Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the first quarter ended September 30, 2006, is provided as of November 9, 2006. It should be read in conjunction with the unaudited financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the quarter ending September 30, 2006, the Audited Financial Statements for the 13-month period ended June 30, 2006 and the MD&A for that period. Unless the context indicates or requires otherwise, the terms "Gluskin Sheff," "Company," "we," "us" and "our" mean Gluskin Sheff + Associates Inc.. Unless otherwise indicated, all dollar amounts in this MD&A refer to Canadian dollars.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), requiring estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the statements and the amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates as a result of various factors. Certain totals, subtotals and percentages may not reconcile due to rounding.

NON-GAAP FINANCIAL MEASURES

We measure our business using a number of performance indicators that are not measurements in accordance with GAAP and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

"Earnings before interest, taxes, depreciation and amortization" ("EBITDA") is a standard measure used in the financial services industry by management, investors and investment analysts in understanding and comparing results. Our method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, our EBITDA may not be comparable to similarly titled measures used by other issuers.

"Base EBITDA" is EBITDA adjusted for Performance Fees and Performance Fee-related bonuses, and other non-cash expenses such as those associated with the accounting for stock options, deferred share units and the non-cash expense related to the transfer of shares to the Employee Trust. Management believes that Base EBITDA, as defined, is an important measure as it provides relevant information on the profitability of the base business.

"Assets Under Management" ("AUM") is not a recognized measure under Canadian GAAP. Any reference to AUM is only to our paying assets under management, on which we charge Base Management Fees. Our non-paying assets under management are charged either no or only nominal fees. This measure may not be comparable to similar measures presented by other issuers. We monitor the level of our AUM as it drives our Base Management Fees. The amount of Performance Fees we earn is related to both the level of our AUM and our investment performance.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "project," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, global and domestic financial markets, the competitive industry environment, legislative and regulatory changes, technological developments, catastrophic events and other business risks. The reader is cautioned against undue reliance on these forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, we cannot assure that actual results, performance or achievements will be consistent with such statements. The forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation to update or revise any such statements.

SUMMARY OF THE THREE-MONTHS ENDING SEPTEMBER 30, 2006

The highlights for the three-months ending September 30, 2006 were:

- increase in Assets Under Management at September 30, 2006 versus August 31, 2005 of $1.2 billion and for the quarter of $170 million to $3.9 billion.
- increase in Base Management Fees of 64% to $13.6 million from August 31, 2005.
- Base EBITDA of $7.9 million for the three-month period.

OVERVIEW OF GLUSKIN SHEFF + ASSOCIATES INC.

Founded in 1984, Gluskin Sheff + Associates Inc. is a wealth management firm whose primary business focus is managing equity assets on a discretionary basis for high net worth private clients. We also manage assets for a number of institutions. We do not consider these different types of clients to be distinct reportable business segments for accounting purposes as we operate as a single business with one fundamental philosophy and deliver a similar level of service to all of our clients.

On May 26, 2006, Gluskin Sheff completed its initial public offering and its Subordinate Voting Shares were listed on the Toronto Stock Exchange under the symbol "GS". The Company also changed its fiscal year end from May 31 to June 30 effective June 30, 2006 to align the fiscal year end with the date on which annual Performance Fees for the majority of portfolio models and annual bonuses for employees are determined. As a result, fiscal 2006 was a 13-month period that included Performance Fees earned in respect of the three performance years ended June 30, 2005, December 31, 2005 and June 30, 2006.

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of Assets Under Management, and Performance Fees, calculated annually as a percentage of the appreciation (net of Base Management Fees and other expenses) in each of our segregated accounts and private pooled fund vehicles above prespecified rates of return. Our Performance Fees are calculated annually at June 30 and December 31, depending upon the performance year end of our segregated accounts and private pooled fund vehicles. The Company may also earn investment income on its own investments and cash balances.

Assets Under Management are impacted by the net contributions of capital from new and existing clients, as well as by net market appreciation or decline. We seek to enhance our ability to attract and retain such assets by delivering solid investment returns together with a consistently high level of client service.

Gluskin Sheff's expenses include General and Administrative expenses (which include professional fees, office supplies and related overhead), Occupancy, Business Development costs and Salaries and Benefits, which contain a bonus component that may fluctuate significantly based upon the overall performance of the Company and the amount of Performance Fees earned.

