



Second Quarter Results | 2017
THREE MONTHS ENDED DECEMBER 31, 2016

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

Report to Shareholders

Second Quarter Ended December 31, 2016

Assets Under Management (AUM) increased by \$205 million to \$8.7 billion as at December 31, 2016, up 2.4% from September 30, 2016. The increase in AUM is attributable to positive net investment performance of \$210 million, partially offset by net withdrawals of \$5 million. Net withdrawals of \$7 million from high net worth clients were partially offset by net additions of \$2 million from institutional clients.

Base Management Fees for the three months ended December 31, 2016, decreased to \$26.6 million this quarter versus \$26.8 million in the year ago quarter. Performance Fees were \$37.4 million for the three months ended December 31, 2016, compared with \$31.2 million in the year ago quarter.

Net income was \$24.0 million and represented earnings per share, basic and diluted, of \$0.80 and \$0.78, respectively for the three months ended December 31, 2016. Net income was \$18.8 million and represented earnings per share, basic and diluted, of \$0.63 and \$0.61, respectively for the three months ended December 31, 2015. The increase in net income was due to an increase in performance fees, partially offset by lower Base Management Fees and other income.

Base EBITDA was \$10.8 million for the three months ended December 31, 2016, compared with \$11.0 million in the year ago quarter due primarily to lower Base Management Fees and other income.

Despite the current unsettled geopolitical environment, we feel a renewed sense of optimism as we look ahead to 2017. After a challenging start to 2016 for both the capital markets and certain of our strategies, we are pleased with the changes we made and the resulting investment performance, which has improved dramatically in recent quarters. Mark Grammer, who is managing the International Fund with great discipline and focus, has been a strong addition to our Investment team. Shifting client capital into our strategies focused on Canadian equities, high yield and investment grade bonds with low interest rate risk all proved beneficial. Our fixed income portfolios performed well throughout 2016, including the most recent quarter when interest rates began rising and traditional bond portfolios suffered significant declines.

Undoubtedly, 2017 will be another year with its share of volatility and surprises. While the new U.S. administration and the upcoming elections across Europe will introduce uncertainty, we will stay true to our investment process and finding value that lies beneath the veneer of the market indices – companies that are attractively priced within otherwise expensive markets in the later stages of the economic cycle. We believe our team's experience, emphasis on capital preservation and company-specific active portfolio construction give us and our clients an advantage in this environment.

We will continue to work as a team collaboratively and diligently to provide the best level of service and returns to our clients for the ultimate benefit of our shareholders.



THOMAS C. MACMILLAN

*President & Chief Executive Officer
February 13, 2017*

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for the three months ended December 31, 2016, is provided as of February 13, 2017. 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 December 31, 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 December 31, 2016. The Canadian dollar is our functional and reporting currency for purposes of preparing the Company's unaudited interim consolidated financial statements. Certain totals, subtotals and percentages may not reconcile due to rounding. Certain comparative figures have been reclassified to conform with the current period's presentation.

FORWARD-LOOKING STATEMENTS

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 contains 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 DEC 31, 2016	3 MONTHS ENDED DEC 31, 2015	6 MONTHS ENDED DEC 31, 2016	6 MONTHS ENDED DEC 31, 2015
ASSETS UNDER MANAGEMENT (\$ in millions)				
<i>Assets Under Management – Beginning of period</i>	\$ 8,534	\$ 8,233	\$ 8,298	\$ 8,516
Net withdrawals	(5)	(75)	(75)	(178)
Net investment performance	210	149	516	(31)
<i>Assets Under Management – End of period</i>	\$ 8,739	\$ 8,307	\$ 8,739	\$ 8,307

