Gluskin
Sheff

First Quarter Results | 2017

three months ended September 30, 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

First Quarter Ended September 30, 2016

After one quarter as President & CEO of Gluskin Sheff, I am excited by the opportunities and challenges ahead and feel fortunate to be working with such an exceptional, supportive and dedicated team.

Assets Under Management (AUM) increased by $236 million to $8.5 billion as at September 30, 2016, up approximately 3% from June 30, 2016. The increase in AUM is attributable to positive net investment performance of $306 million, partially offset by net withdrawals of $70 million from high net worth clients.

Base Management Fees for the three months ended September 30, 2016, decreased to $26.7 million this quarter versus $27.0 million in the year ago quarter. Performance Fees were $1.3 million for the three months ended September 30, 2016, compared with $1.8 million in the year ago quarter.

Net income was $7.4 million and represented earnings per share, basic and diluted, of $0.25 and $0.24, respectively for the three months ended September 30, 2016. Net income was $7.2 million and represented earnings per share, basic and diluted, of $0.24 and $0.23, respectively for the three months ended September 30, 2015. The increase in net income was due to a decrease in total expenses, partially offset by lower performance fees and other income.

Base EBITDA was $12.4 million for the three months ended September 30, 2016, compared with $13.2 million in the year ago quarter due primarily to lower Base Management Fees and other income.

Periods of unusually calm and complacent markets, as we experienced during the summer, are often followed by heightened volatility. Valuations have become extended and macro risks are increasing ahead of the U.S. election and a possible rate increase by the U.S. Federal Reserve before year-end. While the majority of our portfolios enjoyed a strong quarter, capital preservation and defensive positioning will be our core focus in the final months of 2016.

We continue to attract industry leading talent to our team. Mark Grammer joined our Investment team in August as lead portfolio manager for the GS+A International Fund. Mark has spent over 25 years in the investment industry, most recently with Mackenzie Financial, where he was Senior Vice President, Investments and head of the Mackenzie Growth Team and lead manager of the Mackenzie Global Growth Fund and Mackenzie International Growth Fund. Notwithstanding a difficult start to the year for the International Fund, we expect it will continue to be an important component of our clients' asset mix. We're pleased to have Mark as a senior member of our investment team.

Let me reassure you that we will continue to work as a team collaboratively and diligently to provide the best level of service to our clients for the ultimate benefit of the shareholders.

THOMAS C. MACMILLAN
President & Chief Executive Officer
November 10, 2016

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended September 30, 2016, is provided as of November 10, 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 September 30, 2016, the audited annual consolidated financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the year ended June 30, 2016 and 2015, and the related MD&As, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless the context indicates or requires otherwise, the terms "Gluskin Sheff," "Company," "Firm," "we," "us" and "our" mean Gluskin Sheff + Associates Inc. and its subsidiaries. Unless otherwise indicated, all dollar amounts in this MD&A are expressed in Canadian dollars.

Financial results, including related historical comparatives, contained in this MD&A, unless otherwise specified herein, are based on the unaudited interim consolidated financial statements for the three months ended September 30, 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

This MD&A may contain forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would," "aim" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, global and domestic financial markets, the competitive industry environment, legislative and regulatory changes, technological developments, catastrophic events and other business risks. The reader is cautioned

against undue reliance on these forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, we cannot assure that actual results, performance or achievements will be consistent with such statements. The forward-looking statements are made as of the date of this MD&A and will only be updated or revised where required by applicable laws.

NON-IFRS FINANCIAL MEASURES

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

Assets Under Management

Any reference to Assets Under Management ("AUM") is only to our 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, less 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 and Founders' retirement obligation provision.

Adjusted EBITDA

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

Average AUM

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

Base Management Fee Percentage
Base Management Fee Percentage is calculated as the Base Management Fees for the period as a percentage of Average AUM for the period. Base Management Fees are driven by the level of AUM and the Base Management Fee Percentage. Therefore, Base Management Fee Percentage is a useful measure in understanding the amount of Base Management Fees earned during a period, and when comparing one period against another.

OVERVIEW

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

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of AUM, and Performance Fees, calculated annually as a percentage of the change in net asset values (net of Base Management Fees and other expenses) in each of our segregated accounts and private pooled fund vehicles above pre-specified rates of return, or rates of return adjusted for 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 compensation (which contain a bonus component that may fluctuate significantly based upon the overall performance of the Company and the amount of Performance Fees earned), client wealth management, general and administrative and occupancy expenses, as well as the amortization of property and equipment and amortization of intangible assets.

FINANCIAL HIGHLIGHTS

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

	3 MONTHS ENDED SEP 30, 2016	3 MONTHS ENDED SEP 30, 2015
ASSETS UNDER MANAGEMENT *($ in millions)*		
Assets Under Management – Beginning of period	$8,298	$8,516
Net withdrawals	(70)	(103)
Net investment performance	306	(180)
Assets Under Management – End of period	$8,534	$8,233

	3 MONTHS ENDED SEP 30, 2016	3 MONTHS ENDED SEP 30, 2015	$ CHANGE QTR-ON-QTR
INCOME STATEMENT INFORMATION			
Income			
Base management fees	$26,741	$27,017	$ (276)
Performance fees	1,310	1,806	(496)
Other income	542	1,028	(486)
Total Income	28,593	29,851	(1,258)
Total Expenses	18,065	19,468	(1,403)
Income before provision for income taxes	10,528	10,383	145
Provision for income taxes	3,164	3,157	7
Net income attributable to shareholders	$ 7,364	$ 7,226	$ 138
Basic earnings per share	$ 0.25	$ 0.24	$ 0.01
Diluted earnings per share	$ 0.24	$ 0.23	$ 0.01
SELECTED ADJUSTED FINANCIAL INFORMATION			
Base EBITDA	$12,441	$13,241	$ (800)
Adjusted EBITDA	$13,227	$14,327	$(1,100)

For the three months ended September 30, 2016:

- Net income was $7.4 million, and represented earnings per share, basic and diluted, of $0.25 and $0.24, respectively. Net income for the quarter ended September 30, 2015, was $7.2 million, and represented basic and diluted earnings per share of $0.24 and $0.23, respectively. Total revenues decreased $1.3 million and total expenses before tax decreased $1.4 million.
- AUM increased by $236 million to $8.5 billion as at September 30, 2016, up 2.8% from June 30, 2016. The increase in AUM is attributable to positive net investment performance of $306 million, partially offset by net withdrawals of $70 million from high net worth clients.
- AUM increased by $301 million to $8.5 billion as at September 30, 2016, up 3.7% from September 30, 2015. The increase in AUM is attributable to positive net investment performance of $446 million, partially offset by net withdrawals of $145 million. $111 million in net withdrawals were from high net worth clients and $34 million in net withdrawals were from institutional clients.

- Base Management Fees decreased to $26.7 million this quarter versus $27.0 million in the year ago quarter as the increase in Average AUM for the quarter to $8.5 billion from $8.4 billion for the same quarter last year was offset by the decrease in average Base Management Fee Percentage to 1.25% versus 1.28% for the same period last year.
- Performance Fees were $1.3 million, compared with $1.8 million in the year ago quarter.
- The decrease in total expenses of $1.4 million from the year-ago quarter is primarily due to partial recoveries of a charge recognized in the second quarter of fiscal 2016, relating to the tax treatment of certain transactions in two pooled funds, and lower bonus and RSU amortization. These decreases were partially offset by increases in legal fees related to the Founders' arbitration and other consulting fees.
- Base EBITDA was $12.4 million, compared with $13.2 million in the year ago quarter due primarily to the lower Base Management Fees and other income.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

Valuations continue to remain high across both the equity and debt markets, prompting our decision to position our portfolios more defensively as the last quarter came to a close. Capital preservation will be our core focus in the last months of 2016 as we navigate through a number of macroeconomic events that have the potential to increase market volatility, namely political events (U.S. election, Italian Referendum) and market events (December Fed Meeting, Deutsche Bank fine settlement).

