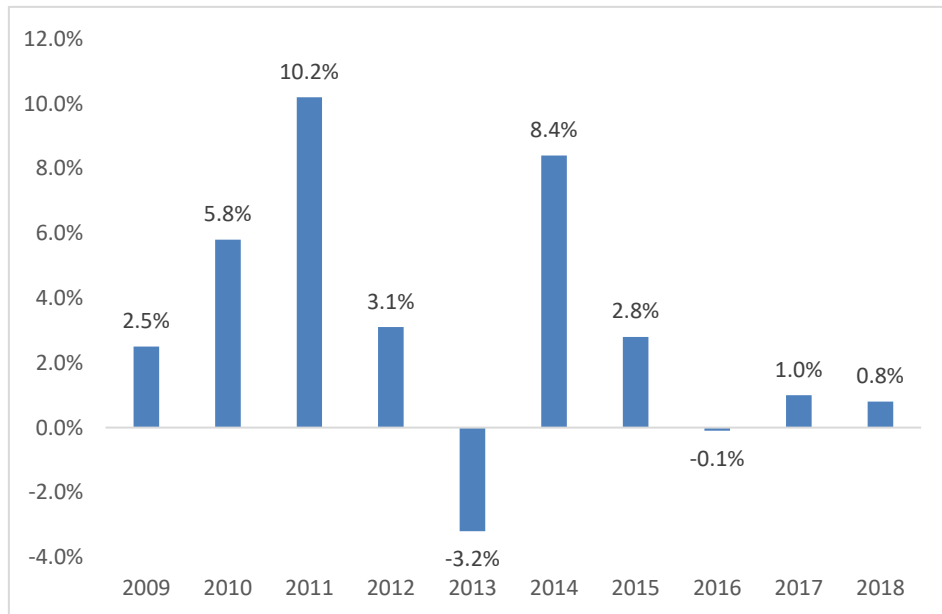
Past performance of the Plan is set out in the following chart and compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the year(s). Rates of return shown below for the Plan are:

- 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 31, 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

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
The Plan	0.8%	0.6%	2.5%	3.1%
Benchmark*	1.5%	1.5%	3.5%	3.6%

* 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.