

Third Quarter Results | 2016  
THREE MONTHS ENDED MARCH 31, 2016



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 strong, risk-adjusted returns together with the highest level of personalized client service.

# Report to Shareholders

*Third Quarter Ended March 31, 2016*

Assets Under Management decreased by \$108 million to \$8.2 billion as at March 31, 2016, down approximately 1.3% from December 31, 2015. The decrease in AUM is attributable to negative net investment performance of \$158 million, partially offset by net additions of \$50 million. \$39 million in net additions were from high net worth clients and \$11 million in net additions were from institutional clients.

Base Management Fees for the three months ended March 31, 2016, decreased to \$25.6 million this quarter versus \$26.5 million in the year ago quarter. Performance Fees were \$0.03 million for the three months ended March 31, 2016, compared with \$1.4 million in the year ago quarter.

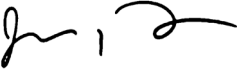
Net income was \$5.0 million and represented earnings per share, basic and diluted, of \$0.17 and \$0.16, respectively for the three months ended March 31, 2016. Net income was \$5.5 million and represented earnings per share, basic and diluted, of \$0.18, for the three months ended March 31, 2015. The decrease in net income was due primarily to the decrease in Base Management Fees and Performance Fees, partially offset by a decrease in total expenses.

Base EBITDA was \$11.5 million for the three months ended March 31, 2016, compared with \$12.4 million in the year ago quarter as a decrease in Base Management Fees was partially offset by a decrease in base business expenses.

Global equity markets got off to one of their worst starts to a year on record during the first weeks of 2016, leading many to fear far worse outcomes. In the absence of a fundamental catalyst, we saw the sharp decline as an exaggerated move which presented an opportunity to put cash in the portfolios to work. While our portfolios were affected, we maintained our discipline while shifting assets in a few areas during the quarter. With Canada's extended underperformance looking overdone to us, we began shifting assets from international equities back to our Canadian equity strategies. We also added to our GS+A Enhanced Yield Fund, which invests in high-yield corporate bonds, given the attractive yields created by the recent sell-off in the space, and we added incrementally to our long/short equity strategies to provide ballast in the face of expected continued global equity market volatility.

In early April, I announced my intention to retire as of the end of our Company's 32<sup>nd</sup> Fiscal Year (June 30, 2016). Thomas MacMillan will succeed me as Chief Executive Officer. I have seen the Company evolve from offering one growth equity portfolio to where we are today – a wealth management firm offering a strategic combination of equity, fixed income and long/short funds designed to both protect capital and prudently grow wealth over business cycles. I have been blessed by the friendships that have developed over the years, and the support of an amazing team here at Gluskin Sheff. That team is a deep and skilled one, which gives me great

confidence, both as a significant client and as a major shareholder. The Company will be in good hands under Tom's leadership – he is a veteran of the financial services business, including having spent 11 years as President and Chief Executive Officer of CIBC Mellon. I am and will always remain grateful for the privilege of serving our clients and shareholders for the past 16 years.



JEREMY FREEDMAN  
*President & Chief Executive Officer*  
*May 12, 2016*

# *Management's Discussion and Analysis*

This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2016, is provided as of May 12, 2016. 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 March 31, 2016, the audited annual consolidated financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the years ended June 30, 2015 and 2014, 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 March 31, 2016. 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**

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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

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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 fee paying AUM, on which we charge Base Management Fees or Performance Fees and is calculated by totaling all the fee paying assets we manage for our clients. Our non-fee 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

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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 any deficiencies carried forward, 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 Performance Fees upon the redemption of assets or the transfer of assets among portfolios. The Company may 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 financial results include the effects of the operations, since acquisition, of Blair Franklin, including acquisition and integration costs, and amortization of acquired intangible assets. The accounting for the acquisition of Blair Franklin is described in note 2 of the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2016. On July 1, 2015, the Company amalgamated BFAM Holdings Inc. and Blair Franklin Asset Management Inc. into Gluskin Sheff + Associates Inc.

## FINANCIAL HIGHLIGHTS

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

	3 MONTHS ENDED MAR 31, 2016	3 MONTHS ENDED MAR 31, 2015	9 MONTHS ENDED MAR 31, 2016	9 MONTHS ENDED MAR 31, 2015
<b>ASSETS UNDER MANAGEMENT</b>				
<i>(\$ in millions)</i>				
<i>Assets Under Management – Beginning of period</i>	\$8,307	\$8,220	\$8,516	\$7,485
Acquisition of Blair Franklin – August 1, 2014	—	—	—	636
Net additions (withdrawals)	50	(7)	(128)	31
Net investment performance	(158)	386	(189)	447
<b><i>Assets Under Management – End of period</i></b>	<b>\$8,199</b>	<b>\$8,599</b>	<b>\$8,199</b>	<b>\$8,599</b>

	3 MONTHS ENDED MAR 31, 2016	3 MONTHS ENDED MAR 31, 2015	\$ CHANGE QTR-ON-QTR	9 MONTHS ENDED MAR 31, 2016	9 MONTHS ENDED MAR 31, 2015	\$ CHANGE YR-ON-YR
<b>INCOME STATEMENT INFORMATION</b>						
Income						
Base management fees	\$ 25,587	\$ 26,465	\$ (878)	\$ 79,432	\$ 78,748	\$ 684
Performance fees	34	1,400	(1,366)	33,038	44,548	(11,510)
Other income	598	874	(276)	2,239	2,953	(714)
<b>Total Income</b>	<b>26,219</b>	<b>28,739</b>	<b>(2,520)</b>	<b>114,709</b>	<b>126,249</b>	<b>(11,540)</b>
<b>Total Expenses</b>	<b>(19,273)</b>	<b>(20,711)</b>	<b>(1,438)</b>	<b>(70,237)</b>	<b>(70,483)</b>	<b>(246)</b>
<b>Income before provision for income taxes</b>	<b>6,946</b>	<b>8,028</b>	<b>(1,082)</b>	<b>44,472</b>	<b>55,766</b>	<b>(11,294)</b>
Provision for income taxes	(1,951)	(2,510)	(559)	(13,486)	(15,621)	(2,135)
<b>Net income attributable to shareholders</b>	<b>\$ 4,995</b>	<b>\$ 5,518</b>	<b>(523)</b>	<b>\$ 30,986</b>	<b>\$ 40,145</b>	<b>\$ (9,159)</b>
Basic earnings per share	\$ 0.17	\$ 0.18	\$ (0.01)	\$ 1.04	\$ 1.32	\$ (0.28)
Diluted earnings per share	\$ 0.16	\$ 0.18	\$ (0.02)	\$ 1.00	\$ 1.27	\$ (0.27)

### SELECTED ADJUSTED FINANCIAL INFORMATION

Base EBITDA	\$ 11,530	\$ 12,411	\$ (881)	\$ 35,728	\$ 40,011	\$ (4,283)
Adjusted EBITDA	\$ 11,553	\$ 13,246	\$(1,693)	\$ 55,334	\$ 66,545	\$ (11,211)

For the three months ended March 31, 2016:

- Net income was \$5.0 million, and represented earnings per share, basic and diluted, of \$0.17 and \$0.16, respectively. Net income for the three months ended March 31, 2015, was \$5.5 million, and represented basic and diluted earnings per share of \$0.18. The decrease in net income was due primarily to the decrease in Base Management Fees and Performance Fees, partially offset by a decrease in expenses as described below.
- AUM decreased by \$108 million to \$8.2 billion as at March 31, 2016, down approximately 1.3% from December 31, 2015. The decrease in AUM is attributable to negative net investment performance of \$158 million, partially offset by net additions of \$50 million. \$39 million in net additions were from high net worth clients and \$11 million in net additions were from institutional clients.
- Base Management Fees decreased to \$25.6 million this quarter versus \$26.5 million in the year ago quarter as Average AUM for the quarter decreased to \$8.1 billion

from \$8.5 billion for the same quarter last year. The average Base Management Fee Percentage increased to 1.28% versus 1.26% for the same period last year.

- Performance Fees were \$0.03 million, compared with \$1.4 million in the year ago quarter.
- Total expenses decreased by \$1.4 million from the year-ago quarter primarily due to a decrease of \$1.7 million in base salaries due to reduced severance costs, a decline of \$0.9 million in cash bonus expense on lower performance fees earned and lower base business net income and a decline of \$0.9 million in restricted share unit amortization expense. Partially offsetting these declines were increases in research costs, consulting fees, systems development and license expenses, legal fees, and higher amortization of intangible assets. DSU expenses and regulatory fees also declined in the quarter.
- Base EBITDA was \$11.5 million, compared with \$12.4 million in the year ago quarter due primarily to the decrease in Base Management Fees and lower other income, partially offset by the decrease in base business expenses noted above.

For the nine months ended March 31, 2016:

- Net income was \$31.0 million, and represented earnings per share, basic and diluted, of \$1.04 and \$1.00, respectively. Net income includes a one-time non-tax deductible amount of \$3.6 million relating to a change in tax treatment of certain transactions related to two pooled funds. Excluding this amount, net income for this period would have been \$34.0 million, and basic and diluted earnings per share would have been \$1.14 and \$1.10, respectively. Net income for the nine months ended March 31, 2015, was \$40.1 million, and represented basic and diluted earnings per share of \$1.32 and \$1.27 respectively. The decrease in net income is due primarily to a decrease in Performance Fees as total expenses remained relatively flat.
- AUM decreased by \$317 million to \$8.2 billion, from June 30, 2015. The decrease in AUM is due to negative net investment performance of \$189 million and net withdrawals of \$128 million. \$64 million in net withdrawals were from high net worth clients and \$64 million in net withdrawals were from institutional clients.
- Base Management Fees increased to \$79.4 million this period versus \$78.7 million in the year ago period as Average AUM for the period increased to \$8.3 billion from \$8.2 billion for the same period last year. The average Base Management Fee Percentage decreased to 1.27% from 1.28 % for the same period last year.
- Total expenses decreased by \$0.3 million from the year-ago period. General and administrative expenses rose by \$6.9 million due to the tax adjustment described above and increases in costs related to research data, systems development and licenses, and legal fees. These increases were partially offset by the absence of the transaction and integration costs in last year's period related to the acquisition of Blair Franklin. Salaries and benefits expense decreased by \$7.8 million due to a decrease in cash bonus expense of \$5.5 million due to lower Performance Fees, a

decrease in RSU amortization of \$1.5 million and a decrease in base salaries of \$0.9 million. Occupancy expense declined by \$0.5 million due primarily to the absence of the lease termination costs incurred last year due to the Blair Franklin acquisition. Amortization of intangibles increased by \$1.4 million primarily due to higher derecognition costs for client terminations.

- Base EBITDA decreased to \$35.7 million from \$40.0 million in the year ago period as the increase in Base Management Fees was more than offset by a decrease in other income and by increases in base business expenses described above.
- Performance Fees were \$33.0 million compared with \$44.5 million in the year ago period.

## MARKET OUTLOOK AND BUSINESS ENVIRONMENT

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The first quarter of 2016 was decidedly challenging for investors across global markets. Despite global stock market indices in aggregate ending relatively flat, the quarter was witness to one of the worst starts to a year on record as well as significant bouts of volatility and dispersion.

We expect market volatility to be more amplified going forward. In contrast to the period from mid-2010 to mid-2015, when the markets were generally upward trending, the last three quarters have replaced tailwinds with crosswinds and shifted the market's momentum sideways.

