Gluskin Sheff

Third Quarter Results | 2014

THREE MONTHS ENDED MARCH 31, 2014

“Our mission is to provide our clients with a world-class experience in the management of their wealth.”

Gluskin Sheff + Associates Inc. is one of Canada's pre-eminent wealth management firms. Founded in 1984 and serving high net worth private clients and institutional investors, we are dedicated to providing our clients with a world-class experience in the management of their wealth by delivering strong, risk-adjusted returns together with the highest level of personalized client service.

Report to Shareholders

THIRD QUARTER ENDED MARCH 31, 2014

Assets Under Management increased by $405 million to an all-time high of $7.2 billion at March 31, 2014, up 5.9% from December 31, 2013. The increase in AUM is attributable to positive net investment performance of $143 million and net additions of $262 million. The net additions are comprised of $282 million in net additions from high net worth clients, including a significant addition from an existing client, partially offset by $20 million in net withdrawals from institutional clients.

Base Management Fees for the three months ended March 31, 2014, increased by $2.9 million to $22.1 million from $19.2 million for the three months ended March 31, 2013. Performance Fees were $1.8 million for the three months ended March 31, 2014, compared to $1.6 million for the three months ended March 31, 2013.

Net Income was $7.6 million and represented earnings per share, basic and diluted, of $0.27 and $0.26, respectively, for the three months ended March 31, 2014, up from $6.7 million or $0.23 per share, basic and diluted, for the three months ended March 31, 2013.

For the three months ended March 31, 2014, Base EBITDA increased year-over-year by $1.7 million to $11.2 million from $9.5 million.

The first quarter of 2014 reintroduced a strong dose of volatility to the investment landscape. The global financial markets had plenty to contend with, including the unusually bad weather that hit much of North America, fears of a banking crisis in China and the recent geo-political issues in Ukraine. We've also seen some significant developments at home, with the Canadian dollar dropping below 90 cents U.S., and parts of the Canadian equity market showing renewed strength.

We expect 2014 to be a year in which investors will need to be more selective in order to generate solid returns, as tailwinds that drove the markets broadly higher in 2013 have abated. Many assets classes and sectors that performed so strongly in 2013 took a pause or reversed slightly in the first quarter of 2014, and vice versa. We have maintained our exposure to sectors and companies with attractive valuations and we were not heavily invested in certain sectors in Canada that enjoyed this sudden bounce, such as gold mining and health care stocks. We believe as this year unfolds, patient and discriminating stock picking will be rewarded. We continue to find excellent investment opportunities in the Canadian, U.S. and international equity markets, and in particular we recently increased our exposure to our favourite Canadian energy companies. After lagging for many years, the Canadian energy space appears to be poised for a comeback, as continued global growth should bode well for these companies. On the fixed income side, we remain positioned for gradually rising interest rates over the long term.

The Company remains in a strong financial position, which will allow us to explore growth opportunities and to further invest in serving existing clients and attracting new ones. We thank our clients and shareholders for their continued trust and confidence.

JEREMY FREEDMAN
President & Chief Executive Officer
May 2, 2014

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2014, is provided as of May 2, 2014. It should be read in conjunction with the unaudited interim financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the three months ended March 31, 2014, the Audited Financial Statements for the years ended June 30, 2013 and 2012, and the related MD&As, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless the context indicates or requires otherwise, the terms "Gluskin Sheff," "Company," "Firm," "we," "us" and "our" mean Gluskin Sheff + Associates Inc. Unless otherwise indicated, all dollar amounts in this MD&A are expressed in Canadian dollars.

Financial results, including related historical comparatives, contained in this MD&A, unless otherwise specified herein, are based on the unaudited interim financial statements for the three months ended March 31, 2014. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's unaudited interim financial statements. Certain totals, subtotals and percentages may not reconcile due to rounding. Certain comparative figures have been reclassified to conform with the current period's presentation.

FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would," "aim" 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 risks 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 will only be updated or revised where required by applicable laws.

NON-IFRS FINANCIAL MEASURES

We measure our business using a number of key performance indicators that are not measurements in accordance with IFRS and should not be considered as an alternative to Net Income or any other measure of performance under IFRS. Non-IFRS financial measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. We believe that these key performance indicators are important for a more meaningful presentation of our results of operations.

Assets Under Management
Any reference to Assets Under Management ("AUM") is only to our paying AUM, on which we charge Base Management Fees or Performance Fees and is calculated by totaling all the paying assets we manage for our clients. Our non-paying AUM are charged either no or nominal fees. This measure may not be comparable to similar measures presented by other issuers. AUM will change from period to period as clients deposit or withdraw monies, and as their portfolios increase or decrease with net investment performance. We monitor the level of our AUM as it drives our Base Management Fees.

Net Investment Performance
Net investment performance is a key driver of AUM and is at the very core of what we do. Net investment performance is the return that we have achieved for our clients and is calculated as gross investment performance less all fees and expenses. The amount of Performance Fees and Base Management Fees we earn is related to both the level of our AUM and our net investment performance.

Net Additions or Net Withdrawals
AUM fluctuates due to the combination of net investment performance and net additions or net withdrawals (gross additions net of gross withdrawals). The resulting AUM is the basis on which Base Management Fees are charged and to which Performance Fees may be applied.

EBITDA
Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a common measure used in the financial industry by management, investors and

investment analysts in understanding and comparing results of companies in the same industry by eliminating the impact of different financing methods, capital structures and income tax rates. 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
Base EBITDA is EBITDA excluding Performance Fees and Performance Fee related expenses, post-retirement obligations, stock options expense and amortization of restricted share unit ("RSU") awards, minus the dollar value of base bonus RSUs estimated to be awarded in respect of the current period and special RSUs awarded in the period year. Base EBITDA allows us to measure the earnings generated by the Company excluding any revenue or expenses related to Performance Fees, and any non-cash compensation expenses such as stock options. It also allows us to assess our ongoing business operations, with adjustments to reflect the full base business bonus expense in the period to which it relates, irrespective of the allocation of the bonus between cash and RSUs, as well as by removing expenses that are not related to our core investment management operations, such as expenses related to post-retirement obligations.

Adjusted EBITDA
Adjusted EBITDA is Base EBITDA adjusted for Performance Fees, and Performance Fee bonus and other expenses. The Performance Fee bonus includes the dollar value of RSUs estimated to be awarded in respect of Performance Fees of the current period and excludes amortization of prior years' Performance Fee RSUs. Adjusted EBITDA allows us to measure earnings including Performance Fees net of related Performance Fee bonuses. It allows us to do so on a basis which reflects the full Performance Fee bonus expense in the period to which it relates, irrespective of the allocation of the bonus between cash and RSUs.

Average AUM
Average AUM for a period is the simple average of the ending AUM for each month in that period. Base Management Fees are driven by the level of AUM and the Base Management Fee Percentage. Therefore, Average AUM is a useful measure in understanding the amount of Base Management Fees earned during a period, and when comparing one period against another.

Base Management Fee Percentage
Base Management Fee Percentage is calculated as the Base Management Fees for the period as a percentage of Average AUM for the period. Base Management Fees are driven by the level of AUM and the Base Management Fee Percentage. Therefore, Base Management Fee Percentage is a useful measure in understanding

the amount of Base Management Fees earned during a period, and when comparing one period against another.

OVERVIEW

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

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of AUM, and Performance Fees, calculated annually as a percentage of the change in net asset values (net of Base Management Fees and other expenses) in each of our segregated accounts and private pooled fund vehicles above pre-specified rates of return, or rates of return adjusted for a deficiency carried forward from the prior year, as applicable. Our Performance Fees are calculated annually at June 30 and December 31, depending upon the performance year-end of our segregated accounts and pooled fund vehicles. The Company may also earn other income or incur losses from its cash balances and its investments, if any, which include any seeded portfolios, and from the economic research subscriptions.

AUM are impacted by net additions or net withdrawals of client capital, as well as by net investment performance. 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 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), business development, general and administrative and occupancy expenses, as well as the amortization of property and equipment and amortization of intangible assets.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2014:

- Net income was $7.6 million, and represented earnings per share, basic and diluted, of $0.27 and $0.26, respectively. Net income for the three months ended March 31, 2013, was $6.7 million, and represented earnings per share, basic and diluted, of $0.23.

- AUM increased by $405 million to $7.2 billion as at March 31, 2014, up 5.9% from December 31, 2013. The increase in AUM is attributable to positive net investment performance of $143 million and net additions of $262 million. The net additions are attributable to $282 million in net additions from high net worth clients, including a significant addition from an existing client, partially offset by $20 million in net withdrawals from institutional clients.
- AUM increased by $1.1 billion to $7.2 billion as at March 31, 2014, up 18.6% from March 31, 2013. The increase in AUM is attributable to net additions of $358 million and positive net investment performance of $777 million.
- Base Management Fees increased to $22.1 million this quarter versus $19.2 million in the year ago quarter as Average AUM for the quarter increased to $7.0 billion from $5.9 billion for the same quarter last year. The average Base Management Fee Percentage declined to 1.28% from 1.31% for the same period last year.
- Base EBITDA was $11.2 million for the three months ended March 31, 2014, compared with $9.5 million in the year ago quarter.
- Performance Fees were $1.8 million for the three months ended March 31, 2014, compared with $1.6 million in the year ago quarter.

For the nine months ended March 31, 2014:

- Net income was $76.4 million, and represented earnings per share, basic and diluted, of $2.64 and $2.57, respectively. Net income for the nine months ended March 31, 2013, was $37.4 million, and represented earnings per share, basic and diluted, of $1.29 and $1.28, respectively.
- AUM increased by $1.1 billion to $7.2 billion as at March 31, 2014, up 17.5% from June 30, 2013. The increase in AUM is attributable to positive net investment performance of $724 million and net additions of $351 million. $453 million in net additions were from high net worth clients, partially offset by $102 million in net withdrawals from institutional clients.
- Base Management Fees increased to $64.0 million this period versus $56.5 million in the year ago period as Average AUM for the period increased to $6.6 billion from $5.7 billion for the same period last year. The average Base Management Fee Percentage declined to 1.28% from 1.32% for the same period last year.
- Base EBITDA was $29.6 million for the nine months ended March 31, 2014, compared with $28.2 million in the year ago period. Base EBITDA for the nine months ended March 31, 2014, was reduced by $3.75 million, which represents the $5.0 million special RSU award granted in the quarter ended September 30, 2013, net of the related bonus effect.
- Performance Fees were $102.4 million for the nine months ended March 31, 2014, compared with $35.1 million in the year ago period.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

The first quarter of 2014 was characterized by volatile capital markets across equities, fixed income, commodities and currencies and a fair measure of "mean reversion" whereby many asset classes and sectors that had outperformed in recent quarters suddenly underperformed, and vice versa. As the quarter came to a close, some of this volatility began to abate, but it was certainly an unusual start to the year. The Canadian and U.S. equity markets both generated positive returns in the quarter, although the Canadian equity market outperformed the U.S. equity market.

Despite this recent higher volatility and sector rotation, our core views have not changed. In terms of asset mix, we continue to favour equities and feel that interest rates will grind higher over the coming year, although the yield curve may continue to gradually flatten (it remains steep by historical standards) as the spread between short-term and long-term yield slowly narrows. At times we may employ more cash in portfolios or defensive hedging strategies as rate hike nervousness drives higher volatility in both bonds and equities. That said, we remain bullish on equities as long as economies are growing, earnings are growing, and until the yield curve is much closer to being flat or inverted. We remain constructive on the investment outlook and believe that we have a unique suite of strategies to continue delivering attractive risk-adjusted returns in this environment.

We continue to employ a diversified asset mix that can benefit from the themes in which we have the strongest conviction, including income-oriented strategies and credit alternative strategies that can minimize interest rate risk, geographic diversification through our U.S. and international strategies and disciplined, well-managed long/short hedge funds that can tactically hedge out market volatility and generate returns that are not highly correlated to the broader equity markets.