	3 MONTHS ENDED DEC 31, 2016	3 MONTHS ENDED DEC 31, 2015	\$ CHANGE QTR-ON-QTR	6 MONTHS ENDED DEC 31, 2016	6 MONTHS ENDED DEC 31, 2015	\$ CHANGE YR-ON-YR
INCOME STATEMENT INFORMATION						
Income						
Base management fees	\$ 26,612	\$ 26,828	\$ (216)	\$ 53,353	\$ 53,845	\$ (492)
Performance fees	37,431	31,198	6,233	38,741	33,004	5,737
Other income	539	613	(74)	1,081	1,641	(560)
Total Income	64,582	58,639	5,943	93,175	88,490	4,685
Total Expenses	31,693	31,496	197	49,758	50,964	(1,206)
Income before provision for income taxes	32,889	27,143	5,746	43,417	37,526	5,891
Provision for income taxes	8,885	8,378	507	12,049	11,535	514
Net income attributable to shareholders	\$ 24,004	\$ 18,765	\$ 5,239	\$ 31,368	\$ 25,991	\$ 5,377
Basic earnings per share	\$ 0.80	\$ 0.63	\$ 0.17	\$ 1.05	\$ 0.87	\$ 0.18
Diluted earnings per share	\$ 0.78	\$ 0.61	\$ 0.17	\$ 1.01	\$ 0.84	\$ 0.17

SELECTED ADJUSTED FINANCIAL INFORMATION

Base EBITDA	\$ 10,848	\$ 10,957	\$ (109)	\$ 23,289	\$ 24,198	\$ (909)
Adjusted EBITDA	\$ 33,236	\$ 29,454	\$ 3,782	\$ 46,463	\$ 43,781	\$ 2,682

For the three months ended December 31, 2016:

- Net income was \$24.0 million, and represented earnings per share, basic and diluted, of \$0.80 and \$0.78, respectively. Net income for the quarter ended December 31, 2015, was \$18.8 million, and represented basic and diluted earnings per share of \$0.63 and \$0.61, respectively. Total revenues increased \$5.9 million and total expenses before tax increased \$0.2 million.
- AUM increased by \$205 million to \$8.7 billion as at December 31, 2016, up 2.4% from September 30, 2016. The increase in AUM is attributable to positive net investment performance of \$210 million, partially offset by net withdrawals of \$5 million. Net withdrawals of \$7 million from high net worth clients were partially offset by net additions of \$2 million from institutional clients.
- Base Management Fees decreased to \$26.6 million this quarter versus \$26.8 million in the year ago quarter as the increase in Average AUM for the quarter to \$8.6 billion from \$8.4 billion for the same quarter last year was offset by the decrease in average Base Management Fee Percentage to 1.22% versus 1.27% for the same period last year.
- Performance Fees were \$37.4 million, compared with \$31.2 million in the year ago quarter.
- The increase in total expenses of \$0.2 million from the year-ago quarter is primarily due to an increase in accrued cash bonuses of \$3.1 million, an increase in professional fees related to the Founders' arbitration to \$1.9 million from \$0.4 million, and an increase in other consulting fees. These increases were partially offset by lower RSU amortization and the absence of a \$3.6 million charge relating to a change in the tax treatment of certain transactions in two pooled funds.

- Base EBITDA was \$10.8 million, compared with \$11.0 million in the year ago quarter due primarily to lower Base Management Fees and other income as an increase in base bonus expense was offset by a decrease in other operating expenses.

For the six months ended December 31, 2016:

- Net income was \$31.4 million, and represented earnings per share, basic and diluted, of \$1.05 and \$1.01, respectively. Net income for the six months ended December 31, 2015, was \$26.0 million, and represented basic and diluted earnings per share of \$0.87 and \$0.84, respectively. Total revenues increased \$4.7 million while total expenses before tax decreased \$1.2 million.
- AUM increased by \$441 million to \$8.7 billion as at December 31, 2016, up 5.3% from June 30, 2016. The increase in AUM is attributable to positive net investment performance of \$516 million, partially offset by net withdrawals of \$75 million. Net withdrawals of \$77 million from high net worth clients were partially offset by net additions of \$2 million from institutional clients.
- Base Management Fees decreased to \$53.4 million this period versus \$53.8 million in the year ago period as the increase in Average AUM for the period to \$8.6 billion from \$8.4 billion for the same period last year was offset by the decrease in average Base Management Fee Percentage to 1.23% versus 1.27% for the same period last year.
- Performance Fees were \$38.7 million, compared with \$33.0 million in the year ago period.
- The decrease in total expenses of \$1.2 million from the year-ago period is primarily due to the absence of a charge of \$3.6 million recognized in the second quarter of fiscal 2016, net of partial recoveries of \$1.1 million in the first quarter of fiscal 2017, relating to the tax treatment of certain transactions in two pooled funds, and lower RSU amortization. These decreases were partially offset by higher cash bonus expense, an increase of \$1.7 million in legal fees related to the Founders' arbitration and an increase in other consulting fees.
- Base EBITDA was \$23.3 million, compared with \$24.2 million in the year ago period due primarily to the lower Base Management Fees and other income as an increase in base bonus expense was offset by a decrease in other operating expenses.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

