Gluskin Sheff

First Quarter Results | 2015

three months ended September 30, 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

First Quarter Ended September 30, 2014

Assets Under Management increased by $583 million to $8.1 billion at September 30, 2014, up 7.8% from June 30, 2014. The increase in AUM is due to the acquisition of Blair Franklin on August 1, 2014, and positive net investment performance of $25 million, partially offset by net withdrawals of $78 million. $35 million in net withdrawals were from high net worth clients and $43 million in net withdrawals were from institutional clients.

Base Management Fees for the three months ended September 30, 2014, increased by $5.6 million to $25.9 million from $20.3 million for the three months ended September 30, 2013. Performance Fees were $1.2 million for the three months ended September 30, 2014, compared to $2.1 million for the three months ended September 30, 2013.

Net Income was $7.4 million and represented earnings per share, basic and diluted, of $0.25 and $0.24, respectively, for the three months ended September 30, 2014.

For the three months ended September 30, 2014, Base EBITDA increased year-over-year by $6.6 million to $14.1 million from $7.5 million.

After several quarters of relative calm and gradually ascending equity markets, the third quarter of 2014, and the month of September in particular, were periods of significant volatility. We tactically positioned our portfolios to be more defensive, as our priority is to protect clients' capital during challenging market phases. Our long-term positive view on the investment landscape has not changed. Corrections are a normal part of market behavior, but in our view, the long-term trend line remains intact.

Our acquisition of Blair Franklin Asset Management was completed in early August, and the Blair Franklin team is now settled into our office. Peter Zaltz leads our combined fixed income team. The integration is going well, and we can already see how the complementary skillsets are having positive impacts.

The Company remains in a strong financial position allowing us to further invest in serving existing clients and attracting new ones, as well as explore growth opportunities.

JEREMY FREEDMAN
President & Chief Executive Officer
November 6, 2014

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended September 30, 2014, is provided as of November 6, 2014. It should be read in conjunction with the unaudited interim consolidated financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the three months ended September 30, 2014, the Audited Financial Statements for the years ended June 30, 2014 and 2013, 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. and its subsidiaries. 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 consolidated financial statements for the three months ended September 30, 2014. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's unaudited interim consolidated 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 to be awarded in respect of the current period and special RSUs awarded in the period. 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 to be awarded in respect of Performance Fees of the current period and excludes amortization of Performance Fee RSUs. Adjusted EBITDA allows us to measure earnings including Performance Fees net of 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.

On August 1, 2014, the Company acquired Blair Franklin Asset Management Holdings Inc., the parent company of Blair Franklin Asset Management Inc. (collectively "Blair Franklin"). Immediately upon acquisition, Blair Franklin Asset Management Holdings Inc. amalgamated into BFAM Holdings Inc., a wholly-owned subsidiary of the Company. The current quarter's results include the effects of the operations of Blair Franklin for the two month period August 1, 2014 to September 30, 2014, including acquisition and integration costs, and amortization of acquired intangibles. The initial accounting for the acquisition of Blair Franklin is described in note 2 of the Company's September 30, 2014, unaudited interim consolidated financial statements.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2014:

- AUM increased by $583 million to $8.1 billion as at September 30, 2014, up 7.8% from June 30, 2014. The increase in AUM is due to the acquisition of Blair Franklin on August 1, 2014, and positive net investment performance of $25 million, partially offset by net withdrawals of $78 million. $35 million in net withdrawals were from high net worth clients and $43 million in net withdrawals were from institutional clients. Included in the September 30, 2014, AUM of $8.1 billion is $634 million managed by Blair Franklin.
- AUM increased by $1.7 billion to $8.1 billion as at September 30, 2014, up 27.2%, up from September 30, 2013. The increase in AUM is due to the acquisition of Blair Franklin on August 1, 2014, positive net investment performance of $721 million and net additions of $369 million. $405 million in net additions were from high net worth clients partially offset by $36 million in net withdrawals from institutional clients.
- Base Management Fees increased to $25.9 million this quarter versus $20.3 million in the year ago quarter as Average AUM for the quarter increased to $7.9 billion from $6.2 billion for the same quarter last year. The increase in Average AUM includes the acquisition of Blair Franklin AUM effective August 1, 2014. The average Base Management Fee Percentage increased to 1.30% from 1.29% for the same period last year. Included in Base Management Fees for the current quarter is $1.6 million in respect of Blair Franklin.
- Total expenses before tax for the three months ended September 30, 2014 increased by $6.1 million from the year-ago quarter. The increase is due partly to the inclusion of Blair Franklin operating expenses of $0.8 million, amortization relating to intangible assets acquired through the acquisition of $0.8 million and transaction and integration costs of $1.0 million. Expenses were also higher in the current quarter compared with the year-ago quarter due to an increase in Bonus RSU amortization of $2.9 million and an expense accrual reversal of $0.9 million in the prior year quarter. Cash bonus expense increased by $0.7 million, stock option expense decreased by $0.5 million and miscellaneous other expenses decreased by $0.5 million.
- Net income was $7.4 million, and represented earnings per share, basic and diluted, of $0.25 and $0.24, respectively. Net income for the three months ended September 30, 2013, was $8.3 million, and represented basic and diluted earnings per share of $0.29 and $0.28 respectively.
- Base EBITDA increased to $14.1 million for the three months ended September 30, 2014 from $7.5 million in the year ago quarter due to the increase in Base Management Fees and the absence of the $3.75 million charge in respect of the special RSU award granted in the year ago quarter, partially offset by increases in expenses described above.

- Performance Fees were $1.2 million for the three months ended September 30, 2014, compared with $2.1 million in the year ago quarter.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

Global equity, fixed income, commodity and currency markets all experienced sharply higher volatility during the third quarter of 2014 after a period of relatively low volatility and appreciating equity markets. Weaker than expected performance of the European and Chinese economies, coupled with extended equity valuations contributed to the weakness in equity markets. These factors, combined with the increased anticipation and uncertainty around the imminent end of quantitative easing in the U.S. and expected start of Fed tightening at some point in 2015, have put markets on edge and resulted in this correction.

Periods of correction and consolidation are normal and healthy parts of financial market cycles. While we have recently adopted a more defensive stance across our portfolios, we remain strategically constructive on the outlook for equity and credit markets over the long-term. As a result, we have more "dry powder" to deploy during the course of this correction as valuations normalize and the economic outlook gradually becomes clearer.

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, 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 SEP 30, 2014	AS AT JUN 30, 2014	AS AT SEP 30, 2013
BALANCE SHEET INFORMATION			
Total assets	$173,374	$ 194,156	$ 72,151

	3 MONTHS ENDED SEP 30, 2014	3 MONTHS ENDED SEP 30, 2013
ASSETS UNDER MANAGEMENT *($ in millions)*		
Assets Under Management – Beginning of period	$ 7,485	$ 6,160
Acquisition of Blair Franklin – August 1, 2014	636	—
Net withdrawals	(78)	(11)
Net investment performance	25	193
Assets Under Management – End of period	$ 8,068	$ 6,342

	3 MONTHS ENDED SEP 30, 2014	3 MONTHS ENDED SEP 30, 2013
INCOME STATEMENT INFORMATION		
Income		
Base management fees	$ 25,890	$20,279
Performance fees	1,195	2,124
Other income	1,175	696
	28,260	23,099
Expenses		
Operating expenses	(9,131)	(7,254)
Provision for bonus pool	(3,620)	(2,928)
Amortization of RSUs	(3,738)	(874)
Other amortization	(1,417)	(716)
	(17,906)	(11,772)
Income before provision for income taxes	10,354	11,327
Provision for income taxes	(2,964)	(3,028)
Net income attributable to shareholders	7,390	8,299
Other amortization	1,417	716
Provision for income taxes	2,964	3,028
EBITDA	$ 11,771	$12,043
Basic earnings per share	$ 0.25	$ 0.29
Diluted earnings per share	$ 0.24	$ 0.28
SELECTED ADJUSTED FINANCIAL INFORMATION		
EBITDA	$ 11,771	$12,043
Provision for bonus pool	3,620	2,928
Post-retirement obligations	130	118
Stock option expense	55	620
EBITDA before compensation adjustment	15,576	15,709
Base cash bonus	(3,241)	(2,551)
Base RSU bonus	(795)	(625)
Amortization of RSUs	3,738	874
Special RSU award[1]	—	(3,750)
Performance fees	(1,195)	(2,124)
Base EBITDA	14,083	7,533
Performance fees	1,195	2,124
Performance fee cash bonus	(384)	(429)
Performance fee RSU bonus	(94)	(105)
Adjusted EBITDA	$ 14,800	$ 9,123

Notes:

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

On August 1, 2014, the Company acquired Blair Franklin, as previously described. The current quarter's results include the effects of the operations of Blair Franklin for the two month period August 1, 2014, to September 30, 2014, including acquisition and integration costs, and the amortization of acquired intangibles. The initial accounting for the acquisition of Blair Franklin is described in note 2 of the Company's September 30, 2014, unaudited interim consolidated financial statements.