SUMMARY FINANCIAL INFORMATION

($ in thousands of Canadian dollars, except per share amounts and Assets Under Management)

	AS AT MAR 31, 2014	AS AT JUN 30, 2013	AS AT MAR 31, 2013
BALANCE SHEET INFORMATION			
Total assets	$ 124,393	$ 129,706	$ 110,993

	3 MONTHS ENDED MAR 31, 2014	3 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2014	9 MONTHS ENDED MAR 31, 2013
ASSETS UNDER MANAGEMENT *($ in millions)*				
Assets Under Management – Beginning of period	$ 6,830	$ 5,725	$ 6,160	$ 5,452
Net additions	262	135	351	37
Net investment performance	143	240	724	611
Assets Under Management – End of period	$ 7,235	$ 6,100	$ 7,235	$ 6,100

	3 MONTHS ENDED MAR 31, 2014	3 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2014	9 MONTHS ENDED MAR 31, 2013
INCOME STATEMENT INFORMATION				
Income				
Base management fees	$ 22,081	$ 19,244	$ 64,018	$ 56,459
Performance fees	1,845	1,568	102,426	35,105
Other income	959	822	2,433	2,423
	24,885	21,634	168,877	93,987
Expenses				
Operating expenses	(10,024)	(8,606)	(28,333)	(25,678)
Provision for bonus pool	(3,067)	(2,843)	(33,467)	(14,604)
Amortization	(662)	(759)	(2,098)	(2,381)
	(13,753)	(12,208)	(63,898)	(42,663)
Income before provision for income taxes	11,132	9,426	104,979	51,324
Provision for income taxes	(3,483)	(2,677)	(28,593)	(13,905)
Net income	7,649	6,749	76,386	37,419
Amortization	662	759	2,098	2,381
Provision for income taxes	3,483	2,677	28,593	13,905
EBITDA	$ 11,794	$ 10,185	$ 107,077	$ 53,705
Basic earnings per share	$ 0.27	$ 0.23	$ 2.64	$ 1.29
Diluted earnings per share	$ 0.26	$ 0.23	$ 2.57	$ 1.28
SELECTED ADJUSTED FINANCIAL INFORMATION				
EBITDA	$ 11,794	$ 10,185	$ 107,077	$ 53,705
Provision for bonus pool	3,067	2,843	33,467	14,604
Post-retirement obligations	118	95	354	286
Stock option expense	82	339	795	944
EBITDA before compensation adjustment	15,061	13,462	141,693	69,539
Base cash bonus	(2,343)	(2,556)	(6,504)	(7,114)
Base RSU bonus	(1,238)	(442)	(3,435)	(1,231)
RSU amortization	1,537	563	3,989	2,138
Special RSU award[1]	—	—	(3,750)	—
Performance fees	(1,845)	(1,568)	(102,426)	(35,105)
Base EBITDA	11,172	9,459	29,567	28,227
Performance fees	1,845	1,568	102,426	35,105
Performance fee cash bonus	(724)	(320)	(27,015)	(7,523)
Performance fee RSU bonus	(382)	(55)	(14,267)	(1,302)
Adjusted EBITDA	$ 11,911	$ 10,652	$ 90,711	$ 54,507

Note:

1. *Represents the $5.0 million special RSU award granted to certain key employees in the first quarter of fiscal 2014, net of the related bonus effect.*

RESULTS OF OPERATIONS

Overall Performance

For the three months ended March 31, 2014, the Company earned $0.27 and $0.26 per share, on a basic and diluted basis, respectively, compared with $0.23 per share, on a basic and diluted basis, for the same period last year as net income increased by $0.9 million to $7.6 million from $6.7 million. Base EBITDA for the three months ended March 31, 2014, increased by $1.7 million or 18.1% to $11.2 million from $9.5 million, for the same period last year, due to an increase in Base Management Fees, offset in part by increases in operating and base bonus expenses. Adjusted EBITDA for the three months ended March 31, 2014, increased by $1.2 million or 11.8% to $11.9 million versus $10.7 million for the same period last year. This was the result of the increase in Base EBITDA of $1.7 million, offset in part by a decrease in Performance Fees, net of related bonus expense, of $0.5 million.

For the nine months ended March 31, 2014, the Company earned $2.64 and $2.57 per share, on a basic and diluted basis, respectively, compared with $1.29 and $1.28 per share, on a basic and diluted basis, respectively, for the same period last year as net income increased by $39.0 million to $76.4 million from $37.4 million. Base EBITDA for the nine months ended March 31, 2014, increased by $1.4 million or 4.7% to $29.6 million from $28.2 million for the same period last year, due to higher Base Management Fees, which were partially offset by higher base bonus expense and a $3.75 million charge in respect of the $5.0 million special RSU award granted in the first quarter of fiscal 2014, net of the related bonus effect. Adjusted EBITDA for the nine months ended March 31, 2014, increased by $36.2 million or 66.4% to $90.7 million versus $54.5 million for the same period last year. This was the result of an increase in Performance Fees, net of related bonus expense, of $34.9 million, and an increase in Base EBITDA of $1.4 million.

Income

Total income for the three months ended March 31, 2014, was $24.9 million versus $21.6 million in the year ago quarter. Total income for the nine months ended March 31, 2014, was $168.9 million versus $94.0 million in the year ago period.

Base Management Fees for the three months ended March 31, 2014, increased year-over-year by $2.9 million or 14.7% to $22.1 million from $19.2 million as Average AUM increased $1.1 billion or 17.1% to $7.0 billion, and the average Base Management Fee Percentage decreased to 1.28% from 1.31%. Base Management Fees for the nine months ended March 31, 2014, increased year-over-year by $7.5 million or 13.4% to $64.0 million from $56.5 million, as Average AUM increased $0.9 billion or 16.0% to $6.6 billion, and the average Base Management Fee Percentage decreased to 1.28% from 1.32%.

Performance Fees for the three months ended March 31, 2014, increased year-over-year by $0.2 million to $1.8 million from $1.6 million. Performance Fees for the nine months ended March 31, 2014, increased year-over-year by $67.3 million to $102.4 million from $35.1 million.

Other income for the three months ended March 31, 2014, was $1.0 million versus $0.8 million in the year ago quarter. The increase in other income in the three months ended March 31, 2014, is primarily attributable to increased investment income. Other income for the nine months ended March 31, 2014, remained relatively flat year-over year at $2.4 million.

Expenses

Total expenses for the three months ended March 31, 2014, increased year-over-year by $1.6 million or 12.7% to $13.8 million from $12.2 million. Total expenses for the nine months ended March 31, 2014, increased year-over-year by $21.2 million or 49.8% to $63.9 million from $42.7 million.

Salaries and benefits expense for the three months ended March 31, 2014, increased year-over-year by $2.0 million or 26.1% to $9.3 million from $7.3 million. The increase is primarily due to an increase in amortization of RSUs of $1.0 million due to higher bonuses in fiscal 2013 and an increase in base salaries of $0.8 million. The increase in base salaries is due in part to $0.3 million related to guaranteed compensation for an employee which was not allocated from the bonus pool. Accrued cash bonus expense increased by $0.2 million due to higher base net income, a change in the treatment of RSU dividends-in-kind in the calculation of the bonus pool, and an increase in the percentage of Performance Fees allocated to the bonus pool to 40% from 25%. These increases were partially offset by a lower average percentage estimate for the cash component of the bonus, as described below. Salaries and benefits expense for the nine months ended March 31, 2014, increased year-over-year by $22.1 million or 75.4% to $51.3 million from $29.2 million. The increase is primarily due to an increase in accrued cash bonus expense of $18.9 million due to higher base business net income, higher Performance Fees earned and an increase in the percentage of Performance Fees allocated to the bonus pool to 40% from 25%, partially offset by a change in the average percentage estimate for the cash component of the bonus, as described below. In addition, as described above, bonus expense increased due to a change in the treatment of RSU dividends-in-kind in the calculation of the bonus pool. Amortization of RSUs increased by $1.9 million due to higher bonuses in fiscal 2013 and base salaries increased by $1.3 million, primarily due to $1.0 million related to guaranteed compensation for an employee which was not allocated from the bonus pool.

A portion of bonuses is paid in the form of RSUs and a portion is paid in cash. RSUs granted in relation to bonus awards for a specified year are granted early in the fiscal year following the year to which the bonus relates, at which point the cost of the RSUs are reflected in compensation expense using a graded vesting methodology over the three year vesting period. Therefore, the accrual for the current year's bonus award in any year reflects only the cash component of the total bonus awarded.

However, the total bonus expense comprises the cash component of the current year's bonus award and the amortization of RSUs granted in respect of bonus awards from prior years.

The ratio of the bonuses paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee, and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash. The percentage estimate for the cash component used in calculating the three and nine months ended March 31, 2014, bonus is 65% (March 31, 2013 – 85%).

Business development expenses for the three months ended March 31, 2014, increased year-over-year by $0.3 million or 42.6% to $0.9 million from $0.6 million. The increase was attributed primarily to an increase in donations of $0.3 million. Business development expenses for the nine months ended March 31, 2014, increased year-over-year by $0.7 million or 42.4% to $2.3 million from $1.6 million, due primarily to an increase in donations of $0.3 million and an increase in advertising expense of $0.3 million.

General and administrative expenses for the three months ended March 31, 2014, decreased year-over-year by $0.5 million or 13.1% to $3.0 million from $3.5 million. The decrease was attributed primarily to a decrease in professional fees of $0.7 million, due to the absence of expenses related to a process the Company undertook last year to explore shareholder value maximization alternatives. These decreases were partially offset by an increase in regulatory and public company expenses of $0.4 million, due to an increased mark-to-market expense for DSUs of $0.3 million year-over-year and for legal expenses associated with recent corporate governance changes. General and administrative expenses for the nine months ended March 31, 2014, decreased year-over-year by $1.2 million or 12.5% to $8.2 million from $9.4 million. The decrease was attributed primarily to a decline in information technology expenses of $1.7 million, due primarily to an overaccrual of system development costs in prior periods and due to vendor reviews and renegotiations. Professional fees also declined, due primarily to the absence of $0.8 million for expenses related to the process to explore shareholder value maximization alternatives, as described earlier. These decreases were offset by an increase in regulatory and public company expenses of $1.8 million, due to an increased mark-to-market expense for DSUs of $0.7 million year-over-year and $0.8 million related to the secondary offering of the Founders' shares and other related corporate governance changes.

Occupancy costs for the three and nine months ended March 31, 2014, remained relatively unchanged.

Amortization of property, equipment and intangibles for the three and nine months ended March 31, 2014, were slightly lower compared to the prior year.

EBITDA, Base EBITDA, Adjusted EBITDA and Net Income

This information is set out in the table of Summary Financial Information, which reconciles net income to EBITDA.

Income before provision for income taxes for the three months ended March 31, 2014, increased year-over-year by $1.7 million to $11.1 million from $9.4 million.

Net income for the three months ended March 31, 2014, increased year-over-year by $0.9 million to $7.6 million from $6.7 million.

For the three months ended March 31, 2014, EBITDA increased year-over-year by $1.6 million to $11.8 million from $10.2 million.

Base EBITDA eliminates the effect of Performance Fees, Performance Fee related expenses, post-retirement obligations, stock options expense and amortization of RSU awards, and deducts the dollar value of the expected base RSU bonus to be awarded in respect of the current year and special RSUs awarded in the current year. For the three months ended March 31, 2014, Base EBITDA increased year-over-year by $1.7 million or 18.1% to $11.2 million from $9.5 million, due to an increase in Base Management Fees offset in part by increases in operating and base bonus expenses. Adjusted EBITDA for the three months ended March 31, 2014, increased by $1.2 million or 11.8% to $11.9 million from $10.7 million, as Base EBITDA increased by $1.7 million and Performance Fees, net of related bonus expense, decreased by $0.5 million.

The Company's effective tax rate for the current quarter increased to 31.3% from 28.4% in the same quarter last year. This increase was primarily related to dividends received by the Company on the treasury stock held by the RSU Trust, which is taxable but not reflected in income for accounting purposes. Prior to the enactment of legislation in 2013, these dividends were not taxable.

Accounts Receivable

The Company's accounts receivable at March 31, 2014, and June 30, 2013, consisted primarily of amounts attributable to Base Management Fees and Performance Fees.

Dividends

On September 3, 2013, the Company declared a regular dividend of $0.175 per equity share for the quarter ended June 30, 2013, and a special dividend of $1.40 per equity share, relating to both the Performance Fees earned during the six months ended June 30, 2013, net of related bonus expense and income tax, and to a distribution of excess cash over and above what was considered necessary to meet known commitments and maintain adequate reserves. This dividend was paid on September 23, 2013, to shareholders of record at the close of business on September 13, 2013.

On November 7, 2013, the Company declared a regular dividend of $0.20 per equity share for the quarter ended September 30, 2013. This dividend was paid on December 3, 2013, to shareholders of record at the close of business on November 20, 2013.

On February 6, 2014, the Company declared a regular dividend of $0.20 per equity share for the quarter ended December 31, 2013, and a special dividend of $1.40 per equity share, relating to Performance Fees earned during the six months ended December 31, 2013. These dividends were paid on February 28, 2014, to shareholders of record at the close of business on February 18, 2014.

On May 2, 2014, the Company declared a regular dividend of $0.20 per equity share for the quarter ended March 31, 2014. This dividend will be paid on May 27, 2014, to shareholders of record at the close of business on May 14, 2014.

Since going public in May 2006, the total regular quarterly and special dividends are as follows:

	REGULAR QUARTERLY DIVIDENDS	SPECIAL DIVIDENDS	TOTAL
Paid – since inception to March 31, 2014	$4.09	$7.02	$ 11.11
Declared – in the fourth quarter of fiscal 2014	0.20	—	0.20
TOTAL PER EQUITY SHARE	**$4.29**	**$7.02**	**$11.31**

SUMMARY OF QUARTERLY RESULTS

The following quarterly financial information was taken from the Company's unaudited quarterly reports to shareholders. This information is consistent with the annual audited financial statements of the Company.