The fourth quarter of 2016 was a momentous one for financial markets, with rising bond yields, rising inflation expectations, cyclical stocks outperforming “safe” utilities and staples starting prior to the U.S. election and continuing in the aftermath. Our equity portfolios were positioned to take advantage of these themes. We also enjoyed significant outperformance in our fixed income portfolios by virtue of our positioning and hedging of interest rate risk. While traditional bond portfolios suffered as interest rates and yields rose post-election, our fixed income portfolios were unaffected and finished the quarter with positive performance across the board.

While we do not expect a significant acceleration of economic growth in the year ahead, we believe that an environment of increasing volatility will produce a variety of opportunities, particularly in relation to valuation. It is often said that valuation is not a catalyst, but when a new catalyst does emerge, valuation becomes of utmost importance.

Longer term, there are still multi-decade secular forces influencing the direction of the economy, and we believe that we are now in the late innings of the current economic cycle. We need to remain cautious and aware of this fact, but we also need to take advantage of the immediate opportunities that the markets present us. We are pleased to be seeing plenty of them.

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)

BALANCE SHEET INFORMATION	AS AT		AS AT	
	DEC 31, 2016	JUN 30, 2016	DEC 31, 2015	DEC 31, 2015
Total assets	\$ 178,935	\$ 168,913	\$ 168,113	
INCOME STATEMENT INFORMATION				
	3 MONTHS ENDED DEC 31, 2016	3 MONTHS ENDED DEC 31, 2015	6 MONTHS ENDED DEC 31, 2016	6 MONTHS ENDED DEC 31, 2015
Income				
Base management fees	\$ 26,612	\$ 26,828	\$ 53,353	\$ 53,845
Performance fees	37,431	31,198	38,741	33,004
Other income	539	613	1,081	1,641
	64,582	58,639	93,175	88,490
Expenses				
Operating expenses	(12,729)	(13,932)	(23,273)	(23,945)
Provision for cash bonus pool	(14,601)	(11,439)	(17,956)	(15,250)
Amortization of RSUs	(2,774)	(4,001)	(5,443)	(8,032)
Other amortization	(1,589)	(2,124)	(3,086)	(3,737)
	(31,693)	(31,496)	(49,758)	(50,964)
Income before provision for income taxes	32,889	27,143	43,417	37,526
Provision for income taxes	(8,885)	(8,378)	(12,049)	(11,535)
Net income attributable to shareholders	24,004	18,765	31,368	25,991
Other amortization	1,589	2,124	3,086	3,737
Provision for income taxes	8,885	8,378	12,049	11,535
EBITDA	\$ 34,478	\$ 29,267	\$ 46,503	\$ 41,263
Basic earnings per share	\$ 0.80	\$ 0.63	\$ 1.05	\$ 0.87
Diluted earnings per share	\$ 0.78	\$ 0.61	\$ 1.01	\$ 0.84
SELECTED ADJUSTED FINANCIAL INFORMATION				
EBITDA	\$ 34,478	\$ 29,267	\$ 46,503	\$ 41,263
Provision for cash bonus pool	14,601	11,439	17,956	15,250
Founders' related obligations	94	98	188	196
Stock option expense	39	5	72	10
EBITDA before compensation adjustment	49,212	40,809	64,719	56,719
Base cash bonus	(2,828)	(1,836)	(5,915)	(5,072)
Base RSU bonus	(879)	(819)	(1,636)	(1,614)
Amortization of RSUs	2,774	4,001	5,443	8,032
Special RSU award ¹	–	–	(581)	(863)
Performance fees	(37,431)	(31,198)	(38,741)	(33,004)
Base EBITDA	10,848	10,957	23,289	24,198
Performance fees	37,431	31,198	38,741	33,004
Performance fee cash bonus	(11,773)	(9,603)	(12,194)	(10,181)
Performance fee RSU bonus	(3,270)	(3,098)	(3,373)	(3,240)
Adjusted EBITDA	\$ 33,236	\$ 29,454	\$ 46,463	\$ 43,781

