

On February 27, 2023, Knowledge First Foundation and Knowledge First Financial Inc. filed articles of amendment to effect the change of their names to Embark Student Foundation and Embark Student Corp., respectively. Accordingly, effective immediately, any reference to "Knowledge First Foundation" should now be considered referring to "Embark Student Foundation" and any reference to "Knowledge First Financial Inc." should now be considered referring to "Embark Student Corp."

If you require any further information about this change, please contact us by email at contact@embark.ca.

Yours truly,
EMBARK STUDENT FOUNDATION & EMBARK STUDENT CORP.

FLEX FIRST EDUCATION SAVINGS PLAN

Management Report of Fund Performance

For the year ended December 31, 2022

This document contains the Annual Management Report of Fund Performance ("MRFP") for the Flex First 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, L5B4A5. 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, and corporate debt instruments of financial institutions (the latter with a minimum BBB (low) 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.

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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 a conservative manner, in accordance with the Plan's investment policy. Pursuant to Knowledge First Financial Inc.'s ("Knowledge First Financial") Undertaking with the Ontario Securities Commission (OSC), the Plan is permitted to invest a portion of the Plan's assets (up to 40% of Net Assets) 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.

Currently, the Plan's fixed income assets are managed by Guardian Capital LP (Canadian Government and Corporate bonds). The plan's fixed income securities are actively managed through sector allocation, duration management, credit research and yield curve strategies. Guardian also manages the active Canadian equities mandate and selects Canadian equity securities with a bias towards high-quality companies across different sectors. US equities are passively managed by BMO Asset Management Inc. via investing in BMO MSCI USA ESG Leaders Index ETF. The portfolio advisors manage the assets of the Plans on a discretionary basis within set parameters established under the prospectus and the SIPP.

Risk

The Plan is a conservative balanced investment fund suitable for investors seeking to save for a child's post-secondary education. The Plan's investment philosophy, style and method remains unchanged since equities were introduced to the Plan's portfolio in 2015. The risk of investing in the Plan and its suitability for investors remain as discussed in the Prospectus for the Plan. During the year ended December 31, 2022, there were no significant changes to the Plan's portfolio and overall level of risk.

Results of Operations

During the year ended December 31, 2022, net assets attributable to subscribers and beneficiaries of the Plan increased by 11.2% from \$492.8 million as of December 31, 2021 to \$548.2 million as of December 31, 2022. The increase primarily resulted from an increase in subscribers' contributions and government grants, offset by a decrease in net assets attributable to subscribers and beneficiaries due to negative investment experience.

Investments

Over the past five years, the Plan's annual compounded net rate of return was 2.7%. For fiscal 2022, the Plan's net rate of return was negative 11.7% versus a return of negative 12.3% for the FTSE Canada Universe All Government Bond Index. Unlike the Index, the Plan's return is net of all expenses.

The Plan's overall investment allocation did not significantly change from previous fiscal year. At December 31, 2022, 40.8% of the assets were invested in government bonds, 25.0% in corporate bonds, and 34.2% in equities.

The post-COVID economic recovery of 2021 was followed by a turbulent 2022, which was characterized by geopolitical tensions, rising inflation, global monetary policy tightening, and significant losses in asset prices.

Continued COVID-19 lockdowns in China as well as war in Ukraine distorted global supply chains, while the demand for goods and services driven by pandemic fiscal stimulus continued to be strong. As a result, skyrocketing inflation hit most economies, breaking multi decade records in several countries.

To combat rising inflation, central banks across the globe responded with a coordinated effort of unprecedented interest rate hikes, leading to one of the most rapidly evolving changes in market environment and adversely affecting both stocks and bonds. From March to December, the Bank of Canada increased its interest rates 17-fold, from 0.25% to 4.25%, sending bond yields soaring and causing selloffs across-the-board in equities and fixed income.