SUMMARY FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS

($ in thousands of Canadian dollars, except per share amounts and Assets Under Management)

	AS AT JUN 30, 2012	AS AT SEP 30, 2012	AS AT DEC 31, 2012	AS AT MAR 31, 2013	AS AT JUN 30, 2013	AS AT SEP 30, 2013	AS AT DEC 31, 2013	AS AT MAR 31, 2014
Assets Under Management *($ in millions)*	$ 5,452	$ 5,640	$ 5,725	$ 6,100	$ 6,160	$ 6,342	$ 6,830	$ 7,235

	3 MONTHS ENDED JUN 30, 2012	3 MONTHS ENDED SEP 30, 2012	3 MONTHS ENDED DEC 31, 2012	3 MONTHS ENDED MAR 31, 2013	3 MONTHS ENDED JUN 30, 2013	3 MONTHS ENDED SEP 30, 2013	3 MONTHS ENDED DEC 31, 2013	3 MONTHS ENDED MAR 31, 2014
INCOME STATEMENT INFORMATION								
Income								
Base management fees	$ 18,051	$18,468	$ 18,747	$19,244	$20,361	$20,279	$ 21,658	$22,081
Performance fees	2,208	1,096	32,441	1,568	9,858	2,124	98,457	1,845
Other income	735	750	851	822	811	696	779	959
	$20,994	$20,314	$52,039	$21,634	$31,030	$23,099	$120,894	$24,885
Net income	2,313	5,946	24,724	6,749	11,105	8,299	60,438	7,649
Base EBITDA	3,511	9,026	9,742	9,459	9,893	7,533	10,862	11,172
Adjusted EBITDA	5,169	9,874	33,981	10,652	14,227	9,123	69,677	11,911
Basic earnings per share	$ 0.08	$ 0.21	$ 0.85	$ 0.23	$ 0.38	$ 0.29	$ 2.10	$ 0.27
Diluted earnings per share	$ 0.08	$ 0.20	$ 0.85	$ 0.23	$ 0.38	$ 0.28	$ 2.05	$ 0.26

Performance Fees contribute significantly to the variability of income quarter-over-quarter since, from a timing perspective, they are recognized primarily in June (for certain pooled fund vehicles and segregated accounts) and December (for other pooled fund vehicles) and because the level of Performance Fees is dependent on the investment performance of the underlying portfolios.

SUMMARY OF PORTFOLIO AUM AND PERFORMANCE

For the period ended March 31, 2014
($ in millions of Canadian dollars)

Annualized Rates of Return[1]

INVESTMENT STRATEGIES	INCEPTION DATE	AUM $	CALENDAR YEAR-TO-DATE[8]	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity[2]								
Premium Income[4]	Jul 2001	1,421	2.1	16.0	9.8	14.6	10.0	13.8
U.S. Premium Income[5]	Aug 2011	1,027	2.7	25.2	—	—	—	22.8
Canadian Equity[4]	Jan 1991	208	3.4	11.7	1.7	12.8	6.7	11.9
U.S. Equity[4]	Feb 1986	204	3.6	25.2	14.6	11.4	8.7	9.8
Resource[3, 4]	Aug 2009	199	9.9	12.3	-0.3	—	—	9.1
International[3, 5]	Aug 2008	610	0.7	12.7	6.6	8.5	—	5.3
Growth[4]	Jul 1984	3	4.0	21.0	8.2	11.5	8.2	11.2
		3,672						
Equity Alternative[6]								
Multi-Strategy[5]	Jan 2009	350	-1.0	5.1	3.3	3.5	—	3.9
Income Long/Short[3, 5]	Jul 2004	363	-0.8	4.7	4.0	7.2	—	12.9
Focused Long/Short[3, 5]	Jan 2007	236	-1.1	5.4	8.6	12.8	—	13.5
		949						
Fixed Income & Credit Alternative								
Credit Arbitrage[5]	Jan 2009	378	2.5	5.6	5.3	7.7	—	7.8
Enhanced Credit Arbitrage[5]	Dec 2008	52	2.1	6.3	7.3	11.5	—	11.0
Tactical Fixed Income[7]	Jan 2013	932	2.8	6.6	—	—	—	6.8
Enhanced Yield[3, 5]	Feb 2009	229	2.8	6.6	5.4	7.3	—	7.1
Enhanced Bond[5]	Dec 2008	225	2.4	5.1	5.6	6.6	—	6.8
		1,816						
Institutional & Special Mandates[9]		**798**						
Assets Under Management		**7,235**						

Notes:

1. *Past performance is not necessarily indicative of future returns. Performance is presented net of fees and expenses and assumes reinvestment of all dividends and income.*
2. *Where, for a particular portfolio model, we manage both a pooled fund and segregated accounts, we have measured the performance of whichever has been in operation the longest to represent the overall performance of the portfolio model. AUM reflects all Assets Under Management, both in pooled fund vehicles and segregated accounts.*
3. *The performance presented includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.*
4. *The returns presented for this strategy represent the returns of a composite of segregated portfolios. The returns of the associated fund are not included in the composite returns.*
5. *The returns presented are those of the GS+A fund, Series A.*
6. *The Multi-Strategy Fund and Multi-Strategy Trust are portfolios that invest in a combination of Gluskin Sheff's individual alternative long/short portfolios. As such, to avoid double-counting, AUM held within one of the aforementioned portfolios is excluded from the AUM figures provided for the underlying/individual long/short portfolios.*
7. *The returns presented are those of the GS+A Tactical Fixed Income Fund, Series A.*
8. *Calendar year-to-date returns are non-annualized.*
9. *Includes institutional mandates managed primarily in accordance with our Canadian Equity portfolio model ($313 million), our Premium Income portfolio model ($180 million), our Growth portfolio model ($123 million) and our Credit Arbitrage portfolio model ($35 million), and private client mandates managed primarily in accordance with a combination of our Canadian Equity and Premium Income portfolio models ($5 million), our Founders portfolio model ($32 million), our U.S. Equity portfolio model ($19 million), our Enhanced Bond portfolio model ($25 million), and other special mandates ($66 million). All numbers are approximate.*

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all information required to be disclosed by the Company is recorded, processed, summarized and reported within required time periods and that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of the Company has ensured that internal controls over DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, and information required to be disclosed by the Company in its interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

Management of the Company has ensured that internal controls over financial reporting ("ICFR") have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in ICFR in the most recent quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Management of the Company has evaluated the design of its DC&P and ICFR (as defined under National Instrument 52-109) as of March 31, 2014, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the DC&P and ICFR were properly designed as of March 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates positive cash flow from operations and has limited requirements for long-term capital due to the nature of its business. We believe that our Base Management Fees and current cash resources will continue to be sufficient to satisfy our ongoing operational needs.

There are no significant regulatory capital requirements for the Company.

During the three months ended March 31, 2014 and 2013, there were no significant net acquisitions of property and equipment or intangible assets.

During the three months ended March 31, 2014, the Company paid $46.2 million in dividends (March 31, 2013 – $24.0 million).

Gluskin Sheff's current liabilities are in the normal course of the Company's operations and are payable within one year. Payment will be funded through cash provided by operating activities. Gluskin Sheff has no debt.

Aside from funding normal working capital requirements, Gluskin Sheff expects to fund new business initiatives and corporate development from its cash reserves and cash flow from operations.

The Company has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the Company's Annual Audited Financial Statements as at June 30, 2013.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 10 of the Company's March 31, 2014, unaudited interim financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These unaudited interim financial statements were prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's Annual Audited Financial Statements for the year ended June 30, 2013. Accordingly, certain information and disclosure normally included in the annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board, have been omitted or condensed in these interim financial statements.

A summary of significant accounting policies underlying the financial statements is presented in note 1 of the Company's unaudited interim financial statements for the three and nine months ended March 31, 2014. Accounting policies are an integral part of our financial statements, which are prepared in accordance with IFRS. 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:

Fair value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 2 of the Company's unaudited interim financial statements for the three and nine months ended March 31, 2014.

Stock Option Plan

The Company has a stock option plan and measures the cost of the stock option plan by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the stock option plan requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield and estimated forfeiture rates. The forfeiture rates are based on best available estimates at the time of grant, and the Company will revise those estimates, if necessary, if subsequent information indicates that the number of options expected to vest differs from previous estimates.

Post-Retirement Obligations

In fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, following their departures from their respective roles as President & Chief Investment Officer and as Chief Executive Officer. The agreement provides for a lump sum retirement payment to each of $1.5 million at the end of their respective five year transition periods, or on their death, and fixed annual payments to each of $250,000 plus certain benefits commencing at the end of their respective transition periods for the balance of their natural lives. Estimating the fair value of the post-retirement obligation requires estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions. The Company engages a third-party actuary annually to compute the fair value of the post-retirement obligation. Additional information, including amounts accrued and expensed in the current quarter, is provided in note 5 of the Company's unaudited interim financial statements for the three and nine months ended March 31, 2014.

Executive Loan Program

The Company provides financial guarantees for full recourse loans made to eligible employees by a third party institution at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the employee loans. Where the employee loan principal outstanding exceeds the fair value of the collateral, management judgment is required to determine the present value of the expected payments relating to the contingent liability.

Bonus Expense
The ratio of bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year, and therefore the actual percentages to be paid in RSUs versus cash will not be known with certainty until such time. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash.

Impairment of Non-Financial Assets
Finite life intangible assets and property and equipment are reviewed for impairment whenever there is an indication that the assets may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired. The values associated with intangibles involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives.

Deferred Tax Assets
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. In addition, deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies from those reported in the Audited Annual Financial Statements for the year ended June 30, 2013.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, short-term investments, restricted cash, accounts receivable, income taxes recoverable, accounts payable and accrued liabilities, income taxes payable and accrued bonuses. The carrying value of cash, short-term investments, restricted cash, accounts receivable, income taxes recoverable, accounts payable and accrued liabilities, income taxes payable and accrued bonuses approximate their relevant fair value due to their short-term nature. DSUs, which are included in long-term liabilities, are marked-to-market, with unrealized gains or losses being recognized in general and administrative expenses in the statement of income and comprehensive income. Short-term investments are recorded at fair value using quotations from independent third-party pricing sources. At March 31, 2014, the Company held $12.4 million in cash (June 30, 2013 – $22.0 million), $67.4 million in short-term investments (June 30, 2013 – $54.8 million) and $4.9 million in restricted cash (June 30, 2013 – $4.6 million). Securities owned, if any, and certain short-term investments are held pursuant to the Company's strategy of seeding new portfolio models, some of which the Company may eventually introduce as part of its investment strategies. The Company's marketable securities have been designated as held-for-trading and are recorded at fair value using quotations from independent third party pricing sources, with realized and unrealized gains or losses being recognized in other income in the statement of income and comprehensive income. The use of financial instruments exposes the Company to risks such as market risk, credit risk, liquidity risk and concentration risk. Refer to note 17 of the Company's March 31, 2014, unaudited interim financial statements for a more detailed analysis of risk exposures and sensitivity analyses for certain risks.

MANAGING RISKS

Gluskin Sheff is exposed to a number of risks that are inherent in the investment management industry.

The following risks are noted, and they are described in greater detail in the Company's Annual Information Form.

Risk factors related to the Company:

- Changes in the securities markets
- Poor investment performance
- Loss of key employees
- Changes in the investment management industry
- Competitive pressures
- Failure in our ability to manage risks in our portfolio models
- Rapid growth or decline in our AUM
- Litigation risks
- Employee errors or misconduct
- Failure to implement effective information security policies, procedures and capabilities
- Failure to implement effective and efficient technologies
- Failure to develop effective business resiliency plans and information technology recovery plans
- Failure to comply with government regulations
- Failure to maintain adequate insurance coverage on favourable economic terms

The foregoing risk factors are mitigated to the extent possible and practical from a cost and perceived benefit perspective by senior management's direct involvement in the day-to-day operation of the business. Members of senior management meet regularly to address business issues, consider new risks to the business and chart the direction of the Company in terms of new product development, marketing initiatives and strategic direction. Management has regular access to information deemed critical to the ongoing monitoring of the Company's performance and key business metrics in order to consider a change in operational plans or strategic direction as considered appropriate in the circumstances.

The Company also maintains an appropriate system of internal controls and procedures to safeguard assets, control expenses and ensure that financial reporting is accurate and reliable.

The Company believes confidentiality is essential to the success of the business and strives to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural and electronic safeguards are maintained in order to protect this information from access by unauthorized parties.

The Company's investment performance is monitored on an ongoing basis, including a review of trends and activity in the capital markets. The Company has a disciplined investment approach, which is the foundation of its investment philosophy and methodology for investing in capital markets.

Finally, the Company maintains appropriate insurance coverage for general business liability risks. Insurance coverage is reviewed at least annually, or whenever there is a significant change in the Company's operations or risk profile.

CORPORATE GOVERNANCE

The objective of good corporate governance is to enhance value for all stakeholders over the long term by aligning the interests of our Company with the interest of our stakeholders.

The Board of Directors (the "Board") and the Company's management have designed our corporate governance policies and practices to ensure we are focused on our responsibilities to our stakeholders and on creating long-term shareholder value. Our practices and policies comply with regulations and guidelines established by Canadian securities regulators. We continuously monitor all proposed new rules and modify our policies and practices to meet any additional requirements. The Company has adopted the following significant governance practices:

- As at March 31, 2014, the Board consisted of eight directors, seven of whom were independent. The independent directors are not employees of the Company or parties to material contracts with the Company and are only entitled to directors' fees. The Company believes that the size and composition of the Board are well suited to the circumstances of the Company.