For the three months ended September 30, 2014, the Company earned $0.25 and $0.24 per share, on a basic and diluted basis, respectively, compared with $0.29 and $0.28 per share, on a basic and diluted basis respectively, for the same period last year as net income decreased by $0.9 million to $7.4 million from $8.3 million. This decrease in net income is the result of an increase in revenue of $5.2 million and an increase in total expenses of $6.1 million. The increase in total expenses is due partly to the inclusion of Blair Franklin operating expenses of $0.8 million, amortization relating to intangible assets acquired through the acquisition of $0.8 million and transaction and integration costs of $1 million. Expenses were also higher in the current quarter compared with the year-ago quarter due to an increase in Bonus RSU amortization of $2.9 million and an expense accrual reversal of $0.9 million in the prior year quarter. Cash bonus expense increased by $0.7 million, stock option expense decreased by $0.5 million and miscellaneous other expenses decreased by $0.5 million.

Base EBITDA for the three months ended September 30, 2014, increased by $6.6 million or 87.0% to $14.1 million from $7.5 million, for the same period last year, due to the increase in Base Management Fees and the absence of the $3.75 million charge in respect of the special RSU award granted in the year ago quarter, partially offset by increases in expenses described above.

Adjusted EBITDA for the three months ended September 30, 2014, increased by $5.7 million or 62.2% to $14.8 million versus $9.1 million for the same period last year. This was the result of the increase in Base EBITDA of $6.5 million, partially offset by a decrease in Performance Fees, net of related bonus expense, of $0.8 million.

Income

Total income for the three months ended September 30, 2014, was $28.3 million versus $23.1 million in the year ago quarter. Base Management Fees for the three months ended September 30, 2014, increased year-over-year by $5.6 million or 27.7% to $25.9 million from $20.3 million as Average AUM increased $1.7 billion or 26.9% to $7.9 billion and the Base Management Fee percentage increased to 1.30% from 1.29%. Blair Franklin has contributed Base Management Fees of $1.6 million to the Company's results during the quarter.

Performance Fees for the three months ended September 30, 2014, decreased year-over-year by $0.9 million to $1.2 million from $2.1 million.

Other income for the three months ended September 30, 2014, was $1.2 million versus $0.7 million in the year ago quarter. The increase in other income in the three months ended September 30, 2014, is due to foreign exchange gains.

Expenses

Total expenses for the three months ended September 30, 2014, increased year-over-year by $6.1 million or 52.1% to $17.9 million from $11.8 million. Salaries and benefits expense for the three months ended September 30, 2014, increased year-over-year by $3.5 million or 41.3% to $12.1 million from $8.6 million. The increase is due primarily to an increase in RSU amortization of $2.9 million due to higher bonuses in fiscal 2014, and due to a change, implemented prospectively in the last quarter of fiscal 2014, in the timing of amortization of RSUs. Prior to the change, bonus RSUs were amortized over three years commencing in the year they were granted. Following the change, RSUs are amortized over approximately four years commencing in the year in respect of which the bonus RSU awards are granted (i.e. commencing one year earlier than before). Accrued cash bonus expense increased by $0.7 million due to higher base business net income, and a change in the treatment of RSU dividends-in-kind in the calculation of the bonus pool. Base salaries also increased $0.4 million due to overall increases in salaries and headcount, due in part to the acquisition of Blair Franklin. These increases were partially offset by a $0.5 million decrease in stock option expense.

A portion of bonuses is paid in the form of RSUs and a portion is paid in cash. Following the change to the timing of amortization of RSUs described above, the bonus expense reflects the cash component of the current period's bonus and the amortization of RSUs granted in respect of bonus awards from the current and prior years. Bonus RSUs are amortized over approximately four years using a graded vesting methodology, commencing in the year in respect of which the RSUs are granted.

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 bonus expensed in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash versus RSUs. The average percentage estimate for the cash component used in calculating the first fiscal quarter's bonus was 80% (September 30, 2013 – 80%).

Business development expenses for the three months ended September 30, 2014, remained relatively flat year-over-year at $0.6 million (September 30, 2014 – $0.6 million).

General and administrative expenses for the three months ended September 30, 2014, increased year-over-year by $1.5 million or 82.1% to $3.3 million from

$1.8 million. The increase was due to acquisition and integration expenses of $0.6 million related to the acquisition of Blair Franklin. Information technology expenses increased by $1.0 million, due primarily to a reversal of a system development expense accrual in the prior year's quarter. Regulatory and public company expenses decreased by $0.3 million due to the absence of expenses related to the secondary offering in the similar quarter last year.

Occupancy costs for the three months ended September 30, 2014, increased by $0.4 million, due primarily to the lease termination costs arising upon the acquisition of Blair Franklin.

Amortization of property, equipment and intangibles for the three months ended September 30, 2014, increased $0.7 million to $1.4 million from $0.7 million for the three months ended September 30, 2014, due primarily to $0.8 million for amortization of intangibles acquired as a result of the acquisition of Blair Franklin.

Tax Rates

The Company's effective tax rate for the current quarter increased to 28.6% from 26.7% in the same quarter last year. The increase was primarily related to the non-deductibility of the transaction costs associated with the acquisition of Blair Franklin Asset Management for tax purposes and differences between the tax and accounting treatment for RSUs.

Accounts Receivable

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

Dividends

On September 18, 2014, the Company declared a regular dividend of $0.20 per equity share relating to the quarter ended June 30, 2014, and a special dividend of $0.35 per equity share, relating to Performance Fees earned during the six months ended June 30, 2014, net of related bonus expense and income tax, less the cash requirements related to the acquisition of Blair Franklin Asset Management. This dividend was paid on October 14, 2014, to shareholders of record at the close of business on October 1, 2014.