In environments like these there are certain areas that we focus on to take advantage of volatility and market dislocations. First, we focus on the yield, or "carry", of our investments positions – whether from coupons, dividends or share buybacks. We have shifted assets to our Enhanced Yield Fund over the quarter, which focuses on high-yield corporate bonds, an asset class that generates a substantial amount of carry and looks cheap to us relative to other asset classes. Second, we emphasize our long/short equity strategies, which are designed to be successful in volatile and choppy markets. Third, we have started reducing our exposure to the international markets and moving capital back to the Canadian equity market, where we believe there is better relative value and emerging investment themes in which to participate.

We continue to employ a diversified asset mix including Canadian, U.S., and international equities along with income-oriented strategies and credit alternative strategies that can minimize interest rate risk, 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 MAR 31, 2016	AS AT JUN 30, 2015	AS AT MAR 31, 2015
<b>BALANCE SHEET INFORMATION</b>			
<i>Total assets</i>	\$164,254	\$180,797	\$ 165,273
	3 MONTHS ENDED MAR 31, 2016	3 MONTHS ENDED MAR 31, 2015	9 MONTHS ENDED MAR 31, 2016
			9 MONTHS ENDED MAR 31, 2015
<b>INCOME STATEMENT INFORMATION</b>			
Income			
Base management fees	\$ 25,587	\$ 26,465	\$ 79,432
Performance fees	34	1,400	33,038
Other income	598	874	2,239
	26,219	28,739	114,709
Expenses			
Operating expenses	(11,667)	(11,479)	(35,612)
Provision for cash bonus pool	(2,349)	(3,221)	(17,599)
Amortization of RSUs	(3,610)	(4,476)	(11,642)
Other amortization	(1,647)	(1,535)	(5,384)
	(19,273)	(20,711)	(70,237)
<b>Income before provision for income taxes</b>	<b>6,946</b>	<b>8,028</b>	<b>44,472</b>
Provision for income taxes	(1,951)	(2,510)	(13,486)
<b>Net income attributable to shareholders</b>	<b>4,995</b>	<b>5,518</b>	<b>30,986</b>
Other amortization	1,647	1,535	5,384
Provision for income taxes	1,951	2,510	13,486
<b>EBITDA</b>	<b>\$ 8,593</b>	<b>\$ 9,563</b>	<b>\$ 49,856</b>
<b>Basic earnings per share</b>	<b>\$ 0.17</b>	<b>\$ 0.18</b>	<b>\$ 1.04</b>
<b>Diluted earnings per share</b>	<b>\$ 0.16</b>	<b>\$ 0.18</b>	<b>\$ 1.00</b>
<b>SELECTED ADJUSTED FINANCIAL INFORMATION</b>			
<b>EBITDA</b>	<b>\$ 8,593</b>	<b>\$ 9,563</b>	<b>\$ 49,856</b>
Provision for cash bonus pool	2,349	3,221	17,599
Post-retirement obligations	97	130	293
Stock option expense	3	(33)	13
<b>EBITDA before compensation adjustment</b>	<b>11,042</b>	<b>12,881</b>	<b>67,761</b>
Base cash bonus	(2,342)	(2,778)	(7,414)
Base RSU bonus	(746)	(768)	(2,360)
Amortization of RSUs	3,610	4,476	11,642
Special RSU award <sup>1</sup>	—	—	(863)
Performance fees	(34)	(1,400)	(33,038)
<b>Base EBITDA</b>	<b>11,530</b>	<b>12,411</b>	<b>35,728</b>
Performance fees	34	1,400	33,038
Performance fee cash bonus	(8)	(443)	(10,189)
Performance fee RSU bonus	(3)	(122)	(3,243)
<b>Adjusted EBITDA</b>	<b>\$ 11,553</b>	<b>\$ 13,246</b>	<b>\$ 55,334</b>

### Notes:

1. Represents special RSU awards granted in the quarter, net of the related bonus effect.

## RESULTS OF OPERATIONS

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### *Overall Performance*

For the three months ended March 31, 2016, the Company earned \$0.17 and \$0.16 per share, on a basic and diluted basis, respectively, compared with \$ 0.18 per share, on a basic and diluted basis, for the same period last year as net income decreased to \$5.0 million from \$5.5 million. The basic earnings per share for the prior fiscal periods have been amended to reflect the inclusion of shares held in escrow, issued as part of the purchase consideration for the acquisition of Blair Franklin. The decrease in net income was due primarily to the decrease in Base Management Fees and Performance Fees, partially offset by a decrease in total expenses, as described below.

Base EBITDA was \$11.5 million for the three months ended March 31, 2016, compared with \$12.4 million in the year ago quarter as the decreases in Base Management Fees and in other income were partially offset by a decrease in base business expenses.

Adjusted EBITDA for the three months ended March 31, 2016, decreased by \$1.6 million to \$11.6 million versus \$13.2 million for the same period last year, due to a decrease in net Performance Fees (Performance Fees, net of related bonus expense) of \$0.7 million and the \$0.9 million decrease in Base EBITDA.

For the nine months ended March 31, 2016, the Company earned \$1.04 and \$1.00 per share, on a basic and diluted basis, respectively, compared with \$1.32 and \$1.27 per share, on a basic and diluted basis respectively, for the same period last year as net income decreased by \$9.1 million to \$31.0 million from \$40.1 million. Net income for the nine months ended March 31, 2016, includes a one-time non-tax deductible amount of \$3.6 million relating to a change in tax treatment of certain transactions related to two pooled funds. Excluding this amount, net income for the period would have been \$34.0 million, and basic and diluted earnings per share would have been \$1.14 and \$1.10, respectively. The year-over-year decrease in net income is due primarily to a decrease in Performance Fees as total expenses remained relatively flat.

Base EBITDA for the nine months ended March 31, 2016, decreased by \$4.3 million to \$35.7 million from \$40.0 million, for the same period last year, as the increase in Base Management Fees was more than offset by a decrease in other income and increases in base business expenses. The current period's Base EBITDA was reduced by \$0.9 million for special RSUs granted in the period. The prior period's Base EBITDA has been revised by \$0.8 million to reflect special RSUs granted in that period.

Adjusted EBITDA for the nine months ended March 31, 2016, decreased by \$11.2 million to \$55.3 million versus \$66.5 million for the same period last year. This was the result of the decrease in Performance Fees, net of related bonus expense, of \$6.9 million and the decrease in Base EBITDA of \$4.3 million.

### *Income*

Total income for the three months ended March 31, 2016, was \$26.2 million versus \$28.7 million in the year ago quarter. Total income for the nine months ended March 31, 2016, was \$114.7 million versus \$126.2 million in the year ago period.

Base Management Fees for the three months ended March 31, 2016, decreased year-over-year by \$0.9 million or 3.3% to \$25.6 million from \$26.5 million as Average AUM decreased \$0.4 billion or 5.0% to \$8.1 billion. The average Base Management Fee Percentage increased to 1.28% from 1.26% as a result of asset mix changes. Base Management Fees for the nine months ended March 31, 2016, increased year-over-year by \$0.7 million or 0.9% to \$79.4 million from \$78.7 million as Average AUM increased \$0.1 billion or 1.3% to \$8.4 billion and the average Base Management Fee percentage decreased to 1.27% from 1.28% as a result of asset mix changes.

Performance Fees for the three months ended March 31, 2016, decreased to \$34 thousand from \$1.4 million. Performance Fees for the nine months ended March 31, 2016, decreased year-over-year by \$11.5 million to \$33.0 million from \$44.5 million.

Other income for the three months ended March 31, 2016, was \$0.6 million versus \$0.9 million in the year ago quarter. Other income for the nine months ended March 31, 2016, was \$2.2 million versus \$3.0 million in the year ago period. The decrease in other income for the three and nine months ended March 31, 2016, is due primarily to lower foreign exchange gains year-over-year.

### *Expenses*

Total expenses for the three months ended March 31, 2016, decreased year-over-year by \$1.4 million or 6.9% to \$19.3 million from \$20.7 million. Total expenses for the nine months ended March 31, 2016, decreased year-over-year by \$0.3 million or 0.3% to \$70.2 million from \$70.5 million.

Salaries and benefits expense for the three months ended March 31, 2016, decreased year-over-year by \$3.3 million to \$11.8 million from \$15.1 million. Base salaries expense declined by \$1.7 million due to lower severance payments, partially offset by increases in base salaries due to new hires. Cash bonus expense decreased by \$0.9 million due to lower Performance Fees earned in the quarter, and bonus RSU amortization decreased \$0.9 million.

Salaries and benefits expense for the nine months ended March 31, 2016, decreased year-over-year by \$7.8 million to \$46.0 million from \$53.8 million. Accrued cash bonus expense decreased by \$5.5 million as a result of the decrease in Performance Fees and lower base business net income. RSU amortization also decreased by \$1.5 million primarily as a result of the decrease in Performance Fees and lower base business net income. Base salaries decreased by \$0.9 million due to lower severance payments, partially offset by an overall increase in salaries and headcount.

A portion of bonuses is paid in the form of RSUs and a portion is paid in cash. 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 percentage estimate for the cash component used in calculating the three and nine months March 31, 2016, bonus was 75.5% (March 31, 2015 – 78%).

Client wealth management expenses for the three and nine months ended March 31, 2016, increased \$0.1 million to \$0.7 million and \$2.1 million, respectively.

General and administrative expenses for the three months ended March 31, 2016, increased year-over-year by \$1.6 million to \$5.1 million from \$3.5 million as increases in costs related to research data, systems development and licenses, consulting fees and legal fees were partially offset by a decrease in regulatory and public company expenses.

General and administrative expenses for the nine months ended March 31, 2016, increased year-over-year by \$6.9 million to \$16.8 million from \$9.9 million. Increases in costs related to research data, systems development and licenses and legal fees, and the tax adjustment described earlier, were partially offset by the absence of the transaction and integration costs in last year's period related to the acquisition of Blair Franklin.

Occupancy costs for the three months ended March 31, 2016, remained unchanged at \$0.9 million year-over-year.

Occupancy costs for the nine months ended March 31, 2016, decreased by \$0.5 million to \$2.6 million from \$3.1 million, due primarily to the absence of lease termination costs of \$0.4 million incurred in the prior year period upon the acquisition of Blair Franklin.

Year-over-year, amortization of property and equipment for the three months ended March 31, 2016, decreased to \$0.4 million from \$0.5 million. Amortization of property and equipment for the nine months ended March 31, 2016, decreased to \$1.3 million from \$1.4 million.

Year-over-year, amortization of intangible assets for the three months ended March 31, 2016, increased \$0.1 million to \$1.2 million and for the nine months, increased \$1.1 million to \$4.1 million, due primarily to higher derecognition costs related to client terminations.

### *Tax Rates*

The Company's effective tax rate for the current quarter decreased to 28.1% from 31.3% in the same quarter last year due primarily to a decrease in dividends received from the Trusts, which are taxable but not included in consolidated accounting income.



### *Accounts Receivable*

The Company's accounts receivable at March 31, 2016, and June 30, 2015, consisted primarily of amounts attributable to Base Management Fees and Performance Fees.

### *Dividends*

On September 17, 2015, the Company declared a regular dividend of \$0.225 per equity share relating to the quarter ended June 30, 2015, and a special dividend of \$0.05 per equity share, relating to a portion of the Performance Fees earned during the six months ended June 30, 2015. These dividends were paid on October 8, 2015, to shareholders of record at the close of business on September 28, 2015.

