

Management Report of Fund Performance

For the year ended December 31, 2023

This document contains the Annual Management Report of Fund Performance (“MRFP”) for the Embark Student 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.embark.ca or SEDAR+ at www.sedarplus.ca.

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 accordance with the Plan's investment policy. As the Plan's target end date approaches, the Plan will gradually shift its asset mix from an exposure that is predominantly in equities to an exposure that is primarily in bonds and cash equivalents. The Plan's exposure to different asset classes will be achieved through investing in a diversified mix of equity securities, government and corporate fixed-income securities, as well as exchange-traded funds ("ETFs") which have exposure to these securities.

A Beneficiary will be assigned to a glide path beneficiary age group based on their date of birth. As the Beneficiary ages, the target asset mix for each glide path beneficiary age group will change transitioning to a more conservative investment mix over time. When a glide path beneficiary cohort reaches the maturity date, the investment account is merged with the Graduation investment account, which has an asset mix intended for capital preservation.

The Plan's assets will be managed by BMO Asset Management Inc. via investing in underlying passive ETFs representing different asset mix. The portfolio managers will use active tactical calls to manage the asset mix within set parameters established under the prospectus.

Risk

The Plan is suitable for investors seeking to save for a child's post-secondary education. The risks associated with an investment in the Plan are disclosed in the Plan's prospectus.

Results of Operations

During the year ended December 31, 2023, net assets attributable to subscribers and beneficiaries of the Plan increased from \$4,872 as of December 31, 2022 to \$45,128,089 as of December 31, 2023. The increase primarily resulted from the beginning of operations in March 2023, an increase in transfers from existing Embark Student Corp. plans, and by an increase in net assets attributable to subscribers and beneficiaries due to positive investment experience.

Investments

2023 kicked off with investors worrying about inflation and high interest rates, coupled with expectations of a recession later in the year. However, inflation subsided, and the economy remained robust despite the regional banking crisis in the US and initial fears of a credit crunch at the beginning of the year. As a result, after a challenging 2022, the year provided much-needed relief for both equity and fixed income investors.

Decelerating inflation, resilient economy, better-than-expected corporate earnings, and stabilizing interest rates led to strong rallies in both stocks and bonds, especially towards the end of the year. In November, the market narrative shifted towards "soft landing", where both inflation and economic growth decelerate, but recession is averted, allowing central banks to shift away from their tightening policies.

In 2023, the Bank of Canada raised its policy interest rate by 75 basis points and finished the year at 5%. The US Federal Reserve increased rates by 100 basis points and ended the year at a target range of 5.25%-5.5%. Monetary policymakers in both countries held their policy rates steady in the fourth quarter highlighting recent weakness in economic data and signaling potential rate cuts in 2024.

Dovish central bank rhetoric and attractive yields spurred strong demand for bonds. Consequently, the FTSE Canada Universe Bond Index gained 8.3% in the fourth quarter and 6.7% for the year, bringing relief to bond investors after two consecutive years of unprecedented losses.

Throughout 2023, equity investors encountered significant volatility, moving from anticipating a more pronounced recession on one side to the “soft landing” scenario on the other. Equity market performance was notably strong November and December as equities responded positively to easing inflation data and more accommodative commentary from the central banks. As of December 31, 2023, global equities (S&P Global Broad Market Index) were up 21.9%. US equities (S&P 500) returned 26.3% helped with outstanding performances in Information Technology (up 58%), and Communication Services (up 56%) driven by the emerging boom in artificial intelligence technologies. Canadian equities (TSX Composite) underperformed their US and global equity counterparts, finishing the year with a return of 11.8%.

The previous year reminded us again and again that markets are inherently unpredictable. Looking ahead, investors anticipate policy rates to moderate from the peaks of 2023, but likely to remain elevated in the years ahead.

Related Party Transactions

Management Fees paid by the Plan

Management fees, which are paid to the Investment Fund Manager, Embark Student Corp., will be calculated as a percentage of the sum of the closing balances of net contributions, grants and income. This fee covers ongoing costs of supporting the Plan including Plan administration, portfolio management and custodial-related costs for the Plan. This fee can increase or decrease, but will not exceed 1.99% per annum plus applicable sales taxes. For the year ended December 31, 2023, management fees charged to the Plan were \$162,929 (1.65% plus applicable taxes) (December 31, 2022 - nil as operations didn't commence until March 1, 2023). The Plan also received a management fee rebate in the amount of \$30,994 for the year ended December 31, 2023 (December 31, 2022 - nil as operations didn't commence until March 1, 2023)

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, 2023, the Plan paid the Independent Review Committee, a committee mandated by legislation, fees of \$126 (December 31, 2022 - nil as operations didn't commence until March 1, 2023).