OUTLOOK

Our financial performance is dependent in part on the general performance of the Canadian, North American and global stock markets. These markets, general business conditions and investor sentiment can change quickly, making future results difficult to predict.

Our business is personal and we develop new business one client at a time. We seek to enhance our ability to attract new and to retain existing clients by delivering solid investment returns together with a consistently high level of client service. Our services include providing advice on asset mix structuring, proactive reviews of asset mix and investment performance and effective and timely communication. Management believes that our (i) long-term record of strong investment performance, (ii) outstanding reputation in the Canadian high net worth private client market, (iii) alignment of interests with those of our clients, (iv) experienced and stable investment management team, (v) experienced client service and business development team and (vi) diversified investment products, give us a competitive advantage that has resulted in strong growth in our AUM.

We believe that our future growth will result from (i) investment performance, (ii) our high level of personalized service, (iii) expansion of our investment product offerings, (iv) word-of-mouth referrals, (v) advertising and (vi) marketing efforts directed at new and relatively untapped geographic markets.

We believe that as the Company continues to grow, additional employees and infrastructure will be required to strengthen our operations and to effectively manage our AUM.

SUMMARY FINANCIAL INFORMATION

($ in thousands, except per share amounts)	3 MONTHS ENDING SEP 30, 2006	3 MONTHS ENDING AUG 31, 2005	13 MONTHS ENDING JUN 30, 2006
ASSETS UNDER MANAGEMENT			
Assets Under Management	**$ 3,900,716**	**$ 2,681,113**	**$ 3,730,942**
BALANCE SHEET INFORMATION			
Total Assets	**$ 49,409**	**$ 59,513**	**$ 45,769**
INCOME STATEMENT INFORMATION			
Revenue			
Base Management Fees	$ 13,600	$ 8,311	$ 45,771
Performance Fees	42	61,296	86,504
Investment and Other Income	237	181	1,496
Total Revenue	**$ 13,879**	**$ 69,788**	**$ 133,771**
Operating Expenses	(5,526)	(2,862)	(15,142)
Discretionary Bonuses	(2,042)	(58,142)	(113,842)
EBITDA	6,311	8,784	$ 4,787
Amortization	(21)	(30)	(93)
Interest Expense	(176)	—	(67)
Provision for Taxes	(3,000)	(3,300)	(1,788)
Net Income	$ 3,114	$ 5,454	$ 2,839
Basic Earnings Per Share	$ 0.11[2]	$ 5.45[3]	$ 0.10
Diluted Earnings Per Share	$ 0.11	$ 5.45	$ 0.10
SELECTED ADJUSTED FINANCIAL INFORMATION			
EBITDA	$ 6,311	$ 8,784	$ 4,787
Discretionary Bonus Compensation	2,042	58,142	113,842
Non-cash Expenses [1]	1,660	—	—
Non-recurring Charitable Expenses	—	—	1,350
EBITDA Before Compensation Adjustment	10,013	66,926	119,979
Discretionary Base Bonus Pool	(2,033)	(1,120)	(6,412)
Performance Fees	(42)	(61,296)	(86,504)
Base EBITDA	**7,938**	**4,510**	**27,063**
Performance Fees	42	61,296	86,504
Performance Fee-related Bonus Pool	(9)	(12,259)	(17,301)
Adjusted EBITDA	**$ 7,971**	**$ 53,547**	**$ 96,266**

[1] Non-cash expenses represent stock options and share grants issued.
[2] 28,802,500 shares outstanding as a public company.
[3] 1,000,000 shares outstanding as a private company.

Results of Operation

OVERALL PERFORMANCE

With the change in reporting year end to June 30, 2006, the Company's fiscal quarters are not reported on an equivalent calendar year basis. As a result, the first quarter of fiscal 2007 does not include a performance year end while the first quarter of fiscal 2006 did contain a performance year end. Prior to May 26, 2006, the Company was a private company that reported internally to its management shareholders and, as such, the timing of certain expenditures, such as salaries and bonuses, were driven by management decisions.

