

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 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, 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 a conservative manner, in accordance with the Plan's investment policy. Pursuant to Embark Student Corp.'s 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 bonds), Fiera Capital Corporation (Infrastructure bonds), and Jarislowsky, Fraser Limited (Corporate bonds mandate). The plan's fixed income securities are actively managed through sector allocation, duration management, credit research and yield curve strategies. Canadian equities are actively managed by Connor, Clark & Lunn Investment Management, while the 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 (Statement of Investment Policies and Procedures).

Risk

The Plan is a conservative balanced investment fund suitable for investors seeking to save for a child's post-secondary education. It is particularly suited for those investors having a lower tolerance for risk. During the year ended December 31, 2023, there were no significant changes to the Plan's portfolio and overall level of risk.

Results of Operations

During the year ended December 31, 2023, net assets attributable to subscribers and beneficiaries of the Plan increased by 2.7% from \$5,527.7 million as of December 31, 2022 to \$5,674.4 million as of December 31, 2023. The increase primarily resulted from 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

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, Embark Student Corp., and includes processing and call center services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Embark Student Corp. is entitled to receive from the Plan an annual management fee of up to 0.99% plus HST on funds on deposit related to the Plan. For the year ended December 31, 2023, management fees charged to the Plan were \$60.4 million or 0.99%, inclusive of HST (December 31, 2022 - \$52.6 million or 0.89%).

Embark Student Corp. 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

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 \$106 thousand (December 31, 2022 - \$86 thousand).

Enrollment Fees

Embark Student Corp., as the Plan’s distributor, deducts enrollment fees from subscribers’ deposits to the Plan equivalent to \$100 per unit purchased. All the subscribers’ deposits to the Plan are applied against the enrollment fee until one half of the total enrollment fee has been paid. Thereafter, one half of subsequent deposits to the Plan are applied against the enrollment fee until the fee is paid in full. Enrollment fees for the year ended December 31, 2023 were \$49 thousand (December 31, 2022 - \$53 thousand).

Special Processing Fees

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 Embark Student Corp. as these fees are directly related to plan administration activities. For the

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year ended December 31, 2023, special processing fees deducted were \$1,307 thousand (December 31, 2022 - \$533 thousand).

Fees Paid by Subscribers

Insurance Premiums

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 Embark Student Corp.. Insurance administration fees are estimated to be 25% to 30% of the insurance premium. For the year ended December 31, 2023, insurance premiums of \$2.4 million (December 31, 2022 - \$2.6 million) were deducted from subscribers' deposits prior to depositing the balance into the Plan.

Subscriber Vote

On December 12, 2023, subscribers of the 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, the Plan and the Flex First Plan subscribers will be entitled to a management fee rebate of 0.66% until Jan 1, 2026. 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 audited annual financial statements.

(\$ in thousands)	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Statements of Financial Position					
Total Assets ⁽¹⁾	\$ 5,695,736	\$ 5,548,232	\$ 3,768,535	\$ 3,684,592	\$ 148,076
Net Assets	5,674,430	5,527,680	3,756,342	3,673,652	109,416
% Change of Net Assets	2.7 %	47.2 %	2.3 %	3257.5 %	8.5 %
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries					
Educational Assistance Payments	\$ (173,846)	\$ (171,077)	\$ (117,210)	\$ (115,912)	\$ (21,493)
Government Grants (net) ⁽²⁾	(72,984)	516,817	(16,918)	594,748	3,823
Statements of Comprehensive Income					
Net Investment Income ⁽³⁾	\$ 106,875	\$ 90,318	\$ 44,961	\$ 43,492	\$ 2,289

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

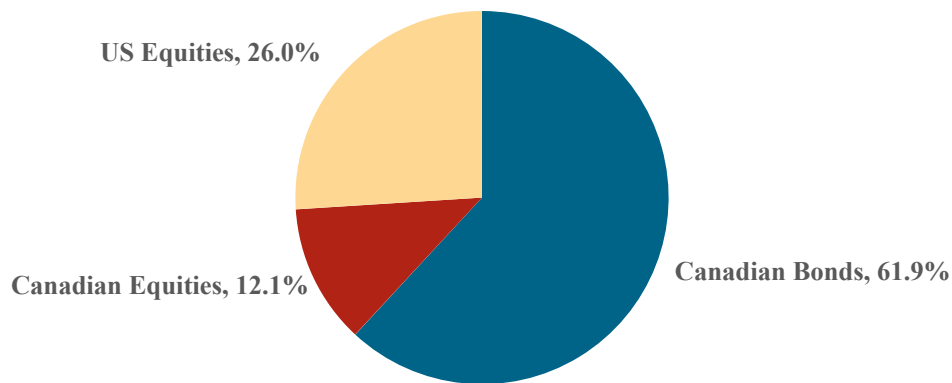
⁽²⁾ Government grants are net of repayments to beneficiaries upon eligibility and grants transferred to or from other institutions and other plans.

