

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 Flex First 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.

Topics Covered in this Report

Management Discussion of Fund Performance

Investment Objectives and Strategies

Risk

Results of Operations

Investments

Related Party Transactions

Financial and Operating Highlights

Summary of Investment Portfolio

Past Performance

Year by Year Returns

Annual Compound Returns

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 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 (Statements 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. 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, 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 29.0% from \$548.2 million as of December 31, 2022 to \$707.2 million as of December 31, 2023. The increase primarily resulted from an increase in subscribers' contributions and government grants, 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

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. Under a fund management agreement dated May 1, 2013, in consideration for its administrative services (inclusive of depository, audit, portfolio management and custodial fees), Embark Student Corp. 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, 2023, management fees charged to the Plan were \$10.1 million (1.46% plus applicable taxes, raised on February 1, 2023) (December 31, 2022 - \$7.1 million (1.30% plus applicable taxes)).

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 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 \$12 thousand (December 31, 2022 - \$6 thousand).

Enrollment Fees paid by the Subscriber

Embark Student Corp., 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, 2023 were \$1,176 thousand (December 31, 2022 - \$23,779 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 Embark Student Corp. as these fees are directly related to plan administration activities. For the year ended December 31, 2023, special processing fees deducted were \$259 thousand (December 31, 2022 - \$134 thousand).

Subscriber Vote

On December 12, 2023, subscribers of the Plan and the Family Single Student Education Savings 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 Family Single Student Education Savings 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.

(\$ 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
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Statements of Financial Position

Total Assets ⁽¹⁾	\$ 709,601	\$ 555,987	\$ 497,778	\$ 360,769	\$ 243,518
Net Assets	707,211	548,179	492,802	356,224	240,582
% Change of Net Assets	29.0 %	11.2 %	38.3 %	48.1 %	50.6 %

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

Educational Assistance Payments	\$ (2,083)	\$ (1,777)	\$ (2,057)	\$ (583)	\$ (373)
Government Grants (net) ⁽²⁾	20,613	32,774	35,281	30,834	23,010

Statements of Comprehensive Income

Net Investment Income ⁽³⁾	\$ 7,671	\$ 4,612	\$ 1,671	\$ 1,834	\$ 1,721
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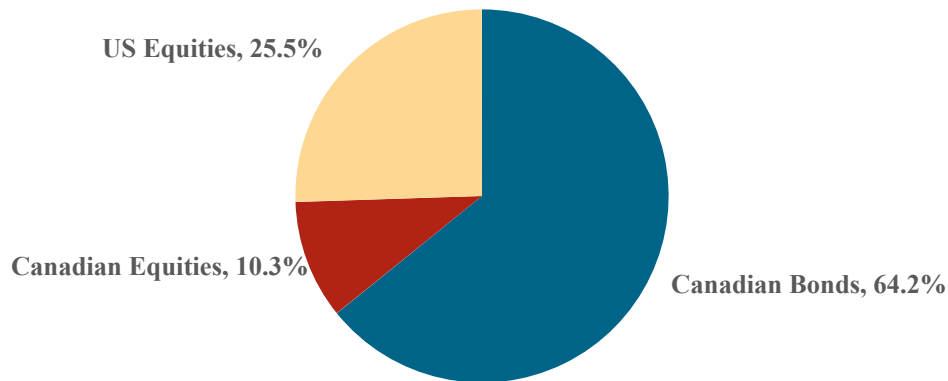
⁽¹⁾ “Total Assets” represents cash, investments, and receivables.

⁽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, 2023

Flex First Plan Asset Mix



The following table indicates the largest 25 holdings 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.