Patience will be critical in waiting for the right entry level to redeploy cash balances, and these events may act as catalysts for better opportunities to deploy additional capital. Our investment process remains disciplined and consistent across our investment strategies, and we have confidence in our view on current valuations and our ability to maintain a nimble stance as we navigate through the fourth quarter and beyond.

We continue to employ a diversified asset mix including Canadian, U.S., and international equities along with income 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 SEP 30, 2016	AS AT JUN 30, 2016	AS AT SEP 30, 2015
BALANCE SHEET INFORMATION			
Total assets	$157,667	$168,913	$150,822

	3 MONTHS ENDED SEP 30, 2016	3 MONTHS ENDED SEP 30, 2015
INCOME STATEMENT INFORMATION		
Income		
Base management fees	$ 26,741	$ 27,017
Performance fees	1,310	1,806
Other income	542	1,028
	28,593	**29,851**
Expenses		
Operating expenses	(10,544)	(10,013)
Provision for cash bonus pool	(3,355)	(3,811)
Amortization of RSUs	(2,669)	(4,031)
Other amortization	(1,497)	(1,613)
	(18,065)	**(19,468)**
Income before provision for income taxes	**10,528**	**10,383**
Provision for income taxes	(3,164)	(3,157)
Net income attributable to shareholders	**7,364**	**7,226**
Other amortization	1,497	1,613
Provision for income taxes	3,164	3,157
EBITDA	**$ 12,025**	**$ 11,996**
Basic earnings per share	$ 0.25	$ 0.24
Diluted earnings per share	$ 0.24	$ 0.23
SELECTED ADJUSTED FINANCIAL INFORMATION		
EBITDA	**$ 12,025**	**$ 11,996**
Provision for cash bonus pool	3,355	3,811
Post-retirement obligations	—	98
Stock option expense	33	5
Founders' retirement obligation provision	94	—
EBITDA before compensation adjustment	**15,507**	**15,910**
Base cash bonus	(3,087)	(3,236)
Base RSU bonus	(757)	(795)
Amortization of RSUs	2,669	4,031
Special RSU award[1]	(581)	(863)
Performance fees	(1,310)	(1,806)
Base EBITDA	**12,441**	**13,241**
Performance fees	1,310	1,806
Performance fee cash bonus	(421)	(578)
Performance fee RSU bonus	(103)	(142)
Adjusted EBITDA	**$ 13,227**	**$ 14,327**

Notes:

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

RESULTS OF OPERATIONS

Overall Performance

For the three months ended September 30, 2016, the Company earned $0.25 and $0.24 per share, on a basic and diluted basis, respectively, compared with $0.24 and $0.23 per share, on a basic and diluted basis, respectively, for the same period last year as net income increased to $7.4 million from $7.2 million. Total revenues decreased $1.3 million and total expenses before tax decreased $1.4 million. Base EBITDA was $12.4 million for the three months ended September 30, 2016, compared with $13.2 million in the year ago quarter primarily due to lower Base Management Fees and other income.

Adjusted EBITDA for the three months ended September 30, 2016, decreased by $1.1 million to $13.2 million versus $14.3 million for the same period last year, due to a decrease in net Performance Fees (Performance Fees, net of related bonus expense) of $0.3 million and the $0.8 million decrease in Base EBITDA.

Income

Total income for the three months ended September 30, 2016, was $28.6 million versus $29.9 million in the year ago quarter.

Base Management Fees for the three months ended September 30, 2016, decreased year-over-year by $0.3 million or 1.0% to $26.7 million from $27.0 million as an increase in Average AUM of $0.1 billion to $8.5 billion was offset by the decrease in the average Base Management Fee Percentage to 1.25% from 1.28% as a result of asset mix changes.

Performance Fees for the three months ended September 30, 2016, decreased to $1.3 million from $1.8 million.

Other income for the three months ended September 30, 2016, was $0.5 million versus $1.0 million in the year ago quarter. The decrease in other income for the three months ended June 30, 2016, is due primarily to lower foreign exchange gains year-over-year.

Expenses

Total expenses for the three months ended September 30, 2016, decreased year-over-year by $1.4 million or 7.2% to $18.1 million from $19.5 million.

Compensation expense for the three months ended September 30, 2016, decreased year-over-year by $1.3 million to $12.2 million from $13.5 million primarily due to a decrease of $0.5 million in cash bonus expense and a decrease in RSU amortization of $1.3 million resulting from a decrease in amortization of prior period awards and from lower base business income. These decreases were partially offset by a $0.4 million increase in salaries due in part to salary increases and higher headcount and in part to severances in the quarter.

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 average percentage estimate for the cash component used in calculating the first fiscal quarter's bonus was 80% (September 30, 2015 – 80%).

Client wealth management expenses for the three months ended September 30, 2016, increased $0.1 million to $0.6 million from $0.5 million.

General and administrative expenses for the three months ended September 30, 2016, decreased year-over-year by $0.2 million to $3.7 million from $3.9 million primarily due to partial recoveries of $1.1 million of a charge recognized in the second quarter of fiscal 2016, relating to the tax treatment of certain transactions in two pooled funds. Partially offsetting this decrease were higher legal costs related to the Founders' arbitration, and higher consulting fees due to the consulting contract with the Company's former CEO.

Occupancy costs for the three months ended September 30, 2016, increased by $0.1 million to $0.9 million from $0.8 million year-over-year due to increases in property maintenance costs.

Amortization of property and equipment for the three months ended September 30, 2016, remained unchanged at $0.4 million.

Year-over-year, amortization of intangible assets for the three months ended September 30, 2016, decreased $0.1 million to $1.1 million from $1.2 million due to lower amortization and to lower derecognition costs related to client terminations.

Tax Rates

The Company's effective tax rate for the current quarter decreased to 30.0% from 30.4% in the same quarter last year due primarily to the partial recovery of a charge recognized in the second quarter of fiscal 2016, relating to the tax treatment of certain transactions in two pooled funds, partially offset by an increase in accounting expense and tax deduction differences arising from RSUs.

Accounts Receivable

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

Dividends

On September 15, 2016, the Company declared a regular dividend of $0.25 per equity share relating to the quarter ended June 30, 2016. This dividend was paid on October 7, 2016, to shareholders of record at the close of business on September 27, 2016.

On November 10, 2016, the Company declared a regular dividend of $0.25 per equity share relating to the quarter ended September 30, 2016. This dividend will be paid on November 30, 2016, to shareholders of record at the close of business on November 21, 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 September 30, 2016	$ 6.14	$8.12	$14.26
Declared – in the first quarter of fiscal 2017, paid October 7, 2016	0.25	—	0.25
Declared – in the second quarter of fiscal 2017, payable November 30, 2016	0.25	—	0.25
TOTAL PER EQUITY SHARE	**$6.64**	**$8.12**	**$14.76**

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 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	AS AT JUN 30, 2016	AS AT SEP 30, 2016
Assets Under Management *($ in millions)*	$ 8,220	$ 8,599	$ 8,516	$ 8,233	$ 8,307	$ 8,199	$ 8,298	$ 8,534