Subscriber Vote

On December 12, 2023, subscribers of the Family Single Student Education Savings Plan and the Flex First Plan voted in favour of winding-up and transferring their assets to the Embark Student Plan or Embark Select Conservative Plan in the manner described in the Vote Information Circular dated September 20, 2023. As part of the vote, Family Single Student Education Savings Plan subscribers will be entitled to a management fee rebate of 0.66% until Jan 1, 2026. Flex First Plan subscribers will be entitled to a lifetime management fee rebate of 1.16% as a result of the forfeiture of enrollment fee refunds and loyalty bonus features. The transfer of all assets, termination of ESP (Education Savings Plan) contracts, and creation of Education Assistance Agreements by the Foundation are planned to be completed on or around July 2, 2024. The Embark Foundation is also authorized to amend the Trust Agreement, as it deems necessary, to permit the transfer of assets held to the appropriate Embark Plan.

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.

	Year ended December 31, 2023	Year ended December 31, 2022
Statements of Financial Position		
Total Assets ⁽¹⁾	\$ 47,489,783	\$ 4,872
Net Assets	\$ 45,128,089	\$ 4,872
% Change of Net Assets ⁽⁴⁾	926,174 %	100 %
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries		
Educational Assistance Payments	\$ (163,761)	\$ —
Government Grants (net) ⁽²⁾	\$ 9,399,224	\$ —
Statements of Comprehensive Income		
Net Investment Income ⁽³⁾	183,929	—

⁽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.

⁽⁴⁾ Plan was created and seeded in 2022 hence the 100% change in Net Assets from prior year.

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Portfolio of each unit class by Category as at December 31, 2023

Unit Class	Canadian Fixed Income	Money Market	U.S. Equities	International Equities	Canadian Equities	Total
Embark Student Graduation	46.6%	43.1%	4.0%	2.9%	3.4%	100.0%
Embark Student 2026	77.6%	6.1%	6.6%	3.6%	6.2%	100.0%
Embark Student 2029	59.3%	5.4%	13.7%	8.3%	13.3%	100.0%
Embark Student 2032	46.1%	1.3%	19.4%	14.8%	18.4%	100.0%
Embark Student 2035	32.4%	—%	24.5%	19.3%	23.8%	100.0%
Embark Student 2038	21.1%	—%	31.6%	21.7%	25.6%	100.0%
Embark Student 2041	13.8%	—%	34.3%	24.0%	28.0%	100.0%

The following table indicates the largest 25 holdings of each unit class of the Plan as at December 31, 2023. This summary of investment portfolio may change due to ongoing portfolio transactions. The Plan is prohibited from holding short positions in securities.

Embark Student Graduation Top Holdings	% of Investments
BMO Money Market ETF	43.1%
BMO Short Corporate Bond Index ETF	36.5%
BMO Canadian MBS Index ETF	5.1%
BMO Ultra Short-Term Bond ETF	5.0%
BMO S&P 500 Index ETF	4.0%
BMO S&P TSX Capped Composite Index ETF	3.4%
BMO MSCI EAFE Index ETF	2.9%
Total	100.0%

Embark Student 2026 Top Holdings	% of Investments
BMO Aggregate Bond Index ETF	48.6%
BMO Mid Corporate Bond Index ETF	18.1%
BMO Mid Federal Bond Index ETF	7.4%
BMO Money Market ETF	5.9%
BMO S&P 500 Index ETF	5.1%
BMO S&P TSX Capped Composite Index ETF	4.8%
BMO MSCI EAFE Index ETF	3.4%
Government of Canada Treasury Bill, 2024-02-29	3.2%
BMO US Dividend ETF	1.3%
BMO Canadian Dividend ETF	1.2%
BMO Short Corporate Bond Index ETF	1.0%
Total	100.0%

Embark Student 2029 Top Holdings	% of Investments
BMO Aggregate Bond Index ETF	44.2%
BMO Mid Corporate Bond Index ETF	15.1%
BMO S&P 500 Index ETF	11.6%
BMO S&P TSX Capped Composite Index ETF	11.2%
BMO MSCI EAFE Index ETF	8.3%
BMO Money Market ETF	3.5%
Government of Canada Treasury Bill, 2024-02-29	1.9%
BMO Canadian Dividend ETF	1.4%
BMO US Dividend ETF	1.4%
BMO MSCI Canada ESG Leaders Index ETF	0.7%
BMO MSCI USA ESG Leaders Index ETF	0.7%
Total	100.0%

Embark Student 2032 Top Holdings	% of Investments
BMO Aggregate Bond Index ETF	29.7%
BMO S&P 500 Index ETF	16.5%
BMO Mid Corporate Bond Index ETF	16.4%
BMO S&P TSX Capped Composite Index ETF	15.6%
BMO MSCI EAFE Index ETF	14.8%
BMO US Dividend ETF	1.9%
BMO Canadian Dividend ETF	1.8%
BMO Money Market ETF	1.3%
BMO MSCI Canada ESG Leaders Index ETF	1.0%
BMO MSCI USA ESG Leaders Index ETF	1.0%
Total	100.0%