For the year ended December 31, 2022, global equities (S&P Global Broad Market Index) were down 18.2%, US equities (S&P 500) lost 18.1%, and Canadian equities (TSX Composite) returned negative 5.8% helped by strong returns from the Energy sector. Canadian bonds (FTSE Canada Universe Bond Index) had their worst year on record and were down 11.7%, with Government and Corporate bonds losing 12.3% and 9.9% respectively.

As a result, traditional portfolios experienced the largest loss of diversification benefits in decades, as both equities and fixed income suffered significant losses in tandem.

The volatile market environment and downfall in asset prices strengthened the US dollar, which is considered a safe-haven currency. This, in turn, resulted in goods becoming more expensive in local prices, further adding to inflationary pressures. The Canadian dollar closed 2022 at about 0.74 USD/CAD, losing approximately 6.4% versus the U.S. dollar.

The most recent readings show that inflation has moderated in most markets; however, central banks are far from achieving their historical inflation targets. Combined with a strong labour market, monetary policy tightening may continue into 2023, but investors now expect rate increases to come at a slower pace compared to 2022.

Related Party Transactions

Management Fees paid by the Plan

The Foundation is the sponsor of the Plan. The general management of the Plan is carried out on behalf of the Foundation by its wholly owned subsidiary, Knowledge First Financial, and includes processing and call center services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Under a fund management agreement dated May 1, 2013, in consideration for its administrative services (inclusive of depository, audit, portfolio management and custodial fees), Knowledge First Financial is entitled to receive from the Plan an annual management fee of up to 1.5% of all funds on deposit related to the Plan. For the year ended December 31, 2022, management fees charged to the Plan were \$7.1 million (1.30% plus applicable taxes) (December 31, 2021 - \$5.9 million (1.30% plus applicable taxes)).

Knowledge First Financial Plans, which include the Plan, may be connected issuers. 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.

Independent Review Committee Fees paid by the Plan

The Independent Review Committee reviews all conflict-of-interest matters referred to it by the Foundation. For the year ended December 31, 2022, the Plan paid the Independent Review Committee, a committee mandated by legislation, fees of \$6 thousand (December 31, 2021 - \$5 thousand).

Enrollment Fees paid by the Subscriber

Knowledge First Financial, as the Plan's distributor, deducts enrollment 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 the subscribers' deposits to the Plan are applied against the enrollment fee until the total enrollment fee has been paid. Enrollment fees for the year ended December 31, 2022 were \$23,779 thousand (December 31, 2021 - \$34,671 thousand).

Special Processing Fees paid by the Subscriber

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 special processing fees are paid to Knowledge First Financial as these fees are directly related to plan administration activities. For the year ended December 31, 2022, special processing fees deducted were \$134 thousand (December 31, 2021 - \$107 thousand).

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 annual audited financial statements.

(\$ in thousands)	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Statements of Financial Position					
Total Assets ⁽¹⁾	\$ 555,987	\$ 497,778	\$ 360,769	\$ 243,518	\$ 161,915
Net Assets	548,179	492,802	356,224	240,582	159,758
% Change of Net Assets	11.2 %	38.3 %	48.1 %	50.6 %	44.6 %
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries					
Educational Assistance Payments	\$ (1,777)	\$ (2,057)	\$ (583)	\$ (373)	\$ (156)
Government Grants (net) ⁽²⁾	32,774	35,281	30,834	23,010	17,309
Statements of Comprehensive Income					
Net Investment Income ⁽³⁾	\$ 4,612	\$ 1,671	\$ 1,834	\$ 1,721	\$ 1,067