	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	3 MONTHS ENDED JUN 30, 2016	3 MONTHS ENDED SEP 30, 2016
INCOME STATEMENT INFORMATION								
Income								
Base management fees	$ 26,393	$26,465	$27,202	$27,017	$26,828	$ 25,587	$ 25,880	$26,741
Performance fees	41,953	1,400	10,412	1,806	31,198	34	1,048	1,310
Other income	904	874	603	1,028	613	598	500	542
	$69,250	$28,739	$38,217	$29,851	$58,639	$26,219	$27,428	$28,593
Net income	27,237	5,518	12,166	7,226	18,765	4,995	3,320	7,364
Base EBITDA	14,267	12,411	13,380	13,241	10,957	11,530	10,220	12,441
Adjusted EBITDA	39,249	13,246	19,615	14,327	29,454	11,553	10,847	13,227
Basic earnings per share	$ 0.89[1]	$ 0.18[1]	$ 0.40	$ 0.24	$ 0.63	$ 0.17	$ 0.11	$ 0.25
Diluted earnings per share	$ 0.86	$ 0.18	$ 0.39	$ 0.23	$ 0.61	$ 0.16	$ 0.11	$ 0.24

Notes:

1. *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 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 September 30, 2016
($ in millions of Canadian dollars)

Annualized Net Rates of Return[1]

Investment Strategies	Inception Date	AUM $	Calendar Year-to-Date[8]	1 Year %	3 Year %	5 Year %	10 Year %	Since Inception %
Equity[2]								
Premium Income[4]	Jul 2001	1,965	10.7	9.5	7.1	9.4	7.2	12.2
Canadian Equity[4]	Jan 1991	112	15.6	14.6	7.7	7.2	2.8	11.3
U.S. Equity Fund[5, 10]	Aug 2011	1,207	-0.6	3.5	14.4	16.3	—	17.2
U.S. Equity Fund II[10, 11]	Feb 1986	50	-4.0	0.8	13.4	15.8	7.2	9.8
International[3, 5]	Aug 2008	559	-8.2	-1.2	6.2	9.3	—	4.8
Growth[4]	Jul 1984	3	6.4	9.5	10.6	11.8	6.0	11.0
		3,896						
Equity Alternative[6]								
Multi-Strategy[5]	Jan 2009	120	-1.4	-0.9	2.8	3.1	—	3.1
Income Long/Short[3, 5]	Jul 2004	277	-1.6	-0.6	3.6	4.0	5.7	10.9
Focused Long/Short[3, 5]	Jan 2007	98	-0.8	-2.2	0.3	3.7	—	9.4
Enhanced Preferred Share Fund[5]	Jan 2016	87	—	—	—	—	—	7.3[12]
		582						
Fixed Income & Credit Alternative								
Tactical Fixed Income[7]	Jan 2013	1,334	5.7	5.5	3.7	—	—	3.7
Blair Franklin Global Credit Fund	Mar 2004	1,025	7.0	8.9	6.6	9.1	13.3[9]	12.4[9]
Enhanced Yield[3, 5]	Feb 2009	551	7.6	3.9	3.2	6.0	—	5.4
Credit Arbitrage[5]	Jan 2009	123	4.0	5.1	3.2	4.9	—	5.9
Enhanced Bond[5]	Dec 2008	256	2.8	3.5	3.3	4.5	—	5.3
		3,289						
Segregated Institutional & Special Mandates[13]		767						
Assets Under Management		8,534						

Notes:

1. *Past performance is not necessarily indicative of future returns. Performance is presented net of fees and expenses and assumes reinvestment of all dividends and income.*
2. *Where, for a particular portfolio model, we manage both a pooled fund and segregated accounts, we have measured the performance of whichever has been in operation the longest to represent the overall performance of the portfolio model. AUM reflects all Assets Under Management, both in pooled fund vehicles and segregated accounts.*
3. *The performance presented includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.*
4. *The returns presented for this strategy represent the returns of a composite of segregated portfolios. The returns of the associated fund are not included in the composite returns.*
5. *The returns presented are those of the GS+A fund, Series A.*
6. *The Multi-Strategy Fund and Multi-Strategy Trust are portfolios that invest in a combination of Gluskin Sheff's individual alternative long/short portfolios. As such, to avoid double-counting, AUM held within one of the aforementioned portfolios is excluded from the AUM figures provided for the underlying/individual long/short portfolios.*
7. *The returns presented are those of the GS+A Tactical Fixed Income Fund, Series A.*
8. *Calendar year-to-date returns are non-annualized.*
9. *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 10 year and since inception return since that time is 13.6%.*
10. *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.*
11. *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 2.1%.*
12. *Since inception return is non-annualized.*
13. *Includes Institutional Canadian Equity models ($315 million) and institutional mandates managed primarily in accordance with our Premium Income portfolio model ($236 million), our Growth portfolio model ($118 million), our Credit Arbitrage portfolio model ($40 million), and our Enhanced Yield Bond portfolio model ($6 million) and private client mandates managed primarily in accordance with a combination of our Canadian Equity and Premium Income portfolio models ($6 million), and other special mandates ($46 million). All numbers are approximate.*

CONTROLS AND PROCEDURES

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

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. If the ultimate cost of the outcome of the arbitration, as described in note 10 of the Company's unaudited interim consolidated financial statements, results in the Company's liquid assets being insufficient to fund its obligations, the Company would look to other financing alternatives such as debt or equity, or a combination thereof, to raise the necessary funds.

There are no significant regulatory capital requirements for the Company.

During the three months ended September 30, 2016, there were $0.1 million of acquisitions of property and equipment (September 30, 2015 – $0.1 million). During the three months ended September 30, 2016, there were no acquisitions of intangible assets related to systems development costs (September 30, 2015 – $0.1 million).

Other than the Founders' retirement obligation provision, 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, 2016.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 15 of the Company's September 30, 2016, unaudited interim consolidated financial statements.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

A summary of significant accounting policies underlying the financial statements is presented in note 1 of the Company's audited annual consolidated financial statements for the year ended June 30, 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

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 9 of the Company's unaudited interim consolidated financial statements. During the three months ended September 30, 2015, interest expense was recognized based on the estimated discount rate for fiscal 2016. The actuarial present value of the post-retirement obligations required estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions and was determined by a third-party actuary. The Company reclassified the post-retirement obligations and recognized a provision in the fourth quarter of fiscal 2016 in lieu of the post-retirement obligations.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and reimbursement is virtually certain, the reimbursement is recognized as a separate asset on the balance sheet, and the net amount is recorded in the statement of income and comprehensive income. Provisions, if any, are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed. As a result of a private arbitration involving the Company and its Co-Founders relating to a dispute under their transition and retirement agreements, described more fully in note 10 of the Company's unaudited interim consolidated financial statements for the three months ended September 30, 2016, a provision was recognized in the fourth quarter of fiscal 2016. The actuarial present value of the provision required estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions. A third-party actuary was engaged by the Company to compute the fiscal 2016 actuarial present value of the provision.

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
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.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, short-term investments, prepaid equity forward, restricted cash, accounts receivable, accounts payable and accrued liabilities and accrued bonuses. The carrying value of cash, 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. Prepaid equity forward agreements were entered into 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. The Company's original prepaid equity forward, entered into in the last quarter of fiscal 2014, ended on April 22, 2016. Upon maturity of the original prepaid equity forward, the notional shares were rolled into a new prepaid equity forward, with valuation upon maturity on April 21, 2021. A second prepaid equity forward was entered into in January 2016 with a valuation date of April 27, 2021. These prepaid equity forwards are included in non-current assets. Short-term investments, the prepaid equity forwards, and DSUs are recorded at fair value using quotations from independent third-party pricing sources.

At September 30, 2016, the Company held $38.8 million in cash (June 30, 2016 – $51.3 million), $nil in short-term investments (June 30, 2016 – $nil), $4.0 million in restricted cash (June 30, 2016 – $4.1 million), and $2.5 million in prepaid equity (June 30, 2016 – $2.6 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 income and unrealized gains or losses being recognized in other comprehensive income. The post-retirement obligations for fiscal 2015 and the Founders' retirement obligation provision for fiscal 2016 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 23 of the Company's September 30, 2016, unaudited interim consolidated financial statements for a more detailed analysis of risk exposures and sensitivity analyses for certain risks.