On a comparative basis to the first quarter of fiscal 2006 ended August 31, 2005, total Revenue decreased by $55.9 million to $13.9 million. This decrease reflects the absence of a performance year end in the first quarter of fiscal 2007 and the resulting $61.3 million decrease in Performance Fees received in the quarter from the corresponding period of fiscal 2006. This decrease was offset by an increase in Base Management Fees received in the first quarter of fiscal 2007 of $5.3 million. Continued growth was evident in Assets Under Management as they increased by $1.2 billion dollars compared with the corresponding period end in the prior fiscal year. Non-cash charges related to stock-based compensation reduced Net Income by $1.7 million in the first quarter of fiscal 2007. Excluding these non-cash expenses, Net Income would have been $4.8 million in the first quarter of fiscal 2007, versus $5.5 million in the corresponding period from the prior year.

Cash Flow continued to be positive in the first quarter.

ASSETS UNDER MANAGEMENT

AUM increased from approximately $2.7 billion as at August 31, 2005 to approximately $3.9 billion as at September 30, 2006. Of this approximately $1.2 billion increase, $829 million or 68% resulted from net additions to client accounts and $391 million or 32% resulted from net investment performance. Of the $170 million increase in AUM over the quarter, approximately 40% resulted from net additions to client accounts and 60% resulted from net investment performance.

REVENUE

Base Management Fees increased by approximately $5.3 million from $8.3 million for the three-month period ended August 31, 2005 to $13.6 million for the quarter ended September 30, 2006, reflecting an approximately 45% increase in AUM over the same period. Performance Fee Revenue for the quarter ended August 31, 2005 includes the receipt of approximately $61 million in Performance Fees on June 30, 2005. With the change in fiscal year end of the Company, the quarter ended September 30, 2006 does not include a June performance year end. The nominal fees reported of $42 thousand represent Performance Fees earned on closed or transferred accounts.

As set out in our final prospectus dated May 19, 2006, Performance Fees earned on and after May 26, 2006 (the closing date of the Company's initial public offering) in respect of segregated accounts and private pooled fund vehicles that have their performance year end in the 2006 calendar year will be allocated between the management shareholders on the one hand and the Company on the other pro rata in proportion to their number of days in such performance year falling prior to May 26, 2006 as compared to the number of days in such performance year falling on or after May 26, 2006, respectively.

EXPENSES

Our Salaries and Benefits expense for the three months ended September 30, 2006 was approximately $5.2 million, compared with approximately $60 million for the three months ended August 31, 2005. As a privately held company, virtually all of the Company's pre-tax income was generally paid out to employees as bonuses. As a result, Salaries and Benefits expense for the three months ended August 31, 2005 reflected the payment to the selling shareholders of the operating profit of the Company during the period of private ownership. Approximately $1.5 million (excluding the Employee Bonus Pool accrual of $2 million) of the total $5.2 million in Salaries and Benefits expense for the first quarter of fiscal 2007 reflects our base running rate of Salaries and Benefits expense. The remaining $1.7 million reflects non-cash charges to salary expense for stock options and 400,000 Subordinate Voting Shares issued to the Employee Trust and three former employees at the time of the initial public offering.

As disclosed in our final prospectus, the Company has implemented a bonus compensation policy pursuant to which an Employee Bonus Pool is funded, in part, by allocating to it an amount equal to 20% of the Company's Base Operating Income. This bonus compensation policy is subject to the review and approval of the Compensation, Nominating and Governance Committee of the Company's Board of Directors. Pursuant to this authority, the Compensation, Nominating and Governance Committee has clarified the definition of Base Operating Expense, one of the component elements of Base Operating Income, to exclude non-cash expenses, including those relating to salaries, bonuses, stock options, deferred share units, share grants or other benefits and amortization. At the time of the initial public offering amortization was the only material non-cash expense and it was excluded in calculating Base Operating Income. At that time it had not been anticipated that additional non-cash accounting charges would be material and would have the effect of increasing Base Operating Expense, thereby decreasing Base Operating Income and the amount to be allocated to the Employee Bonus Pool. The Company had historically managed its business and measured its performance in cash terms. The Compensation, Nominating and Governance Committee has clarified the definition of Base Operating Expense to exclude such non-cash expenses to more accurately reflect the intentions of the Company at the time the Employee Bonus Pool was set up.