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 December 31, 2016, the Company earned \$0.80 and \$0.78 per share, on a basic and diluted basis, respectively, compared with \$0.63 and \$0.61 per share, on a basic and diluted basis, respectively, for the same period last year as net income increased to \$24.0 million from \$18.8 million. The increase in net income was due to an increase in total revenues of \$5.9 million, partially offset by an increase in total expenses of \$0.2 million.

Base EBITDA was \$10.8 million for the three months ended December 31, 2016, compared with \$11.0 million in the year ago quarter primarily due to lower Base Management Fees and other income as an increase in base bonus expense was offset by a decrease in other operating expenses.

Adjusted EBITDA for the three months ended December 31, 2016, increased by \$3.8 million to \$33.2 million versus \$29.5 million for the same period last year, due to an increase in net Performance Fees (Performance Fees, net of related bonus expense) of \$4.0 million and the \$0.2 million decrease in Base EBITDA.

For the six months ended December 31, 2016, the Company earned \$1.05 and \$1.01 per share, on a basic and diluted basis, respectively, compared with \$0.87 and \$0.84 per share, on a basic and diluted basis, respectively, for the same period last year as net income increased to \$31.4 million from \$26.0 million. The increase in net income was due to an increase in total revenues of \$4.7 million and decrease in total expenses before tax of \$1.2 million.

Base EBITDA was \$23.3 million for the six months ended December 31, 2016, compared with \$24.2 million in the year ago period primarily due to lower Base Management Fees and other income as an increase in base bonus expense was offset by a decrease in other operating expenses.

Adjusted EBITDA for the six months ended December 31, 2016, increased by \$2.7 million to \$46.5 million versus \$43.8 million for the same period last year, due to an increase in net Performance Fees (Performance Fees, net of related bonus expense) of \$3.6 million, partially offset by the \$0.9 million decrease in Base EBITDA.

Income

Total income for the three months ended December 31, 2016, was \$64.6 million versus \$58.6 million in the year ago quarter. Total income for the six months ended December 31, 2016, was \$93.2 million versus \$88.5 million in the year ago period.

Base Management Fees for the three months ended December 31, 2016, decreased year-over-year by \$0.2 million or 0.8% to \$26.6 million from \$26.8 million as an increase in Average AUM of \$0.2 billion to \$8.6 billion was offset by the decrease in the average Base Management Fee Percentage to 1.22% from 1.27% as a result of asset mix changes. Base Management Fees for the six months ended December 31, 2016, decreased year-over-year by \$0.4 million or 0.9% to \$53.4 million from \$53.8 million as an increase in Average AUM of \$0.2 billion to \$8.6 billion was offset by the decrease in the average Base Management Fee Percentage to 1.23% from 1.27% as a result of asset mix changes.

Performance Fees for the three months ended December 31, 2016, increased to \$37.4 million from \$31.2 million. Performance Fees for the six months ended December 31, 2016, increased to \$38.7 million from \$33.0 million.

Other income for the three months ended December 31, 2016, was \$0.5 million versus \$0.6 million in the year ago quarter. Other income for the six months ended December 31, 2016, was \$1.1 million versus \$1.6 million in the year ago period. The decrease in other income for the three and six months ended December 31, 2016, is due primarily to foreign exchange losses on our U.S. denominated cash and accounts receivable balances year-over-year.

Expenses

Total expenses for the three months ended December 31, 2016, increased year-over-year by \$0.2 million or 0.6% to \$31.7 million from \$31.5 million. Total expenses for the six months ended December 31, 2016, decreased year-over-year by \$1.2 million or 2.4% to \$49.8 million from \$51.0 million.

Compensation expense for the three months ended December 31, 2016, increased year-over-year by \$1.7 million to \$22.8 million from \$21.1 million primarily due to an increase of \$3.1 million in cash bonus expense, partially offset by a decrease in RSU amortization of \$1.2 million resulting from a decrease in amortization of prior period awards.