MANAGING RISKS

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

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

Risk factors related to the Company:

- Changes in the securities markets
- Poor investment performance
- Loss of key employees
- Changes in the investment management industry
- Competitive pressures
- Failure in our ability to manage risks in our portfolio models
- Rapid growth or decline in our AUM

- Litigation risks
- Employee errors or misconduct
- Failure to implement effective information security policies, procedures and capabilities
- Failure to implement effective and efficient technologies
- Failure to develop effective business resiliency plans and information technology recovery plans
- Failure to comply with government regulations
- Failure to maintain adequate insurance coverage on favourable economic terms

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

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

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

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

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

CORPORATE GOVERNANCE

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

The Board of Directors (the "Board") and the Company's management have designed our corporate governance policies and practices to ensure we are focused on our responsibilities to our stakeholders and on creating long-term shareholder value.

Our practices and policies comply with regulations and guidelines established by Canadian securities regulators. We continuously monitor all proposed new rules and modify our policies and practices to meet any additional requirements. The Company has adopted the following significant governance practices:

- As at September 30, 2016, the Board consisted of eight directors, seven of whom were independent. On November 10, 2016, with the retirement of Herbert Solway, the Board will consist of seven directors, six of whom are 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.
- Nancy H.O. Lockhart serves as the Lead Director 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 on a regular basis.
- 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, FCA, 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 M. Beeston, CM. This Committee is responsible for administering the Company's compensation policy, for evaluating and nominating qualified Company directors and for developing the Company's approach to corporate governance issues.

RELATED PARTY TRANSACTIONS

There were no changes to the nature and extent of related party transactions entered into by the Company in the three months ended September 30, 2016. For further information, refer to note 7 of the Company's September 30, 2016, unaudited interim consolidated financial statements.

SHARE CAPITAL

In February 2016, the Company received approval from 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 September 30, 2016, no Common Shares were repurchased under this authorization.

During the three months ended September 30, 2016, 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 13 to the unaudited interim consolidated financial statements for the three months ended September 30, 2016.

The number of outstanding stock options as at September 30, 2016, was 240,000, of which 130,000 were exercisable.

OTHER INFORMATION

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

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

($ in thousands of Canadian dollars)

	AS AT SEP 30, 2016	AS AT JUN 30, 2016
ASSETS		
Current assets		
Cash	$ 38,794	$ 51,333
Accounts receivable (note 7)	14,690	13,804
Income taxes receivable	10,377	3,429
Prepaid expenses and other assets	1,640	1,751
	65,501	**70,317**
Non-current assets		
Restricted cash (note 9 and 13)	4,032	4,080
Prepaid equity forward (note 5 and 13)	2,467	2,580
Property and equipment	17,588	17,931
Intangible assets (note 2 and 3)	27,703	28,800
Goodwill (note 2 and 4)	39,188	39,188
Deferred income taxes, net (note 16)	1,188	6,017
	92,166	**98,596**
Total assets	**$157,667**	**$168,913**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6, 7 and 13)	$ 17,481	$ 11,548
Dividend Payable	7,534	—
Accrued bonuses (note 17)	3,440	21,189
Service fee and earn-out payable (note 2 and 8)	1,013	1,218
Founders' retirement obligation provision (note 10)	11,857	12,164
	41,325	**46,119**
Non-current liabilities		
Long-term liabilities (note 13)	2,533	2,422
	2,533	**2,422**
	$ 43,858	**$ 48,541**
SHAREHOLDERS' EQUITY		
Share capital (note 11)	$ 66,356	$ 66,356
Treasury stock (note 12)	(24,511)	(37,315)
Contributed surplus	25,574	44,504
Retained earnings	49,854	50,291
Accumulated other comprehensive loss	(3,464)	(3,464)
	113,809	**120,372**
Total liabilities and shareholders' equity	**$157,667**	**$168,913**

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

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

	3 MONTHS ENDED SEP 30, 2016	3 MONTHS ENDED SEP 30, 2015
INCOME		
Base management fees (note 7)	$ 26,741	$ 27,017
Performance fees (note 7)	1,310	1,806
Other income (note 6)	542	1,028
	28,593	29,851
EXPENSES		
Compensation (note 9, 13 and 17)	12,241	13,529
Reimbursements from pooled funds (note 7)	(884)	(901)
Client wealth management (note 18)	618	524
General and administrative (note 7, 13 and 19)	3,694	3,894
Occupancy (note 20)	899	809
Amortization of property and equipment	400	428
Amortization and derecognition of intangible assets (note 2 and 3)	1,097	1,185
	18,065	19,468
Income before provision for income taxes	$ 10,528	$ 10,383
Provision for income taxes (note 16)		
Current income taxes	(852)	704
Deferred income taxes	4,016	2,453
	3,164	3,157
Net income attributable to shareholders	$ 7,364	$ 7,226
Net income attributable to shareholders per Common Share:		
Basic earnings per share (note 14)	$ 0.25	$ 0.24
Diluted earnings per share (note 14)	$ 0.24	$ 0.23

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

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

($ in thousands of Canadian dollars)

	3 MONTHS ENDED SEP 30, 2016					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period	**$ 66,356**	**$ (37,315)**	**$ 44,504**	**$ 50,291**	**$(3,464)**	**$120,372**
Net income attributable to shareholders	—	—	—	7,364	—	7,364
Amortization of restricted share units (note 13)	—	—	2,669	—	—	2,669
Amortization of stock options (note 13)	—	—	33	—	—	33
Purchase of treasury stock (note 12)	—	(8,280)	—	—	—	(8,280)
Vesting of restricted share units (note 12 and 13)	—	21,084	(21,084)	—	—	—
Deferred income tax for dividends-in-kind	—	—	(815)	—	—	(815)
Quarterly dividend (note 21)	—	—	267	(7,801)	—	(7,534)
End of period	**$ 66,356**	**$ (24,511)**	**$ 25,574**	**$49,854**	**$(3,464)**	**$113,809**

	3 MONTHS ENDED SEP 30, 2015					
	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period, adjusted	**$66,949**	**$(39,424)**	**$ 40,241**	**$ 60,521**	**$(3,464)**	**$124,823**
Net income attributable to shareholders	—	—	—	7,226	—	7,226
Amortization of restricted share units (note 13)	—	—	4,031	—	—	4,031
Amortization of stock options (note 13)	—	—	5	—	—	5
Purchase of treasury stock (note 12)	—	(8,890)	—	—	—	(8,890)
Exercise of stock options (note 11 and 13)	82	—	(82)	—	—	—
Repurchase of Common Shares (note 11)	(330)	—	—	(3,050)	—	(3,380)
Vesting of restricted share units (note 12 and 13)	—	12,737	(12,737)	—	—	—
Deferred income tax for dividends-in-kind	—	—	(333)	—	—	(333)
Special dividend (note 21)	—	—	76	(1,579)	—	(1,503)
Quarterly dividend (note 21)	—	—	343	(7,106)	—	(6,763)
End of period	**$ 66,701**	**$ (35,577)**	**$ 31,544**	**$56,012**	**$(3,464)**	**$ 115,216**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