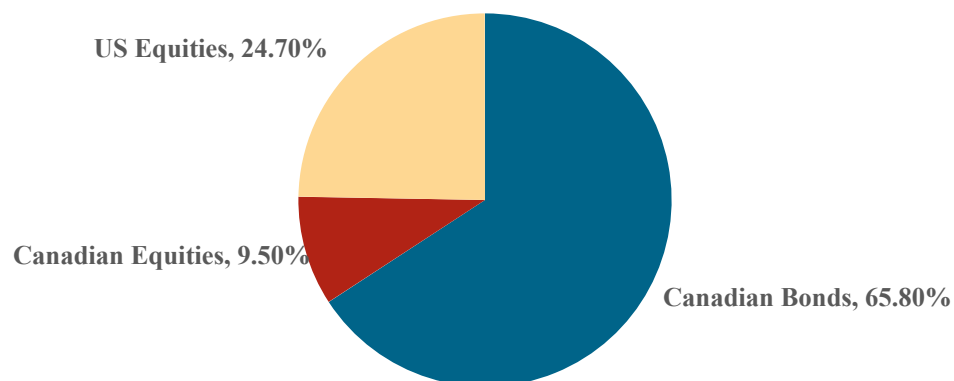
⁽¹⁾ “Total Assets” represents cash, investments, and receivables.

⁽²⁾ Government grants are net of repayments to beneficiaries upon eligibility and grants transferred to or from other institutions and other plans.

⁽³⁾ Net investment income excludes realized gains (losses) on investments and the net change in unrealized gains (losses) on investments.

Portfolio by Category as at December 31, 2022

Flex First Plan Asset Mix



The following table indicates the largest 25 holdings of the Plan as at December 31, 2022. This summary of investment portfolio may change due to ongoing portfolio transactions. The Plan is prohibited from holding short positions in securities.

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	Name	Coupon	Maturity Date	% of Investment
1	BMO MSCI USA ESG LEADERS INDEX ETF	0.48%		24.70 %
2	GOVERNMENT OF CANADA	1.50%	06/01/2031	6.20 %
3	PROVINCE OF ONTARIO	2.15%	06/02/2031	5.90 %
4	SUN LIFE FINANCIAL INC	2.80%	11/21/2033	3.70 %
5	CANADA HOUSING TRUST	2.10%	09/15/2029	3.60 %
6	CANADA HOUSING TRUST	2.65%	12/15/2028	2.90 %
7	PROVINCE OF ONTARIO	2.25%	12/02/2031	2.50 %
8	PROVINCE OF BRITISH COLUMBIA	1.55%	06/18/2031	2.30 %
9	PROVINCE OF ONTARIO	2.60%	06/02/2027	2.10 %
10	BANK OF MONTREAL	3.19%	03/01/2028	2.10 %
11	PROVINCE OF BRITISH COLUMBIA	2.95%	12/18/2028	1.80 %
12	TORONTO-DOMINION BANK	3.06%	01/26/2032	1.50 %
13	PROVINCE OF ALBERTA	2.20%	06/01/2026	1.50 %
14	PROVINCE OF ONTARIO	6.50%	03/08/2029	1.40 %
15	BELL CANADA	1.65%	08/16/2027	1.20 %
16	BELL CANADA	2.90%	09/10/2029	1.20 %
17	BELL CANADA	2.20%	05/29/2028	1.10 %
18	GREAT-WEST LIFECO INC	2.38%	05/14/2030	1.00 %
19	CANADIAN IMPERIAL BANK OF COMMERCE	4.20%	04/07/2032	1.00 %
20	SUN LIFE FINANCIAL INC	2.06%	10/01/2035	1.00 %
21	GOVERNMENT OF CANADA	1.50%	12/01/2031	1.00 %
22	CANADA HOUSING TRUST	1.40%	03/15/2031	0.90 %
23	BANK OF NOVA SCOTIA	3.10%	02/02/2028	0.80 %
24	CANADIAN IMPERIAL BANK OF COMMERCE	3.30%	05/26/2025	0.80 %
25	ROYAL BANK OF CANADA	1.83%	07/31/2028	0.80 %
Largest 25 holdings as a % of investments				73.00 %

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 cash.