Compensation expense for the six months ended December 31, 2016, increased year-over-year by \$0.4 million to \$35.0 million from \$34.6 million primarily due to an increase of \$2.7 million in cash bonus expense, partially offset by a decrease in RSU amortization of \$2.6 million resulting from a decrease in amortization of prior period awards.

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 six months bonus was 78% (December 31, 2015 – 75.5%).

Client wealth management expenses for the three and six months ended December 31, 2016, increased \$0.3 million to \$1.1 million from \$0.8 million, and increased \$0.4 million to \$1.7 million from \$1.3 million, respectively, due to higher levels of travel and promotion due to an increase in the number of client events held.

General and administrative expenses for the three months ended December 31, 2016, decreased year-over-year by \$1.3 million to \$6.2 million from \$7.5 million primarily due to the absence of a \$3.6 million tax 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 was an increase in professional fees related to the Founders' arbitration to \$1.9 million from \$0.4 million, and higher consulting fees due to the consulting contract with the Company's former CEO, entered into on July 1, 2016. General and administrative expenses for the six months ended December 31, 2016, decreased \$1.6 million to \$9.8 million from \$11.4 million due primarily to the absence of the tax charge previously described, net of \$1.1 million in partial recoveries in the first quarter of fiscal 2017. This decrease was partially offset by an increase of \$1.7 million in professional fees 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 December 31, 2016, remained unchanged at \$0.9 million year-over-year. Occupancy costs for the six months ended December 31, 2016, increased year-over-year to \$1.8 million from \$1.7 million.

Amortization of property and equipment and other intangible assets for the three months ended December 31, 2016, remained unchanged at \$0.6 million. Year-over-year, amortization of property and equipment and other intangible assets for the six months ended December 31, 2016, decreased \$0.1 million to \$1.1 million from \$1.2 million.

Year-over-year, amortization of acquired intangible assets decreased \$0.5 million and \$0.6 million in the three and six months ended December 31, 2016, respectively due to lower derecognition of client relationship intangible assets resulting from client terminations.

Tax Rates

The Company's effective tax rate for the current quarter decreased to 27.0% from 30.4% in the same quarter last year due primarily to the absence 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 December 31, 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 31, 2016. This dividend was paid on November 30, 2016, to shareholders of record at the close of business on November 21, 2016.

On February 13, 2017, the Company declared a regular dividend of \$0.25 per equity share relating to the quarter ended December 31, 2016. This dividend will be paid on March 2, 2017, to shareholders of record at the close of business on February 22, 2017.

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 December 31, 2016	\$ 6.64	\$ 8.12	\$ 14.76
Declared – in the third quarter of fiscal 2017, payable March 2, 2017	0.25	-	0.25
TOTAL PER EQUITY SHARE	\$ 6.89	\$ 8.12	\$ 15.01

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 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	AS AT DEC 31, 2016
Assets Under Management (\$ in millions)	\$ 8,599	\$ 8,516	\$ 8,233	\$ 8,307	\$ 8,199	\$ 8,298	\$ 8,534	\$ 8,739
	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	3 MONTHS ENDED DEC 31, 2016
INCOME STATEMENT INFORMATION								
Income								
Base management fees	\$ 26,465	\$ 27,202	\$ 27,017	\$ 26,828	\$ 25,587	\$ 25,880	\$ 26,741	\$ 26,612
Performance fees	1,400	10,412	1,806	31,198	34	1,048	1,310	37,431
Other income	874	603	1,028	613	598	500	542	539
	\$ 28,739	\$ 38,217	\$ 29,851	\$ 58,639	\$ 26,219	\$ 27,428	\$ 28,593	\$ 64,582
Net income	5,518	12,166	7,226	18,765	4,995	3,320	7,364	24,004
Base EBITDA	12,411	13,380	13,241	10,957	11,530	10,220	12,441	10,848
Adjusted EBITDA	13,246	19,615	14,327	29,454	11,553	10,847	13,227	33,236
Basic earnings per share	\$ 0.18 ¹	\$ 0.40	\$ 0.24	\$ 0.63	\$ 0.17	\$ 0.11	\$ 0.25	\$ 0.80
Diluted earnings per share	\$ 0.18	\$ 0.39	\$ 0.23	\$ 0.61	\$ 0.16	\$ 0.11	\$ 0.24	\$ 0.78