($ in thousands of Canadian dollars)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED SEP 30, 2016	3 MONTHS ENDED SEP 30, 2015
OPERATING ACTIVITIES		
Net income attributable to shareholders for the period	$ 7,364	$ 7,226
Adjustments for restricted cash movement	48	—
Adjustments for non-cash items		
Amortization of property and equipment	400	428
Amortization and derecognition of intangible assets (note 3)	1,097	1,185
Change in unrealized foreign exchange gains on cash balances	2	(473)
Post-retirement obligations (note 9)	—	98
Founders' retirement obligation provision (note 10)	94	—
Deferred income taxes (note 16)	4,016	2,453
Deferred share units expense (note 13)	111	(405)
Amortization of restricted share units (note 13)	2,669	4,031
Stock option expense (note 13)	33	5
Interest income (note 6)	3	(46)
Change in unrealized loss on prepaid equity forward (note 13)	113	479
Cash provided by operating activities before changes in working capital items	**15,950**	**14,981**
Net change in working capital items (note 22)	(20,147)	(23,634)
Cash provided by operating activities	**(4,197)**	**(8,653)**
INVESTING ACTIVITIES		
Purchases of intangible assets (note 3)	—	(54)
Purchases of property and equipment	(57)	(58)
Purchases of short-term investments	(22,989)	(81,066)
Sales of short-term investments	22,989	81,955
Net interest received (note 6)	(3)	46
Cash used in investing activities	**(60)**	**823**
FINANCING ACTIVITIES		
Acquisition of treasury stock (note 12)	(8,280)	(8,890)
Repurchase of Common Shares (note 11)	—	(3,380)
Cash used in financing activities	**(8,280)**	**(12,270)**
Change in unrealized foreign exchange gains on cash balances	(2)	473
Increase (decrease) in cash during the period	**(12,539)**	**(19,627)**
Cash – beginning of period	**51,333**	**28,877**
Cash – end of period	**$ 38,794**	**$ 9,250**
Supplemental Information		
Interest paid	$ —	$ —
Income taxes paid	$ 6,096	$ 1,471

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

Notes to Unaudited Interim Consolidated Financial Statements

For the three months ended September 30, 2016 and 2015
($ in thousands in Canadian dollars, except per share amounts)

NATURE OF BUSINESS AND ORGANIZATION

Gluskin Sheff + Associates Inc. and its subsidiaries (collectively, the "Company") provides discretionary investment management services to high net worth private clients and institutional investors in Canada and abroad. The Company is an Ontario incorporated corporation and is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "GS". Its registered office is at Bay Adelaide Centre, 333 Bay Street, Suite 5100, Toronto, Ontario, M5H 2R2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim consolidated financial statements were prepared by management in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's audited annual consolidated financial statements for the year ended June 30, 2016. 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 September 30, 2016, were authorized for issue by a resolution of the Board of Directors on November 10, 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 annual 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 months ended September 30, 2016, the Company controlled the following entities:

- Gluskin Sheff + Associates (US) Inc.
- Blair Franklin Management Inc.
- Blair Franklin II Management Inc.
- FY2016 RSU Trust
- FY2015 RSU Trust
- FY2014 RSU Trust

During the three months ended September 30, 2015, the Company controlled the following entities:

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

Gluskin Sheff + Associates (US) Inc., a wholly-owned subsidiary of the Company, was incorporated on July 12, 2016, as a Delaware Corporation, with its head office located in Greenwich, Connecticut. Gluskin Sheff + Associates (US) Inc. is an advisor focusing on U.S. and international fixed income and preferred share investments in the primary and secondary markets. The firm may also advise on equity investments. The firm offers its services in a sub-advisory capacity to the Company. Gluskin Sheff + Associates (US) Inc.'s operations began October 1, 2016.

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 partners are wholly-owned by the Company.

The RSU plan is described in note 13. The RSU Trust, FY2014 RSU Trust, FY2015 RSU Trust and FY2016 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, August 20, 2015, and August 26, 2016, respectively, and the financial statements of the Trusts are prepared 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 9. During the three months ended September 30, 2015, interest expense was recognized based on the estimated discount rate for fiscal 2016. The actuarial present value of the post-retirement obligations required estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions and was determined by a third-party actuary. As described in note 9, the Company reclassified the post-retirement obligations and recognized a provision in the fourth quarter of fiscal 2016 in lieu of the post-retirement obligations.

(ii) *Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of

the expenditure is expected to be reimbursed by insurance or some other party, and reimbursement is virtually certain, the reimbursement is recognized as a separate asset on the balance sheet, and the net amount is recorded in the statement of income and comprehensive income. Provisions, if any, are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed. As a result of a private arbitration involving the Company and its Co-Founders relating to a dispute under their transition and retirement agreements, described more fully in note 10, a provision was recognized in the fourth quarter of fiscal 2016. The actuarial present value of the provision required estimates including discount rates, life expectancy, benefits, perquisites and annual inflation assumptions. A third-party actuary was engaged by the Company to compute the fiscal 2016 actuarial present value of the provision.

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

(iv) *Bonus Expense*
A portion of the bonus pool is paid in the form of RSUs and a portion is paid in cash. The ratio of bonuses to be paid in RSUs versus cash is dependent on the amount of the bonus awarded to each employee and increases with the size of the award. The total annual bonus amounts are not known until the end of the fiscal year. Therefore, the calculation of bonus expensed in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash versus RSUs. At the end of the fiscal year, the cash bonus expense is adjusted to reflect the actual ratio of bonuses to be paid in cash versus RSUs. RSUs granted in relation to bonus awards for a specified year are granted early in the fiscal year following the year to which the bonus relates. The cost of the RSUs are reflected in salaries and benefits using a graded vesting methodology over approximately four years, commencing at the beginning of the fiscal year to which the award relates.

(v) *Impairment of Goodwill and Intangible Assets*
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 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.

(vi) *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, 2016, 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 a 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

During the three months ended September 30, 2016, the Company made no acquisitions.

In fiscal 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. On July 1, 2015, the Company amalgamated BFAM Holdings Inc. and Blair Franklin Asset Management Inc. into Gluskin Sheff + Associates 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 and $48,301 in Common Shares issued. 712,500 of the Common Shares were issued to the sellers from treasury and were subject to a minimum one-year holding period by the sellers. The remaining 1,187,500 Common Shares were issued from treasury and were being held in a third-party escrow account for two years and were 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. On August 2, 2016, the escrowed shares were released and the claw-back was nil.

3. INTANGIBLE ASSETS

Impairment assessment of Client Relationships
As at September 30, 2016, the Company had client relationships intangible asset of $25,533 arising from its acquisition of Blair Franklin in fiscal 2014 (June 30, 2016 – $26,408). During the three months ended September 30, 2016, amortization of client relationships was $816 (September 30, 2015 – $862). The Company derecognized $58 (September 30, 2015 – $91) of the intangible asset relating to client relationships, for client relationships that had terminated during the period. The Company determined that there were no indicators of impairment in the client relationships and that none of the client relationships were impaired during the three months ended September 30, 2016.

Impairment assessment of Non-Compete Agreements, Technology and Customized Systems & Software
As at September 30, 2016, the Company had finite life intangible assets comprised of non-compete agreements of $595 arising from its acquisition of Blair Franklin in fiscal 2014 (June 30, 2016 – $647), technology of $392 (June 30, 2016 – $404) and customized systems and software of $1,183 (June 30, 2016 – $1,341). During the three months ended September 30, 2016 amortization of these intangible assets was $223 (September 30, 2015 – $232), The Company determined that there were no indicators of impairment and that none of these intangible assets were impaired during the three months ended September 30, 2016.

Impairment assessment of Customized Systems & Software Under Construction
As at September 30, 2016, there were no expenditures included in intangible assets for expenditures that have been capitalized in respect of development of systems or software not yet available for use by the Company (June 30, 2016 – $nil). The Company determined that there were no indicators of impairment and that none of these intangible assets were impaired during the three months ended September 30, 2016. The Company also performed a detailed review of capitalized system development costs to determine if any project had elements which will not be put into use. For the three months ended September 30, 2016, it was determined that all elements related to the capitalized system development costs will be put into use, therefore no capitalized costs were derecognized during the period.