On November 12, 2015, the Company declared a regular dividend of \$0.25 per equity share relating to the quarter ended September 30, 2015. This dividend was paid on December 3, 2015, to shareholders of record at the close of business on November 23, 2015.

On February 3, 2016, the Company declared a regular dividend of \$0.25 per equity share relating to the quarter ended December 31, 2015, and a special dividend of \$0.10 per equity share, relating to Performance Fees earned during the six months ended December 31, 2015. These dividends were paid on February 25, 2016, to shareholders of record at the close of business on February 15, 2016.

On May 12, 2016, the Company declared a regular dividend of \$0.25 per equity share relating to the quarter ended March 31, 2016. This dividend will be paid on June 3, 2016, to shareholders of record at the close of business on May 24, 2016.

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

	REGULAR QUARTERLY DIVIDENDS	SPECIAL DIVIDENDS	TOTAL
Paid – since inception to March 31, 2016	\$5.89	\$8.12	\$14.01
Declared – in the fourth quarter of fiscal 2016, payable June 3, 2016	<u>0.25</u>	<u>—</u>	<u>0.25</u>
<b>TOTAL PER EQUITY SHARE</b>	<b><u>\$6.14</u></b>	<b><u>\$8.12</u></b>	<b><u>\$14.26</u></b>

## 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 unaudited interim consolidated financial statements of the Company.

### SUMMARY FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS

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

	AS AT JUN 30, 2014	AS AT SEP 30, 2014	AS AT DEC 31, 2014	AS AT MAR 31, 2015	AS AT JUN 30, 2015	AS AT SEP 30, 2015	AS AT DEC 31, 2015	AS AT MAR 31, 2016
<b>Assets Under Management</b> <i>( \$ in millions )</i>	<u>\$ 7,485</u>	<u>\$ 8,068</u>	<u>\$ 8,220</u>	<u>\$ 8,599</u>	<u>\$ 8,516</u>	<u>\$ 8,233</u>	<u>\$ 8,307</u>	<u>\$ 8,199</u>
	3 MONTHS ENDED JUN 30, 2014	3 MONTHS ENDED SEP 30, 2014	3 MONTHS ENDED DEC 31, 2014	3 MONTHS ENDED MAR 31, 2015	3 MONTHS ENDED JUN 30, 2015	3 MONTHS ENDED SEP 30, 2015	3 MONTHS ENDED DEC 31, 2015	3 MONTHS ENDED MAR 31, 2016

### INCOME STATEMENT INFORMATION

Income								
Base management fees	\$ 23,774	\$ 25,890	\$ 26,393	\$ 26,465	\$ 27,202	\$ 27,017	\$ 26,828	\$ 25,587
Performance fees	54,084	1,195	41,953	1,400	10,412	1,806	31,198	34
Other income	727	1,175	904	874	603	1,028	613	598
	<u>\$ 78,585</u>	<u>\$ 28,260</u>	<u>\$ 69,250</u>	<u>\$ 28,739</u>	<u>\$ 38,217</u>	<u>\$ 29,851</u>	<u>\$ 58,639</u>	<u>\$ 26,219</u>
Net income	30,386	7,390	27,237	5,518	12,166	7,226	18,765	4,995
Base EBITDA	11,993	13,333 <sup>1</sup>	14,267	12,411	13,380	13,241	10,957	11,530
Adjusted EBITDA	44,305	14,050	39,249	13,246	19,615	14,327	29,454	11,553
Basic earnings per share <sup>2</sup>	\$ 1.05	\$ 0.25 <sup>2</sup>	\$ 0.89 <sup>2</sup>	\$ 0.18 <sup>2</sup>	\$ 0.40	\$ 0.24	\$ 0.63	\$ 0.17
Diluted earnings per share	\$ 1.02	\$ 0.24	\$ 0.86	\$ 0.18	\$ 0.39	\$ 0.23	\$ 0.61	\$ 0.16

#### Notes:

- The calculation for Base EBITDA has been revised to reflect the effect of special RSUs granted in the quarter.
- The calculation for basic earnings per share reflects the shares held in escrow issued as part of the purchase consideration for the acquisition. The calculation for basic earnings per share for the three months ended September 30, 2014, December 31, 2014 and March 31, 2015 has been amended to include the shares held in escrow.

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

## SUMMARY OF PORTFOLIO AUM AND PERFORMANCE

For the period ended March 31, 2016  
(\$ in millions of Canadian dollars)

### Annualized Net Rates of Return<sup>1</sup>

	INCEPTION DATE	AUM \$	CALENDAR					SINCE INCEPTION %
			YEAR-TO- DATE <sup>8</sup>	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	
<b>Investment Strategies</b>								
Equity <sup>2</sup>								
Premium Income <sup>4</sup>	JUL 2001	1,808	2.6	-2.2	6.3	6.5	6.2	12.1
Canadian Equity <sup>4</sup>	JAN 1991	112	2.4	-3.2	4.6	1.5	1.9	11.0
U.S. Equity Funds <sup>5, 10</sup>	AUG 2011	1,251	-3.5	1.5	16.8	—	—	18.4
U.S. Equity Fund II <sup>5, 11</sup>	FEB 1986	67	-6.1	0.5	15.9	13.4	6.5	9.9
International <sup>3, 5</sup>	AUG 2008	613	-13.1	-8.3	5.4	4.7	—	4.4
Growth <sup>4</sup>	JUL 1984	3	0.2	0.4	11.0	7.5	5.0	10.9
		<u>3,854</u>						
<b>Equity Alternative<sup>6</sup></b>								
Multi-Strategy <sup>5</sup>	JAN 2009	232	-0.6	0.6	3.4	3.0	—	3.2
Income Long/Short <sup>3, 5</sup>	JUL 2004	466	-0.6	2.8	4.6	4.2	6.1	11.4
Focused Long/Short <sup>3, 5</sup>	JAN 2007	136	-0.8	-7.0	0.4	4.2	—	10.0
		<u>834</u>						
<b>Fixed Income &amp; Credit Alternative</b>								
Tactical Fixed Income <sup>7</sup>	JAN 2013	986	0.9	0.4	2.5	—	—	2.8
Blair Franklin Global Credit Fund	MAR 2004	920	1.7	3.7	5.7	7.8	13.7 <sup>9</sup>	12.5 <sup>9</sup>
Enhanced Yield <sup>3, 5</sup>	FEB 2009	489	0.0	-4.4	1.4	2.7	—	4.7
Credit Arbitrage <sup>5</sup>	JAN 2009	138	0.4	0.3	2.2	3.4	—	5.8
Enhanced Bonds <sup>5</sup>	DEC 2008	206	0.6	1.3	2.8	4.0	—	5.4
		<u>2,739</u>						
<b>Segregated Institutional &amp; Special Mandates<sup>12</sup></b>								
		<u>772</u>						
<b>Assets Under Management</b>								
		<u>8,199</u>						

#### Notes:

- 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.
- 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.
- The performance presented includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.
- 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.
- The returns presented are those of the GS+A fund, Series A.
- 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.
- The returns presented are those of the GS+A Tactical Fixed Income Fund, Series A.
- Calendar year-to-date returns are non-annualized.
- The 10 year and since inception annualized returns are for the Blair Franklin Global Credit Fund's inception date of March 1, 2004. As of March 1, 2006, the Blair Franklin Global Credit Fund's focus moved to fixed income and the annualized return since that time is 13.7%.
- Effective July 1, 2015, the GS+A U.S. Premium Income Fund was renamed GS+A U.S. Equity Fund and the GS+A U.S. Equity Fund was renamed GS+A U.S. Equity Fund II. Certain changes were made to harmonize the investment strategies and objectives of these funds.
- Up to January 1, 2015, the returns presented are those of the composite of segregated portfolios following the U.S. Equity strategy. On January 1, 2015, the segregated accounts moved to the U.S. Premium Income strategy. Performance presented after that date, represents the returns of the GS+A U.S. Equity Fund II, Series A. The return of the fund since July 1, 2015, is 1.87%.
- Includes institutional mandates managed primarily in accordance with our Canadian Equity portfolio model (\$288 million), our Premium Income portfolio model (\$204 million), our Growth portfolio model (\$111 million) and our Credit Arbitrage portfolio model (\$67 million), and private client mandates managed primarily in accordance with a combination of our Canadian Equity and Premium Income portfolio models (\$3 million), our Founders portfolio model (\$22 million), our Enhanced Bond portfolio model (\$6 million), our Enhanced Preferred Share (\$35 million) and other special mandates (\$36 million). All numbers are approximate.

## CONTROLS AND PROCEDURES

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### *Disclosure Controls and Procedures*

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

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

There are no significant regulatory capital requirements for the Company.

During the three months ended March 31, 2016, there were no significant acquisitions of property and equipment (March 31, 2015 – \$0.1 million). During the three months ended March 31, 2016, there was \$0.2 million in acquisitions of intangible assets (March 31, 2015 – \$0.2 million).

During the three months ended March 31, 2016, the Company paid \$10.4 million of dividend payments (March 31, 2015 – \$24.9 million). During the three months ended March 31, 2016, the Company also paid \$0.9 million (March 31, 2015 – \$nil) to purchase 56,200 shares, under the Company’s normal course issuer bid, a portion of the Company’s shares.

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 audited annual consolidated financial statements as at June 30, 2015.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 13 of the Company's March 31, 2016, unaudited interim consolidated financial statements.

## **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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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 March 31, 2016. 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 assumptions and 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 and related contingencies, are

included in note 8 and note 21 of the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2016.

#### *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 Goodwill and Intangible Assets*

Goodwill is assessed for impairment. Finite life intangible assets are only tested for impairment to the extent indications of impairment exist at the time of a quarterly assessment. In the case of goodwill, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangible assets involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates require significant judgment regarding market growth rates, AUM flow assumptions, expected margins and costs which could affect the Company's future results if estimates of future performance and fair value change.

#### *Deferred Income Tax Assets and Liabilities*

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

## **CHANGES IN ACCOUNTING POLICIES**

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There were no changes to the Company's accounting policies from those reported in the audited annual consolidated financial statements for the year ended June 30, 2015.

## **FINANCIAL INSTRUMENTS**

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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, 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 March 31, 2016, the Company held \$12.9 million in cash (June 30, 2015 – \$28.9 million), \$37.0 million in short-term investments (June 30, 2015 – \$22.0 million), \$4.4 million in restricted cash (June 30, 2015 – \$4.4 million), and \$2.8 million in prepaid equity (June 30, 2015 – \$2.3 million). Securities owned, if any, and certain short-term investments were 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 gains being recognized in the statement of income and comprehensive and unrealized gains or losses being recognized in other 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 22 of the Company's March 31, 2016, unaudited interim consolidated financial statements for a more detailed analysis of risk exposures and sensitivity analyses for certain risks.

## MANAGING RISKS

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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

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

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

- As at March 31, 2016, 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.
- Thomas MacMillan serves as the Chair of 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.
- The memberships of the Audit and Risk Committee and the Compensation, Nominating and Governance Committee, sub-committees reporting to the Board, are exclusively composed of independent directors.
- The Audit and Risk Committee is chaired by V. Ann Davis, FCPA, who has extensive financial experience, as do the other Audit and Risk Committee members. This Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls over financial reporting, and risk management.