On November 6, 2014, the Company declared a regular dividend of $0.225 per equity share relating to the quarter ended September 30, 2014. This dividend will be paid on November 28, 2014, to shareholders of record at the close of business on November 17, 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 September 30, 2014	$4.490	$7.37	$11.860
Declared – in the second quarter of fiscal 2015	0.225	—	0.225
TOTAL PER EQUITY SHARE	$ 4.715	$7.37	$12.085

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 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	AS AT JUN 30, 2014	AS AT SEP 30, 2014
Assets Under Management *($ in millions)*	$ 5,725	$ 6,100	$ 6,160	$ 6,342	$ 6,830	$ 7,235	$ 7,485	$ 8,068

	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	3 MONTHS ENDED JUN 30, 2014	3 MONTHS ENDED SEP 30, 2014
INCOME STATEMENT INFORMATION								
Income								
Base management fees	$ 18,747	$19,244	$ 20,361	$ 20,279	$ 21,658	$ 22,081	$ 23,774	$ 25,890
Performance fees	32,441	1,568	9,858	2,124	98,457	1,845	54,084	1,195
Other income	851	822	811	696	779	959	727	1,175
	$52,039	$21,634	$31,030	$23,099	$120,894	$24,885	$ 78,585	$28,260
Net income	24,724	6,749	12,021	8,299	60,438	7,649	30,386	7,390
Base EBITDA	9,742	9,459	9,893	7,533	10,862	11,172	11,993	14,083
Adjusted EBITDA	33,981	10,652	14,227	9,123	69,677	11,911	44,305	14,800
Basic earnings per share	$ 0.85	$ 0.23	$ 0.41	$ 0.29	$ 2.10	$ 0.27	$ 1.05	$ 0.25
Diluted earnings per share	$ 0.85	$ 0.23	$ 0.41	$ 0.28	$ 2.05	$ 0.26	$ 1.02	$ 0.24

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 September 30, 2014
($ in millions of Canadian dollars)

Annualized Net 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	1,578	6.8	15.1	13.6	12.0	9.7	13.7
U.S. Premium Income[5]	Aug 2011	996	8.8	21.0	19.7	—	—	21.1
Canadian Equity[4]	Jan 1991	246	7.0	12.1	8.2	7.1	6.1	11.8
U.S. Equity[4]	Feb 1986	200	9.5	21.2	20.0	11.9	9.4	9.9
Resource[3, 4]	Aug 2009	280	10.4	12.9	5.4	7.0	—	8.3
International[3, 5]	Aug 2008	524	-0.2	7.9	12.1	5.4	—	4.7
Growth[4]	Jul 1984	3	5.9	14.9	14.0	9.1	7.7	11.1
		3,827						
Equity Alternative[6]								
Multi-Strategy[5]	Jan 2009	307	1.2	6.5	4.5	2.8	—	3.9
Income Long/Short[3, 5]	Jul 2004	379	2.5	6.3	5.2	5.2	11.3	12.6
Focused Long/Short[3, 5]	Jan 2007	215	1.7	7.9	8.7	6.8	—	13.0
		901						
Fixed Income & Credit Alternative								
Credit Arbitrage[5]	Jan 2009	320	3.2	5.6	6.9	4.8	—	7.2
Enhanced Credit Arbitrage[5]	Dec 2008	48	3.5	7.1	12.1	6.3	—	10.2
Tactical Fixed Income[7]	Jan 2013	1,075	4.0	6.6	–	–	—	5.4
Enhanced Yield[3, 5]	Feb 2009	203	5.1	7.0	9.2	6.2	—	6.9
Enhanced Bond[5]	Dec 2008	256	3.9	5.9	6.1	4.7	—	6.5
		1,902						
Blair Franklin Funds								
Blair Franklin Global Credit Fund	Mar 2004	575	5.0	7.1	10.9	10.1	13.4	13.5
Blair Franklin Global Rates Fund	Apr 2010	59	2.5	5.5	5.4	—	—	5.8
		634						
Institutional & Special Mandates[9]		804						
Assets Under Management		8,068						

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 ($304 million), our Premium Income portfolio model ($177 million), our Growth portfolio model ($125 million) and our Credit Arbitrage portfolio model ($49 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 ($27 million), our U.S. Equity portfolio model ($19 million), our Enhanced Bond portfolio model ($26 million), and other special mandates ($72 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.

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 September 30, 2014, the Company made $15.7 million in payments on the acquisition of Blair Franklin.

During the three months ended September 30, 2014, acquisition of property and equipment amounted to $0.1 million (September 30, 2013 – $nil million) and acquisition of intangible assets amounted to $36.7 million, including $36.6 million in intangible assets acquired as a result of the acquisition of Blair Franklin (September 30, 2013 – $0.2 million).

During the three months ended September 30, 2014, the Company did not make any dividend payments (September 30, 2013 – $45.9 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, 2014.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 11 of the Company's September 30, 2014, unaudited interim consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies underlying the financial statements is presented in note 1 of the Company's unaudited interim consolidated financial statements for the three months ended September 30, 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:

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 actuarial present value of the post-retirement obligations requires estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions. The Company engages a third-party actuary annually to compute the actuarial present value of the post-retirement obligations. Additional information, including amounts accrued and expensed in the current quarter, is provided in note 6 of the Company's unaudited interim consolidated financial statements for the three months ended September 30, 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

A portion of the bonus pool is paid in the form of RSUs and a portion is paid in cash. 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. Therefore, the calculation of bonus expensed in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash versus RSUs. At the end of the fiscal year, the cash bonus expense is adjusted to reflect the actual ratio of bonuses to be paid in cash versus RSUs. 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. The cost of the RSUs are reflected in salaries and benefits using a graded vesting methodology over an approximate four year vesting period commencing at the beginning of the fiscal year to which the award relates.

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 and Liabilities

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income 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.

A deferred tax liability has been recorded in respect of intangible assets acquired as a result of the acquisition of Blair Franklin.

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, 2014.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, short-term investments, prepaid equity forward, restricted cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses. The carrying value of cash, short-term investments, restricted cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses approximate their 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. A prepaid equity forward agreement, which is included in non-current assets, was entered into in the last quarter of fiscal 2014 to economically hedge the Company's exposure to changes in the value of the DSUs, with unrealized gains or losses being recognized in general and administrative expenses in the statement of income and comprehensive income. Short-term investments, the prepaid equity forward, and DSUs are recorded at fair value using quotations from independent third-party pricing sources.

At September 30, 2014, the Company held $13.6 million in cash (June 30, 2014 – $8.2 million), $36.9 million in short-term investments (June 30, 2014 – $76.5 million), $4.4 million in restricted cash (June 30, 2014 – $4.4 million), and $2.6 million in

prepaid equity (June 30, 2014 – $2.8 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 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 post-retirement obligations are recorded at their actuarial present value based on actuarial valuations. The use of financial instruments exposes the Company to risks such as market risk, credit risk, liquidity risk and concentration risk. Refer to note 18 of the Company's September 30, 2014, unaudited interim consolidated 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 September 30, 2014, the Board consisted of nine 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.

- There is a minimum share ownership requirement for all non-employee directors. Each of these directors is required to accumulate shareholdings representing two times their annual Director retainer, measured at cost, by the third anniversary of becoming a director. They may elect to receive up to a maximum of 100% (subject to a minimum of 50%) of their fees in the form of DSUs in lieu of a cash payment. Prior to July 1, 2014, the minimum share ownership requirement for these directors was 6,000 Common Shares with one-half of all directors' fees taken in the form of DSUs.
- 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, 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, for evaluating and nominating qualified Company directors 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 months ended September 30, 2014. For further information, refer to note 5 of the Company's September 30, 2014, unaudited interim consolidated 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 months ended September 30, 2014, no Common Shares were repurchased under this authorization.

During the three months ended September 30, 2014, 1,900,000 Common Shares were issued from treasury by the Company to the sellers of Blair Franklin as part of the consideration paid with respect to the acquisition.

The number of issued and outstanding shares includes Common Shares acquired in the open market by various trusts established by the Company for the benefit of the RSU plan participants, which are described in note 7 to the unaudited interim consolidated financial statements for the three months ended September 30, 2014.

The number of outstanding stock options as at September 30, 2014, was 468,000, of which 360,000 were exercisable.