- Herbert Solway, QC, serves as the Lead Director on the Board.
- The independent directors meet without management present at the end of each regularly scheduled board meeting. All Board members can and do interact with management as situations arise.
- For all independent directors, there is a minimum share ownership requirement of 6,000 Common Shares and one-half of all directors' fees are taken in the form of DSUs, ensuring alignment of their interests with those of shareholders.
- The memberships of the Audit Committee and the Compensation, Nominating and Governance Committee, sub-committees reporting to the Board, are exclusively composed of independent directors.
- The Audit Committee is chaired by Robert S. Weiss, FCPA, FCA, who has extensive financial experience, as do the other Audit Committee members. This Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process and the system of internal controls over financial reporting.
- The Compensation, Nominating and Governance Committee is chaired by Paul Beeston, CM. This Committee is responsible for administering the Company's compensation policy and for developing the Company's approach to corporate governance issues.

RELATED PARTY TRANSACTIONS

There were no changes to the nature and extent of related party transactions entered into by the Company in the three and nine months ended March 31, 2014. For further information, refer to note 4 of the Company's March 31, 2014, unaudited interim financial statements.

SHARE CAPITAL

Contemporaneously with the closing of the secondary offering of the Founders' shares during the second quarter of fiscal 2014, all Multiple Voting Shares ("MVS") were converted to Subordinate Voting Shares ("SVS") on a one-for-one basis. As a result of the SVS being the only class of issued and outstanding shares of the Company, the shareholders approved a resolution at the Company's annual and special meeting of shareholders held on December 18, 2013, to cancel the class of shares designated as MVS, and to re-name the existing class of shares designated as SVS to Common Shares.

In February 2014, the Toronto Stock Exchange (the "TSX") accepted the Company's notice of intention to make a normal course issuer bid ("NCIB") for up to 1,475,908 of the Company's Common Shares, or 5% of the Company's issued and outstanding Common Shares as of January 31, 2014, over the twelve month period beginning February 11, 2014 and ending February 10, 2015. The number of Common Shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 26,916 Common Shares, subject to the Company's ability to make purchases in accordance with the "block purchase exemption" of the TSX rules. Purchases are made at market prices through the facilities of the TSX. Common Shares purchased by the Company will be cancelled. A copy of the Notice of Intention filed with the TSX may be obtained, without charge, upon written request to the Company. During the three and nine months ended March 31, 2014, no Common Shares were repurchased under this authorization.

During the three and nine months ended March 31, 2014, the number of Common Shares increased due to the conversion of Multiple Voting Shares to Common Shares and the exercise of stock options.

Beginning in fiscal 2011, the number of issued and outstanding shares includes shares acquired in the open market by a trust established by the Company for the benefit of the RSU plan participants, which is described in note 8 to the unaudited interim financial statements for the three and six months ended March 31, 2014.

The number of outstanding stock options as at March 31, 2014 was 646,000, of which 408,000 were exercisable.

OTHER INFORMATION

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

INTERIM BALANCE SHEETS (UNAUDITED)

($ in thousands of Canadian dollars)

	AS AT MAR 31, 2014	AS AT JUN 30, 2013
ASSETS		
Current assets		
Cash	$ 12,427	$ 21,989
Short-term investments (note 2)	67,401	54,815
Accounts receivable (note 4)	10,607	18,937
Prepaid expenses and other assets	889	943
	91,324	**96,684**
Non-current assets		
Restricted cash (note 5 and 8)	4,943	4,577
Property and equipment	21,197	22,636
Intangible assets	1,651	1,726
Deferred income taxes, net (note 11)	5,278	4,083
	33,069	**33,022**
Total assets	**$124,393**	**$129,706**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 3, 4, 8 and 12)	$ 5,316	$ 8,910
Income taxes payable (note 11)	14,719	3,271
Accrued bonuses (note 12)	32,875	19,067
	52,910	**31,248**
Non-current liabilities		
Long-term liabilities (note 8)	2,752	1,585
Post-retirement obligations (note 4 and 5)	12,173	11,819
	14,925	**13,404**
	$ 67,835	**$ 44,652**
SHAREHOLDERS' EQUITY		
Share capital (note 6)	$ 15,863	$ 11,706
Treasury stock (note 7)	(15,096)	(5,166)
Contributed surplus	15,352	13,834
Retained earnings	40,439	64,680
	56,558	**85,054**
Total liabilities and shareholders' equity	**$124,393**	**$129,706**

The accompanying notes are an integral part of these financial statements.

INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

($ in thousands of Canadian dollars, except per share amounts)

	3 MONTHS ENDED MAR 31, 2014	3 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2014	9 MONTHS ENDED MAR 31, 2013
INCOME				
Base management fees (note 4)	$22,081	$19,244	$ 64,018	$ 56,459
Performance fees (note 4)	1,845	1,568	102,426	35,105
Other income (note 3)	959	822	2,433	2,423
	24,885	21,634	168,877	93,987
EXPENSES				
Salaries and benefits (notes 5, 8 and 12)	9,260	7,341	51,290	29,234
Reimbursements from pooled funds (note 4)	(947)	(940)	(2,741)	(2,757)
Business development (note 13)	923	647	2,317	1,628
General and administrative (note 8 and 14)	3,029	3,485	8,248	9,428
Occupancy (note 15)	826	916	2,686	2,749
Amortization of property and equipment	486	589	1,543	1,899
Amortization of intangible assets	176	170	555	482
	13,753	12,208	63,898	42,663
Income before provision for income taxes	$ 11,132	$ 9,426	$104,979	$ 51,324
Provision for (recovery of) income taxes (note 11)				
Current income taxes	3,888	3,112	29,260	14,538
Deferred income taxes	(405)	(435)	(667)	(633)
	3,483	2,677	28,593	13,905
Net income and comprehensive income attributable to shareholders	$ 7,649	$ 6,749	$ 76,386	$ 37,419
Net earnings per common share attributable to shareholders:				
Basic earnings per share (note 9)	$ 0.27	$ 0.23	$ 2.64	$ 1.29
Diluted earnings per share (note 9)	$ 0.26	$ 0.23	$ 2.57	$ 1.28

The accompanying notes are an integral part of these financial statements.

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	3 MONTHS ENDED MAR 31, 2014				
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$13,146**	**$ (13,823)**	**$ 15,054**	**$ 80,222**	**$ 94,599**
Net income and comprehensive income attributable to shareholders	—	—	—	7,649	7,649
Amortization of restricted share units (note 8)	—	—	1,537	—	1,537
Amortization of stock options (note 8)	—	—	82	—	82
Purchase of treasury stock (note 7 and 8)	—	(1,379)	—	—	(1,379)
Release of treasury stock (note 7 and 8)	—	106	—	—	106
Exercise of stock options (note 6)	2,717	—	(2,717)	—	—
Vesting of restricted share units (note 8)	—	—	(107)	—	(107)
Deferred tax asset for dividends-in-kind (note 11)	—	—	288	—	288
Special dividend (note 16)	—	—	1,064	(41,504)	(40,440)
Quarterly dividend (note 16)	—	—	151	(5,928)	(5,777)
End of period	**$15,863**	**$(15,096)**	**$ 15,352**	**$ 40,439**	**$ 56,558**

	3 MONTHS ENDED MAR 31, 2013				
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	**$ 8,757**	**$ (5,254)**	**$14,080**	**$ 76,163**	**$ 93,746**
Net income and comprehensive income attributable to shareholders	—	—	—	6,749	6,749
Amortization of restricted share units (note 8)	—	—	570	—	570
Forfeiture of restricted share units (note 8)	—	—	(7)	—	(7)
Amortization of stock options (note 8)	—	—	339	—	339
Release of treasury stock (note 7 and 8)	—	88	—	—	88
Exercise of stock options (note 6)	2,318	—	(1,232)	—	1,086
Vesting of restricted share units (note 8)	—	—	(44)	—	(44)
Deferred tax asset for dividends-in-kind (note 11)	—	—	95	—	95
Special dividend (note 16)	—	—	214	(19,109)	(18,895)
Quarterly dividend (note 16)	—	—	54	(5,144)	(5,090)
End of period	**$11,075**	**$ (5,166)**	**$14,069**	**$ 58,659**	**$ 78,637**

The accompanying notes are an integral part of these financial statements.

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	9 MONTHS ENDED MAR 31, 2014				
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	$11,706	$ (5,166)	$ 13,834	$64,680	$ 85,054
Net income and comprehensive income attributable to shareholders	—	—	—	76,386	76,386
Amortization of restricted share units (note 8)	—	—	3,989	—	3,989
Amortization of stock options (note 8)	—	—	795	—	795
Purchase of treasury stock (note 7 and 8)	—	(12,779)	—	—	(12,779)
Release of treasury stock (note 7 and 8)	—	2,849	—	—	2,849
Exercise of stock options (note 6)	4,157	—	(3,660)	—	497
Vesting of restricted share units (note 8)	—	—	(2,849)	—	(2,849)
Deferred tax asset for dividends-in-kind (note 11)	—	—	528	—	528
Special dividend (note 16)	—	—	2,263	(83,542)	(81,279)
Quarterly dividend (note 16)	—	—	452	(17,085)	(16,633)
End of period	$15,863	$(15,096)	$ 15,352	$40,439	$ 56,558

	9 MONTHS ENDED MAR 31, 2013				
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Beginning of period	$ 8,757	$ (6,603)	$ 14,314	$ 57,145	$ 73,613
Net income and comprehensive income attributable to shareholders	—	—	—	37,419	37,419
Amortization of restricted share units (note 8)	—	—	2,154	—	2,154
Forfeiture of restricted share units (note 8)	—	—	(16)	—	(16)
Amortization of stock options (note 8)	—	—	998	—	998
Forfeiture of stock options (note 8)	—	—	(54)	—	(54)
Purchase of treasury stock (note 7 and 8)	—	(1,374)	—	—	(1,374)
Release of treasury stock (note 7 and 8)	—	2,811	—	—	2,811
Exercise of stock options (note 6)	2,318	—	(1,232)	—	1,086
Vesting of restricted share units (note 8)	—	—	(2,722)	—	(2,722)
Deferred tax asset for dividends-in-kind (note 11)	—	—	227	—	227
Special dividend (note 16)	—	—	233	(20,858)	(20,625)
Quarterly dividend (note 16)	—	—	167	(15,047)	(14,880)
End of period	$ 11,075	$ (5,166)	$14,069	$ 58,659	$ 78,637

The accompanying notes are an integral part of these financial statements.

INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

($ in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED MAR 31, 2014	3 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2014	9 MONTHS ENDED MAR 31, 2013
OPERATING ACTIVITIES				
Net income for the period	$ 7,649	$ 6,749	$ 76,386	$ 37,419
Adjustments for non-cash items				
Amortization of property and equipment	486	589	1,543	1,899
Amortization of intangible assets	176	170	555	482
Post-retirement obligations (note 5)	118	95	354	286
Deferred income taxes (note 11)	(405)	(435)	(667)	(633)
Deferred share units (note 8)	700	391	1,505	666
Release of deferred share units (note 8)	—	—	(289)	—
Restricted share units (note 8)	1,537	563	3,989	2,138
Stock option expense (note 8)	82	339	795	944
Net interest income	(233)	(114)	(450)	(370)
	10,110	8,347	83,721	42,831
Changes in non-cash working capital items				
Restricted cash (note 5 and 8)	(1)	(266)	(366)	(306)
Accounts receivable (note 4)	3,774	33,335	8,330	(1,198)
Prepaid expenses and other assets	(248)	30	54	435
Income taxes recoverable (note 11)	—	1,183	—	6,546
Accounts payable and accrued liabilities (note 4)	(10,859)	(3,826)	(3,643)	(3,459)
Income taxes payable (note 11)	(864)	—	11,448	—
Accrued bonuses (note 12)	3,008	2,769	13,808	5,171
	(5,190)	33,225	29,631	7,189
Cash provided by operating activities	**4,920**	**41,572**	**113,352**	**50,020**
INVESTING ACTIVITIES				
Net purchases of property and equipment	(21)	(26)	(104)	(210)
Net purchases of intangibles	(149)	(191)	(480)	(485)
Net (purchase) sale of short-term investments	(56,909)	(75)	(12,586)	(4,826)
Net interest income	233	114	450	370
Cash used in investing activities	**(56,846)**	**(178)**	**(12,720)**	**(5,151)**
FINANCING ACTIVITIES				
Dividends paid (note 16)	(46,217)	(23,977)	(97,912)	(35,497)
Acquisition of treasury stock (note 7)	(1,379)	—	(12,779)	(1,374)
Exercise of stock options (note 8)	—	1,086	497	1,086
Cash used in financing activities	**(47,596)**	**(22,891)**	**(110,194)**	**(35,785)**
Increase (decrease) in cash during the period	**(99,522)**	**18,503**	**(9,562)**	**9,084**
Cash – beginning of period	**111,949**	**9,308**	**21,989**	**18,727**
Cash – end of period	**$ 12,427**	**$ 27,811**	**$ 12,427**	**$ 27,811**

The accompanying notes are an integral part of these financial statements.