- 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

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There were no changes to the nature and extent of related party transactions entered into by the Company in the three months ended March 31, 2016. For further information, refer to note 7 of the Company's March 31, 2016, unaudited interim consolidated financial statements.

## SHARE CAPITAL

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In February 2015, the Company received approval from the Toronto Stock Exchange (the "TSX") to renew its normal course issuer bid ("NCIB"). Under the renewed NCIB, up to 1,584,531 of the Company's Common Shares, or 5% of the Company's issued and outstanding Common Shares as of January 31, 2015, may be repurchased over the twelve month period beginning February 11, 2015 and ending February 10, 2016. The number of Common Shares that can be repurchased pursuant to the NCIB is subject to a daily maximum of 20,560 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.

During the three months ended March 31, 2016, the Company repurchased 56,200 (March 31, 2015 – nil) Common Shares under this NCIB for approximately \$0.9 million. During the nine months ended March 31, 2016, the Company repurchased 487,885 (March 31, 2015 – nil) Common Shares under this NCIB for approximately \$10.2 million.

In February 2016, the Company received approval from the Toronto Stock Exchange (the "TSX") to renew its normal course issuer bid ("NCIB"). Under the renewed NCIB, up to 1,802,128 of the Company's Common Shares, or 10% of the Company's public float as of January 31, 2016, may be repurchased over the twelve month period beginning February 11, 2016 and ending February 10, 2017. The number of Common Shares that can be repurchased pursuant to the NCIB is subject to a daily maximum of 18,832 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 March 31, 2016, and 2015, no stock options were exercised.

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 11 to the unaudited interim consolidated financial statements for the three months ended March 31, 2016.

The number of outstanding stock options as at March 31, 2016, was 177,000, of which 167,000 were exercisable.

## **SUBSEQUENT EVENTS**

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In April 2016, the Company announced the pending retirement of Jeremy Freedman as President & Chief Executive Officer and a director of the Company effective June 30, 2016. Thomas MacMillan, the Chair of the Board, will be appointed Chief Executive Officer as of July 1, 2016. At that time, Nancy Lockhart will be appointed Lead Director.

## **OTHER INFORMATION**

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Additional information relating to Gluskin Sheff + Associates Inc. is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

## INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(\$ in thousands of Canadian dollars)

	AS AT MAR 31, 2016	AS AT JUN 30, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 12,871	\$ 28,877
Short-term investments (note 5)	36,990	21,987
Accounts receivable (note 7)	13,067	19,247
Income taxes receivable (note 14)	—	4,996
Prepaid equity forward (note 5 and 11)	1,777	2,318
Prepaid expenses and other assets	1,454	1,223
	<u>66,159</u>	<u>78,648</u>
<b>Non-current assets</b>		
Restricted cash (note 8 and 11)	4,424	4,424
Prepaid equity forward (note 5 and 11)	1,032	—
Other receivables	—	83
Property and equipment	18,200	19,334
Intangible assets (note 2 and 3)	30,485	34,353
Goodwill (note 2 and 4)	39,188	39,188
Deferred income taxes, net (note 14)	4,766	4,767
	<u>98,095</u>	<u>102,149</u>
<b>Total assets</b>	<b>\$164,254</b>	<b>\$180,797</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6, 7 and 11)	\$ 10,433	\$ 9,250
Post-retirement obligations (note 7 and 8)	1,017	2,490
Accrued bonuses (note 15)	17,255	27,604
Income taxes payable (note 14)	85	—
Service fee and earn-out payable (note 2)	1,416	1,602
	<u>30,206</u>	<u>40,946</u>
<b>Non-current liabilities</b>		
Long-term liabilities (note 11)	2,429	2,458
Post-retirement obligations (note 7 and 8)	10,994	11,420
Service fee and earn-out payable (note 2)	—	1,150
	<u>13,423</u>	<u>15,028</u>
	<u>\$ 43,629</u>	<u>\$ 55,974</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 9)	\$ 66,356	\$ 66,949
Treasury stock (note 10)	(37,315)	(39,424)
Contributed surplus	40,262	40,241
Retained earnings	54,786	60,521
Accumulated other comprehensive loss	(3,464)	(3,464)
	<u>120,625</u>	<u>124,823</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$164,254</b>	<b>\$180,797</b>

### Contingencies (note 21)

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 MAR 31, 2016	3 MONTHS ENDED MAR 31, 2015	9 MONTHS ENDED MAR 31, 2016	9 MONTHS ENDED MAR 31, 2015
<b>INCOME</b>				
Base management fees (note 7)	\$ 25,587	\$ 26,465	\$ 79,432	\$ 78,748
Performance fees (note 7)	34	1,400	33,038	44,548
Other income (note 6)	598	874	2,239	2,953
	<u>26,219</u>	<u>28,739</u>	<u>114,709</u>	<u>126,249</u>
<b>EXPENSES</b>				
Salaries and benefits (note 8, 11 and 15)	11,762	15,085	46,033	53,823
Reimbursements from pooled funds (note 7)	(828)	(880)	(2,664)	(2,697)
Client wealth management (note 16)	744	631	2,062	1,929
General and administrative (note 7 and 17)	5,063	3,454	16,827	9,877
Occupancy (note 18)	885	886	2,595	3,139
Amortization of property and equipment	415	456	1,272	1,372
Amortization of intangible assets (note 2 and 3)	1,232	1,079	4,112	3,040
	<u>19,273</u>	<u>20,711</u>	<u>70,237</u>	<u>70,483</u>
<b>Income before provision for income taxes</b>	<b>\$ 6,946</b>	<b>\$ 8,028</b>	<b>\$ 44,472</b>	<b>\$ 55,766</b>
Provision for income taxes (note 14)				
Current income taxes	3,394	3,586	13,568	18,257
Deferred income taxes	(1,443)	(1,076)	(82)	(2,636)
	<u>1,951</u>	<u>2,510</u>	<u>13,486</u>	<u>15,621</u>
<b>Net income and comprehensive income attributable to shareholders</b>	<b><u>\$ 4,995</u></b>	<b><u>\$ 5,518</u></b>	<b><u>\$ 30,986</u></b>	<b><u>\$ 40,145</u></b>
<b>Net income attributable to shareholders per Common Share:</b>				
Basic earnings per share (note 12)	\$ 0.17	\$ 0.18	\$ 1.04	\$ 1.32
Diluted earnings per share (note 12)	\$ 0.16	\$ 0.18	\$ 1.00	\$ 1.27

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 MAR 31, 2016					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period	\$ 66,475	\$(37,315)	\$ 35,959	\$ 61,516	\$(3,464)	\$ 123,171
Net income attributable to shareholders	—	—	—	4,995	—	4,995
Amortization of restricted share units (note 11)	—	—	3,612	—	—	3,612
Forfeiture of restricted share units (note 11)	—	—	(2)	—	—	(2)
Amortization of stock options (note 11)	—	—	3	—	—	3
Repurchase of Common Shares (note 9)	(119)	—	—	(794)	—	(913)
Deferred income tax for dividends-in-kind (note 14)	—	—	145	—	—	145
Special dividend (note 19)	—	—	156	(3,123)	—	(2,967)
Quarterly dividend (note 19)	—	—	389	(7,808)	—	(7,419)
<b>End of period</b>	<b>\$ 66,356</b>	<b>\$(37,315)</b>	<b>\$ 40,262</b>	<b>\$ 54,786</b>	<b>\$(3,464)</b>	<b>\$ 120,625</b>

	3 MONTHS ENDED MAR 31, 2015					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period, adjusted	\$ 66,870	\$(38,735)	\$ 30,266	\$ 75,857	\$(2,947)	\$ 131,311
Net income attributable to shareholders	—	—	—	5,518	—	5,518
Amortization of restricted share units (note 11)	—	—	4,690	—	—	4,690
Forfeiture of restricted share units (note 9)	—	—	(214)	—	—	(214)
Amortization of stock options (note 11)	—	—	16	—	—	16
Forfeiture of stock options (note 11)	—	—	(49)	—	—	(49)
Deferred income tax for dividends-in-kind (note 14)	—	—	341	—	—	341
Special dividend (note 19)	—	—	934	(19,019)	—	(18,085)
Quarterly dividend (note 19)	—	—	348	(7,130)	—	(6,782)
<b>End of period</b>	<b>\$ 66,870</b>	<b>\$(38,735)</b>	<b>\$ 36,332</b>	<b>\$ 55,226</b>	<b>\$(2,947)</b>	<b>\$ 116,746</b>

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*)

	9 MONTHS ENDED MAR 31, 2016					TOTAL EQUITY
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	
<b>Beginning of period</b>	<b>\$66,949</b>	<b>\$(39,424)</b>	<b>\$ 40,241</b>	<b>\$ 60,521</b>	<b>\$(3,464)</b>	<b>\$124,823</b>
Net income attributable to shareholders	—	—	—	30,986	—	30,986
Amortization of restricted share units (note 11)	—	—	11,674	—	—	11,674
Forfeiture of restricted share units (note 11)	—	—	(32)	—	—	(32)
Amortization of stock options (note 11)	—	—	13	—	—	13
Purchase of treasury stock (note 10 and 11)	—	(10,628)	—	—	—	(10,628)
Release of treasury stock (note 10 and 11)	—	12,737	—	—	—	12,737
Exercise of stock options (note 9 and 11)	442	—	(442)	—	—	—
Repurchase of Common Shares (note 9)	(1,035)	—	—	(9,203)	—	(10,238)
Vesting of restricted share units (note 11)	—	—	(12,737)	—	—	(12,737)
Deferred income tax for dividends-in-kind (note 14)	—	—	199	—	—	199
Special dividend (note 19)	—	—	231	(4,700)	—	(4,469)
Quarterly dividend (note 19)	—	—	1,115	(22,818)	—	(21,703)
<b>End of period</b>	<b><u>\$ 66,356</u></b>	<b><u>\$( 37,315)</u></b>	<b><u>\$40,262</u></b>	<b><u>\$ 54,786</u></b>	<b><u>\$(3,464)</u></b>	<b><u>\$120,625</u></b>

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)

	9 MONTHS ENDED MAR 31, 2015					TOTAL EQUITY
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	
<b>Beginning of period, adjusted</b>	<b>\$ 17,635</b>	<b>\$(15,277)</b>	<b>\$26,194</b>	<b>\$ 66,283</b>	<b>\$(2,947)</b>	<b>\$ 91,888</b>
Net income attributable to shareholders	—	—	—	40,145	—	40,145
Amortization of restricted share units (note 11)	—	—	13,331	—	—	13,331
Forfeiture of restricted share units (note 11)	—	—	(214)	—	—	(214)
Amortization of stock options (note 11)	—	—	96	—	—	96
Forfeiture of stock options (note 11)	—	—	(49)	—	—	(49)
Purchase of treasury stock (note 10 and 11)	—	(28,352)	—	—	—	(28,352)
Release of treasury stock (note 10 and 11)	—	4,894	—	—	—	4,894
Exercise of stock options (note 9 and 11)	934	—	(934)	—	—	—
Issue of Common Shares (note 9 and 11)	48,301	—	—	—	—	48,301
Vesting of restricted share units (note 11)	—	—	(4,894)	—	—	(4,894)
Deferred income tax for dividends-in-kind (note 14)	—	—	341	—	—	341
Special dividend (note 19)	—	—	1,463	(30,337)	—	(28,874)
Quarterly dividend (note 19)	—	—	998	(20,865)	—	(19,867)
<b>End of period</b>	<b><u>\$66,870</u></b>	<b><u>\$(38,735)</u></b>	<b><u>\$ 36,332</u></b>	<b><u>\$ 55,226</u></b>	<b><u>\$(2,947)</u></b>	<b><u>\$116,746</u></b>