Embark Student 2035 Top Holdings	% of Investments
BMO S&P 500 Index ETF	21.1%
BMO Aggregate Bond Index ETF	20.4%
BMO S&P TSX Capped Composite Index ETF	20.2%
BMO MSCI EAFE Index ETF	19.3%
BMO Mid Corporate Bond Index ETF	12.0%
BMO Canadian Dividend ETF	2.3%
BMO US Dividend ETF	2.3%
BMO MSCI Canada ESG Leaders Index ETF	1.2%
BMO MSCI USA ESG Leaders Index ETF	1.2%
Total	100.0%

Embark Student 2038 Top Holdings	% of Investments
BMO S&P 500 Index ETF	26.9%
BMO S&P TSX Capped Composite Index ETF	21.8%
BMO MSCI EAFE Index ETF	21.7%
BMO Aggregate Bond Index ETF	12.0%

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BMO Mid Corporate Bond Index ETF	9.1%
BMO US Dividend ETF	3.1%
BMO Canadian Dividend ETF	2.5%
BMO MSCI USA ESG Leaders Index ETF	1.6%
BMO MSCI Canada ESG Leaders Index ETF	1.3%
Total	100.0%

Embark Student 2041 Top Holdings	% of Investments
BMO S&P 500 Index ETF	27.3%
BMO MSCI EAFE Index ETF	24.0%
BMO S&P TSX Capped Composite Index ETF	22.4%
BMO Aggregate Bond Index ETF	7.5%
BMO Mid Corporate Bond Index ETF	6.2%
BMO US Dividend ETF	4.4%
BMO Canadian Dividend ETF	3.5%
BMO MSCI USA ESG Leaders Index ETF	2.6%
BMO MSCI Canada ESG Leaders Index ETF	2.1%
Total	100.0%

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.

Embark Student Graduation Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$ 1,857,232	46.6%
Money Market	\$ 1,717,608	43.1%
U.S. Equities	\$ 159,805	4.0%
International Equities	\$ 114,692	2.9%
Canadian Equities	\$ 133,784	3.4%
Total Portfolio Allocation	\$ 3,983,121	100.0%

Embark Student 2026 Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$11,707,413	75.1%
Money Market	\$1,420,362	9.1%
U.S. Equities	\$988,796	6.3%
International Equities	\$536,678	3.4%
Canadian Equities	\$930,825	6.0%
Total Portfolio Allocation	\$15,584,074	100.0%

Embark Student 2029 Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$6,209,834	59.3%
Money Market	\$567,217	5.4%
U.S. Equities	\$1,431,800	13.7%
International Equities	\$866,698	8.3%
Canadian Equities	\$1,391,817	13.3%
Total Portfolio Allocation	\$10,467,366	100.0%

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Embark Student 2032 Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$2,501,142	46.1%
Money Market	\$70,858	1.3%
U.S. Equities	\$1,051,638	19.4%
International Equities	\$802,505	14.8%
Canadian Equities	\$996,456	18.4%
Total Portfolio Allocation	\$5,422,599	100.0%

Embark Student 2035 Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$1,177,380	32.4%
U.S. Equities	\$892,473	24.5%
International Equities	\$703,480	19.3%
Canadian Equities	\$864,987	23.8%
Total Portfolio Allocation	\$3,638,320	100.0%

Embark Student 2038 Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$575,939	21.1%
U.S. Equities	\$864,482	31.6%
International Equities	\$592,731	21.7%
Canadian Equities	\$699,637	25.6%
Total Portfolio Allocation	\$2,732,789	100.0%

Embark Student 2041 Portfolio Allocation	Market Value	% of Investments
Canadian Fixed Income	\$262,577	13.8%
U.S. Equities	\$654,665	34.3%
International Equities	\$457,411	24.0%
Canadian Equities	\$534,557	28.0%
Total Portfolio Allocation	\$1,909,210	100.0%

Past Performance

Past performance of the Plan is set out in the following 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 Plan has only been in operations since March 31, 2023 hence why no year by year returns chart is applicable.

Annual Compound Returns

The following table illustrates the Plan's annual compound returns for the periods shown ended December 31, 2023.

	1 Year	3 Year	5 Year	10 Year
Embark***	N/A	N/A	N/A	N/A
FTSE Canada Universe All Government Bond Index*	6.1 %	(3.4)%	0.9 %	2.2 %
S&P TSX Composite Index**	11.8 %	9.6 %	11.3 %	7.6 %
S&P 500 Index	26.3 %	10.0 %	15.7 %	12.0 %
S&P 500 Index (\$C)	22.9 %	11.3 %	14.9 %	14.5 %

* 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.

*** The Plan commenced operations on March 1, 2023 therefore the 1 Year, 3 Year, 5 Year and 10 Year annual compound returns are not available. Once a full fiscal year of returns exists the above table will be updated.