Notes:

- 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 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 December 31, 2016
(\$ in millions of Canadian dollars)

Annualized Net Rates of Return¹

INVESTMENT STRATEGIES	INCEPTION DATE	AUM \$	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity²							
Premium Income ⁴	JUL 2001	1,999	14.0	5.5	8.6	7.8	12.2
Canadian Equity ⁴	JAN 1991	110	19.7	7.3	7.5	2.2	11.3
U.S. Equity Fund ^{15,10}	AUG 2011	1,205	6.6	13.0	16.5	–	17.8
U.S. Equity Fund II ^{10,11}	FEB 1986	127	3.1	12.3	15.8	7.1	10.0
International ^{3,5}	AUG 2008	548	-8.1	3.5	9.0	–	4.7
Growth ⁴	JUL 1984	3	10.7	9.1	12.1	5.4	11.0
		3,992					
Equity Alternative⁶							
Multi-Strategy ⁵	JAN 2009	179	-0.6	1.3	3.6	–	3.2
Income Long/Short ^{3,5}	JUL 2004	90	-0.9	2.6	4.3	5.3	10.7
Focused Long/Short ^{3,5}	JAN 2007	81	0.3	-1.3	4.3	9.3	9.3
Enhanced Preferred Share Fund ⁵	JAN 2016	122	–	–	–	–	9.2 ¹²
		472					
Fixed Income & Credit Alternative							
Tactical Fixed Income ⁷	JAN 2013	1,392	7.5	3.5	–	–	3.9
Blair Franklin Global Credit Fund	MAR 2004	1,133	9.2	6.6	9.2	13.1 ⁹	12.3 ⁹
Enhanced Yield ^{13,5}	FEB 2009	538	8.9	3.0	5.3	–	5.9
Credit Arbitrage ⁵	JAN 2009	121	5.9	3.0	5.3	–	5.9
Enhanced Bond ⁵	DEC 2008	345	3.9	3.1	4.4	–	5.3
		3,529					
Segregated Institutional & Special Mandates¹³							
		746					
Assets Under Management							
		8,739					

Notes:

- Past performance is not necessarily indicative of future returns. Performance is presented net of fees and expenses and assumes reinvestment of all dividends and income.
- Where, for a particular portfolio model, we manage both a pooled fund and segregated accounts, we have measured the performance of whichever has been in operation the longest to represent the overall performance of the portfolio model. AUM reflects all Assets Under Management, both in pooled fund vehicles and segregated accounts.
- The performance presented includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.
- The returns presented for this strategy represent the returns of a composite of segregated portfolios. The returns of the associated fund are not included in the composite returns.
- The returns presented are those of the GS+A fund, Series A.
- The Multi-Strategy Fund and Multi-Strategy Trust are portfolios that invest in a combination of Gluskin Sheff's individual alternative long/short portfolios. As such, to avoid double-counting, AUM held within one of the aforementioned portfolios is excluded from the AUM figures provided for the underlying/individual long/short portfolios.
- The returns presented are those of the GS+A Tactical Fixed Income Fund, Series A.
- Calendar year-to-date returns are non-annualized.
- The 10 year and since inception annualized returns are for the Blair Franklin Global Credit Fund's inception date of March 1, 2004. As of March 1, 2006, the Blair Franklin Global Credit Fund's focus moved to fixed income and the annualized 10 year return since that time is 13.1% and the since inception return since that time is 13.5%.
- Effective July 1, 2015, the GS+A U.S. Premium Income Fund was renamed GS+A U.S. Equity Fund and the GS+A U.S. Equity Fund was renamed GS+A U.S. Equity Fund II. Certain changes were made to harmonize the investment strategies and objectives of these funds.
- Up to January 1, 2015, the returns presented are those of the composite of segregated portfolios following the U.S. Equity strategy. On January 1, 2015, the segregated accounts moved to the U.S. Premium Income strategy. On July 1, 2015, the strategy of GS+A U.S. Equity II was harmonized with that of GS+A U.S. Equity Fund, with no hedging of foreign currency. The return of the fund since July 1, 2015, is 6.8%.
- Since inception return is non-annualized.
- Includes Institutional Canadian Equity models (\$261 million) and institutional mandates managed primarily in accordance with our Premium Income portfolio model (\$253 million), our Growth portfolio model (\$123 million), our Credit Arbitrage portfolio model (\$43 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 (\$54 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. The Company’s Base Management Fees and current cash resources continue to be sufficient for ongoing operational needs. If required, the Company has identified other financing alternatives that could be utilized as a result of the outcome of the arbitration.