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	3 MONTHS	9 MONTHS	9 MONTHS
	ENDED	ENDED	ENDED	ENDED
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
<b>OPERATING ACTIVITIES</b>				
Net income attributable to shareholders for the period	\$ 4,995	\$ 5,518	\$ 30,986	\$ 40,145
Adjustments for non-cash items				
Amortization of property and equipment	415	456	1,272	1,372
Amortization of intangible assets (note 3)	1,232	1,079	4,112	3,040
Change in unrealized foreign exchange gains on cash balances (note 6)	(13)	(229)	(481)	(801)
Post-retirement obligations (note 8)	97	130	293	390
Deferred income taxes (note 14)	(1,443)	(1,076)	(82)	(2,636)
Deferred share units expense (note 11)	(61)	175	(78)	236
Release of deferred share units (note 11)	—	—	(585)	—
Restricted share units (note 11)	3,610	4,476	11,642	13,117
Stock option expense (note 11)	3	(33)	13	47
Interest income (note 6)	(71)	(81)	(132)	(346)
Change in unrealized loss on prepaid equity forward (note 11)	62	13	409	300
<b>Cash provided by operating activities before changes in working capital items</b>	<b>8,826</b>	<b>10,428</b>	<b>47,369</b>	<b>54,774</b>
Net change in working capital items (note 20)	8,629	(3,278)	(665)	(5,010)
<b>Cash provided by operating activities</b>	<b>17,455</b>	<b>7,150</b>	<b>46,704</b>	<b>49,764</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of intangible assets	(150)	—	(244)	(121)
Purchases of property and equipment	(27)	(199)	(138)	(486)
Purchases of short-term investments	(22,985)	(47,441)	(140,706)	(207,215)
Sales of short-term investments	21,358	32,541	125,703	255,377
Acquisition of Blair Franklin, net of cash acquired (note 2)	—	—	—	(15,502)
Purchase of prepaid equity forward (note 11)	(900)	—	(900)	—
Net interest received (note 6)	71	81	132	346
<b>Cash used in investing activities</b>	<b>(2,633)</b>	<b>(15,018)</b>	<b>(16,153)</b>	<b>32,399</b>
<b>FINANCING ACTIVITIES</b>				
Dividends paid (note 19)	(10,386)	(24,867)	(26,172)	(48,741)
Acquisition of treasury stock (note 10)	—	—	(10,628)	(28,352)
Repurchase of Common Shares (note 9)	(913)	—	(10,238)	—
<b>Cash used in financing activities</b>	<b>(11,299)</b>	<b>(24,867)</b>	<b>(47,038)</b>	<b>(77,093)</b>
Change in unrealized foreign exchange gains on cash balances	13	229	481	891
<b>Increase (decrease) in cash during the period</b>	<b>3,536</b>	<b>(32,506)</b>	<b>(16,006)</b>	<b>5,961</b>
<b>Cash – beginning of period</b>	<b>9,335</b>	<b>46,643</b>	<b>28,877</b>	<b>8,176</b>
<b>Cash – end of period</b>	<b>\$ 12,871</b>	<b>\$ 14,137</b>	<b>\$ 12,871</b>	<b>\$ 14,137</b>
<b>Supplemental Information</b>				
Interest paid	\$ —	\$ —	\$ —	\$ —
Income taxes paid	\$ 6,090	\$ 6,960	\$ 13,658	\$ 45,875

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

# Notes to Unaudited Interim Consolidated Financial Statements

For the three and nine months ended March 31, 2016 and 2015  
(\$ in thousands in Canadian dollars, except per share amounts)

## NATURE OF BUSINESS AND ORGANIZATION

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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.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### *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 audited annual consolidated financial statements for the year ended June 30, 2015. Accordingly, certain financial 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 March 31, 2016, were authorized for issue by a resolution of the Board of Directors on May 12, 2016.

### *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., any subsidiaries, other controlled entities, and trusts established for the participants of the Company's Restricted Share Unit ("RSU") Plan (the "Trusts"). Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

During the three and nine months ended March 31, 2016, the Company controlled the following entities:

- Blair Franklin Management Inc.
- Blair Franklin II Management Inc.
- RSU Trust
- FY2015 RSU Trust
- FY2014 RSU Trust

During the three and nine months ended March 31, 2015, the Company controlled the following entities:

- BFAM Holdings Inc.
- Blair Franklin Asset Management Inc.
- Blair Franklin Management Inc.
- Blair Franklin II Management Inc.
- RSU Trust
- FY2014 RSU Trust

Blair Franklin Management Inc. and Blair Franklin II Management Inc. are the general partners of the Blair Franklin Global Credit Fund LP and Blair Franklin Global Rates Fund LP respectively. These general partnerships are wholly-owned by the Company.

BFAM Holdings Inc., a wholly-owned subsidiary of the Company, was incorporated on August 1, 2014, under the Ontario Business Corporations Act, and owned 100% of Blair Franklin Asset Management Inc. On July 1, 2015, the Company amalgamated BFAM Holdings Inc. and Blair Franklin Asset Management Inc. into Gluskin Sheff + Associates Inc.

The RSU plan is described in note 11. The RSU Trust, FY2014 RSU Trust and FY2015 RSU Trust (collectively "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, August 28, 2014, and August 20, 2015, 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) 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 8. 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.

##### *(ii) 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.

##### *(iii) 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.

*(iv) Impairment of Goodwill and Intangible Assets*

Goodwill is assessed for impairment. Finite life intangible assets are only tested for impairment to the extent indications of impairment exist. In the case of goodwill, an annual test for impairment augments the quarterly impairment indicator assessments. Values associated with goodwill and intangible assets involve estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates require significant judgment regarding market growth rates, Assets Under Management (AUM) flow assumptions, expected margins and costs, which could affect the Company's future results if estimates of future performance and fair value change.

*(v) Deferred Income Tax Assets and Deferred Income Tax Liabilities*

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

*Other Accounting Policies*

All other accounting policies described in the audited annual consolidated financial statements for the year ended June 30, 2015, have been applied consistently to these unaudited interim consolidated financial statements unless otherwise noted.

*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, 2018, 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.

The IASB issued IFRS 16, *Leases*, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 and has not yet determined when it will adopt the new standard.

## 2. ACQUISITION

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During the three and nine months ended March 31, 2016, the Company made no acquisitions.

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.

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. Cash acquired of \$171 was included in the \$673 excess working capital amount. Consequently, the Company paid \$15,502 in cash consideration. 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 the Assets Under Management of the Blair Franklin Funds at the end of this two-year period. The fair value of this claw-back right is currently estimated to be nil as it was on day one of the acquisition.

The accounting for the acquisition is as follows:

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

**Note:**

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

*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
Client relationships	\$35,000	10 years
Non-compete agreements	1,050	5 years
Technology	500	10 years
<b>Total intangible assets</b>	<b><u>\$36,550</u></b>	

The deferred income tax liability relates primarily to the acquired intangible assets. The net tangible assets less liabilities are comprised of:

Assets:	
Cash	\$ 171
Accounts receivable <sup>1</sup>	1,048
Prepaid expenses	142
Income taxes recoverable	724
Property and equipment	<u>252</u>
Total assets	<u>2,337</u>
Liabilities:	
Service fee payable	\$ 1,944
Earn-out payable	1,729
Bonus payable	970
Accounts payable and accrued liabilities	<u>339</u>
Total liabilities	<u>4,982</u>
<b>Net tangible assets less liabilities</b>	<b><u><u>\$(2,645)</u></u></b>

**Notes:**

1. For Base Management Fees receivable from Blair Franklin Global Credit Fund LP and Blair Franklin Global Rates Fund LP

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 the Blair Franklin Global Credit Fund LP and Blair Franklin Global Rates Fund LP’s January 1, 2012, asset levels. Base Management Fees are fees earned on various portfolio models by applying an agreed-upon rate to the net asset value of clients’ Assets Under Management. 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 the Company on August 1, 2014, represents the present value of the liability using a discount rate of 6% per annum. Future changes in the estimated liability are accounted for in the statement of income and comprehensive income. As at March 31, 2016, the service fee payable balance was \$641 which is included in current liabilities in the Company’s balance sheet (June 30, 2015 – \$1,252; \$844 in current liabilities and \$408 in long-term liabilities).

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 the Blair Franklin Global Credit Fund LP and 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 the Company on August 1, 2014, represents the present value of the liability using a discount rate of 6% per annum. Future changes in the estimated liability will be accounted for in the statement of income and comprehensive income. The earn-out payable balance at March 31, 2016, was \$775 which is included in current liabilities in the Company's balance sheet (June 30, 2015 – \$1,500; \$758 in current liabilities and \$742 in long-term liabilities).

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. Goodwill is not deductible for tax purposes.

### 3. INTANGIBLE ASSETS

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#### *Impairment assessment of Client Relationships*

As at March 31, 2016, the Company had finite life client relationships of \$27,869 (June 30, 2015 – \$31,293). During the three months ended March 31, 2016, amortization of client relationships was \$841 (March 31, 2015 – \$875) and \$169 (March 31, 2015 – \$nil) of the client relationship intangible was derecognized. During the nine months ended March 31, 2016, amortization of client relationships was \$2,561 (March 31, 2015 – \$2,333) and \$863 (March 31, 2015 – \$nil) of the client relationship intangible was derecognized. The Company determined that there were no indicators of impairment during the three and nine months ended March 31, 2016.

#### *Impairment assessment of Non-Compete Agreements, Technology and Customized Systems & Software*

As at March 31, 2016, the Company had finite life intangible assets comprised of non-compete agreements of \$700 (June 30, 2015 – \$857), technology of \$417 (June 30, 2015 – \$454) and customized systems and software of \$1,499 (June 30, 2015 – \$1,373). During the three months and nine months ended March 31, 2016, the Company purchased \$150 and \$244 in customized systems and software (March 31, 2015 – \$nil and \$121 respectively). During the three months ended March 31, 2016, amortization of these intangible assets was \$222 (March 31, 2015 – \$204). During the nine months ended March 31, 2016, amortization of these intangible assets was \$688 (March 31, 2015 – \$707). The Company determined that there were no indicators of impairment during the three and nine months ended March 31, 2016.

#### *Impairment assessment of Customized Systems & Software Under Construction*

As at March 31, 2016, intangible assets included \$nil in expenditures that have been capitalized in respect of development of systems or software not yet available for use by the Company (June 30, 2015 – \$376). The Company determined that there were no indicators of impairment during the three and nine months ended March 31, 2016.

## 4. GOODWILL

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As at March 31, 2016, the Company had goodwill of \$39,188 (June 30, 2015 – \$39,188) arising from the acquisition of Blair Franklin.

### *Impairment assessment of Goodwill*

The Company identified CGUs as individual client accounts, which were grouped together for goodwill impairment assessment and testing purposes. The group of CGUs is represented by the investment management services provided to all AUM, the sole operating segment of the Company. Operating segments of the Company are a separate but related concept under IFRS.