OTHER INFORMATION

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

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

($ in thousands of Canadian dollars)

	AS AT SEP 30, 2014	AS AT JUN 30, 2014
ASSETS		
Current assets		
Cash	$ 13,576	$ 8,176
Restricted cash (note 6)	3,000	1,500
Short-term investments (note 3)	36,947	76,543
Accounts receivable (note 5)	12,231	69,739
Income taxes receivable	5,548	—
Prepaid expenses and other assets	829	968
	72,131	156,926
Non-current assets		
Restricted cash (note 6 and 9)	1,420	2,920
Prepaid equity forward (note 3 and 9)	2,571	2,750
Other receivables	142	—
Property and equipment	20,650	20,729
Intangible assets (note 2)	37,272	1,605
Goodwill (note 2)	39,188	—
Deferred income taxes, net (note 12)	—	9,226
	101,243	37,230
Total assets	$ 173,374	$ 194,156
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 4 and 5)	$ 5,334	$ 13,735
Dividends payable	16,953	—
Income taxes payable (note 12)	—	24,726
Post-retirement obligations (note 5 and 6)	3,510	1,755
Accrued bonuses (note 13)	3,564	46,551
Service fee and earn-out payable (note 2)	945	—
	30,306	86,767
Non-current liabilities		
Long-term liabilities (note 9)	2,797	2,833
Deferred income taxes, net (note 12)	69	—
Post-retirement obligations (note 5 and 6)	11,043	12,668
Service fee and earn-out payable (note 2)	2,632	—
	16,541	15,501
	$ 46,847	$102,268
SHAREHOLDERS' EQUITY		
Share capital (note 7)	$ 65,936	$ 17,635
Treasury stock (note 8)	(18,274)	(15,277)
Contributed surplus	25,907	26,194
Retained earnings	55,905	66,283
Accumulated other comprehensive loss	(2,947)	(2,947)
	126,527	91,888
Total liabilities and shareholders' equity	$173,374	$194,156

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

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

	3 MONTHS ENDED SEP 30, 2014	3 MONTHS ENDED SEP 30, 2013
INCOME		
Base management fees (note 5)	$25,890	$20,279
Performance fees (note 5)	1,195	2,124
Other income (note 4)	1,175	696
	28,260	23,099
EXPENSES		
Salaries and benefits (note 6, 9 and 13)	12,150	8,596
Reimbursements from pooled funds (note 5)	(903)	(872)
Business development (note 14)	619	604
General and administrative (note 5, 9 and 15)	3,283	1,803
Occupancy (note 16)	1,340	925
Amortization of property and equipment	454	532
Amortization of intangible assets	963	184
	17,906	11,772
Income before provision for income taxes	$10,354	$ 11,327
Provision for (recovery of) income taxes (note 12)		
Current income taxes	2,788	2,746
Deferred income taxes	176	282
	2,964	3,028
Net income and comprehensive income attributable to shareholders	$ 7,390	$ 8,299
Net earnings per common share attributable to shareholders :		
Basic earnings per share (note 1 and 10)	$ 0.25	$ 0.29
Diluted earnings per share (note 1 and 10)	$ 0.24	$ 0.28

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

($ in thousands of Canadian dollars)

	3 MONTHS ENDED SEP 30, 2014					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period	**$ 17,635**	**$ (15,277)**	**$26,194**	**$ 66,283**	**$(2,947)**	**$ 91,888**
Net income attributable to shareholders	—	—	—	7,390	—	7,390
Amortization of restricted share units (note 9)	—	—	3,738	—	—	3,738
Amortization of stock options (note 9)	—	—	55	—	—	55
Purchase of treasury stock (note 8 and 9)	—	(7,891)	—	—	—	(7,891)
Release of treasury stock (note 8 and 9)	—	4,894	—	—	—	4,894
Issue of Common Shares (note 2 and 7)	48,301	—	—	—	—	48,301
Vesting of restricted share units (note 9)	—	—	(4,894)	—	—	(4,894)
Special dividend (note 17)	—	—	518	(11,307)	—	(10,789)
Quarterly dividend (note 17)	—	—	296	(6,461)	—	(6,165)
End of period	**$65,936**	**$(18,274)**	**$25,907**	**$ 55,905**	**$(2,947)**	**$126,527**

	3 MONTHS ENDED SEP 30, 2013					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period, adjusted	**$ 11,706**	**$ (5,166)**	**$ 13,834**	**$ 66,061**	**$ (1,381)**	**$ 85,054**
Net income attributable to shareholders	—	—	—	8,299	—	8,299
Amortization of restricted share units	—	—	874	—	—	874
Amortization of stock options (note 9)	—	—	620	—	—	620
Purchase of treasury stock (note 8 and 9)	—	(11,400)	—	—	—	(11,400)
Release of treasury stock (note 8 and 9)	—	1,954	—	—	—	1,954
Exercise of stock options (note 7 and 9)	1,080	—	(708)	—	—	372
Vesting of restricted share units (note 9)	—	—	(2,742)	—	—	(2,742)
Deferred tax asset for dividends-in-kind	—	—	201	—	—	201
Special dividend (note 17)	—	—	1,199	(42,038)	—	(40,839)
Quarterly dividend (note 17)	—	—	150	(5,255)	—	(5,105)
End of period	**$ 12,786**	**$(14,612)**	**$ 13,428**	**$ 27,067**	**$ (1,381)**	**$ 37,288**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($ in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED SEP 30, 2014	3 MONTHS ENDED SEP 30, 2013
OPERATING ACTIVITIES		
Net income attributable to shareholders for the period	$ 7,390	$ 8,299
Adjustments for non-cash items		
Amortization of property and equipment	454	532
Amortization of intangible assets	963	184
Net realized and unrealized investment loss (note 4)	—	1
Change in unrealized foreign exchange (gains) losses on cash balances	(275)	—
Post-retirement obligations (note 6)	130	118
Deferred income taxes (note 12)	176	282
Deferred share units (note 9)	(36)	141
Restricted share units (note 9)	3,738	874
Stock option expense (note 9)	55	620
Interest income (note 4)	(201)	(159)
Change in unrealized loss on prepaid equity forward (note 9)	179	—
Cash provided by operating activities before changes in non-cash working capital items	**12,573**	**10,892**
Net change in non-cash working capital items	(6,696)	(1,458)
Cash provided by operating activities	**5,877**	**9,434**
INVESTING ACTIVITIES		
Net purchases of property and equipment	(121)	(14)
Purchases of intangible assets	(81)	(155)
Net sales of short-term investments	39,596	43,349
Acquisition of Blair Franklin, net of cash acquired (note 2)	(15,502)	—
Net interest received (note 3)	201	159
Cash used in investing activities	**24,093**	**43,339**
FINANCING ACTIVITIES		
Dividends paid (note 17)	(16,954)	(45,944)
Acquisition of treasury stock (note 8)	(7,891)	(11,400)
Exercise of stock options (note 7 and 8)	—	372
Cash used in financing activities	**(24,845)**	**(56,972)**
Change in unrealized foreign exchange gains (losses) on cash balances	275	—
Increase (decrease) in cash during the period	**5,400**	**(4,199)**
Cash – beginning of period	**8,176**	**21,989**
Cash – end of period	**$ 13,576**	**$ 17,790**
Supplemental Information		
Interest paid	—	—
Income taxes paid	$ 32,220	$ 24,800

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

Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended September 30, 2014 and 2013
($ in thousands in Canadian dollars, except per share amounts)

NATURE OF BUSINESS AND ORGANIZATION

Gluskin Sheff + Associates Inc. and its subsidiaries (collectively, the "Company") provides discretionary investment management services to high net worth private clients and institutional investors in Canada and abroad. The Company is an Ontario incorporated corporation and 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 September 30, 2014, there were no controlling shareholders of the Company. As at September 30, 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 consolidated 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, 2014. 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 consolidated financial statements. Certain comparative figures have been reclassified to conform with the current period's presentation.

The unaudited interim consolidated financial statements of the Company for the three months ended September 30, 2014, were authorized for issue by a resolution of the Board of Directors on November 6, 2014.

Basis of Presentation

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

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. In these notes to the

unaudited interim consolidated 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 consolidated financial statements include the accounts of Gluskin Sheff + Associates Inc., its wholly-owned subsidiary BFAM Holdings Inc., other controlled entities, and trusts established for the participants of the Company's Restricted Share Unit ("RSU") Plan (the "Trusts"). The RSU plan is described in note 7 and 8.

BFAM Holdings Inc. was incorporated on August 1, 2014, under the Ontario Business Corporations Act, and owns 100% of Blair Franklin Asset Management Inc. These entities are described more fully in note 2.