There are no significant regulatory capital requirements for the Company.

During the three months ended December 31, 2016, there were no significant acquisitions of property and equipment (December 31, 2015 - \$0.1 million). During the three months ended December 31, 2016, there were \$0.2 million acquisitions of intangible assets related to systems development costs (December 31, 2015 – \$nil).

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 and will be funded through cash provided by operating activities.

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, no debt 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 December 31, 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 unaudited interim consolidated financial statements for the three months ended December 31, 2016. Accounting policies are an integral part of our financial statements, which are prepared in accordance with IFRS. Understanding these policies is a key factor in understanding our reported results of operations and financial position. Certain critical accounting policies require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Due to their nature, estimates involve judgments based on available information. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements. Management has made the following critical accounting assumptions and estimates:

Post-Retirement Obligations

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 December 31, 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.

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 December 31, 2016, a provision was recognized in the fourth quarter of fiscal 2016 and represents the amount that the Company considers is payable in aggregate to the Founders on the exercise of the Additional Remedy and in respect of their entitlement under the Post-Retirement Agreements to each receive superannuation payments of \$250 per annum for life. 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 December 31, 2016, the Company held \$12.4 million in cash (June 30, 2016 – \$51.3 million), \$31.4 million in short-term investments (June 30, 2016 – \$nil), \$4.0 million in restricted cash (June 30, 2016 – \$4.1 million), and \$2.8 million in prepaid equity forwards (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 2016 and the Founders' retirement obligation provision for fiscal 2016 and fiscal 2017 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 December 31, 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 December 31, 2016, the Board consisted of seven directors, six of whom were independent. The independent directors are not employees of the Company or parties to material contracts with the Company and are only entitled to directors' fees. The Company believes that the size and composition of the Board are well suited to the circumstances of the Company.
- 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 December 31, 2016. For further information, refer to note 7 of the Company's December 31, 2016, unaudited interim consolidated financial statements.

SHARE CAPITAL

In February 2017, the Company received approval from the TSX to renew its Normal Course Issuer Bid (NCIB). Under the renewed NCIB, up to 2,739,018 of the Company's Common Shares, or 10% of the Company's public float as of January 31, 2017, may be repurchased over the twelve month period beginning February 16, 2017 and ending February 15, 2018. The number of Common Shares that can be repurchased pursuant to the NCIB is subject to a daily maximum of 19,842 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 or alternative Canadian trading systems. Common Shares purchased by the Company will be cancelled. A copy of the Notice of Intention filed with the TSX may be obtained, without charge, upon written request to the Company. During the three and six months ended December 31, 2016, no Common Shares were repurchased under this authorization.

During the three and six months ended December 31, 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 December 31, 2016.