Goodwill is tested for impairment at least annually, which for the Company is during the fourth fiscal quarter of each year. During the first, second and third quarters, goodwill is assessed for indicators of impairment. During the three and nine months ended March 31, 2016, there were no indicators of impairment of goodwill for any of the Company's group of CGUs.

## 5. FINANCIAL INSTRUMENTS

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### *Fair Value Measurement*

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

	AS AT MAR 31, 2016	AS AT JUN 30, 2015
	LEVEL 2	LEVEL 2
<b>Financial assets</b>		
Short-term investments	\$36,990	\$ 21,987
Prepaid equity forward	<u>2,809</u>	<u>2,318</u>
<b>Total financial assets</b>	<u>\$ 39,799</u>	<u>\$24,305</u>

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 and nine months ended March 31, 2016 and June 30, 2015, there were no transfers between any of the fair value hierarchy levels and the Company did not hold any level 1 or level 3 financial instruments.

## 6. OTHER INCOME

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Details of other income are as follows:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
Gluskin Sheff research subscriptions	\$ 517	\$ 561	\$ 1,623	\$1,697
Interest income	71	81	132	346
Foreign exchange income	13	228	481	891
Other income	(3)	4	3	19
	<u>\$598</u>	<u>\$874</u>	<u>\$2,239</u>	<u>\$2,953</u>

The Company's other income includes income from the Gluskin Sheff research subscriptions of \$517 for the three months ended March 31, 2016 (March 31, 2015 – \$561) and \$1,623 for the nine months ended March 31, 2016 (March 31, 2015 – \$1,697). Related unearned income of \$495 (March 31, 2015 – \$602) is included in accounts payable and accrued liabilities.

## 7. RELATED PARTY TRANSACTIONS

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The Company has agreements to manage 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, the Company or an affiliate of the Company is the General Partner. Included in the Company's statement of income and comprehensive income for the three months ended March 31, 2016, are Performance Fees of \$29 (March 31, 2015 – \$1,700) and Base Management Fees of \$22,406 (March 31, 2015 – \$22,292) earned from the management of the Company's pooled fund vehicles. Included in the Company's statement of income and comprehensive income for the nine months ended March 31, 2016, are Performance Fees of \$32,971 (March 31, 2015 – \$44,824) and Base Management Fees of \$68,967 (March 31, 2015 – \$66,034) earned from the management of the Company's pooled fund vehicles.

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 March 31, 2016, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled \$828 (March 31, 2015 – \$880) and \$2,664 for the nine months ended March 31, 2016 (March 31, 2015 – \$2,697). 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 nine months ended March 31, 2016, is a one-time non-tax deductible amount of \$3.6 million (March 31, 2015 – \$nil) relating to a change in tax treatment of certain transactions related to two pooled funds. Included in Gluskin Sheff Research publication expenses in general and administrative expenses for the three and nine months ended March 31, 2016, is \$451 (March 31, 2015 – \$417) and \$1,217 (March 31, 2015 – \$1,270) respectively, due to an employee as part of a compensation arrangement related to the economic research subscriptions. The corresponding liability is included in accounts payable and accrued liabilities.

Included in the Company's accounts receivable as at March 31, 2016, is \$8,916 (June 30, 2015 – \$8,792) due from the Company's pooled fund vehicles, which represents the Company's maximum loss exposure from its interests in these vehicles.

Included in the Company's liabilities as at March 31, 2016, are post-retirement obligations of \$12,011 (June 30, 2015 – \$13,910) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 8.

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

## 8. POST-RETIREMENT OBLIGATIONS

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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. The agreement entitled each Co-Founder to a lump sum retirement payment of \$1,500 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. Mr. Gluskin's lump sum payment was made by the Company in January 2015 and Mr. Sheff's lump sum payment was made by the Company in July 2015. 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 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 1 bank in support of its obligations under the post-retirement agreement. As at March 31, 2016, \$3,000 (June 30, 2015 – \$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 3.3% (March 31, 2015 – 3.6%), an annual inflation assumption of 2.0% (March 31, 2015 – 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 (March 31, 2015 – Canadian Pensioner's 2014 Mortality Table with Scale B generational mortality improvement):

POST-RETIREMENT OBLIGATIONS	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
<b>Balance – Beginning of period</b>	\$ 12,149	\$14,683	\$ 13,910	\$14,423
Interest expense	97	130	293	390
Lump sum retirement payment	—	(1,500)	(1,500)	(1,500)
Payments	(235)	(113)	(692)	(113)
<b>Balance – End of period</b>	<u>\$ 12,011</u>	<u>\$13,200</u>	<u>\$ 12,011</u>	<u>\$13,200</u>
Comprised of:				
Current	\$ 1,017	\$ 2,369	\$ 1,017	\$ 2,369
Non-current	10,994	10,831	10,994	10,831
<b>Total post-retirement obligations</b>	<u>\$ 12,011</u>	<u>\$13,200</u>	<u>\$ 12,011</u>	<u>\$13,200</u>

### *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 7.4% \$ (919)
Impact of 1.0% decrease in the discount rate	Increase by 8.5% 1,048
Impact of 1.0% increase in Consumer Price Index	Increase by 5.3% 652
Impact of 1.0% decrease in Consumer Price Index	Decrease by 4.6% (569)
Impact of 1 year increase in life expectancy	Increase by 6.0% 737
Impact of 1 year decrease in life expectancy	Decrease by 5.9% (732)

## 9. SHARE CAPITAL

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### *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 2015, the Company received approval from the Toronto Stock Exchange (the “TSX”) to renew its normal course issuer bid (“NCIB”). Under the renewed NCIB, up to 1,584,531 of the Company’s Common Shares, or 5% of the Company’s issued and outstanding Common Shares as of January 31, 2015, may be repurchased over the twelve month period beginning February 11, 2015 and ending February 10, 2016. The number of Common Shares that can be repurchased pursuant to the NCIB is subject to a daily maximum of 20,560 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.

During the three months ended March 31, 2016, the Company repurchased and cancelled 56,200 (March 31, 2015 – nil) Common Shares under the NCIB for \$913, of which \$119 was removed from the stated value of the Common Shares and \$794 removed from retained earnings. During the nine months ended March 31, 2016, the Company repurchased and cancelled 487,885 (March 31, 2015 – nil) Common Shares under the NCIB for \$10,238, of which \$1,035 was removed from the stated value of the Common Shares and \$9,203 removed from retained earnings.

In February 2016, the Company received approval from the Toronto Stock Exchange (the “TSX”) to renew its normal course issuer bid (“NCIB”). Under the renewed NCIB, up to 1,802,128 of the Company’s Common Shares, or 10% of the Company’s public float as of January 31, 2016, may be repurchased over the twelve month period beginning February 11, 2016 and ending February 10, 2017. The number of Common Shares that can be repurchased pursuant to the NCIB is subject to a daily maximum of 18,832 Common Shares, subject to the Company’s ability to make purchases in accordance with the “block purchase exemption” of the TSX rules. Purchases are made at market prices through the facilities of the TSX. Common Shares purchased by the Company will be cancelled. A copy of the Notice of Intention filed with the TSX may be obtained, without charge, upon written request to the Company. During the three and nine months ended March 31, 2016, 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 March 31, 2016 and June 30, 2015.

As part of the acquisition of Blair Franklin Asset Management on August 1, 2014, 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.

<i>SHARE CAPITAL</i>	3 MONTHS ENDED			
	MAR 31, 2016		MAR 31, 2015	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
<b>BEGINNING OF PERIOD</b>				
Common Shares	<u>31,291</u>	<u>\$66,475</u>	<u>31,691</u>	<u>\$66,870</u>
<b>ACTIVITY DURING THE PERIOD</b>				
Exercise of stock options	—	—	—	—
Normal course issuer bid cancellations	<u>(57)</u>	<u>(119)</u>	<u>—</u>	<u>—</u>
	<u>(57)</u>	<u>\$ (119)</u>	<u>—</u>	<u>\$ —</u>
<b>END OF THE PERIOD</b>				
Common Shares	<u>31,234</u>	<u>\$66,356</u>	<u>31,691</u>	<u>\$66,870</u>

<i>SHARE CAPITAL</i>	9 MONTHS ENDED			
	MAR 31, 2016		MAR 31, 2015	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
<b>BEGINNING OF PERIOD</b>				
Common Shares	<u>31,693</u>	<u>\$66,949</u>	<u>29,723</u>	<u>\$ 17,635</u>
<b>ACTIVITY DURING THE PERIOD</b>				
Exercise of stock options	30	442	68	934
Issued from treasury	—	—	1,900	48,301
Normal course issuer bid cancellations	<u>(489)</u>	<u>(1,035)</u>	<u>—</u>	<u>—</u>
	<u>(459)</u>	<u>\$ (593)</u>	<u>1,968</u>	<u>\$ 49,235</u>
<b>END OF THE PERIOD</b>				
Common Shares	<u>31,234</u>	<u>\$ 66,356</u>	<u>31,691</u>	<u>\$66,870</u>

## 10. TREASURY STOCK

In relation to the Company's RSU plan, as described in note 11, 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 March 31, 2016, \$nil of treasury stock was acquired by the Trusts (March 31, 2015 – \$nil). During the nine months ended March 31, 2016, \$10,628 of treasury stock was acquired by the Trusts (March 31, 2015 – \$28,352).

TREASURY STOCK	3 MONTHS ENDED			
	MAR 31, 2016		MAR 31, 2015	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
Balance – Beginning of period	1,561	\$37,315	1,548	\$38,735
Treasury stock purchased	—	—	—	—
Treasury stock released	—	—	—	—
<b>Balance – End of period</b>	<b>1,561</b>	<b>\$37,315</b>	<b>1,548</b>	<b>\$38,735</b>

TREASURY STOCK	9 MONTHS ENDED			
	MAR 31, 2016		MAR 31, 2015	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
Balance – Beginning of period	1,573	\$39,424	797	\$15,277
Treasury stock purchased	490	10,628	1,008	28,352
Treasury stock released	(502)	(12,737)	(257)	(4,894)
<b>Balance – End of period</b>	<b>1,561</b>	<b>\$ 37,315</b>	<b>1,548</b>	<b>\$38,735</b>

## 11. 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 and nine months ended March 31, 2016 and 2015, 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 and nine months ended March 31, 2016, totaled \$3 and \$13 respectively (March 31, 2015 – \$(33) and \$47 respectively). During the three months ended March 31, 2016, no stock options were exercised (March 31, 2015 – nil). During the nine months ended March 31, 2016, 98,000 stock options were exercised (March 31, 2015 – 163,000).