Notes to Unaudited Interim Financial Statements

For the three and nine months ended March 31, 2014 and 2013
($ in thousands in Canadian dollars, except per share amounts)

NATURE OF BUSINESS AND ORGANIZATION

Gluskin Sheff + Associates Inc. (the "Company") provides discretionary investment management services to high net worth private clients and institutional investors. The Company was incorporated in 1984 under the Ontario Business Corporations Act. The Company provides investment management services to clients in Canada and abroad. The Company is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "GS". Its registered office is at Bay Adelaide Centre, 333 Bay Street, Suite 5100, Toronto, Ontario, M5H 2R2. As at March 31, 2014 there were no controlling shareholders of the Company. As at March 31, 2013 the Company was controlled by Messrs. Ira Gluskin and Gerald Sheff, Co-Founders.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim financial statements were prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's Annual Audited Financial Statements for the year ended June 30, 2013. Accordingly, certain information and disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these unaudited interim financial statements. Certain comparative figures have been reclassified to conform with the current period's presentation.

The unaudited interim financial statements of the Company for the three and nine months ended March 31, 2014, were authorized for issue by a resolution of the Board of Directors on May 2, 2014.

Basis of Presentation

These unaudited interim financial statements have been prepared on a going concern basis and historical cost basis, except for held-for-trading financial instruments, post-retirement obligations and Deferred Share Units ("DSU"), which have been measured at fair value.

These unaudited interim financial statements are presented in Canadian dollars, which is the Company's functional currency. In these notes to the unaudited interim financial statements, all dollar amounts are stated in thousands, unless otherwise noted. Per share amounts and option exercise prices are stated in dollars and cents.

Principles of Consolidation
The unaudited interim financial statements include the accounts of the Company and a trust (the "Trust") established for the participants of the Company's Restricted Share Unit ("RSU") Plan. The RSU plan is described in note 7 and 8. The Trust may hold shares of the Company purchased in the open market to hedge, in whole or in part, the Company's potential economic exposure that could arise on outstanding RSUs due to fluctuations in the Company's share price. The Company consolidates the Trust in these unaudited interim financial statements, and accounts for the shares owned by the Trust as treasury stock. The Trust was established on December 1, 2010, and the unaudited interim financial statements of the Trust are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany balances, income and expenses resulting from intercompany transactions are eliminated.

Significant Accounting Judgments and Estimates
These unaudited interim financial statements are prepared by management in accordance with IFRS, as issued by the IASB. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amounts of income and expenses during the reporting periods. Actual results could differ from those estimates and the difference could be material. Management believes that the potential significant areas where judgment is necessarily applied are those which relate to:

(i) *Fair value of Financial Instruments*
When the fair value of financial assets and financial liabilities recorded in the balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 2.

(ii) *Stock Option Plan*
The Company has a stock option plan and measures the cost of the stock option plan by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for the stock option plan requires determining the

most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and estimated forfeiture rates. The forfeiture rates are based on best available estimates at the time of grant, and the Company revises those estimates, if necessary, if subsequent information indicates that the number of options expected to vest differs from previous estimates.

(iii) *Post-Retirement Obligations*
The Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, following their departures from their respective roles as President & Chief Investment Officer and as Chief Executive Officer as described in note 5. Estimating the fair value of the post-retirement obligation requires estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions. The Company engages a third-party actuary annually to compute the fair value of the post-retirement obligation.

(iv) *Executive Loan Program*
The Company provides financial guarantees for full recourse loans made to eligible employees by a third party institution at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the employee loans. Where the employee loan principal outstanding exceeds the fair value of the collateral, management judgment is required to determine the present value of the expected payments relating to the contingent liability.

(v) *Bonus Expense*
Commencing in fiscal 2011, a portion of the bonus pool is paid in RSUs. The ratio of bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year, and therefore the actual percentages to be paid in RSUs versus cash will not be known with certainty until such time. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash.

(vi) *Impairment of Non-Financial Assets*
Finite life intangible assets and property and equipment are reviewed for impairment whenever there is an indication that the asset may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The values associated with intangible assets involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives.

(vii) *Deferred Tax Assets*
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. In addition, deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Foreign Currency Translation
The unaudited interim financial statements are expressed in Canadian dollars, as the Canadian dollar is the functional currency of the Company.

- Assets, including the fair values of financial assets, and liabilities denominated in foreign currencies are converted into Canadian dollars at the rates of exchange established on each balance sheet date.
- Purchases and sales of assets and liabilities, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.
- Realized and unrealized exchange gains (losses) on assets, liabilities and income denominated in foreign currencies are included in the statement of income and comprehensive income.

Cash, Short-Term Investments and Restricted Cash
Cash consists of cash on deposit with banks. Short-term investments consist of temporary investments consisting of highly liquid investments which may include interest bearing notes, treasury bills and bonds with short-term maturities. Restricted cash is cash held in a segregated account, in connection with loan guarantees by the Company in respect of borrowings by certain employees from a Canadian Chartered Bank, pursuant to the Company's Executive Loan Program, as further described in note 8 and amounts held in connection with the terms of the letter of credit, as described further in note 5. The balance held as restricted cash related to the loan guarantees is a proportion of the outstanding executives' borrowings and fluctuates directly with changes in the outstanding loan balances and will become available upon reduction of the outstanding loan balances.

Financial Instruments
Financial assets may be classified as held-for-trading or loans and receivables. Purchases and sales of financial assets are accounted for on a trade date basis. Financial liabilities may be classified as held-for-trading or other financial liabilities.

(i) *Measurement of Financial Instruments*
All financial instruments are initially measured at fair value. After initial recognition, financial instruments classified as held-for-trading are measured:

- at fair value using quoted market prices in an active market; or
- where there is no active market, but the fair value can be reliably measured, using valuation techniques.

All other financial instruments, which include loans and receivables and other financial liabilities, are measured at amortized cost using the effective interest method.

(ii) *Changes in Fair Value*
Changes in fair value of financial instruments classified as held-for-trading are reflected in the statement of income and comprehensive income.

(iii) *Classification of the Company's Financial Instruments*
The Company's financial instruments are classified as follows:

- Short-term investments, securities owned at fair value and securities sold short are classified as held-for-trading;
- Accounts receivable are classified as loans and receivables. Accounts receivable are initially recognized at the amount expected to be received, less, when material, a discount to reduce the accounts receivable to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for impairment, if any. The provision is the difference between the amortized cost of the accounts receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account; and
- Accounts payable and accrued liabilities, income taxes payable and accrued bonuses are classified as other financial liabilities.

(iv) *Fair Value Hierarchy*
All financial instruments recognized at fair value in the balance sheet are classified into three fair value hierarchy levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(v) *Offsetting Financial Assets and Financial Liabilities*
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Property and Equipment
All property and equipment are recorded at cost less accumulated amortization and impairment losses, if any. Property and equipment comprising furniture, office art, computer equipment and automobiles are recorded at cost and are amortized on a declining balance basis at rates from 20% to 30% per annum. Computer software and other assets are being amortized on a straight-line basis at rates of 25% and 33.3% per annum, respectively. Leasehold improvements are amortized on a straight-line basis over a period which includes the initial contractual lease term plus two renewal periods of the respective lease.

Assets' residual values, useful lives and methods of amortization are reviewed at each reporting date, and adjusted prospectively if appropriate.

Intangible Assets
Intangible assets are initially measured at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

The qualifying costs incurred to develop new technology systems are recognized as intangible assets with finite lives. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets not yet ready for use are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. An intangible asset is considered impaired if the carrying value exceeds the estimated recoverable amount of the intangible asset or Cash Generating Unit ("CGU"), as applicable, and the excess is charged to the statement of operations as an impairment loss. The recoverable amount of intangible assets is based on a discounted cash flow analysis. If in subsequent periods the recoverable amount exceeds carrying value, the prior impairment loss is reversed to bring the carrying amount to the carrying amount (net of amortization) that would have been recognized had no impairment loss been recognized.

Previously capitalized technology development costs are derecognized when it is determined that those costs related to components of the technology that will not, or are unlikely to be put in use by the Company, for where there is no other residual value related thereto.

Intangible assets are being amortized on a straight-line basis at a rate of 25% per annum or declining balance basis at a rate of 30% per annum. The amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the intangible assets are accounted for by changing the amortization period or method as appropriate, and are treated as changes in accounting estimates.

Intangible assets may include expenditures that have been capitalized in respect of development of systems not yet available for use by the Company. Once the asset is available for use amortization will begin.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheet, and the net amount is recorded in the statement of income and comprehensive income. Provisions, if any, are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

Revenue Recognition

Base Management Fees are calculated on various portfolio models by applying an agreed-upon rate to the net asset value of clients' assets under management. Base Management Fees are recognized on an accrual basis. Base Management Fees are accrued monthly and are collected on a monthly or quarterly basis.

Performance Fees are calculated by applying an agreed-upon formula to the growth in the net asset value of clients' assets under management and recognized when they are earned, which occurs at the end of each performance year or upon closure of an account or transfer of assets to a different investment model.

Investment income is derived from securities holdings, cash and short-term investments. Investment income is recognized on an accrual basis.

The economic research annual subscription fees received from subscribers are recognized on a monthly pro rata basis and included in other income. The unearned portion, if any, is reflected as unearned revenue and is included in accounts payable and accrued liabilities on the balance sheet.

Management Agreements
The Company has agreements to manage the Company's pooled fund vehicles. Under the terms of the agreements, the Company is responsible for the day-to-day operation and distribution of these pooled fund vehicles, for which it receives an annual management fee, calculated and payable monthly, by applying an agreed rate to the month-end fair value of each pooled fund vehicle. If certain performance hurdles in the pooled fund vehicles are exceeded, the Company receives an annual performance fee, payable at the end of the performance year or upon redemption of pooled fund units, and calculated by applying an agreed percentage to the appreciation in the asset values in the funds over the performance hurdle.

The Company also recovers expenses incurred on behalf of the pooled fund vehicles relating to the operation of these pooled fund vehicles, which include unitholder administration and fund accounting costs, and trustee fees.

Stock-Based Compensation
The Company has several stock-based compensation plans: the Stock Option plan, the DSU plan, the RSU plan, the Employee Common Share Ownership Plan and the Executive Loan Program, as outlined in note 8.

The Company has used the fair value-based method to account for the cost of stock options awarded under its Stock Option plan. The fair value of the stock options is estimated on the grant date using the Black-Scholes option valuation model. This cost is recognized using graded vesting over five years, as an increase in salaries and benefits and contributed surplus for employees' stock options and as an increase in general and administrative expense and contributed surplus for directors' stock options. When the options are exercised, the contributed surplus amount is credited to share capital in the balance sheet. If cash proceeds are received from options that are exercised, they are also credited to share capital in the balance sheet.

The obligation that results from the award of a DSU is recognized as an expense immediately as vesting occurs on the date of grant. The corresponding amount is included in long-term liabilities on the balance sheet as payment will not be made until the DSU participant is no longer on the Board of Directors. At each reporting date, the obligation is adjusted to fair value based on the Company's stock price and changes in the fair value of the obligation are recognized in the general and administration expense on the statement of income and comprehensive income. DSU participants are granted additional DSUs equal to the amount of dividends that would have been paid to the participant if DSUs held by the participant had been Common Shares. The cost associated with granting these additional DSUs is reflected in general and administrative expense in the statement of income and comprehensive income in the period in which the dividends are paid. The Company has historically made cash payments when settling any DSUs.

The obligation that results from the award of RSUs is recognized using graded vesting or straight-line vesting, depending on the plan terms, over three years, as an increase in salaries and benefits expense and contributed surplus. Each RSU is settled in shares of the Company on the vesting date. RSU participants are granted additional RSUs as a "dividend-in-kind" which is equal to the amounts of dividends that would have been paid to the participant if the RSUs held by the participant had been Common Shares. The cost associated with granting these dividends-in-kind is reflected in contributed surplus and dividend amounts. Each dividend-in-kind is settled in shares of the Company on the vesting date of the underlying RSUs to which they relate. The Trust was established to acquire shares on the open market to hedge, in whole or in part, if considered appropriate, the Company's economic exposure relating to fluctuations in the market price of the Company's Common Shares.

The Company's contributions to the Employee Common Share Ownership Plan are recognized in salaries and benefits expense as they occur.

The Company provides guarantees under the Company's Executive Loan Program for full recourse loans made to eligible employees by a third party financial institution at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the employee loan. Cash, representing a proportion of the outstanding executives' borrowings under the Executive Loan Program, is held in a segregated cash account and is included in the Company's restricted cash on the balance sheet. Financial guarantees are recognized at inception as a liability at fair value less directly attributable transaction costs. Subsequently, financial guarantee liabilities are measured at the higher of the initial value and the present value of any expected payment, when a payment under the guarantee has become probable.