4. GOODWILL

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

Impairment assessment of Goodwill
The Company identified cash-generating units (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 and are described in note 1. During the first, second and third quarters, goodwill is assessed for indicators of impairment. As at September 30, 2016, there were no indicators of impairment of goodwill for any of the Company's group of CGUs.

Goodwill is tested for impairment at least annually, which for the Company is during the fourth fiscal quarter of each year. There was no impairment determined for the group of CGUs during the current period. The recoverable amount of the group of CGUs was determined by comparing the market capitalization of the Company, as a proxy for fair value less costs of disposal , to the Company's net assets.

5. FINANCIAL INSTRUMENTS

Fair Value Measurement
As at September 30, 2016, and June 30, 2016, the Company held level 2 financial assets comprised of the prepaid equity forwards.

The fair value of the prepaid equity forwards are measured based on the share price of the Common Shares, adjusted to reflect the credit risk of the counterparty. The fair values of cash, accounts receivable, restricted cash, accounts payable and accrued liabilities and accrued bonuses approximate their carrying values due to their short-term nature.

During the three months ended September 30, 2016 and June 30, 2016, 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

Details of other income are as follows:

	3 MONTHS ENDED	
	SEP 30, 2016	SEP 30, 2015
Economic research subscriptions	$477	$ 522
Interest income	32	46
Foreign exchange income, net	2	473
Income from sublease	27	—
Other income (expenses)	4	(13)
	$542	**$1,028**

The Company's other income includes income from the Gluskin Sheff research subscriptions of $477 for the three months ended September 30, 2016 (September 30, 2015 – $522). Related unearned income of $880 (September 30, 2015 – $966) is included in accounts payable and accrued liabilities.

7. RELATED PARTY TRANSACTIONS

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. Included in the Company's statement of income and comprehensive income for the three months ended September 30, 2016, are Performance Fees of $1,299 (September 30, 2015 – $1,797) and Base Management Fees of $23,087 (September 30, 2015 – $23,253) 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 September 30, 2016, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled $884 (September 30, 2015 – $901). Expenses related to the operation of the pooled fund vehicles are included in: compensation, general and administrative, occupancy, amortization of property and equipment, and amortization of intangible assets.

Included in general and administrative expenses for the three months ended September 30, 2016, is a partial recovery of $1.1 million (September 30, 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 months ended September 30, 2016, is $358 (September 30, 2015 – $391), due to an employee as part of a compensation arrangement related to the economic research subscriptions. The corresponding liability is included in accounts payable and accrued liabilities.

Included in the Company's accounts receivable as at September 30, 2016, is $9,130 (September 30, 2015 – $8,952) due from the Company's pooled fund vehicles, which represents the Company's maximum loss exposure from its interests in these vehicles.

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

8. SERVICE FEE PAYABLE AND EARN-OUT PAYABLE

As part of the acquisition of Blair Franklin in fiscal 2014, net tangible assets acquired included $1,944 for a service fee payable and $1,729 for an earn-out payable.

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, represented 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 September 30, 2016, the service fee payable balance was $215 which is included in current liabilities in the Company's balance sheet (September 30, 2015 – $1,053; $849 in current liabilities and $204 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, represented 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 September 30, 2016, was $798 which is included in current liabilities in the Company's balance sheet (September 30, 2015 – $1,523; $770 in current liabilities and $753 in long-term liabilities).

9. POST-RETIREMENT OBLIGATIONS

During fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, that governs the terms of their arrangements with the Company following their departures from their respective roles as President & Chief Investment Officer and Chief Executive Officer. 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. In January 2012, the agreement was amended to include change of control provisions including an "Additional Remedy" available to Messrs. Gluskin and Sheff, as described in note 10. Such compensation was 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 September 30, 2016, $3,000 (June 30, 2016 – $3,000) of restricted cash is held in a segregated account, in connection with the terms of the letter of credit.

As described in note 10, Provisions, the post-retirement obligation was reclassified as a provision in the fourth quarter of fiscal 2016. Prior to reclassification of the post-retirement obligations, future changes in estimates resulted in amendments to the liability of the plan in the period in which the changes occurred.

During the three months ended September 30, 2015, the post-retirement obligations were determined using a discount rate of 3.3%, an annual inflation assumption of 2.0% in respect of certain non-fixed-rate benefits included in the transition agreement, and mortality rates based on the Canadian Pensioner's 2014 Mortality Table with Scale B generational mortality improvement. The following table outlines where the Company's post-retirement obligations amounts and activity

were included in the financial statements for the three months ended September 30, 2015, prior to reclassification as a provision:

POST-RETIREMENT OBLIGATIONS	3 MONTHS ENDED SEP 30, 2015
Balance – Beginning of period	**$13,910**
Interest expense	98
Lump sum retirement payment	(1,500)
Payments	(227)
Balance – End of period	**$12,281**
Comprised of:	
Current	$ 1,017
Non-current	11,264
Total post-retirement obligations	**$12,281**

10. PROVISIONS

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, perquisites and entitlements continuing for life after their retirement dates. The Post-Retirement Agreements are more fully described in note 9.

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.

As the Additional Remedy has been exercised, in lieu of the post-retirement obligations a provision of $12.2 million had been recognized representing the amount that the Company considers is payable in aggregate for both Messrs. Gluskin and Sheff on the exercise of the Additional Remedy. As at September 30, 2016, the amount that the Company considers is payable in aggregate is $11.9 million.

Pursuant to their notices exercising the Additional Remedy, Mr. Gluskin seeks payment of $75 million while Mr. Sheff seeks $110 million. The Company is vigorously contesting these amounts.

The Company is also asserting legal positions which, if accepted, would substantially reduce, or eliminate, the amount of the Co-Founders' claims.

The amount provided for in respect of this matter represents the amount that the Company considers to be payable; however, the outcome of the arbitration is not determinable and the ultimate cost could differ materially from the Company's estimate and the assumptions underlying it.

The following table outlines the continuity for the Founders' retirement obligation provision after reclassification from post-retirement obligations in the fourth quarter of fiscal 2016:

FOUNDERS' RETIREMENT OBLIGATION PROVISION	3 MONTHS ENDED JUN 30, 2016
Balance – Beginning of period	**$12,164**
Interest expense	94
Payments	(401)
Balance – End of period	**$ 11,857**

Fair Market Value was determined using a discount rate of 2.9%, an annual inflation assumption of 2.0% in respect of certain non-fixed-rate benefits included in the transition agreement, and mortality rates based on the Canadian Pensioner's 2014 Mortality Table with Scale B generational mortality improvement.

11. SHARE CAPITAL

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 2016, the Company received approval from the TSX to renew its 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 September 30, 2016, no Common Shares were repurchased under this authorization (September 30, 2015 – 155,612 Common Shares).

Shares Issued and Outstanding
Common Shares are non-redeemable and have no par value. No preference shares were outstanding as at September 30, 2016 and June 30, 2016.

	3 MONTHS ENDED			
	SEP 30, 2016		SEP 30, 2015	
SHARE CAPITAL	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
BEGINNING OF PERIOD				
Common Shares	31,234	$66,356	31,693	$66,949
ACTIVITY DURING THE PERIOD				
Exercise of stock options	—	—	6	82
Normal course issuer bid cancellations	—	—	(156)	(330)
	—	$ —	(150)	$ (248)
END OF THE PERIOD				
Common Shares	31,234	$66,356	31,543	$ 66,701

12. TREASURY STOCK

In relation to the Company's RSU plan, as described in note 13, the Company may acquire shares in the open market which will be held in Trusts for the benefit of the RSU participants to hedge the potential economic exposure that could arise on outstanding RSUs due to fluctuation in the Company's stock price. These shares are recorded as treasury stock and are not considered to be outstanding for the purposes of basic and diluted earnings per share calculations.