STOCK OPTIONS	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2016		MAR 31, 2015		MAR 31, 2016		MAR 31, 2015	
	WEIGHTED AVERAGE OPTIONS (000's)	EXERCISE PRICE	WEIGHTED AVERAGE OPTIONS (000's)	EXERCISE PRICE	WEIGHTED AVERAGE OPTIONS (000's)	EXERCISE PRICE	WEIGHTED AVERAGE OPTIONS (000's)	EXERCISE PRICE
Balance – Beginning of period	177	\$19.36	305	\$18.10	275	\$ 18.15	468	\$17.40
Options exercised	—	—	—	—	(98)	15.98	(163)	16.10
Balance – End of period	<u>177</u>	<u>\$19.36</u>	<u>305</u>	<u>\$18.10</u>	<u>177</u>	<u>\$19.36</u>	<u>305</u>	<u>\$18.10</u>

RANGE OF EXERCISE PRICES	AS AT MAR 31, 2016					
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE	
\$10.00 – \$17.99	50	2.86	\$ 15.65	40	\$ 15.65	
\$18.00 – \$25.99	127	0.61	20.82	127	20.82	
	<u>177</u>	1.25	\$19.36	<u>167</u>	\$19.58	

AS AT JUN 30, 2015

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
		YEARS			
\$10.00 – \$17.99	148	3.06	\$ 15.87	108	\$ 15.87
\$18.00 – \$25.99	127	1.36	20.82	127	20.82
	<u>275</u>	2.28	\$ 18.15	<u>235</u>	\$ 18.55

### *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. 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 values 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 current assets in the balance sheet, with a Schedule 1 financial institution. The prepaid equity forward agreement ends on April 22, 2016 (the valuation date), on which date the Schedule 1 bank 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 March 31, 2016, the fair value of the prepaid equity forward was \$1,777 with 96,449 notional shares. During the third quarter of fiscal 2016 the Company entered into a second prepaid equity forward agreement, included in current assets in the balance sheet, with a Schedule 1 financial institution. The prepaid equity forward agreement ends on April 18, 2017 (the valuation date), on which date the Schedule 1 bank 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 55,000 shares, which is increased on each dividend payment date to reflect the dividends paid on the notional shares. As at March 31, 2016, the fair value of the prepaid equity forward was \$1,032 with 56,050 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.

During the three months ended March 31, 2016, there were no payments under this DSU plan (March 31, 2015 – \$nil). During the nine months ended March 31, 2016, \$585 in payments were made under this DSU plan (March 31, 2015 – \$nil). The Company recorded a negative DSU expense of \$61 during three months ended March 31, 2016 (March 31, 2015 – \$175), including a mark-to-market gain of \$294 (March 31, 2015 – loss \$102). The Company recorded a negative DSU expense of \$78 during nine months ended March 31, 2016 (March 31, 2015 – \$236 expense), including a mark-to-market gain of \$757 (March 31, 2015 – loss of \$481). As at March 31, 2016, a DSU liability of \$nil (June 30, 2015 – \$634) is included in current liabilities and \$2,429 (June 30, 2015 – \$2,459) is included in long-term liabilities in the Company's balance sheet. During the three and nine months ended March 31, 2016, the Company recorded a \$62 loss and a \$409 loss, respectively, (March 31, 2015 – \$13 loss and \$300 loss, respectively) on the prepaid equity forward.

DEFERRED SHARE UNITS (000's)	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
<b>Balance – Beginning of period</b>	119	105	123	89
Issued during period	12	10	34	26
Released during period	—	—	(26)	—
<b>Balance – End of period</b>	<u>131</u>	<u>115</u>	<u>131</u>	<u>115</u>

### *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.

During the three months ended March 31, 2016, the Company awarded \$545 (March 31, 2015 – \$1,282) of RSUs granted as dividends-in-kind for the aggregate amount of dividends that would have been paid if the RSUs had been Common Shares. During the nine months ended March 31, 2016, the Company awarded \$10,562 (March 31, 2015 – \$30,134) in RSUs to employees, plus \$1,346 (March 31, 2015 – \$2,461) 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. The RSU dividends-in-kind awarded were net of a \$4 reversal (March 31, 2015– nil) for prior period RSU dividends-in-kind grants forfeited due to an employee departure during the period.

The amortization related to RSUs that has been included in salaries and benefits expense during the three months ended March 31, 2016, was \$3,610 (March 31, 2015 – \$4,476). The amortization related to RSUs that has been included in salaries and benefits expense during the nine months ended March 31, 2016, was \$11,642 (March 31, 2015 – \$13,117). The RSU amortization recognized in the three and nine months ended March 31, 2016, was net of a \$2 reversal and \$31 reversal respectively of RSU amortization (March 31, 2015 – \$214) recognized in prior periods for RSUs forfeited due to an employee departure during the period.

No RSUs vested in the three months ended March 31, 2016, and 2015. During the nine months ended March 31, 2016, \$12,737 (March 31, 2015 – \$4,894) of RSUs vested and were settled with treasury stock held by the Trusts in the period.

RESTRICTED SHARE UNITS (000's)	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
<b>Balance – Beginning of period</b>	1,558	1,553	1,556	799
Issued during the period	30	46	536	1,057
Vested and settled during the period	—	—	(502)	(257)
Forfeited during the period	—	(10)	(2)	(10)
<b>Balance – End of period</b>	<u>1,588</u>	<u>1,589</u>	<u>1,588</u>	<u>1,589</u>

### *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 \$49 for the three months ended March 31, 2016 (March 31, 2015 – \$42) and \$151 for the nine months ended March 31, 2016 (March 31, 2015 – \$110), are included in the salaries and benefits expense.

### *Executive Loan Program*

The Executive Loan Program is designed to allow the next generation of Company leadership to accumulate meaningful equity positions in the Company to further

align their interests with those of the shareholders. The Company provides guarantees for full recourse loans made to eligible employees by a third party institution at market interest rates to acquire shares of the Company on the open market. The acquired shares serve as collateral against the executive loan. Where the executive loan principal outstanding exceeds the fair value of the collateral, management will assess the probability of default by the executive and other possible recourse from the executive's assets. Any corresponding liability is recognized in the Company's financial statements. As at March 31, 2016, the corresponding liability was \$nil (June 30, 2015 – \$nil).

As part of an agreement with the third party institution, the Company is required to hold a balance as restricted cash, which is a proportion of the outstanding executives' borrowings. The restricted cash balance fluctuates directly with changes in the outstanding executive loan balances and will become available upon reduction of the outstanding loan balances. As at March 31, 2016, \$1,424 of restricted cash (June 30, 2015 – \$1,424) is held in a segregated account in connection with this loan guarantee.

## 12. 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, including shares held in escrow but excluding shares held in the Trusts, 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 March 31:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015
<b>Numerator:</b>		
Net income attributable to shareholders	\$ 4,995	\$ 5,518
<b>Denominator (Number of shares in thousands):</b>		
Weighted average number of shares outstanding – basic	29,689	30,142
Weighted average number of stock options outstanding	15	99
Weighted average number of outstanding RSU	1,124	1,003
Weighted average number of shares outstanding – diluted	30,828	31,244
<b>Earnings per share</b>		
Basic	\$ 0.17	\$ 0.18
Diluted <sup>1</sup>	\$ 0.16	\$ 0.18

**Notes:**

- For the three months ended March 31, 2016, the computation of diluted earnings per share excluded 40,000 weighted-average options outstanding as the average market price exceeded their option price. All weighted-average RSUs outstanding were included in the computation of diluted earnings per share (March 31, 2015 – all weighted-average options and RSUs outstanding were included).

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

BASIC AND DILUTED EARNINGS PER SHARE	9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015
<b>Numerator:</b>		
Net income attributable to shareholders	\$30,986	\$40,145
<b>Denominator (Number of shares in thousands):</b>		
Weighted average number of shares outstanding – basic	29,912	30,321
Weighted average number of stock options outstanding	26	154
Weighted average number of outstanding RSU	1,116	1,068
Weighted average number of shares outstanding – diluted	31,054	31,543
<b>Earnings per share</b>		
Basic	\$ 1.04	\$ 1.32
Diluted <sup>1</sup>	\$ 1.00	\$ 1.27

**Notes:**

1. For the nine months ended March 31, 2016, the computation of diluted earnings per share excluded 40,000 weighted-average options outstanding and excluded 37,379 RSUs outstanding, as the average market price exceeded their option price (March 31, 2015 – all weighted-average options and RSUs outstanding were included).

### 13. 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.

For July 1, 2015, onwards, Gluskin Sheff + Associates Inc. is required to maintain minimum working capital levels of \$100, as a registration requirement under the Ontario Securities Act. For July 1, 2014, to June 30, 2015, Gluskin Sheff + Associates Inc. and Blair Franklin Asset Management Inc. were required to maintain minimum working capital levels of \$25 and \$100, respectively, as a registration requirement under the Ontario Securities Act. Throughout the three and nine months ended March 31, 2016 and 2015, working capital in excess of the requirements was maintained.

#### 14. INCOME TAXES

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

	3 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015
Income tax provision based on statutory income tax rate, 26.5% (2014 – 26.5%)	\$1,841	\$2,127
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	60	18
Dividends received from Trusts	145	338
Other	(95)	27
Income tax provision as reported, 28.09% (2015 – 31.26%)	<u>\$1,951</u>	<u>\$2,510</u>
	9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015
Income tax provision based on statutory income tax rate, 26.5% (2014 – 26.5%)	\$ 11,785	\$14,778
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	1,086	402
RSUs – differences between tax deductions and accounting estimates	193	22
Prior year's (over)/under provision	115	(140)
Dividends received from Trusts	351	507
Other	(44)	52
Income tax provision as reported, 30.32% (2014 – 28.01%)	<u>\$13,486</u>	<u>\$15,621</u>

The following table details the components of the Company's deferred income tax assets and liabilities as at March 31, 2016, and June 30, 2015:

	AS AT MAR 31, 2016	AS AT JUN 30, 2015
<b>Deferred income tax assets</b>		
Accrued and long term liabilities	\$ 761	\$ 954
Prepaid equity forward	235	128
Restricted share units	7,793	7,966
Restricted share units dividends-in-kind	1,140	1,223
Service fee payable	170	332
Post-retirement obligations	<u>3,183</u>	<u>3,686</u>
<b>Total deferred income tax assets</b>	<b><u>\$13,282</u></b>	<b><u>\$14,289</u></b>
<b>Deferred income tax liabilities</b>		
Acquired intangible assets	(7,681)	(8,640)
Property and equipment	<u>(835)</u>	<u>(882)</u>
<b>Total deferred income tax liabilities</b>	<b><u>\$(8,516)</u></b>	<b><u>\$(9,522)</u></b>
<b>Net deferred income tax assets</b>	<b><u>\$ 4,766</u></b>	<b><u>\$ 4,767</u></b>

As at March 31, 2016, the Company had \$1,707 (June 30, 2015 – \$1,707) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these financial statements. These capital losses do not have any expiry date.

## 15. SALARIES AND BENEFITS

Included in salaries and benefits expense for the three months ended March 31, 2016, are accrued cash bonuses of \$2,304 (March 31, 2015 – \$3,165), RSU amortization relating to prior fiscal years of \$3,360 (March 31, 2015 – \$4,178) and RSU amortization relating to the current fiscal year of \$250 (March 31, 2015 – \$298). Included in salaries and benefits expense for the nine months ended March 31, 2016, are accrued cash bonuses of \$17,261 (March 31, 2015 – \$22,807), RSU amortization relating to prior fiscal years of \$9,772 (March 31, 2015 – \$10,968) and RSU amortization relating to the current fiscal year of \$1,870 (March 31, 2015 – \$2,149).