Earnings per Share

Basic earnings per share amounts are determined by dividing net income by the weighted average number of shares outstanding during the period excluding shares held in the Trust, which are not considered to be outstanding in the relevant period for accounting purposes. Diluted earnings per share are determined by dividing net income by the total shares outstanding during the period excluding shares held in the Trust, which are not considered to be outstanding in the relevant period for accounting purposes, assuming that all potentially dilutive common shares, related to the Stock Option and RSU plans as described in note 8, have been issued.

Income Taxes

Income taxes are comprised of current and deferred taxes. Income taxes are recognized in the statement of income and comprehensive income except to the extent that they relate to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively. The Company records income tax assets and liabilities for the current and prior year by measuring the amounts expected to be recovered from, or paid to, the taxation authorities.

The current tax payable is based on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years and for any installments made during the year. Taxable income may differ from income reported on the statements of income and comprehensive income in the Company's financial statements since taxable income excludes certain items that are taxable or deductible in other years and also excludes items that are never taxable or deductible for tax purposes.

In general, deferred tax is recognized in respect of temporary differences between the accounting and tax bases of assets and liabilities. Deferred tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are presented as non-current.

Segment Reporting

Management has determined that the Company has one reportable segment; being its investment management services. This segment reflects the Company's internal financial reporting and performance measurement.

Future Accounting Changes

The IASB issued IFRS 9 *Financial Instruments* ("IFRS 9") which amends the classification and measurement criteria for financial instruments. This is the first phase of a three-phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, the current standard for accounting for financial instruments. The remaining phases of this project are currently under development and include impairment methodology and hedge accounting. The impact of this new standard to the Company will be assessed once the remaining phases of the project are completed. The IASB tentatively deferred the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known.

The IASB issued IFRS 13 *Fair Value Measurement* to consolidate all the fair value measurement and disclosure guidance into a single standard. The new standard establishes a framework for measuring fair value and sets out related disclosure requirements when fair value measurement is required or permitted under other standards. The standard requires more extensive financial statement disclosure but is not expected to have a significant impact on the Company's financial position or results of operations. The Company is currently evaluating the impact of the new standard with respect to any additional disclosures that may be required in its annual financial statements. The standard is effective for the Company's fiscal year ended June 30, 2014.

The IASB amended IAS 19 Employee Benefits to reflect significant changes to recognition and measurement of defined benefit pension expense and termination benefits and expanded disclosure requirements. The standard is not expected to have an impact on the Company's financial position or results of operations. The Company is currently evaluating the impact of the new standard with respect to the impact on the Company's financial position or results of operations or additional disclosures that may be required in its annual financial statements. The amended standard is effective the Company's fiscal year ended June 30, 2014.

Change in Accounting Policies

The Company adopted the following IFRS Accounting Standards, as issued by the IASB. The Company determined that these standards had no significant impact on the interim financial statements.

(i) *IFRS 7 (Revised) – Financial Instruments: Disclosures*

The IASB amended IFRS 7 which establishes common disclosure requirements that are intended to help investors and other users to better assess the effects or potential effect of offsetting arrangements on a company's balance sheet. The new requirements are set out in Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). As the Company does not have any offsetting arrangements, no additional adjustments or disclosures were required.

(ii) *IFRS 12 – Disclosures of Interests in Other Entities*

The IASB issued IFRS 12 *Disclosures of Interests in Other Entities* that establishes disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. The Company evaluated IFRS 12 effective July 1, 2013 and determined that the adoption of IFRS 12 did not have an impact on the Company's financial position or results of operations and no additional disclosures were required.

(iii) *IFRS 10 – Consolidated Financial Statements*

The IASB issued IFRS 10 *Consolidated Financial Statements* which introduces a single consolidation model for all entities which focuses on control; including the rights an investor has to variable returns resulting from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. The Company assessed its consolidation conclusions effective July 1, 2013, and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's pooled fund vehicles. However, the Company will continue to monitor the impact as certain situations may arise where the Company will need to consolidate internally seeded pooled fund vehicles. The standard is effective for annual periods beginning on or after January 1, 2013.

2. FINANCIAL INSTRUMENTS

Fair Value Measurement

As at March 31, 2014, the Company held $67,401 in financial assets classified as held-for-trading carried at fair value through the statement of income and comprehensive income (June 30, 2013 – $54,815). As at March 31, 2014 and 2013, and June 30, 2013, these financial assets were short-term investments and represented level 2 financial assets within the fair value hierarchy. During the three and nine months ended March 31, 2014 and 2013, there were no transfers between any of the fair value hierarchy levels.

Securities Owned and Securities Sold Short

The Company may seed new portfolio models, some of which the Company may introduce as part of its investment strategies offered to clients. The maximum loss that the Company may incur in respect of securities owned is the amount paid to acquire the securities, whereas the amount of the potential gain is unlimited. The maximum gain to the Company in respect of the securities sold short is the proceeds received from entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The fair values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities. As at March 31, 2014 and June 30, 2013, there were no securities owned and no securities sold short.

3. OTHER INCOME

Details of other income are as follows:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2014	MAR 31, 2013	MAR 31, 2014	MAR 31, 2013
Net realized loss on securities owned	$ —	$ (3)	$ —	$ (3)
Economic research subscriptions	642	684	1,939	2,051
Interest income	233	114	450	370
Other income	84	27	44	5
	$959	$822	$2,433	$2,423

The Company's other income includes income from the economic research subscriptions of $642 for the three months ended March 31, 2014 (March 31, 2013 – $684) and $1,939 for the nine months ended March 31, 2014 (March 31, 2013 – $2,051). Related unearned income of $622 (March 31, 2013 – $656) is included in accounts payable and accrued liabilities.

4. RELATED PARTY TRANSACTIONS

Included in the Company's statement of income and comprehensive income for the three months ended March 31, 2014, are Performance Fees of $1,625 (March 31, 2013 – $1,557) and Base Management Fees of $18,196 (March 31, 2013 – $15,455) earned from the management of the Company's pooled fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled fund vehicles that are limited partnerships, an affiliate of the Company is the General Partner. Included in the Company's statement of income and comprehensive income for the nine months ended March 31, 2014, are Performance Fees of $102,091 (March 31, 2013 – $35,055) and Base Management Fees of $52,511 (March 31, 2013 – $45,183) earned from the management of the Company's pooled fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled fund vehicles that are limited partnerships, an affiliate of the Company is the General Partner.

For the three month ended March 31, 2014, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled $947 (March 31, 2013 – $940) and $2,741 for the nine months ended March 31, 2014 (March 31, 2013 – $2,757). Expenses related to the operation of the pooled fund vehicles are included in: salaries and benefits, general and administrative, occupancy, and amortization of property and equipment and amortization of intangible assets.

Included in the Company's accounts receivable as at March 31, 2014, is $8,451 (June 30, 2013 – $9,995) owing from the Company's pooled fund vehicles. Included in the Company's liabilities as at March 31, 2014, are post-retirement obligations of $12,173 (June 30, 2013 – $11,819) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 5.

Included in general and administrative expenses for the three and nine months ended is $259 (March 31, 2013 – $274) and $776 (March 31, 2013 – $821), respectively, due to an employee as part of a compensation arrangement related to the economic research subscriptions. The corresponding liability is included in accounts payable and accrued liabilities.

Transactions with related parties and affiliates are conducted at normal market terms and are recorded at fair value.

5. POST-RETIREMENT OBLIGATIONS

During fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, that governs the terms of their arrangements with the Company following their departures from their respective roles as President & Chief Investment Officer and Chief Executive Officer. Under this agreement, Messrs. Gluskin and Sheff will continue to be employed by the Company for a period of up to five years. The agreement entitles each Co-Founder to a lump sum retirement payment of $1,500, as at January 1, 2010, for Mr. Gluskin and as at June 30, 2010, for Mr. Sheff, for past years of service, which will be paid at the end of their respective 5 year transition periods being no later than January 1, 2015, for Mr. Gluskin and June 30, 2015, for Mr. Sheff, or on their death. The agreement also provides fixed annual payments to each of $250 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. Such compensation has been established at levels commensurate with the tenure and seniority of the Co-Founders and has been reviewed by the Company's Compensation, Nominating and Governance Committee and the Board's independent directors. The Company has an irrevocable letter of credit for $3,000 issued by a Schedule I bank in support of its obligations under the post-retirement agreement. As at March 31, 2014, $3,000 (June 30, 2013 – $3,000) of restricted cash is held in a segregated account, in connection with the terms of the letter of credit.

The post-retirement benefits to be provided to the Co-Founders represent in substance a defined benefit plan, for which the Co-Founders are immediately fully vested. Accordingly, the cumulative cost of these benefits was recognized as an expense in the second quarter of fiscal 2010. The Company expects to fund the future retirement benefits to the Co-Founders out of operating cash flow as amounts become due and therefore has no current plans to pre-fund these benefits. The Co-Founders will not be required to contribute to the retirement plan.

The expense and increase in the related liability recognized for the three months ended March 31, 2014, was $118 (March 31, 2013 – $95) and for the nine months ended March 31, 2014, was $354 (March 31, 2013 – $286) using a discount rate of 4.0% (March 31, 2013 – 3.75%) and an annual inflation assumption of 2.0% (March 31, 2013 – 2.0%) in respect of certain non-fixed-rate benefits included in the transition agreement. This amount is included in salaries and benefits expense. Any future changes in estimates will result in amendments to the liability of the plan in the period in which the changes occur.

Sensitivity Analysis

The following table presents an annualized sensitivity analysis of certain assumptions on the post-retirement obligations and expense.

	CHANGE IN OBLIGATIONS AND EXPENSE
Impact of 1.0% increase in the discount rate	$(798)
Impact of 1.0% decrease in the discount rate	905
Impact of 1.0% increase in Consumer Price Index	507
Impact of 1.0% decrease in Consumer Price Index	(442)

6. SHARE CAPITAL

Contemporaneously with the closing of the secondary offering of the Founders' shares during the second quarter of fiscal 2014, all Multiple Voting Shares ("MVS") were converted to Subordinate Voting Shares ("SVS") on a one-for-one basis. As a result of the SVS being the only class of issued and outstanding shares of the Company, the shareholders approved a resolution at the Company's annual and special meeting of shareholders held on December 18, 2013, to cancel the class of shares designated as MVS, and to re-name the existing class of shares designated as SVS to Common Shares.

Authorized
The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preference shares, issuable in series.

Normal Course Issuer Bid
In February 2014, the Toronto Stock Exchange (the "TSX") accepted the Company's notice of intention to make a normal course issuer bid ("NCIB") for up to 1,475,908 of the Company's Common Shares, or 5% of the Company's issued and outstanding Common Shares as of January 31, 2014, over the twelve month period beginning February 11, 2014 and ending February 10, 2015. The number of Common Shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 26,916 Common Shares, subject to the Company's ability to make purchases in accordance with the "block purchase exemption" of the TSX rules. Purchases are made at market prices through the facilities of the TSX. Common Shares purchased by the Company will be cancelled. A copy of the Notice of Intention filed with the TSX may be obtained, without charge, upon written request to the Company. During the three and nine months ended March 31, 2014, no Common Shares were repurchased under this authorization.

Shares Issued and Outstanding
As at March 31, 2014, there were 29,637,057 Common Shares and no preference shares outstanding (June 30, 2013 – 16,817,061 Common Shares, 12,611,500 MVS and no preference shares outstanding). Common Shares are non-redeemable and have no par value.

SHARE CAPITAL	3 MONTHS ENDED MAR 31, 2014 NUMBER OF SHARES (000's)	3 MONTHS ENDED MAR 31, 2014 STATED VALUE	3 MONTHS ENDED MAR 31, 2013 NUMBER OF SHARES (000's)	3 MONTHS ENDED MAR 31, 2013 STATED VALUE
BEGINNING OF PERIOD				
Multiple Voting Shares	—		12,612	
Common Shares	29,516		16,677	
	29,516	$13,146	29,289	$ 8,757
ACTIVITY DURING THE PERIOD				
Convert from Multiple Voting Shares	—		—	
Exercise of stock options	121	2,717	110	2,318
Convert to Common Shares	—		—	
	121	$ 2,717	110	$ 2,318
END OF THE PERIOD				
Multiple Voting Shares	—		12,612	
Common Shares	29,637		16,787	
	29,637	$15,863	29,399	$11,075

SHARE CAPITAL	9 MONTHS ENDED MAR 31, 2014 NUMBER OF SHARES (000's)	9 MONTHS ENDED MAR 31, 2014 STATED VALUE	9 MONTHS ENDED MAR 31, 2013 NUMBER OF SHARES (000's)	9 MONTHS ENDED MAR 31, 2013 STATED VALUE
BEGINNING OF PERIOD				
Multiple Voting Shares	12,612		12,612	
Common Shares	16,817		16,677	
	29,429	$11,706	29,289	$ 8,757
ACTIVITY DURING THE PERIOD				
Convert from Multiple Voting Shares	(12,612)		—	
Exercise of stock options	208	4,157	110	2,318
Convert to Common Shares	12,612		—	
	208	$ 4,157	110	$ 2,318
END OF THE PERIOD				
Multiple Voting Shares	—		12,612	
Common Shares	29,637		16,787	
	29,637	$15,863	29,399	$11,075

7. TREASURY STOCK

In relation to the Company's RSU plan, as described in note 8, the Company may acquire shares in the open market which will be held in the Trust for the benefit of the RSU participants to hedge the potential economic exposure that could arise on outstanding RSUs due to fluctuation in the Company's stock price. These shares are recorded as treasury stock and are not considered to be outstanding for basic and diluted earnings per share calculations. During the three months ended March 31, 2014, $1,379 of treasury stock was acquired by the Trust (March 31, 2013 – $nil). During the nine months ended March 31, 2014, $12,779 (March 31, 2013 – $1,374) of treasury stock was acquired by the Trust.