During the three months ended September 30, 2016, $8,280 of treasury stock was acquired by the Trusts (September 30, 2015 – $8,890).

	3 MONTHS ENDED			
	SEP 30, 2016		SEP 30, 2015	
TREASURY STOCK	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
Balance – Beginning of period	1,561	$ 37,315	1,573	$39,424
Treasury stock purchased	453	8,280	410	8,890
Treasury stock released	(916)	(21,084)	(502)	(12,737)
Balance – End of period	1,098	$ 24,511	1,481	$ 35,577

13. STOCK-BASED COMPENSATION PLANS

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

Stock Option Plan

The Company's Stock Option plan was established in May 2006. The exercise price of a stock option is determined as at the close of the business day before the stock option grant is approved by the Board of Directors. The expiry date of the stock options is seven years from the date of the grant. Stock options become exercisable over time at the rate of 20% of the total stock options granted on each anniversary of the grant date. The regular use of employee stock options as an element of annual compensation was discontinued in fiscal 2011, with the use of options limited to special circumstances only.

During the three months ended September 30, 2016, the Company issued 100,000 stock options to a participant as a signing bonus (September 30, 2015 – nil). The average fair value of options granted during the three months ended September 30, 2016, has been estimated at $2.41 per option using the Black-Scholes option pricing model. The assumptions used to determine the fair value of the options on the grant date include: (i) exercise price of $17.10; (ii) average risk-free interest rate of 0.69%; (iii) expected option life of 3 years; (iv) average expected volatility of 31.2%; and (v) expected dividend yield of 5.8%.

The expense related to stock options outstanding that has been included in compensation expense for employee stock options and general and administrative expense for director stock options during the three months ended September 30, 2016, was a total of $33 (September 30, 2015 – $5). During the three months ended September 30, 2016, 37,000 stock options expired and no stock options were exercised (September 30, 2015 – nil and 18,000 respectively).

	3 MONTHS ENDED			
	SEP 30, 2016		SEP 30, 2015	
STOCK OPTIONS	OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	**177**	**$19.36**	**275**	**$18.15**
Options Issued	100	17.10	–	–
Options exercised	–	–	(18)	15.59
Options expired	(37)	20.55	–	–
Balance – End of period	**240**	**$18.23**	**257**	**$18.33**

	AS AT SEP 30, 2016				
		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
$10.00 – $17.99	150	2.65	$16.62	40	$ 15.65
$18.00 – $25.99	90	0.15	20.93	90	20.93
	240	1.71	$ 18.23	130	$19.30

	AS AT SEP 30, 2015				
		OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
$10.00 – $17.99	130	3.20	$ 15.91	90	$ 15.93
$18.00 – $25.99	127	1.11	20.82	127	20.82
	257	2.17	$ 18.33	217	$ 18.79

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, the Company has entered into prepaid equity forward agreements, included in the balance sheet, with a Schedule 1 financial institution. At the agreement end date (the "valuation date"), the Schedule 1 financial institution will pay to the Company an amount equivalent to the notional amount of the shares using the volume-weighted average price of the Company's Common Shares for the five business days leading up to and including the valuation date. The initial notional amount of the prepaid

equity forward is increased on each dividend payment date to reflect the dividends paid on the 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 Company's original prepaid equity forward, entered in the last quarter of fiscal 2014, ended on April 22, 2016. The initial notional amount of the prepaid equity forward was 86,000 shares – on April 22, 2016, the notional shares were 96,440. Upon maturity of the initial prepaid equity forward, the notional shares were rolled into a new prepaid equity forward, with valuation upon maturity on April 21, 2021. In January 2016, a second prepaid equity forward agreement was entered into with a Schedule 1 financial institution with an initial 55,000 notional shares. This second prepaid equity forward agreement also has a valuation date of April 27, 2021. As at September 30, 2016, the fair value of these prepaid equity forwards was $2,467 with 154,795 notional shares, and is included in non-current assets. The change in the value of the prepaid equity forwards 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 September 30, 2016, the Company recorded a DSU expense of $111 (September 30, 2015 – $405 expense), including a mark-to-market gain of $106 (September 30, 2015 – gain of $633). As at September 30, 2016, a DSU liability of $2,533 (June 30, 2016 – $2,422) is included in long-term liabilities in the Company's balance sheet. During the three months ended September 30, 2016, the Company recorded a $113 loss (September 30, 2015 – $479 loss) on the prepaid equity forwards.

	3 MONTHS ENDED	
DEFERRED SHARE UNITS (000'S)	SEP 30, 2016	SEP 30, 2015
Balance – Beginning of period	**145**	**123**
Issued during period	11	10
Balance – End of period	**156**	**133**

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 September 30, 2016, the Company awarded $6,737 (September 30, 2015 – $10,562) in RSUs to employees, plus $267 (September 30, 2015 – $419) 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 amortization related to RSUs that has been included in compensation expense during the three months ended September 30, 2016, was $2,669 (September 30, 2015 – $4,031).

During the three months ended September 30, 2016, $21,084 (September 30, 2015 – $12,737) of RSUs vested and were settled with treasury stock held by the Trusts in the period.

	3 MONTHS ENDED	
RESTRICTED SHARE UNITS (000'S)	SEP 30, 2016	SEP 30, 2015
Balance – Beginning of period	**1,612**	**1,556**
Issued during the period	372	469
Vested and settled during the period	(916)	(502)
Balance – End of period	**1,068**	**1,523**

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 $48 for the three months ended September 30, 2016 (September 30, 2015 – $51), is included in the compensation expense.

Executive Loan Program

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

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

the outstanding loan balances. As at September 30, 2016, $1,032 of restricted cash (June 30, 2016 – $1,080) is held in a segregated account in connection with this loan guarantee.

14. 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 September 30:

	3 MONTHS ENDED	
BASIC AND DILUTED EARNINGS PER SHARE	SEP 30, 2016	SEP 30, 2015
Numerator:		
Net income attributable to shareholders	$ 7,364	$ 7,226
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	29,736	30,091
Weighted average number of stock options outstanding	5	58
Weighted average number of outstanding RSU	1,217	1,120
Weighted average number of outstanding DSU	146	122
Weighted average number of shares outstanding – diluted	31,104	31,391
Earnings per share		
Basic	$ 0.25	$ 0.24
Diluted[1]	$ 0.24	$ 0.23

Notes:

1. *For the three months ended September 30, 2016, the computation of diluted earnings per share excluded 211,380 weighted-average options outstanding as their option price exceeded the average market price of the Company's shares.(September 30, 2015 – all weighted-average options outstanding were included). For the three months ended September 30, 2016, the computation of diluted earnings per share excluded 64,702 RSUs outstanding. (September 30, 2015 – 71,323 excluded).*

15. 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. If the ultimate cost of the outcome of the arbitration described in note 10 results in the Company's liquid assets being insufficient to fund its obligations, the Company would look to other financing alternatives such as debt or equity or a combination thereof, to raise the necessary funds.

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. Throughout the three months ended September 30, 2016 and 2015, working capital in excess of the requirements was maintained.