Base Operating Expense is now defined as Salaries and Benefits (excluding discretionary bonuses), Occupancy, General and Administrative expenses and Business Development, but excluding any non-cash expenses, including those relating to salaries, bonuses, stock options, deferred share units, share grants and other benefits and amortization.

General and Administrative expenses increased by approximately $880 thousand reflecting Interest expense of $176 thousand, public company costs, and systems development and maintenance. Business Development costs have also increased as a result of continuing marketing and development expenditures.

EBITDA, BASE EBITDA AND NET INCOME

For the quarter ended September 30, 2006, EBITDA totaled approximately $6.3 million. This is set out in the table of Summary Financial Information which reconciles EBITDA to Net Income. Base EBITDA, which has been adjusted to eliminate the effect of the non-cash expenditures as well as the Performance Fees, was approximately $7.9 million.

Income before income taxes was $6.1 million for the first quarter of this year. Last year, as a Private Company, income before income tax was $8.8 million for the comparable quarter. Last year's results included significant performance fees, while this year's income before income taxes includes non-cash expenses related to stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

We generate positive cash flow from our operations and have limited requirements for long term capital. We believe that our Base Management Fees will continue to be sufficient to satisfy our ongoing operational needs, including expenditures on our corporate infrastructure and information systems. We believe that our earnings will continue to provide the means to sustain our growth and to pay regular dividends. We also believe that our cash flow will continue to be sufficient to meet working capital and other requirements.

We have no off-balance sheet financial arrangements and no material contractual obligations other than those described in the Audited Financial Statements dated June 30, 2006.

CRITICAL ACCOUNTING ESTIMATES

Accounting policies are an integral part of our financial statements, which are prepared in accordance with Canadian generally accepted accounting principles. Understanding these policies is a key factor in understanding our reported results of operations and financial position. Certain critical accounting policies require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Due to their nature, estimates involve judgments based on available information. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements. Management has made the following critical accounting estimates:

Revenue Recognition

Base Management Fees are calculated as a percentage of the AUM and are recognized on an accrual basis.

Performance Fees are calculated by applying an agreed upon formula to the market value of the client assets and recognized when they are earned, which occurs after the end of each performance year or upon closure of an account.

Investment income is derived from investing excess cash and is also recognized on an accrual basis.

Employee Trust

On May 26, 2006, at the time of the initial public offering, the Company conveyed 397,500 shares to an Employee Trust, the beneficiaries of which were 59 of the Company's then current employees. The value of the shares is recognized as Contributed Surplus over the three year vesting period of the Trust, resulting in a charge to Salaries and Benefits expense in the quarter of approximately $1.5 million.

Stock Option Compensation

The Company, as noted in the prospectus dated May 19, 2006, implemented a stock option plan and has adopted the accounting recommendations of the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments." The fair value of options granted was estimated at the date of granting using a Trinomial Pricing Model and are expensed over the five year vesting period, resulting in a charge to Salaries and Benefits expense in the quarter of $116 thousand.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the period.

RELATED PARTY TRANSACTIONS

There were no changes to the types of related party transactions entered into by the Company in the quarter ended September 30, 2006. For further information, refer to the notes of the Audited Financial Statements dated June 30, 2006.

SHARE CAPITAL

Our authorized share capital consists on an unlimited number of Multiple Voting Shares and Subordinate Voting Shares and an unlimited number of preference shares, issuable in series. As at September 30, 2006, there were 21,600,000 Multiple Voting Shares, 7,600,000 Subordinate Voting Shares and no preference shares outstanding. The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or winding up of the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share. Subordinate Voting Shares carry one vote per share, while Multiple Voting Shares carry 15 votes per share. Holders of Subordinate Voting Shares are entitled to elect one-third of the Directors and holders of Multiple Voting Shares are entitled to elect two-thirds of the Directors.

On September 19, 2006, 865,000 options were granted under the Company's Stock Option Plan. Under the terms of the Stock Option Plan these options will vest over a five year period, with the first 20% vesting on September 19, 2007. Share capital increased during the period by $46 thousand to reflect 2,500 shares issued to three former employees at the time of the initial public offering.

OTHER INFORMATION

Additional information relating to Gluskin Sheff + Associates Inc. is also available on SEDAR at www.sedar.com.