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

Summary of Investment Portfolio

Portfolio by Category as at December 31, 2023

Family Single Student Asset Mix



The following table indicates the largest 25 holdings of the Plan at the end of fiscal 2023. 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 *			26.1 %
2	PROVINCE OF ONTARIO	3.75%	2032-06-02	5.4 %
3	GOVERNMENT OF CANADA	1.50%	2031-06-01	5.1 %
4	PROVINCE OF ONTARIO	2.15%	2031-06-02	4.2 %
5	GOVERNMENT OF CANADA	2.75%	2033-06-01	1.3 %
6	GOVERNMENT OF CANADA TREASURY BILL		2024-02-01	1.1 %
7	TORONTO-DOMINION BANK			1.0 %
8	BANK OF NOVA SCOTIA	1.85%	2026-11-02	1.0 %
9	SHOPIFY INC			1.0 %
10	BANK OF NOVA SCOTIA			0.9 %
11	HSBC BANK CANADA	3.40%	2025-03-24	0.9 %
12	ROYAL BANK OF CANADA	4.63%	2028-05-01	0.9 %
13	GOVERNMENT OF CANADA TREASURY BILL		2024-01-18	0.8 %
14	TORONTO-DOMINION BANK	5.38%	2027-10-21	0.8 %
15	GOVERNMENT OF CANADA TREASURY BILL		2024-02-29	0.8 %
16	ROYAL BANK OF CANADA	3.37%	2025-09-29	0.8 %
17	NATIONAL BANK OF CANADA	2.58%	2025-02-03	0.8 %
18	BELL CANADA	3.80%	2028-08-21	0.7 %
19	GOVERNMENT OF CANADA	1.50%	2031-12-01	0.7 %
20	GOVERNMENT OF CANADA	1.25%	2030-06-01	0.7 %
21	ROGERS COMMUNICATIONS INC	3.65%	2027-03-31	0.7 %
22	PROVINCE OF BRITISH COLUMBIA	2.20%	2030-06-18	0.7 %
23	ENBRIDGE GAS INC	2.90%	2030-04-01	0.6 %
24	TORONTO-DOMINION BANK	4.21%	2027-06-01	0.6 %
25	CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST	4.18%	2028-03-08	0.6 %
	Largest 25 holdings as a % of investments			58.2 %

*See below table for index participation units held

Underlying Fund as at December 31, 2023	Country of Establishment and Principal Place of Business	% Ownership in the Underlying Fund	Plan's Shares in the Underlying Fund
BMO MSCI USA ESG Leaders Index ETF	Canada	83.65 %	32,821,930

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
Federal	497,588	8.8
Provincial	751,222	13.3
Municipal	9,469	0.2
Corporate	2,029,417	36.0
Short-term	186,545	3.3
Equities & ETFs	2,157,965	38.4
Total	\$ 5,632,206	100.0 %

Past Performance

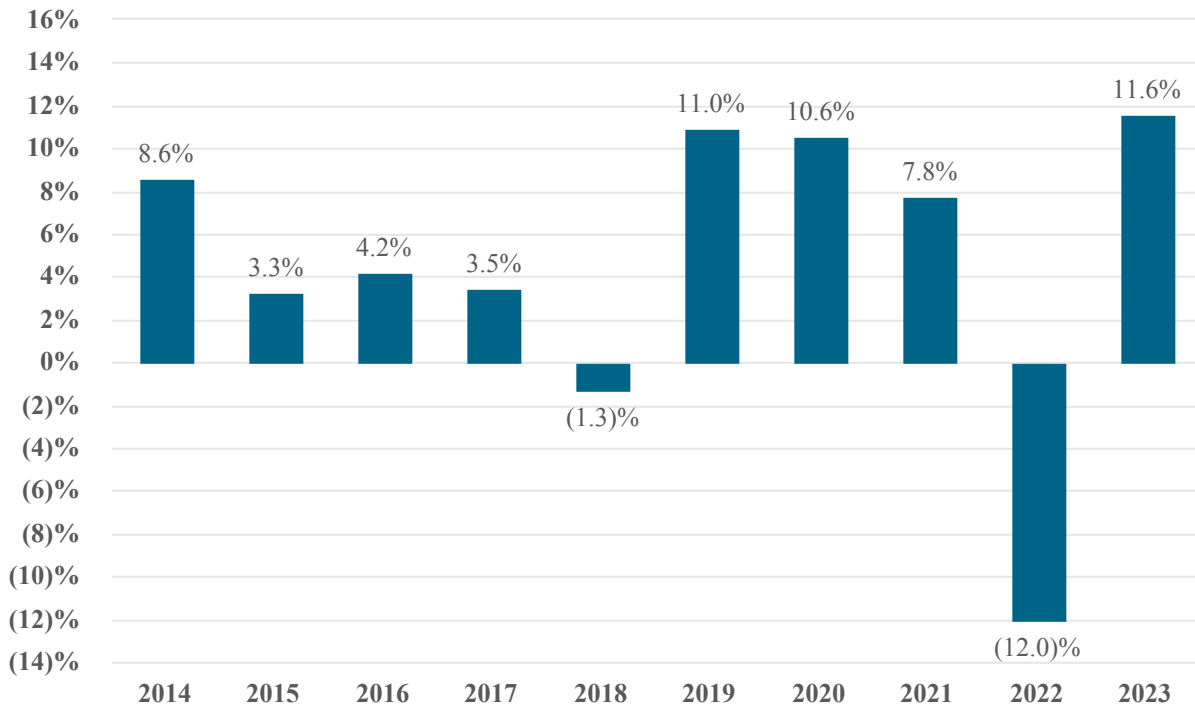
Past performance of the Plan is set out in the following chart and compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the year(s). Rates of return shown below for the Plan are:

- For the investment portfolio only;
- After management and independent review committee fees; 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, 2023. 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.



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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
Family Single Student Education Savings Plan*	11.6 %	1.9 %	5.4 %	4.5 %
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 %

* Annual compound returns reflect Family Group Plan returns which merged with Family Single Student Education Savings Plan on January 2, 2020.

** 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.