16. INCOME TAXES

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

	3 MONTHS ENDED	
	SEP 30, 2016	SEP 30, 2015
Income tax provision based on statutory income tax rate, 26.5% (2016 – 26.5%)	**$2,790**	**$2,751**
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	55	30
Partial recovery of non-tax deductible adjustment (note 7)	(281)	—
RSUs – differences between tax deductions and accounting estimates	448	206
Dividends received from Trusts	117	108
Other	35	62
Income tax provision as reported, 30.0% (2016 – 30.4%)	**$ 3,164**	**$3,157**

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

	AS AT SEP 30, 2016	AS AT JUN 30, 2016
Deferred income tax assets		
Accrued and long term liabilities	$ 1,024	$ 759
Prepaid equity forward	55	25
Restricted share units	4,283	8,783
Restricted share units dividends-in-kind	430	1,245
Service fee payable	57	114
Donations	80	—
Founders' retirement obligation provision	3,142	3,223
Total deferred income tax assets	**$ 9,071**	**$14,149**
Deferred income tax liabilities		
Acquired intangible assets	(7,028)	(7,276)
Property and equipment	(855)	(856)
Total deferred income tax liabilities	**$(7,883)**	**$ (8,132)**
Net deferred income tax assets	**$ 1,188**	**$ 6,017**

As at September 30, 2016, the Company had $1,707 (June 30, 2016 – $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.

17. COMPENSATION

Included in compensation expense for the three months ended September 30, 2016, are accrued cash bonuses of $3,440 (September 30, 2015 – $3,742), RSU amortization relating to awards of prior fiscal years of $2,381 (September 30, 2015 – $3,719) and RSU amortization relating to awards of the current fiscal year of $288 (September 30, 2015 – $312).

18. CLIENT WEALTH MANAGEMENT

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

	3 MONTHS ENDED	
	SEP 30, 2016	SEP 30, 2015
Donations	$379	$346
Media and Marketing	28	36
Travel	82	70
Promotion	129	72
	$618	**$524**

19. GENERAL AND ADMINISTRATIVE

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

	3 MONTHS ENDED	
	SEP 30, 2016	SEP 30, 2015
Insurance	$ 105	$ 108
Systems development, infrastructure and licenses	1,131	1,125
Research data	615	566
Office services and telecommunications	441	459
Professional fees	570	257
Regulatory and public company fees	585	424
Sub-advisory fees and other fees	67	71
Gluskin Sheff Research publication expenses	377	436
Net change in service fees and earn-out	20	38
Non-tax deductible adjustment (note 7)	(1,062)	—
Net change in Founders' retirement obligation provision (note 10)	94	—
Other	751	410
	$ 3,694	**$3,894**

20. OCCUPANCY

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

	3 months ended	
	sep 30, 2016	sep 30, 2015
Lease for premises	$860	$ 759
Premises maintenance	39	50
	$899	$809

Effective July 1, 2016, the Company entered in to a lease agreement for a portion of the 49th floor in the Bay-Adelaide Centre in Toronto, Canada. The Company's head office currently occupies the 50th and 51st floors of this building. The space on the 49th floor is being sub-leased to a tenant for an amount equal to the Company's lease cost, including common and operating expenses, for this space. The income from the sub-lease is included in Other Income.

21. DIVIDENDS

Dividends Declared and Paid

The following dividends were declared by the Company during the three months ended September 30, 2016:

dividends declared and paid	record date	payment date	cash dividend per share	total dividend amount ($000's)
June 30, 2016 – regular dividend Q4, 2016	September 27, 2016	October 7, 2016	$0.25	$7,534
Total Dividends Declared			$0.25	$7,534

Subsequent to quarter end, on November 10, 2016, the Company declared a regular dividend of $0.25 per equity share for the quarter ended September 30, 2016. This dividend will be paid on November 30, 2016, to shareholders of record at the close of business on November 21, 2016.

The following dividends were declared and paid by the Company during the three months ended September 30, 2015:

DIVIDENDS DECLARED AND PAID	RECORD DATE	PAYMENT DATE	CASH DIVIDEND PER SHARE	TOTAL DIVIDEND AMOUNT ($000'S)
June 30, 2015 – regular dividend Q4, 2015	September 28, 2015	October 8, 2015	$ 0.225	$ 6,763
June 30, 2015 – special dividend Q4, 2015	September 28, 2015	October 8, 2015	0.050	1,503
Total Dividends Declared and Paid			**$ 0.275**	**$8,266**

22. WORKING CAPITAL

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

	3 MONTHS ENDED	
	SEP 30, 2016	SEP 30, 2015
Accounts receivable	$ (887)	$ 5,558
Prepaid expenses and other assets	110	(98)
Income tax recoverable	(6,948)	(767)
Accounts payable and accrued liabilities	5,933	(2,562)
Accrued bonuses	(17,749)	(23,862)
Post-retirement obligation	—	(1,727)
Founders' Retirement Obligation Provision	(401)	—
Service fee and earn-out payable	(205)	(176)
	$(20,147)	**$(23,634)**

23. FINANCIAL INSTRUMENT RISKS

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 September 30, 2016 and June 30, 2016, 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 forwards. Included as a non-current asset on the balance sheet as at September 30, 2016, is $2,467 (June 30, 2016 – $2,580) related to the prepaid equity forwards. Included in long-term liabilities on the balance sheet as at September 30, 2016, is $2,533 (June 30, 2016 – $2,422) related to DSUs. A portion of the DSUs have been economically hedged with the prepaid equity forwards. If the Company's stock price increased by 5%, this would have decreased net income before provision for income taxes by approximately $23 (June 30, 2016 – increase net income by $125); because we have economically hedged the DSUs, if the Company's stock price decreased by 5%, this would have decreased net income before provision for income taxes by $21 (June 30, 2016 – increase net income by $113).

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

(ii) *Interest Rate Risk*
Interest rate risk arises from the possibility that changes in interest rates will affect the carrying value of financial instruments. As at September 30, 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 September 30, 2016 and June 30, 2016. As of September 30, 2016 and June 30, 2016, there were no investments in debt securities.

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 September 30, 2016 and June 30, 2015, there were no investments in securities owned and managed by the Company denominated in U.S. dollars. As at September 30, 2016, a total of $153 (June 30, 2016 – $58) of cash and $135 (June 30, 2016 – $181) of accounts receivable were denominated in U.S. dollars. As at September 30, 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, 2016 – $7). 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, 2016 – $7).

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, 2016 and June 30, 2016, 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.

As described in note 13, under the Executive Loan program, loans are made to eligible employees by a third party institution to acquire equity positions in the Company. The Company is exposed to credit risk on its guarantee for full recourse of these loans. Credit risk is considered low as shares acquired by the eligible employees serve as collateral against the executive loan and as at September 30, 2016, and June 30, 2016, the fair value of the collateral exceeded the executive loan amounts. If the executive loan principal outstanding exceeds the fair value of the collateral, management will assess the probability of default by the executive and possible recourse from the executive's assets. As part of an agreement with the third party institution, the Company is required to hold a balance as restricted cash, which is a proportion of the outstanding executives' borrowings. The restricted cash balance was held at a Canadian bank with a credit rating of AA- as at September 30, 2016, and June 30, 2016. As a result credit risk is considered minimal.

As described in note 13, the Company has an agreement with a Schedule 1 bank, which serves as the counterparty for prepaid equity forwards 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 September 30, 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 maintains sufficient levels of liquid assets to meet its operational obligations as they come due. The current assets reflected in the balance sheets are highly liquid. If the ultimate cost of the outcome of the arbitration described in note 10 results in the Company's liquid assets being insufficient to fund its obligations, the Company would look to other financing alternatives such as debt or equity or a combination thereof to raise the necessary funds.

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 13. Financial liabilities as at September 30, 2016, totaled $22,573 (June 30, 2016 – $34,092), and included accounts payable and accrued liabilities (excluding deferred revenue), accrued bonuses, 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 September 30, 2016 and June 30, 2016, the Company did not hold investments in debt securities.

24. AUDITORS

The unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of Gluskin Sheff + Associates Inc.'s management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

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Nominating and
Governance Committee
Audit and Risk Committee

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

V. ANN DAVIS
Chair of the Audit and Risk Committee

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President & Chief Executive Officer
Gluskin Sheff

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