As at March 31, 2014, the Company held approximately 792,000 shares (June 30, 2013 – 325,000 shares).

	3 MONTHS ENDED			
	MAR 31, 2014		MAR 31, 2013	
TREASURY STOCK	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
Balance – Beginning of period	753	$ 13,823	331	$5,254
Treasury stock purchased	45	1,379	—	—
Treasury stock released	(6)	(106)	(6)	(88)
Balance – End of period	792	$15,096	325	$5,166

	9 MONTHS ENDED			
	MAR 31, 2014		MAR 31, 2013	
TREASURY STOCK	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
Balance – Beginning of period	325	$ 5,166	406	$6,603
Treasury stock purchased	645	12,779	95	1,374
Treasury stock released	(178)	(2,849)	(176)	(2,811)
Balance – End of period	792	$15,096	325	$ 5,166

8. STOCK-BASED COMPENSATION PLANS

The Company has the following stock-based compensation plans: the Stock Option, DSU, RSU, Employee Common Share Ownership plans and the Executive Loan Program. These are described in detail below.

Stock Option Plan

The Company's Stock Option plan was established in May 2006. The exercise price of a stock option is determined as at the close of the business day before the stock option grant is approved by the Board of Directors. The expiry date of the stock options is seven years from the date of the grant. Stock options become exercisable over time at the rate of 20% of the total stock options granted on each anniversary of the grant date. The regular use of employee stock options as an element of annual compensation was discontinued in fiscal 2011, with the use of options limited to special circumstances only. During the three and nine months ended March 31, 2014, the Company did not issue any stock options to participants (March 31, 2013 – nil).

The expense related to stock options outstanding that has been included in salaries and benefits expense for employee stock options and general and administrative expense for director stock options during the three months ended March 31, 2014, was a total of $82 (March 31, 2013 – $339). During the three months ended March 31, 2014, 430,000 stock options were exercised (March 31, 2013 – 341,000). The expense related to stock options outstanding that has been included in salaries and benefits expense for employee stock options and general and administrative expense for director stock options during the nine months ended March 31, 2014, was a total of $795 (March 31, 2013 – $998). During the nine months ended March 31, 2014, there were no reversals for stock option expense recognized in prior periods for options that were forfeited due to employee or director departures in the quarter (March 31, 2013 – $54). During the nine months ended March 31, 2014, 675,000 stock options were exercised (March 31, 2013 – 341,000).

	3 MONTHS ENDED			
	MAR 31, 2014		MAR 31, 2013	
STOCK OPTIONS	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	**1,076**	**$19.19**	**1,927**	**$18.02**
Options exercised	(430)	22.39	(341)	15.52
Balance – End of period	**646**	**$17.07**	**1,586**	**$18.56**

	9 MONTHS ENDED			
	MAR 31, 2014		MAR 31, 2013	
STOCK OPTIONS	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	**1,321**	**$18.52**	**1,991**	**$18.10**
Options exercised	(675)	19.91	(341)	15.52
Options forfeited	—	—	(64)	20.39
Balance – End of period	**646**	**$17.07**	**1,586**	**$18.56**

	As at Mar 31, 2014				
		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding (000's)	Weighted Average Remaining Contractual Years	Weighted Average Exercise Price	Number Exercisable (000's)	Weighted Average Exercise Price
$10.00 – $17.99	418	3.00	$ 15.09	268	$ 14.93
$18.00 – $25.99	228	2.56	20.70	140	20.74
	646	**2.84**	**$17.07**	**408**	**$16.93**

	As at Jun 30, 2013				
		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding (000's)	Weighted Average Remaining Contractual Years	Weighted Average Exercise Price	Number Exercisable (000's)	Weighted Average Exercise Price
$10.00 – $17.99	736	2.77	$ 15.29	502	$ 15.20
$18.00 – $25.99	440	3.28	20.63	264	20.63
$26.00 – $33.99	145	1.27	28.50	145	28.50
	1,321	**2.78**	**$18.52**	**911**	**$18.89**

Deferred Share Unit Plan

The Company's DSU plan was established in September 2006 and represents notional share units granted to the Company's Board of Directors in order to enhance the Company's ability to attract and retain talented individuals to serve as independent members of the Board of Directors, and to promote a significant alignment of the interests of the independent directors and the interests of the shareholders of the Company by providing the independent directors with a long-term incentive tied to the long-term performance of the Common Shares. Members of the Company's Board of Directors are required to take 50% of their annual retainers and other regular meeting fees in the form of DSUs. The number of DSUs received is determined by the market value of the Company's Common Shares on each director's fee payment date. The DSUs are fully vested on the grant date. DSUs allocated under this plan are adjusted to reflect dividends, and the value of DSUs are marked-to-market. DSUs cannot be redeemed for cash or Common Shares until the holder is no longer a director of the Company. There were $289 in payments under this DSU plan during nine months ended March 31, 2014 (March 31, 2013 – $nil).

The Company recorded a DSU expense of $700 during the three months ended March 31, 2014 (March 31, 2013 – $391), including the mark-to-market adjustment and $1,505 during the nine months ended March 31, 2014 (March 31, 2013 – $666), including the mark-to-market adjustment. As at March 31, 2014, the corresponding liability of $2,752 is recognized in long-term liabilities in the Company's balance sheet (June 30, 2013 – $1,536).

DEFERRED SHARE UNITS (000'S)	3 MONTHS ENDED MAR 31, 2014	3 MONTHS ENDED MAR 31, 2013	9 MONTHS ENDED MAR 31, 2014	9 MONTHS ENDED MAR 31, 2013
Balance – Beginning of period	80	80	79	69
Issued during period	6	7	18	18
Released during the period	—	—	(11)	—
Balance – End of period	86	87	86	87

Restricted Share Units

The Company's RSU plan was established in September 2010, and represents notional share units granted to employees in order to enhance the Company's ability to attract and retain talented employees and to promote a significant alignment of the interests of employees and the interests of the shareholders of the Company by providing employees with a long-term incentive tied to the long-term performance of the Common Shares. The number of RSUs received is determined by the market value of the Company's Common Shares at the time of award. RSUs allocated under this plan are adjusted to reflect dividends-in-kind. RSUs and related RSU dividends-in-kind vest over time at the rate of one-third of the total RSUs granted on each anniversary of the original grant date. In September 2013, a special RSU plan was established to award $5,000 in RSUs to key employees to further align their long-term interests with shareholders. RSUs allocated under this plan are adjusted to reflect dividends-in-kind. Special RSUs and related special RSU dividends-in-kind vest on the third anniversary of the original grant date.

During the three months ended March 31, 2014, the Company issued $1,215 of RSUs granted as dividends-in-kind for the aggregate amount of dividends that would have been paid if the RSUs had been Common Shares (March 31, 2013 – $269). During the three months ended March 31, 2014, there were no reversals for dividend expense recognized in prior periods for dividends-in-kind that were forfeited due to employee departures in the period (March 31, 2013 – $1). The expense related to RSUs outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2014, was $1,537 (March 31, 2013 – $570). During the three months ended March 31, 2014, there were no reversals for RSU amortization expense recognized in prior periods for RSUs that were forfeited due to employee departures in the period (March 31, 2013 – $7). During the nine months ended March 31, 2014, the Company awarded $11,181 (March 31, 2013 – $1,308) in RSUs to employees, plus $2,715 (March 31, 2013 – $403) of RSUs granted as dividends-in-kind for the aggregate amount of dividends that would have been paid if the RSUs had been Common Shares. During the nine months ended March 31, 2014, there were no reversals for dividend expense recognized in prior periods for dividends-in-kind that were forfeited due to employee departures in the period (March 31, 2013 – $3). The expense related to RSUs outstanding that has been included in the salaries and benefits expense during the nine months ended March 31, 2014, was $3,989 (March 31, 2013 – $2,154). During the nine months ended

March 31, 2014, there were no reversals for RSU amortization expense recognized in prior periods for RSUs that were forfeited due to employee departures in the period (March 31, 2013 – $16).

During the three months ended March 31, 2014, $107 (March 31, 2013 – $44) of RSUs vested which were settled with treasury stock held by the Trust in the period. During the nine months ended March 31, 2014, $2,849 (March 31, 2013 – $2,722) of RSUs vested which were settled with treasury stock held by the Trust in the period.

	3 MONTHS ENDED		9 MONTHS ENDED	
RESTRICTED SHARE UNITS (000'S)	MAR 31, 2014	MAR 31, 2013	MAR 31, 2014	MAR 31, 2013
Balance – Beginning of period	758	334	316	403
Issued during period	41	16	656	114
Vested during the period	(6)	(5)	(179)	(171)
Forfeited during the period	—	(1)	—	(2)
Balance – End of period	793	344	793	344

Employee Common Share Ownership Plan

Under the Company's Employee Common Share Ownership Plan, employees who meet the eligibility criteria can contribute up to a certain percentage of their annual gross salary by way of payroll deductions. The Company matches a certain percentage of the employee contribution amount, to a defined maximum amount. The Company's contributions, amounting to $37 for the three months ended March 31, 2014 (March 31, 2013 – $35) and $107 for the nine months ended March 31, 2014 (March 31, 2013 – $113), are included in the salaries and benefits expense.

Executive Loan Program

The Executive Loan Program is designed to allow the next generation of Company leadership to accumulate meaningful equity positions in the Company to further align their interests with those of the shareholders. The Company provides guarantees for full recourse loans made to eligible employees by a third party institution at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the executive loan. Where the executive loan principal outstanding exceeds the fair value of the collateral, management will assess the probability of default by the executive and other possible recourse from the executive's assets. Any corresponding liability is recognized in the Company's financial statements. As at March 31, 2014, the corresponding liability is $nil (June 30, 2013 – $nil).

As part of an agreement with the third party institution, the Company is required to hold a balance as restricted cash, which is a proportion of the outstanding executives' borrowings. The restricted cash balance fluctuates directly with changes in the outstanding executive loan balances and will become available upon reduction of the outstanding loan balances. As at March 31, 2014, $1,943 of restricted cash

(June 30, 2013 – $1,577) is held in a segregated account in connection with this loan guarantee.

9. EARNINGS PER SHARE

The treasury stock method is used in the calculation of per share amounts. Basic earnings per share amounts are determined by dividing net income by the average number of shares outstanding during the period excluding shares held in the Trust, which are not considered to be outstanding in the relevant period for accounting purposes.

The following table presents the Company's basic and diluted earnings per share for the three months ended December 31:

	3 MONTHS ENDED	
BASIC AND DILUTED EARNINGS PER SHARE	MAR 31, 2014	MAR 31, 2013
Numerator:		
Net income available to shareholders – basic and diluted	$ 7,649	$ 6,749
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	28,821	29,014
Weighted average number of dilutive share-based compensation	858	292
Weighted average number of shares outstanding – diluted	29,679	29,306
Earnings per share		
Basic	$ 0.27	$ 0.23
Diluted[1]	$ 0.26	$ 0.23

Note:

1. *For the three months ended March 31, 2014, no weighted-average options were excluded (March 31, 2013 – 825 weighted-average options were excluded with a weighted-average exercise price of $21.63, as the option price was greater than the average market price of the Company's shares). For the three months ended March 31, 2014 and 2013, the computation of diluted earnings per share did not exclude any RSU's outstanding.*

The following table presents the Company's basic and diluted earnings per share for the nine months ended December 31:

BASIC AND DILUTED EARNINGS PER SHARE	9 MONTHS ENDED MAR 31, 2014	9 MONTHS ENDED MAR 31, 2013
Numerator:		
Net income available to shareholders – basic and diluted	$ 76,386	$ 37,419
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	28,923	28,949
Weighted average number of dilutive share-based compensation	783	242
Weighted average number of shares outstanding – diluted	29,706	29,191
Earnings per share		
Basic	$ 2.64	$ 1.29
Diluted[1]	$ 2.57	$ 1.28

Note:

1. *For the nine months ended March 31, 2014, no weighted-average options were excluded (March 31, 2013 – 1,892 weighted-average options were excluded with a weighted-average exercise price of $18.11, as the option price was greater than the average market price of the Company's shares). For the nine months ended March 31, 2014 and 2013, the computation of diluted earnings per share did not exclude any RSU's outstanding.*

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue operations as a going concern and to meet regulatory requirements and other contractual obligations.

The Company's capital comprises share capital, treasury stock, contributed surplus and retained earnings.