## 16. CLIENT WEALTH MANAGEMENT

The following table presents the breakdown of client wealth management expenses by nature:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
Donations	\$ 365	\$ 357	\$ 1,063	\$ 922
Marketing	82	61	178	187
Travel	117	29	274	213
Promotion	180	184	547	607
	<u>\$744</u>	<u>\$631</u>	<u>\$2,062</u>	<u>\$1,929</u>

## 17. GENERAL AND ADMINISTRATIVE

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
Insurance	\$ 106	\$ 110	\$ 321	\$ 332
Systems development, infrastructure and licenses	1,136	796	3,503	2,324
Research data	653	279	1,895	711
Office services and telecommunications	508	466	1,485	1,463
Professional fees	789	266	1,531	433
Regulatory and public company fees	456	688	1,472	1,714
Sub-advisory fees and other fees	67	81	205	255
Gluskin Sheff Research publication expenses	474	437	1,314	1,336
Acquisition and integration costs	—	—	—	625
Net change in service fees and earn-out	21	42	(207)	10
Non-deductible tax adjustment	—	—	3,600	—
Other	853	289	1,708	674
	<u>\$5,063</u>	<u>\$3,454</u>	<u>\$16,827</u>	<u>\$9,877</u>

## 18. OCCUPANCY

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
Lease for premises	\$853	\$857	\$2,485	\$2,603
Lease termination costs	—	—	—	400
Premises maintenance	32	29	110	136
	<u>\$885</u>	<u>\$886</u>	<u>\$2,595</u>	<u>\$3,139</u>

## 19. DIVIDENDS

### *Dividends Declared and Paid*

The following dividends were declared and paid by the Company during the nine months ended March 31, 2016:

DIVIDENDS DECLARED AND PAID	RECORD DATE	PAYMENT DATE	DIVIDEND PER SHARE	TOTAL CASH DIVIDEND AMOUNT (\$000's)
June 30, 2015 – regular dividend Q <sub>4</sub> , 2015	September 28, 2015	October 8, 2015	\$ 0.225	\$ 6,763
June 30, 2015 – special dividend Q <sub>4</sub> , 2015	September 28, 2015	October 8, 2015	0.050	1,503
September 30, 2015 – regular dividend Q <sub>1</sub> , 2016	November 23, 2015	December 3, 2015	0.250	7,520
December 31, 2015 – regular dividend Q <sub>2</sub> , 2016	February 15, 2016	February 25, 2016	0.250	7,419
December 31, 2015 – special dividend Q <sub>2</sub> , 2016	February 15, 2015	February 25, 2016	0.100	2,967
<b>Total Dividends Declared and Paid</b>			<u>\$ 0.875</u>	<u>\$26,172</u>

Subsequent to quarter end, on May 12, 2016, the Company declared a regular dividend of \$0.25 per equity share for the quarter ended March 31, 2016. This dividend will be paid on June 3, 2016, to shareholders of record at the close of business on May 24, 2016.

The following dividends were declared and paid by the Company during the nine months ended March 31, 2015:

DIVIDENDS DECLARED AND PAID	RECORD DATE	PAYMENT DATE	TOTAL CASH DIVIDEND	
			DIVIDEND PER SHARE	AMOUNT (\$000's)
June 30, 2014 – regular dividend Q <sub>4</sub> , 2014	October 1, 2014	October 14, 2014	\$0.2000	\$ 6,165
June 30, 2014 – special dividend Q <sub>4</sub> , 2014	October 1, 2014	October 14, 2014	0.3500	10,789
September 30, 2014 – regular dividend Q <sub>1</sub> , 2015	November 17, 2014	November 28, 2014	0.2250	6,920
December 13, 2014 – regular dividend Q <sub>2</sub> , 2015	February 17, 2015	February 27, 2015	0.2250	6,782
December 13, 2014 – regular dividend Q <sub>2</sub> , 2015	February 17, 2015	February 27, 2015	<u>0.6000</u>	<u>18,085</u>
<b>Total Dividends Declared and Paid</b>			<u>\$ 1.6000</u>	<u>\$48,741</u>

On May 7, 2015, the Company declared a regular dividend of \$0.225 per equity share for the quarter ended March 31, 2015. These dividends were paid on May 29, 2015, to shareholders of record at the close of business on May 19, 2015.

## 20. WORKING CAPITAL

The following table presents the breakdown of the net change in working capital:

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2016	MAR 31, 2015	MAR 31, 2016	MAR 31, 2015
Accounts receivable	\$ 7,765	\$ 1,853	\$ 6,263	\$ 55,540
Prepaid expenses and other assets	(459)	(717)	(231)	(310)
Income tax recoverable	2,672	(3,360)	5,277	(3,116)
Accounts payable and accrued liabilities	(2,814)	486	1,818	(6,291)
Income tax payable	85	—	85	(24,726)
Accrued bonuses	2,294	584	(10,349)	(23,739)
Post-retirement obligation	(235)	(1,613)	(2,192)	(1,613)
Service fee and earn-out payable	(679)	(511)	(1,336)	(755)
	<u>\$ 8,629</u>	<u>\$ (3,278)</u>	<u>\$ (665)</u>	<u>\$ (5,010)</u>

## 21. CONTINGENCIES

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On March 17, 2016, the Company received a decision dated March 16, 2016, in the first phase of a private arbitration involving the Company and its Co-Founders, Ira Gluskin and Gerald Sheff, relating to a dispute under their transition and retirement agreements (the “Post-Retirement Agreements”).

The Post-Retirement Agreements provide each of Messrs. Gluskin and Sheff with certain benefits, prerequisites and entitlements continuing for life after their retirement dates. The Post-Retirement Agreements are more fully described in note 8.

The Post-Retirement Agreements provide for an “Additional Remedy” to Messrs. Gluskin and Sheff if either of them is of the view, acting reasonably, that the Company is in breach of certain of its obligations, which breach is not acknowledged and remedied by the Company in a timely manner once it is so advised, then Mr. Gluskin or Mr. Sheff may require the Company to fully discharge such obligations by paying an amount equal to 90% of the fair market value of the obligations, with such value to be determined either by agreement or by arbitration.

On March 16, 2016, an arbitrator determined that Messrs. Gluskin and Sheff held the view, acting reasonably, that the Company was in breach of certain obligations and therefore had, subject to certain legal positions of the Company, validly issued notices to exercise the “Additional Remedy”.

The Company considers the fair market value of the obligations at issue in the arbitration in the aggregate for both of Messrs. Gluskin and Sheff to be a maximum of \$12.0 million, this being the sum disclosed and fully provided for in the Company’s financial statements for the quarter ended March 31, 2016. The Company has recorded, and provided for in its quarterly and annual financial statements since 2009, the amounts it considers to be representative of the fair market value of all of these obligations and has done so on a consistent basis since 2009.

Pursuant to their notices exercising the Additional Remedy, Mr. Gluskin seeks payment of \$75 million while Mr. Sheff seeks \$110 million. A second phase of the arbitration has been scheduled to begin on December 12, 2016, to determine those legal positions and the amount, if any, payable to Messrs. Gluskin and/or Sheff. As the second phase of arbitration is only now entering its pre-hearing stages, no supporting evidence for those amounts has been provided. The Company intends to vigorously contest these amounts.

The Company will also assert legal positions which, if accepted, would substantially reduce, or eliminate, the amount of the Co-Founders’ claims.

## 22. FINANCIAL INSTRUMENT RISKS

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The Company’s financial instruments include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, dividends payable 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. 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 March 31, 2016 and June 30, 2015, there were no investments in equity 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 as a current asset on the balance sheet as at March 31, 2016, is \$2,809 (June 30, 2015 – \$2,318) related to the prepaid equity forward. Included in current liabilities and long-term liabilities on the balance sheet as at March 31, 2016, are \$nil and \$2,429, respectively, (June 30, 2015 – \$634 and \$2,459) in current and long-term liabilities related to DSUs. 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 increased net income before provision for income taxes by approximately \$299 (June 30, 2015 – decrease net income by \$611); because we have economically hedged the DSUs, if the Company's stock price decreased by 5%, this would have increased net income before provision for income taxes by \$271 (decrease net income by June 30, 2015 – \$552).

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

#### *(ii) Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the carrying value of financial instruments. As at March 31, 2016, the Company was subject to interest risk through some of its short-term investments. The Company's sensitivity to interest rates as determined based on portfolio weighted duration was not significant as at March 31, 2016, and June 30, 2015, since almost all investments in debt securities have a term to maturity of less than 90 days.

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

(iii) *Foreign Exchange Risk*

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds financial assets denominated in currencies other than the Canadian dollar. The Company is therefore exposed to foreign exchange risk, as the value of financial assets denominated in other currencies will fluctuate due to changes in foreign exchange rates. As at March 31, 2016 and June 30, 2015, there were no investments in securities owned and managed by the Company denominated in U.S. dollars. As at March 31, 2016, a total of \$136 (June 30, 2015 – \$3,233) of cash and \$235 (June 30, 2015 – \$5,442) of accounts receivable were denominated in U.S. dollars. As at March 31, 2016, 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 \$13 (June 30, 2015 – \$310). Conversely, had this foreign exchange rate decreased by 5%, this would have increased net income before provision for income taxes to approximately \$15 (June 30, 2015 – \$342).

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, 2015 and June 30, 2015, there were no corporate debt securities included in short-term investments. The Company's risk management strategy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer.

Also included in short-term investments are debt securities issued by the federal government and Canadian banks with credit ratings of AA or higher as at March 31, 2016, and June 30, 2015. 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 11, 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 March 31, 2016, and June 30, 2015, 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 March 31, 2016, and June 30, 2015. As a result credit risk is considered minimal.

As described in note 11, the Company has an agreement with a Schedule 1 bank, 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 1 Canadian bank with a credit rating of AA- as at March 31, 2016.

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 11. Financial liabilities as at March 31, 2016, totaled \$29,622 (June 30, 2015 – \$38,162), and included accounts payable and accrued liabilities (excluding deferred revenue), and accrued bonuses, with all amounts due within three months and long-term liabilities. 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 March 31, 2016, and June 30, 2015, 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.

## 23. SUBSEQUENT EVENTS

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In April 2016, the Company announced the pending retirement of Jeremy Freedman as President & Chief Executive Officer and a director of the Company effective June 30, 2016. Thomas MacMillan, the Chair of the Board, will be appointed Chief Executive Officer as of July 1, 2016. At that time, Nancy Lockhart will be appointed Lead Director

## 24. AUDITORS

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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 Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.



# *Board of Directors*

**PAUL BEESTON**

*Vice-Chair  
Chair of the Compensation  
Nominating and  
Governance Committee  
Audit and Risk Committee*

**Nancy H.O. LOCKHART**

*Compensation, Nominating and  
Governance Committee*

**V. ANN DAVIS**

*Chair of the Audit and Risk Committee*

**THOMAS C. MACMILLAN**

*Chair*

**JEREMY FREEDMAN**

*President & Chief Executive Officer  
Gluskin Sheff*

**HERBERT SOLWAY**

*Compensation, Nominating and  
Governance Committee*

**WILFRED GOBERT**

*Audit and Risk Committee*

**PIERRE-ANDRÉ THEMENS**

*Audit and Risk Committee*

**STEPHEN HALPERIN**

*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*

## **PETER MANN**

*Executive Vice-President, Co-Chief Investment Officer & Head of Equities*

## **PETER ZALTZ**

*Executive Vice-President, Co-Chief Investment Officer & Head of Fixed Income*

## **DAVID ROSENBERG**

*Chief Economist & Strategist*

## **AMY AUBIN**

*Chief Compliance Officer*

## **JEFF MOODY**

*Senior Executive Vice-President, Investments & Client Wealth Management*

## **JIM BANTIS**

*Executive Vice-President, Client Wealth Management*

## **JEANNINE LICHONG**

*Executive Vice-President & Portfolio Manager*



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