The Trusts 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 Trusts in these unaudited interim consolidated financial statements, and accounts for the shares owned by the Trusts as treasury stock. The Trusts were established on December 1, 2010, and August 28, 2014, respectively, and the financial statements of the Trusts are prepared for the same reporting periods as the Company, using consistent accounting policies. The Company does not provide any financial support to the Trusts subsequent to funding the purchase of shares of the Company nor does the Company have any restrictions in accessing or using cash in the Trusts.

All intercompany balances, income and expenses resulting from intercompany transactions are eliminated.

Significant Accounting Judgments and Estimates

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) *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.

(ii) *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 6. Estimating the actuarial present 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 actuarial present value of the post-retirement obligation.

(iii) *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.

(iv) *Bonus Expense*
A portion of the bonus pool is paid in the form of RSUs and a portion is paid in cash. 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. Therefore, the calculation of bonus expensed in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash versus RSUs. At the end of the fiscal year, the cash bonus expense is adjusted to reflect the actual ratio of bonuses to be paid in cash versus RSUs. 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. The cost of the RSUs are reflected in salaries and benefits using a graded vesting methodology over approximately four years, commencing at the beginning of the fiscal year to which the award relates.

(v) *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.

(vi) *Deferred Tax Assets and Deferred Tax Liabilities*
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income 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.

A deferred tax liability has been recorded in respect of intangible assets acquired as a result of the acquisition of Blair Franklin.

Foreign Currency Translation

- Monetary items, 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 other income 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 9 and amounts held in connection with the terms of the letter of credit, as described further in note 6. 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 financial assets at fair value through profit or loss, held-to-maturity, available-for-sale or loans and receivables. Purchases and sales

of financial assets are accounted for on a trade date basis. Financial liabilities may be classified as financial liabilities at fair value through profit or loss 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 fair value through profit or loss are reflected in the statement of income. Changes in fair value of financial instruments classified as available-for-sale are reflected in other comprehensive income.

(iii) *Classification of the Company's Financial Instruments*
The Company's financial instruments are classified as follows:
- Short-term investments are classified available-for-sale;
- 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;
- Prepaid equity forward is designated at fair value through profit or loss as this financial instrument economically hedges the deferred share units obligation which is measured at fair value through profit or loss;
- Accounts payable and accrued liabilities and accrued bonuses are classified as other financial liabilities; and
- Service fee and payable are designated at fair value through profit or loss.

(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, other than those acquired during the acquisition, 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 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.

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

Acquired intangible assets are initially measured at fair value at the time of acquisition. Following the initial recognition, these intangibles are carried at the initial fair value less accumulated amortization and impairment losses, if any.

Impairments of Non-Financial Assets

Non-financial assets not yet ready for use and goodwill are tested for impairment annually or whenever there is an indication that the asset may be impaired. A non-financial asset is considered impaired if the carrying value exceeds the estimated recoverable amount of the asset or the Cash Generating Unit ("CGU"), as applicable, and the excess is charged to the statement of income as an impairment loss.

The recoverable amount of non-financial assets and the CGU is the higher of their fair value less costs to sell and their value in use. 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.

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 reimbursement 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. 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.

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 9.

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 is 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. A prepaid equity

forward agreement was entered into to economically hedge, in whole or in part, the Company's economic exposure relating to fluctuations in the market price of the Company's Common Shares related to the DSU plan. The gains and losses related to the mark-to-market of the prepaid equity forward are recorded in general and administrative expense.

The obligation that results from the award of bonus RSUs are recognized using graded vesting over approximately four years commencing in the year in respect of which the RSUs are granted. Obligations in respect of other RSU awards are recognized using graded vesting or straight-line vesting, depending on nature of the award, over three years. The RSU obligations are recognized as an expense in salaries and benefits and in contributed surplus based on the fair value of the Common Shares on the date the RSUs were granted. 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 are 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 Trusts were established to acquire shares on the open market to economically hedge, in whole or in part, if considered appropriate, the Company's exposure relating to fluctuations in the market price of the Company's Common Shares related to the RSU plan.

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. Any financial guarantees resulting in the recognition of a liability are recorded at fair value, less directly attributable transaction costs, upon inception. 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 Trusts, and contingently returnable shares, 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 Trusts, 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 9, and contingently returnable shares as described in note 2, have been issued.

Income Taxes

Income taxes are comprised of current and deferred taxes. Income taxes are recognized in the statement of 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 period 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 period, 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 period. Taxable income may differ from income reported on the statements of 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. A deferred tax liability has been recorded in respect of intangible assets acquired as a result of the acquisition of Blair Franklin.

Deferred tax assets and liabilities are presented as non-current.

Future Accounting Changes

The final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit

risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity's own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

The IASB issued IFRS 15, *Revenue Recognition*, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 and has not yet determined when it will adopt the new standard.

2. ACQUISITION

Acquisition

On August 1, 2014, the Company acquired all the shares of Blair Franklin Asset Management Holdings Inc., the parent company of Blair Franklin Asset Management Inc. (collectively "Blair Franklin"). Immediately after acquisition, Blair Franklin Asset Management Holdings Inc. amalgamated with the Company's wholly-owned subsidiary BFAM Holdings Inc.

Founded in 2003, Blair Franklin specializes in leveraged fixed income with approximately $635 million in Assets Under Management as at the date of close. Blair Franklin manages two absolute return funds, the Blair Franklin Global Credit Fund LP and the Blair Franklin Global Rates Fund LP, which are available to qualified investors by way of private placement. Clients are primarily high net worth individuals and family offices, as well as foundations, endowments, pension plans and institutions.

The Company paid $15,673 in cash (including $673 in respect of excess working capital) plus 1,900,000 Common Shares of the Company to the sellers. 712,500 of the Common Shares were issued to the sellers from treasury and are subject to a minimum one-year holding period by the sellers. The remaining 1,187,500 Common Shares were issued from treasury and are being held in a third-party escrow account for two years and are subject to a claw-back pursuant to a purchase price adjustment based on Blair Franklin's Assets Under Management at the end of this two-year period.

The provisional accounting for the consideration paid for the acquisition is as follows:

CONSIDERATION PAID	AMOUNT	NET ASSETS ACQUIRED	AMOUNT
Common Shares issued[1]	$ 48,301	Fair value of intangible assets (other than goodwill)	$ 36,550
Cash	15,000	Net tangible assets less liabilities	(2,645)
Cash payment in respect of working capital adjustment	673	Deferred tax liability	(9,119)
		Goodwill	39,188
Total consideration	**$63,974**	**Total acquired net assets**	**$63,974**

Note:

1. *Net of restricted share discount of $10,846.*

Acquisition related costs

The Company incurred $1,889 in transaction costs – $1,375 was incurred in fiscal 2014 and $514 during the three months ended September 30, 2014. These transaction costs are reflected in general and administrative expenses. During the three months ended September 30, 2014, the Company also incurred integration costs of $511, of which $111 is included in general and administrative expenses and $400 is included in occupancy expense.

Net assets acquired

The fair values of intangible assets acquired, other than goodwill, are comprised of:

INTANGIBLE ASSETS OTHER THAN GOODWILL	FAIR VALUE AT ACQUISITION	AMORTIZATION PERIOD
Customer relationships	$35,000	10 years
Non-compete agreements	1,050	5 years
Technology	500	10 years
Total intangible assets	**$36,550**	

The deferred tax liability relates primarily to the acquired intangible assets.

The net tangible assets less liabilities are comprised of: accounts receivable of $1,048 (primarily due from the Blair Franklin Global Credit Fund LP and the Blair Franklin Global Rates Fund LP for base management fees receivable), income taxes recoverable of $724, fixed assets of $252, cash of $171 and prepaids of $142; and service fees payable of $1,944, earn-out payable of $1,729, bonus payable of $970 and accounts payable and accrued liabilities of $339.