FLEX FIRST PLAN

	Name	Coupon	Maturity Date	% of Investment
1	BMO MSCI USA ESG LEADERS INDEX ETF*			25.50 %
2	PROVINCE OF ONTARIO	3.75%	06/02/2032	5.91 %
3	GOVERNMENT OF CANADA	1.50%	06/01/2031	5.60 %
4	PROVINCE OF ONTARIO	2.15%	06/02/2031	5.40 %
5	CANADA HOUSING TRUST	3.55%	09/15/2032	4.40 %
6	SUN LIFE FINANCIAL INC	2.80%	11/21/2033	3.50 %
7	CANADA HOUSING TRUST	2.10%	09/15/2029	3.00 %
8	PROVINCE OF ONTARIO	1.35%	12/02/2030	2.70 %
9	PROVINCE OF ONTARIO	3.65%	06/02/2033	2.40 %
10	PROVINCE OF ONTARIO	2.25%	12/02/2031	2.30 %
11	PROVINCE OF BRITISH COLUMBIA	1.55%	06/18/2031	2.20 %
12	BANK OF MONTREAL	3.19%	03/01/2028	2.00 %
13	PROVINCE OF BRITISH COLUMBIA	2.95%	12/18/2028	1.50 %
14	TRANSCANADA PIPELINES LTD	5.33%	05/12/2032	1.40 %
15	SUN LIFE FINANCIAL INC	2.06%	10/01/2035	1.10 %
16	BELL CANADA	1.65%	08/16/2027	1.10 %
17	BELL CANADA	2.90%	09/10/2029	1.00 %
18	BELL CANADA	2.20%	05/29/2028	0.90 %
19	BROOKFIELD FINANCE II INC	5.43%	12/14/2032	0.90 %
20	ROYAL BANK OF CANADA	1.83%	07/31/2028	0.90 %
21	GREAT-WEST LIFECO INC	2.38%	05/14/2030	0.90 %
22	CANADA HOUSING TRUST	1.75%	06/15/2030	0.90 %
23	GOVERNMENT OF CANADA	1.50%	12/01/2031	0.90 %
24	BELL CANADA	3.80%	08/21/2028	0.80 %
25	CANADA HOUSING TRUST	1.40%	03/15/2031	0.80 %
	Largest 25 holdings as a % of investments			78.01 %

*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	10.07 %	3,949,650

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	\$ 248,279	35.8 %
Corporate	149,716	21.6 %
Provincial	172,558	24.9 %
Federal	115,512	16.6 %
Short term	7,586	1.1 %
Total	\$ 693,651	100.0 %

Past Performance

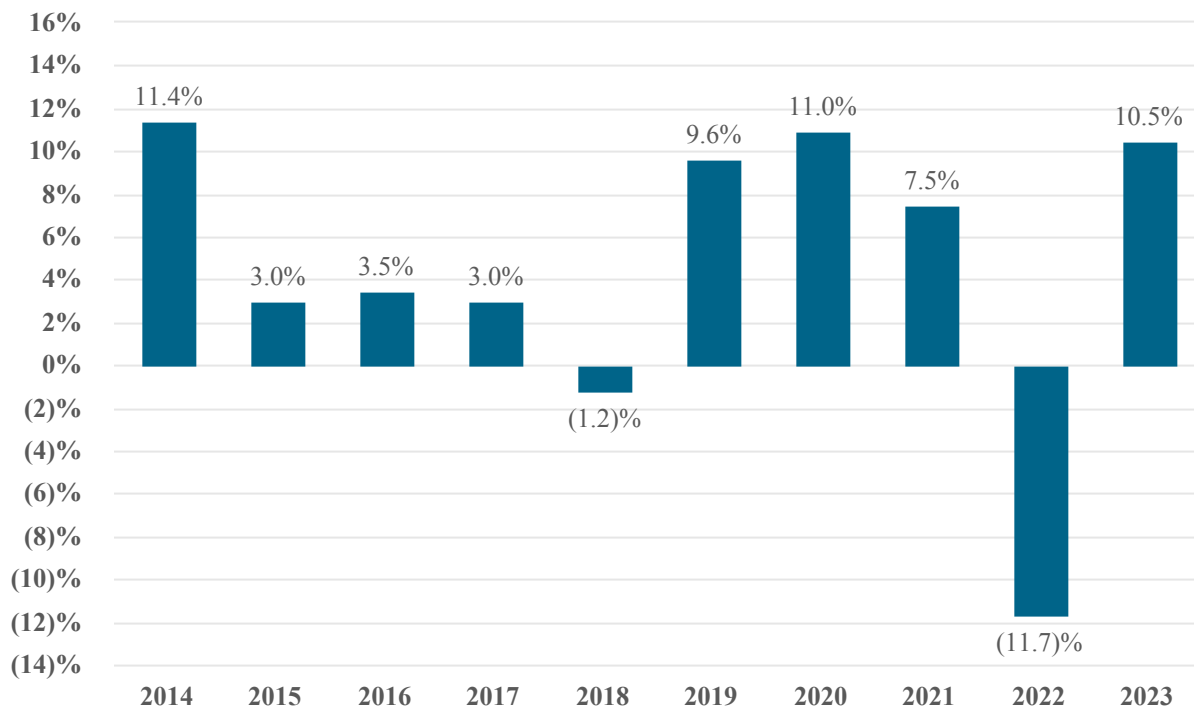
Past performance of the Plan is set out in the following chart and compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the year(s). Rates of return shown below for the Plan are:

- For the investment portfolio only;
- After 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, 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.



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
Flex First Plan	10.5 %	1.6 %	5.0 %	4.4 %
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.