The Company's senior management team is responsible for approving the Company's capital management objectives and policies, and for overseeing the effective management of capital. The Board of Directors reviews the Company's capital plans as part of its review of strategic initiatives and at least annually in connection with the financial forecast process. In the normal course of business, the Company generates adequate operating cash flows to meet its obligations.

The Company is required to maintain a minimum working capital level of $25 as a registration requirement under the Ontario Securities Act. Throughout the three and nine months ended March 31, 2014, and 2013, the Company maintained levels of working capital well in excess of the requirement.

11. INCOME TAXES

The Company's income tax expense differs from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rate as a result of the following:

	3 months ended	
	Mar 31, 2014	Mar 31, 2013
Income tax provision based on statutory income tax rate, 26.50% (2013 – 26.50%)	**$2,949**	**$2,498**
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	97	171
RSU dividends vested in the period	(26)	(5)
Dividends received from Trust	492	—
Other non-deductible items and changes in future tax rates	(29)	13
Income tax provision as reported, 31.29% (2013 – 28.40%)	**$ 3,483**	**$ 2,677**

	9 months ended	
	Mar 31, 2014	Mar 31, 2013
Income tax provision based on statutory income tax rate, 26.50% (2013 – 26.50%)	**$27,819**	**$13,601**
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	330	377
RSU dividends vested in the period	(183)	(61)
Dividends received from Trust	492	—
Prior year's (over)/under provision	135	(15)
Other non-deductible items and changes in future tax rates	—	3
Income tax provision as reported, 27.24% (2013 – 27.09%)	**$28,593**	**$13,905**

The components of the Company's deferred income tax assets and liabilities as at March 31, 2014, and June 30, 2013, are as follows:

	AS AT MAR 31, 2014	AS AT JUN 30, 2013
Deferred income tax assets		
Accrued and long term liabilities	$ 729	$ 473
Restricted share units	1,398	1,115
Restricted share units dividends-in-kind	754	226
Post-retirement obligations	3,226	3,133
Total deferred income tax assets	**$6,107**	**$4,947**
Deferred income tax liabilities		
Property and equipment	(829)	(864)
Total deferred income tax liabilities	**$ (829)**	**$ (864)**
Net deferred income tax assets	**$5,278**	**$4,083**

As at March 31, 2014, the Company had $1,707 (June 30, 2013 – $1,707) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these unaudited interim financial statements.

12. SALARIES AND BENEFITS

The Company accrues for bonuses to its employees.

Included in salaries and benefits expense for the three months ended March 31, 2014, are accrued bonuses of $3,008 (March 31, 2013 – $2,788) and an additional amount of $325 related to guaranteed compensation for an employee which was not allocated from the bonus pool (March 31, 2013 – $nil). Included in salaries and benefits expense for the nine months ended March 31, 2014, are accrued bonuses of $32,823 (March 31, 2013 – $14,323) and an additional amount of $975 related to guaranteed compensation for an employee which was not allocated from the bonus pool (March 31, 2013 – $nil). For the nine months ended March 31, 2013, salaries and benefits expense included termination payments of $849. The current portion of termination payments payable are included in accounts payable and accrued liabilities while the long-term portion of termination payments payable are included in the long-term liabilities on the balance sheet.

13. BUSINESS DEVELOPMENT

The following table presents the breakdown of business development expense by nature:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2014	MAR 31, 2013	MAR 31, 2014	MAR 31, 2013
Donations	$499	$ 191	$1,005	$ 674
Marketing	296	268	962	569
Travel	128	188	350	385
	$ 923	$647	$ 2,317	$1,628

14. GENERAL AND ADMINISTRATIVE

The following table presents the breakdown of general and administrative expense by nature:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2014	MAR 31, 2013	MAR 31, 2014	MAR 31, 2013
Insurance	$ 131	$ 131	$ 395	$ 393
Information technology	816	910	1,647	3,323
Office services and telecommunications	456	502	1,338	1,537
Professional fees	112	857	168	1,105
Regulatory and public company fees	1,132	707	3,374	1,550
Sub-advisory fees and other fees	84	79	252	249
Economic research expenses	285	304	848	929
Other	13	(5)	226	342
	$3,029	$3,485	$8,248	$9,428

15. OCCUPANCY

The following table presents the breakdown of occupancy expense by nature:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2014	MAR 31, 2013	MAR 31, 2014	MAR 31, 2013
Lease for premises	$796	$880	$ 2,564	$ 2,616
Premises maintenance	30	36	122	133
	$826	$916	$2,686	$2,749

16. DIVIDENDS

The following dividends were declared and paid by the Company during the three and nine months ended March 31, 2014:

DIVIDENDS PAID	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000's)
June 30, 2013 – regular dividend Q4, 2013	September 13, 2013	September 23, 2013	$ 0.1750	$ 5,105
June 30, 2013 – special dividend Q4, 2013	September 13, 2013	September 23, 2013	1.4000	40,839
September 30, 2013 – regular dividend Q1, 2014	November 20, 2013	December 3, 2013	0.2000	5,751
December 31, 2013 – regular dividend Q2, 2014	February 18, 2014	February 28, 2014	0.2000	5,777
December 31, 2013 – special dividend Q2, 2014	February 18, 2014	February 28, 2014	1.4000	40,440
Total Dividends Paid			$ 3.3750	$ 97,912

As part of the RSU plan, as described in note 8, the following dividends-in-kind were granted by the Company during the three and nine months ended March 31, 2014:

DIVIDENDS IN KIND	RECORD DATE	GRANT DATE	DIVIDEND IN KIND PER SHARE	TOTAL DIVIDEND IN KIND AMOUNT ($000's)
June 30, 2013 – regular dividend Q4, 2013	September 13, 2013	September 23, 2013	$ 0.1750	$ 150
June 30, 2013 – special dividend	September 13, 2013	September 23, 2013	1.4000	1,199
September 30, 2013 – regular dividend Q1, 2014	November 20, 2013	December 3, 2013	0.2000	151
December 31, 2013 – regular dividend Q2, 2014	February 18, 2014	February 28, 2014	0.2000	151
December 31, 2013 – special dividend Q2, 2014	February 18, 2014	February 28, 2014	1.4000	1,064
Total Dividends-in-Kind Granted			$ 3.3750	$ 2,715

The following dividends were paid by the Company during the three and nine months ended March 31, 2013:

DIVIDENDS PAID	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000's)
June 30, 2012 – regular dividend Q4, 2012	October 1, 2012	October 19, 2012	$ 0.1625	$ 4,736
June 30, 2012 – special dividend	October 1, 2012	October 19, 2012	0.0600	1,749
September 30, 2012 – regular dividend Q1, 2013	November 21, 2012	December 17, 2012	0.1750	5,035
December 31, 2012 – regular dividend Q2, 2013	February 21, 2013	March 15, 2013	0.6500	18,896
December 31, 2012 – special dividend Q2, 2013	February 21, 2013	March 15, 2013	0.1750	5,089
Total Dividends Paid			$ 1.2225	$35,505

As part of the RSU plan, as described in note 6, the following dividends in kind were granted by the Company during the three and nine months ended March 31, 2013:

DIVIDENDS IN KIND - GRANTED	RECORD DATE	GRANT DATE	DIVIDEND IN KIND PER SHARE	TOTAL DIVIDEND IN KIND AMOUNT ($000's)
June 30, 2012 – regular dividend Q4, 2012	October 1, 2012	October 19, 2012	$ 0.1625	$ 55
June 30, 2012 – special dividend	October 1, 2012	October 19, 2012	0.0600	21
September 30, 2012 – regular dividend Q1, 2013	November 21, 2012	December 17, 2012	0.1750	58
December 31, 2012 – regular dividend Q2, 2013	February 21, 2013	March 15, 2013	0.6500	214
December 31, 2012 – special dividend Q2, 2013	February 21, 2013	March 15, 2013	0.1750	55
Total Dividends in Kind Granted			$ 1.2225	$403

On May 6, 2014, the Company declared a regular dividend of $0.20 per equity share for the quarter ended December 31, 2013. This dividend will be paid on May 27, 2014, to shareholders of record at the close of business on May 14, 2014.

17. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments include cash, restricted cash, accounts receivable, income taxes recoverable, accounts payable and accrued liabilities, income taxes payable and accrued bonuses, whose carrying values approximate their fair values due to their short-term nature. DSUs are marked-to-market. Financial instruments comprised of short-term investment holdings and other securities owned are recorded at fair value using quotations from independent third-party pricing sources.

Financial instruments present a number of specific risks as identified below:

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates or foreign currency exchange rates, will result in losses. Short-term investment holdings and other securities owned are recognized at fair value and classified as held-for-trading, any changes will affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair values of the financial instruments. The Company manages market risk by the daily monitoring of its securities owned and securities sold short, if any. The Company separates market risk into three categories: price risk, interest rate risk and foreign exchange risk.

(i) *Price Risk*

Price risk arises from the possibility that changes in the prices of the Company's investments will result in changes in carrying values. As at March 31, 2014, there were no investments in securities (June 30, 2013 – $nil). Price risk also arises from the possibility that changes in the Company's stock price will result in a change in the carrying value of DSUs. Included in long-term liabilities on the balance sheet as at March 31, 2014, is $2,752 (June 30, 2013 – $1,536) related to DSUs. If the Company's stock price increased by 5%, this would have decreased net income before provision for income taxes by approximately $103 (June 30, 2013 – $58); conversely, if the Company's stock price decreased by 5%, this would have increased net income by the same amount.

In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

(ii) *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the carrying value of financial instruments. As at March 31, 2014, the Company was subject to interest risk through some of its short-term investments. The Company's sensitivity to interest rate as determined based on portfolio weighted duration was not significant as at March 31, 2014, and June 30, 2013, since almost all investments in debt securities have a term to maturity of less than a year.

(iii) *Foreign Exchange Risk*
Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds financial assets denominated in currencies other than the Canadian dollar. The Company is therefore exposed to foreign exchange risk, as the value of financial assets denominated in other currencies will fluctuate due to changes in foreign exchange rates. As at March 31, 2014, there were no investments in securities owned and managed by the Company denominated in U.S. dollars (June 30, 2013 – $nil). A total of $417 (June 30, 2013 – $1,890) of cash and $270 (June 30, 2013 – $3,362) of accounts receivable were denominated in U.S. dollars. As at March 31, 2014, had the foreign exchange rate between the U.S. dollar and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income before provision for income taxes would have amounted to approximately $26 (June 30, 2013 – $197).

In practice, the actual results may differ from this sensitivity analysis and the difference may be material.

Credit Risk
Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Company incurs credit risk when entering into, settling and financing various investment transactions. The Company is exposed to credit risk principally on its holdings of corporate debt securities, if any. As at March 31, 2014 and June 30, 2013, there were no corporate debt securities included in short-term investments. The Company's risk management strategy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer.

Also included in short-term investments are debt securities issued by the federal government and Canadian banks with credit ratings of AA or higher as at March 31, 2014 and June 30, 2013. Credit risk is considered low as these instruments are held by high credit quality issuers and have terms to maturity of less than one year. As described in note 8, under our Executive Loan program, loans are made to eligible employees by a third party institution to acquire equity positions in our Company. The Company is exposed to credit risk on its guarantee for full recourse of these loans. Credit risk is considered low as shares acquired by the eligible employees serve as collateral against the executive loan and as at March 31, 2014 and June 30, 2013, the fair value of the collateral exceeded the executive loan amounts. If the executive loan principal outstanding exceeds the fair value of the collateral, management will assess the probability of default by the executive and other possible recourse from the executive's assets. As part of an agreement with the third party institution, the Company is required to hold a balance as restricted cash, which is a proportion of the outstanding executives' borrowings. The restricted cash balance was held at a

Canadian bank with a credit rating of AA- as at March 31, 2014, and June 30, 2013. As a result credit risk is considered minimal.

Credit risk is also managed by dealing with counterparties the Company believes to be creditworthy by actively monitoring credit exposure and the financial health of the counterparties. The majority of accounts receivable relates to Base Management Fees and Performance Fees receivable from the pooled fund vehicles and segregated accounts managed by the Company, which are current.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. The current assets reflected in the balance sheets are highly liquid. The majority of the investments held by the Company are readily marketable and are recorded at their fair values. Restricted cash balances are held in relation to any obligation that may arise from the Executive Loan Program, as described in note 8, and for the post-retirement obligation, as described in note 5. Financial liabilities as at March 31, 2014, totaled $52,288 (June 30, 2013 – $29,716), and included accounts payable and accrued liabilities (excluding deferred revenue), income taxes payable and accrued bonuses, with all amounts due within one year. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis.

Concentration Risk

Concentration risk arises from the possibility that changes in market factors will affect the carrying value of financial instruments similarly. The Company is exposed to concentration risk principally on its holdings of debt and equity securities. As at March 31, 2014, and June 30, 2013, the Company held debt securities issued by the federal government and Canadian banks. The Company has accepted the concentration risk associated with its holdings, as there is minimal credit risk associated with these debt securities.

18. AUDITORS

The unaudited interim financial statements of Gluskin Sheff + Associates Inc. have been prepared by and are the responsibility of Gluskin Sheff + Associates Inc.'s management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Audit Committee

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