The service fee payable represents fees payable to Blair Franklin Capital Partners Inc. for various services including, but not limited to, license of the name "Blair Franklin", relationship management, marketing, and consulting. The service fee payment is calculated based on the Base Management Fees earned from Blair

Franklin Global Credit Fund LP and the Blair Franklin Global Rates Fund LP's January 1, 2012, asset levels. The service fee period ends December 31, 2016. The $1,944 fair value of the service fee payable recognized on the acquisition of Blair Franklin by Gluskin Sheff + Associates Inc. on August 1, 2014, represents the present value of the liability using a discount rate of 6% per annum. Future changes in the estimated fair value of this liability will be accounted for in the statement of income and comprehensive income.

The earn-out payable represents the future share payment earn-out payable to former shareholders of Blair Franklin Asset Management Inc. resulting from a re-organization of the company undertaken in 2012. The earn-out payment is calculated based on the Performance Fees earned from Blair Franklin Global Credit Fund LP and the Blair Franklin Global Rates Fund LP's January 1, 2012 asset levels. The earn-out period ends January 1, 2017. The $1,729 fair value of the earn-out payable recognized on the acquisition of Blair Franklin by Gluskin Sheff + Associates Inc. on August 1, 2014, represents the present value of the liability using a discount rate of 6% per annum. Future changes in the estimated fair value of this liability will be accounted for in the statement of income and comprehensive income.

The goodwill is attributable to the addition of an experienced team of fixed income professionals with the ability to cover global credit market opportunities, opportunities presented by the addition of over 200 new client relationships, and cost synergies. The goodwill is not deductible for tax purposes.

Financial results

Since its acquisition, Blair Franklin has contributed revenue of $1,744 and net income of $565 to the Company's results, prior to one time integration costs of $400 and amortization of $774 related to the acquired intangibles. If the acquisition had occurred on July 1, 2014, management estimates that Blair Franklin would have earned revenue of approximately $2,600 and net income of approximately $850 prior to one time integration costs. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same if the acquisition had occurred on July 1, 2014.

3. FINANCIAL INSTRUMENTS

Fair Value Measurement
The following tables present the level within the fair value hierarchy for the Company's fair value measurements:

	AS AT SEP 30, 2014			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Short-term investments	$ —	$36,947	$ —	$36,947
Prepaid equity forward	—	2,571	—	2,751
Total financial assets	$ —	$ 39,518	$ —	$ 39,518

	AS AT SEP 30, 2014			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial liabilities				
Service fee payable	$ —	$ 1,826	$ —	$ 1,826
Earn-out payable	—	1,751	—	1,751
Total financial liabilities	$ —	$ 3,577	$ —	$ 3,577

	AS AT JUN 30, 2014			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Short-term investments	$ —	$ 76,543	$ —	$ 76,543
Prepaid equity forward	—	2,750	—	2,750
Total financial assets	$ —	$79,293	$ —	$79,293

The short-term investments are measured at amortized cost which approximates fair value due to their short-term nature. The fair value of the prepaid equity forward is measured based on the share price of the Common Shares, adjusted to reflect the credit risk of the counterparty.

The fair values of cash, accounts receivable, restricted cash, accounts payable and accrued liabilities and accrued bonuses approximate their carrying values due to their short-term nature.

During the three months ended September 30, 2014 and June 30, 2014, there were no transfers between any of the fair value hierarchy levels.

4. OTHER INCOME

Details of other income are as follows:

	3 MONTHS ENDED	
	SEP 30, 2014	SEP 30, 2013
Net realized loss on securities owned	$ —	$ 1
Economic research subscriptions	540	644
Interest income	201	159
Other income (loss)	434	(108)
	$1,175	**$ 696**

Unearned income related to economic research subscriptions of $1,144 (September 30, 2013 – $1,285) is included in accounts payable and accrued liabilities.

5. RELATED PARTY TRANSACTIONS

The Company has agreements to manage the Company's pooled fund vehicles. Included in the Company's statement of income and comprehensive income for the three months ended September 30, 2014, are Performance Fees of $1,046 (September 30, 2013 – $2,028) and Base Management Fees of $19,949 (September 30, 2013 – $16,589) 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.

The Company also recovers expenses incurred on behalf of the pooled fund vehicles relating to the operation of these pooled fund vehicles. For the three months ended September 30, 2014, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled $903 (September 30, 2013 – $872). Expenses related to the operation of the pooled fund vehicles are included in: salaries and benefits, general and administrative, occupancy, amortization of property and equipment, and amortization of intangible assets.

Included in general and administrative expenses for the three months ended September 30, 2014 is $423 (September 30, 2013 – $258), 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.

Included in the Company's accounts receivable as at September 30, 2014, is $7,969 (June 30, 2014 – $27,744) owing from the Company's pooled fund vehicles, which represents the Company's maximum exposure to loss from its interests in these vehicles.

Included in the Company's liabilities as at September 30, 2014, are post-retirement obligations of $14,553 (June 30, 2014 – $14,423) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 6.

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

6. 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 July 1, 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 July 1, 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 September 30, 2014, $3,000 (June 30, 2014 – $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. Any future changes in estimates will result in amendments to the liability of the plan in the period in which the changes occur.

The following table outlines where the Company's post-retirement obligations amounts and activity are included in the financial statements, using a discount rate of 3.6% (September 30, 2013 – 4.0%), an annual inflation assumption of 2.0% (September 30, 2013 – 2.0%) in respect of certain non-fixed-rate benefits included in

the transition agreement, and using mortality rates based on the Canadian Pensioner's 2014 Mortality Table with Scale B generational mortality improvement (September 30, 2013 – UP 1994 Mortality Table with Scale AA generational mortality improvement):

	3 MONTHS ENDED	
POST-RETIREMENT OBLIGATIONS	SEP 30, 2014	SEP 30, 2013
Balance – Beginning of period	**$14,423**	**$11,819**
Income statement expense	130	118
Balance – End of period	**$ 14,553**	**$11,937**
Comprised of:		
Current	$ 3,510	$ —
Non-current	11,043	11,937
Total post-retirement obligations	**$ 14,553**	**$11,937**

Sensitivity Analysis

The sensitivity of the post-retirement obligations to changes in assumptions is set out below. The effects on the post-retirement obligations of a change in an assumption are weighted proportionately to the total post-retirement obligations to determine the total impact for each assumption presented:

	CHANGE IN OBLIGATIONS AND EXPENSE	
Impact of 1.0% increase in the discount rate	Decrease by 6.6%	$ (948)
Impact of 1.0% decrease in the discount rate	Increase by 7.5%	1,082
Impact of 1.0% increase in Consumer Price Index	Increase by 4.5%	649
Impact of 1.0% decrease in Consumer Price Index	Decrease by 3.9%	(565)
Impact of 1 year increase in life expectancy	Increase by 4.7%	682
Impact of 1 year decrease in life expectancy	Decrease by 4.7%	(681)

7. SHARE CAPITAL

Contemporaneously with the closing of the secondary offering of the Co-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 both Common Shares and 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 months ended September 30, 2014 and 2013, no Common Shares were repurchased under this authorization.

Shares Issued and Outstanding
Common Shares are non-redeemable and have no par value. No preference shares were outstanding as at September 30, 2014 and 2013.

As part of the acquisition of Blair Franklin Asset Management, the Company issued 1,900,000 Common Shares of the Company to the sellers. Upon closing 712,500 Common Shares were issued to the sellers from treasury and are subject to a minimum one-year holding period by the sellers. The remaining 1,187,500 Common Shares were issued from treasury and are being held in a third-party escrow account for two years and are subject to a claw-back pursuant to a purchase price adjustment based on the Assets Under Management at the end of this two-year period. The Common Shares held in the escrow account are excluded in the calculation of basic earnings per share but are included in the calculation of diluted earnings per share.