Category	Fair Value (\$000s)	% of Total Investments
Equities	\$ 187,299	34.2 %
Corporate	137,387	25.0 %
Provincial	121,491	22.1 %
Federal	94,699	17.3 %
Short term investments	7,483	1.4 %
Total	\$ 548,359	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;

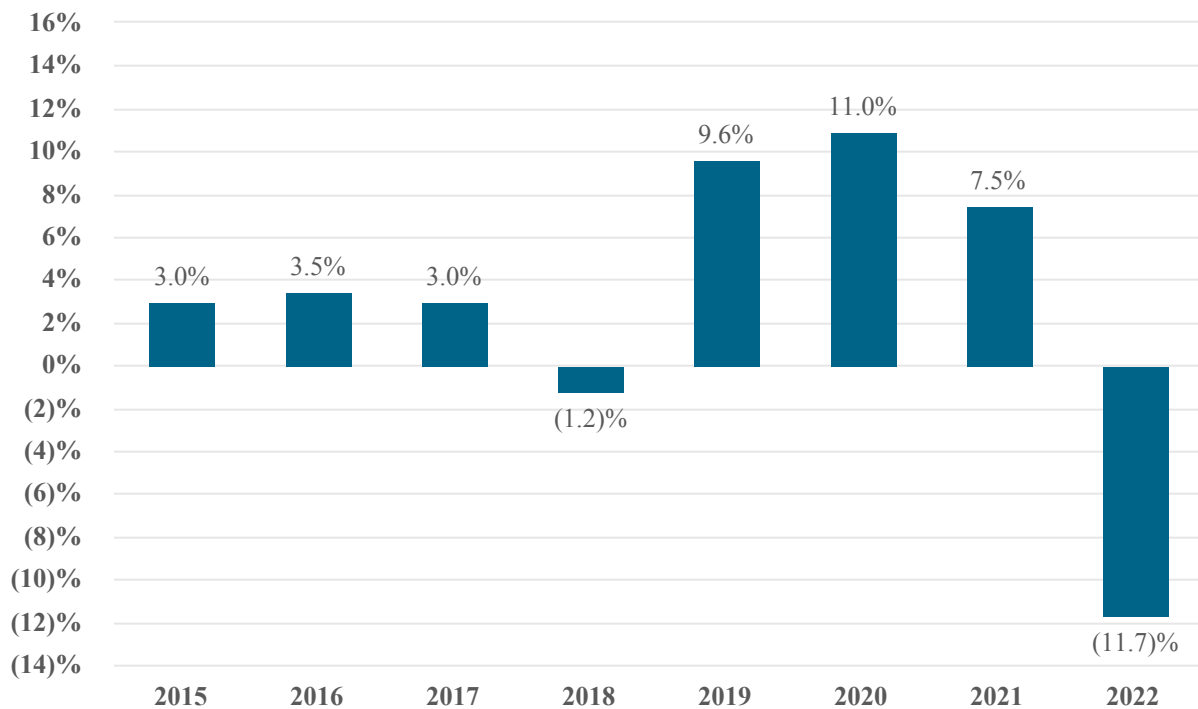
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- After administration, investment counsel, custodial and independent review committee fees have been deducted; and
- Assume that all of the income, interest earned, and capital gains distributions are reinvested in the Plan.

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, 2022. 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, 2022.

	1 Year	3 Year	5 Year
Flex First Education Savings Plan	(11.7)%	1.7 %	2.7 %
FTSE Canada Universe All Government Bond Index*	(12.3)%	(2.6)%	— %
S&P TSX Composite Index**	(5.8)%	7.5 %	6.9 %
S&P 500 Index	(18.1)%	7.7 %	9.4 %
S&P 500 Index (\$C)	(12.2)%	9.3 %	11.2 %

* The FTSE Canada Universe All Government Bond Index (formerly called DEX All Government Bond Index) measures Canadian investment grade fixed income securities 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 flagship index for the Canadian equity market and measures the performance of the largest stocks listed on the Toronto Stock Exchange. The S&P 500 Index is the flagship index for the US equity market and measures the performance of the largest 500 US stocks.