SHARE CAPITAL	3 MONTHS ENDED			
	SEP 30, 2014		SEP 30, 2013	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
BEGINNING OF PERIOD				
Multiple Voting Shares	—		12,612	
Common Shares	29,723		16,817	
	29,723	**$ 17,635**	**29,429**	**$11,706**
ACTIVITY DURING THE PERIOD				
Convert from Multiple Voting Shares	—		(2,048)	
Exercise of stock options	—		67	1,080
Issued from treasury	1,900	$ 48,301	—	
Convert to Common Shares	—		2,048	—
	1,900	**$48,301**	**67**	**1,080**
END OF THE PERIOD				
Multiple Voting Shares	—		10,564	
Common Shares	31,623		18,932	
	31,623	**$65,936**	**29,496**	**$12,786**

8. TREASURY STOCK

In relation to the Company's RSU plan, as described in note 9, the Company may acquire shares in the open market which will be held in Trusts 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 the purposes of basic and diluted earnings per share calculations.

During the three months ended September 30, 2014, $7,892 of treasury stock was acquired by the Trusts (September 30, 2013 – $11,400).

	3 MONTHS ENDED			
	SEP 30, 2014		SEP 30, 2013	
Treasury Stock	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
Balance – Beginning of period	**797**	**$15,277**	**325**	**$ 5,166**
Treasury stock purchased	259	7,891	600	11,400
Treasury stock released	(257)	(4,894)	(123)	(1,954)
Balance – End of period	**799**	**$18,274**	**802**	**$14,612**

9. STOCK-BASED COMPENSATION PLANS

The Company has the following stock-based compensation plans: the Stock Option, DSU, RSU, Employee Common Share Ownership 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 months ended September 30, 2014 and 2013, the Company did not issue any new stock options to participants.

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 September 30, 2014, was a total of $55 (September 30, 2013 – $620). During the three months ended September 30, 2014, there were no stock options exercised (September 30, 2013 – 183,000).

STOCK OPTIONS	3 MONTHS ENDED SEP 30, 2014 OPTIONS (000's)	SEP 30, 2014 WEIGHTED AVERAGE EXERCISE PRICE	SEP 30, 2013 OPTIONS (000's)	SEP 30, 2013 WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	**468**	**$17.40**	**1,321**	**$ 18.52**
Options exercised	—	—	(183)	15.56
Balance – End of period	**468**	**$17.40**	**1,138**	**$18.99**

AS AT SEP 30, 2014

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING: NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE: NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
$10.00 – $17.99	288	2.91	$ 15.31	198	$ 15.03
$18.00 – $25.99	180	2.08	20.74	162	20.72
	468	2.59	$17.40	360	$ 17.59

AS AT SEP 30, 2013

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING: NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE: NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
$10.00 – $17.99	553	2.97	$ 15.20	373	$ 15.08
$18.00 – $25.99	440	3.03	20.63	334	20.61
$26.00 – $33.99	145	1.01	28.50	145	28.50
	1,138	2.74	$18.99	852	$ 19.53

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.

Independent directors may elect to receive up to a maximum of 100% (subject to a minimum of 50%) of their fees in the form of DSUs in lieu of a cash payment. Prior to July 1, 2014, members of the Company's Board of Directors were 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-in-kind granted on outstanding DSUs, 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.

To economically hedge a portion of the Company's exposure to changes in the trading price of the Company's Common Shares on outstanding DSUs, in the last quarter of fiscal 2014, the Company entered into a prepaid equity forward agreement, included in non-current assets in the balance sheet, with a Schedule I financial institution. The prepaid equity forward agreement ends on April 22, 2016 (the valuation date), on which date the Schedule I financial institution will pay to the Company an amount equivalent to the notional amount of the shares using the volume-weighted average price of the Company's Common Shares for the five business days leading up to and including the valuation date. The initial notional amount of the prepaid equity forward is 86,000 shares, which is increased on each dividend payment date to reflect the dividends paid on the notional shares. As at September 30, 2014, the fair value of the prepaid equity forward was $2,571 with 86,596 notional shares. The Company has discretion to increase or decrease the notional amount of the prepaid equity forward or to terminate the agreement early. The change in the value of the prepaid equity forward has been recorded to partially offset the DSU mark-to-market amounts and is included in general and administrative expenses in the statement of income and comprehensive income.

There were no payments under this DSU plan during the three months ended September 30, 2014 and 2013. The Company recorded a negative DSU expense of $(36) during the three months ended September 30, 2014 (September 30, 2013 – $141), including the mark-to-market adjustment of $(223) (September 30, 2013 – $(44)). As at September 30, 2014, the corresponding liability of $2,797 is recognized in long-term liabilities in the Company's balance sheet (June 30, 2014 – $2,833). During the three months ended September 30, 2014, the Company recorded a $179 loss on the prepaid equity forward.

	3 MONTHS ENDED	
DEFERRED SHARE UNITS (000'S)	SEP 30, 2014	SEP 30, 2013
Balance – Beginning of period	89	79
Issued during period	6	9
Balance – End of period	95	88

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 September 30, 2014, the Company awarded $29,134 (September 30, 2013 – $11,181) in RSUs to employees, plus $nil (September 30, 2013 – $1,349) 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 three months ended September 30, 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 (September 30, 2013 – $nil). The expense related to RSUs that has been included in the salaries and benefits expense during the three months ended September 30, 2014, was $3,725 (September 30, 2013 – $874). During the three months ended September 30, 2014, $4,894 (September 30, 2013 – $2,742) of RSUs vested and were settled with treasury stock held by the Trusts in the period (September 30, 2013 – $1,954 of the $2,742 was settled with treasury stock held by the Trusts with the remaining balance settled with treasury stock held by the Trusts in the second quarter of fiscal 2014).

	3 MONTHS ENDED	
RESTRICTED SHARE UNITS (000'S)	SEP 30, 2014	SEP 30, 2013
Balance – Beginning of period	**799**	**316**
Issued during the period	938	609
Vested and settled during the period	(257)	(173)
Balance – End of period	**1,480**	**752**

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 contribution of $38 for the three months ended September 30, 2014 (September 30, 2013 – $33), is 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 September 30, 2014, the corresponding liability is $nil (June 30, 2014 – $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 September 30, 2014, $1,420 of restricted cash (June 30, 2014 – $1,420) is held in a segregated account in connection with this loan guarantee.

10. 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 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.

The following table presents the Company's basic and diluted earnings per share for the three months ended September 30:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED SEP 30, 2014	3 MONTHS ENDED SEP 30, 2013
Numerator:		
Net income attributable to shareholders	$ 7,390	$ 8,299
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	29,420	29,134
Weighted average number of dilutive share-based compensation	1,582	431
Weighted average number of shares outstanding – diluted	31,002	29,565
Earnings per share		
Basic	$ 0.25	$ 0.29
Diluted[1]	$ 0.24	$ 0.28

Notes:

1. *For the three months ended September 30, 2014, no weighted-average options outstanding were excluded (September 30, 2013 – 400 with a weighted-average exercise price of $20.51), as the option price was not greater than the average market price of the Company's shares. For the three months ended September 30, 2014 the computation of diluted earnings per share excluded 132,548 of RSU's outstanding (September 30, 2013 – nil).*

11. 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, retained earnings and accumulated other comprehensive loss.

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.

Gluskin Sheff + Associates Inc. and Blair Franklin Asset Management Inc. are required to maintain minimum working capital levels of $25 and $100, respectively, as a registration requirement under the Ontario Securities Act. Throughout the three months ended September 30, 2014, and 2013, both Gluskin Sheff + Associates Inc. and Blair Franklin Asset Management Inc. maintained levels of working capital in excess of the requirement.

12. 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	
	SEP 30, 2014	SEP 30, 2013
Income tax provision based on statutory income tax rate, 26.5% (2013 – 26.5%)	$2,744	$3,002
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	278	183
RSU dividends vested in the period	—	(157)
Dividends received from Trust	—	—
Other	(58)	—
Income tax provision as reported, 28.62% (2013 – 26.73%)	$2,964	$3,028

The following table details the components of the Company's deferred income tax assets and liabilities as at September 30, 2014 and June 30, 2014:

	AS AT SEP 30, 2014	AS AT JUN 30, 2014
Deferred income tax assets		
Accrued and long term liabilities	$ 740	$ 753
Prepaid equity forward	47	13
Restricted share units	4,598	4,676
Restricted share units dividends-in-kind	499	793
Service fee payable	484	—
Post-retirement obligations	3,857	3,822
Total deferred income tax assets	**$ 10,225**	**$10,057**
Deferred income tax liabilities		
Acquired intangibles	(9,481)	—
Property and equipment	(813)	(831)
Total deferred income tax liabilities	**$(10,294)**	**$ (831)**
Net deferred income tax (liabilities) assets	**$ (69)**	**$ 9,226**

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

13. SALARIES AND BENEFITS

The Company accrues for bonuses to its employees.

Included in salaries and benefits expense for the three months ended September 30, 2014, are accrued cash bonuses of $3,551 (September 30, 2013 – $2,871), RSU amortization relating to prior fiscal years' of $3,441 (September 30, 2013 – $874) and RSU amortization relating to the current fiscal year of $297 (September 30, 2013 – $nil).

14. BUSINESS DEVELOPMENT

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

	3 MONTHS ENDED	
	SEP 30, 2014	SEP 30, 2013
Donations	$295	$206
Marketing	229	324
Travel	95	74
	$619	$604

15. GENERAL AND ADMINISTRATIVE

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

	3 MONTHS ENDED	
	SEP 30, 2014	SEP 30, 2013
Insurance	$ 111	$ 133
Information technology	898	12
Office services and telecommunications	466	449
Professional fees	62	12
Regulatory and public company fees	448	754
Sub-advisory fees and other fees	90	87
Economic research expenses	449	281
Acquisition and integration costs	625	—
Service and royalty fees	45	—
Other	89	75
	$3,283	$1,803

16. OCCUPANCY

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

	3 months ended	
	Sep 30, 2014	Sep 30, 2013
Lease for premises	$ 846	$884
Lease termination costs	400	—
Premises maintenance	94	41
	$1,340	**$925**

17. DIVIDENDS

The following dividends were declared by the Company during the three months ended September 30, 2014 but paid on October 14, 2014:

Dividends paid	Record date	Payment date	Cash dividend per share	Total dividend amount ($000's)
June 30, 2014 – regular dividend Q4, 2014	October 1, 2014	October 14, 2014	$0.20	$ 6,165
June 30, 2014 – special dividend Q4, 2014	October 1, 2014	October 14, 2014	0.35	10,789
Total Dividends Declared			**$ 0.55**	**$16,954**

On November 6, 2014, the Company declared a regular dividend of $0.225 per equity share for the quarter ended September 30, 2014. These dividends will be paid on November 28, 2014, to shareholders of record at the close of business on November 17, 2014.

There were no dividends-in-kind granted by the Company during the three months ended September 30, 2014. The following dividends were paid by the Company during the three months ended September 30, 2013:

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	September 13, 2013	September 23, 2013	1.4000	40,839
Total Dividends Paid			**$ 1.5750**	**$45,944**

As part of the RSU plan, as described in note 9, the following dividends in kind were granted by the Company during the three months ended September 30, 2013:

DIVIDENDS IN KIND - GRANTED	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
Total Dividends in Kind Granted			$ 1.5750	$1,349

18. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses, whose carrying values approximate their fair values due to their short- term nature. DSUs and the prepaid equity forward are marked-to-market. The post-retirement obligations are recorded at fair value based on actuarial valuation. 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 available-for-sale, and any changes to fair value will affect other comprehensive income as they occur. The maximum risk resulting from financial instruments is determined by the fair values of the financial instruments. 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 September 30, 2014 and 2013, there were no investments in securities. 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 and the prepaid equity forward. Included in long-term liabilities on

the balance sheet as at September 30, 2014, is $2,797 (September 30, 2013 – $1,677) related to DSUs and included as a non-current asset on the balance sheet as at September 30, 2014, is $2,571 (September 30, 2013 – $2,750) related to the prepaid equity forward. A portion of the DSUs have been economically hedged with the prepaid equity forward. If the Company's stock price increased by 5%, this would have decreased net income before provision for income taxes by approximately $10 (September 30, 2013 – $63); conversely, if the Company's stock price decreased by 5%, this would have increased net income before provision for income taxes 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 September 30, 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 September 30, 2014, and June 30, 2014, since almost all investments in debt securities have a term to maturity of less than 90 days.

(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 September 30, 2014, there were no investments in securities owned and managed by the Company denominated in U.S. dollars (June 30, 2014 – $nil). As at September 30, 2014, a total of $9,144 (June 30, 2014 – $1,001) of cash and $264 (June 30, 2014 – $6,906) of accounts receivable were denominated in U.S. dollars. As at September 30, 2014, had the U.S. dollar foreign exchange rate relative to the Canadian dollar increased by 5%, with all other variables held constant, the decrease in net income before provision for income taxes would have amounted to approximately $336. Conversely, had this foreign exchange rate decreased by 5%, this would have increased net income before provision for income taxes to approximately $371 (June 30, 2014 – $297).

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 on its holdings of corporate debt securities and derivatives, if any. As at September 30, 2014 and June 30, 2014, 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 September 30, 2014, and June 30, 2014. 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 9, under the Executive Loan program, loans are made to eligible employees by a third party institution to acquire equity positions in the 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 September 30, 2014, and June 30, 2014, 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 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 September 30, 2014, and June 30, 2014. As a result credit risk is considered minimal.

As described in note 9, the Company has an agreement with a Schedule I financial institution, which serves as the counterparty for a prepaid equity forward to economically hedge the Company's DSUs. The Company is exposed to credit risk of the counterparty. Credit risk is considered minimal as the counterparty is a Schedule I Canadian bank with a credit rating of AA- as at September 30, 2014.

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 9, and for the post-retirement obligations, as described in note 6. Financial liabilities as at September 30, 2014, totaled $28,683 (June 30, 2014 – $76,208), and included accounts payable and accrued liabilities (excluding deferred revenue), and accrued bonuses, with all amounts due within three months, earn-out payable due on January 1, 2017, service fee payable due on December 31, 2016, long-term liabilities and post-retirement obligations. 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 securities. As at September 30, 2014, and June 30, 2014, 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.

19. AUDITORS

The unaudited interim consolidated financial statements of the Company 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 Accounts for a review of interim financial statements by an entity's auditor.

Board of Directors

PAUL BEESTON
Chairman of the Compensation
Nominating and Governance Committee
Audit Committee

THOMAS C. MACMILLAN

JEREMY FREEDMAN
President & Chief Executive Officer
Gluskin Sheff

HERBERT SOLWAY
Lead Independent Director

WILFRED GOBERT
Audit Committee

PIERRE-ANDRÉ THEMENS
Audit Committee

STEPHEN HALPERIN
Compensation, Nominating and
Governance Committee

ROBERT S. WEISS
Chairman of the Audit Committee
Compensation, Nominating and
Governance Committee

NANCY H.O. LOCKHART
Compensation, Nominating and
Governance Committee

Founders and Honourary Directors

IRA GLUSKIN
Co-Founder

GERALD SHEFF
Co-Founder

Executive Officers

JEREMY FREEDMAN
President & Chief Executive Officer

DAVID MORRIS
Chief Financial Officer & Secretary

WILLIAM WEBB
Executive Vice-President &
Chief Investment Officer

AMY AUBIN
Chief Compliance Officer

JEFF MOODY
Senior Executive Vice-President, Investments & Client Service

ANTONY SOLOMON
Executive Vice-President, Investments

PETER ZALTZ
Executive Vice-President & Head of Fixed Income

JIM BANTIS
Executive Vice-President, Risk Management & Client Service

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