The number of outstanding stock options as at December 31, 2016, was 150,000, of which 40,000 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 DEC 31, 2016	AS AT JUN 30, 2016
ASSETS		
Current assets		
Cash	\$ 12,383	\$ 51,333
Short-term investments (note 5)	31,421	–
Accounts receivable (note 7)	35,056	13,804
Income taxes receivable	6,954	3,429
Prepaid expenses and other assets	1,298	1,751
	<u>87,112</u>	<u>70,317</u>
Non-current assets		
Restricted cash (note 9 and 13)	4,032	4,080
Prepaid equity forwards (note 5 and 13)	2,786	2,580
Property and equipment	17,186	17,931
Intangible assets (note 2 and 3)	26,726	28,800
Goodwill (note 2 and 4)	39,188	39,188
Deferred income taxes, net (note 16)	1,905	6,017
	<u>91,823</u>	<u>98,596</u>
Total assets	<u>\$ 178,935</u>	<u>\$ 168,913</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6, 7 and 13)	\$ 12,927	\$ 11,548
Accrued bonuses (note 17)	17,761	21,189
Service fee and earn-out payable (note 2 and 8)	960	1,218
Founders' retirement obligation provision (note 10)	11,690	12,164
	<u>43,338</u>	<u>46,119</u>
Non-current liabilities		
Long-term liabilities (note 13)	2,433	2,422
	<u>2,433</u>	<u>2,422</u>
	<u>\$ 45,771</u>	<u>\$ 48,541</u>
SHAREHOLDERS' EQUITY		
Share capital (note 11)	\$ 66,356	\$ 66,356
Treasury stock (note 12)	(24,511)	(37,315)
Contributed surplus	28,731	44,504
Retained earnings	66,052	50,291
Accumulated other comprehensive loss	(3,464)	(3,464)
	<u>133,164</u>	<u>120,372</u>
Total liabilities and shareholders' equity	<u>\$ 178,935</u>	<u>\$ 168,913</u>

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 DEC 31, 2016	3 MONTHS ENDED DEC 31, 2015	6 MONTHS ENDED DEC 31, 2016	6 MONTHS ENDED DEC 31, 2015
INCOME				
Base management fees (note 7)	\$ 26,612	\$ 26,828	\$ 53,353	\$ 53,845
Performance fees (note 7)	37,431	31,198	38,741	33,004
Other income (note 6)	539	613	1,081	1,641
	<u>64,582</u>	<u>58,639</u>	<u>93,175</u>	<u>88,490</u>
EXPENSES				
Compensation (note 9, 13 and 17)	22,767	21,093	35,010	34,622
Reimbursements from pooled funds (note 7)	(875)	(897)	(1,759)	(1,799)
Client wealth management (note 18)	1,095	813	1,741	1,341
General and administrative (note 7, 13 and 19)	6,178	7,462	9,842	11,353
Occupancy (note 20)	939	901	1,838	1,710
Amortization of property and equipment	401	430	801	857
Amortization and derecognition of intangible assets (note 2 and 3)	1,188	1,694	2,285	2,880
	<u>31,693</u>	<u>31,496</u>	<u>49,758</u>	<u>50,964</u>
Income before provision for income taxes	\$ 32,889	\$ 27,143	\$ 43,417	\$ 37,526
Provision for income taxes (note 16)				
Current income taxes	9,531	9,470	8,679	10,174
Deferred income taxes	(646)	(1,092)	3,370	1,361
	<u>8,885</u>	<u>8,378</u>	<u>12,049</u>	<u>11,535</u>
Net income attributable to shareholders	\$ 24,004	\$ 18,765	\$ 31,368	\$ 25,991
Net income attributable to shareholders per Common Share:				
Basic earnings per share (note 14)	\$ 0.80	\$ 0.63	\$ 1.05	\$ 0.87
Diluted earnings per share (note 14)	\$ 0.78	\$ 0.61	\$ 1.01	\$ 0.84

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 DEC 31, 2016

	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period	\$ 66,356	\$ (24,511)	\$ 25,574	\$ 49,854	\$ (3,464)	\$ 113,809
Net income attributable to shareholders	–	–	–	24,004	–	24,004
Amortization of restricted share units (note 13)	–	–	2,774	–	–	2,774
Amortization of stock options (note 13)	–	–	39	–	–	39
Deferred income tax for dividends-in-kind	–	–	73	–	–	73
Quarterly dividend (note 21)	–	–	271	(7,806)	–	(7,535)
End of period	\$ 66,356	\$ (24,511)	\$ 28,731	\$ 66,052	\$ (3,464)	\$ 133,164

3 MONTHS ENDED DEC 31, 2015

	SHARE CAPITAL	TREASURY STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY
Beginning of period, adjusted	\$ 66,701	\$ (35,577)	\$ 31,544	\$ 56,012	\$ (3,464)	\$ 115,216
Net income attributable to shareholders	–	–	–	18,765	–	18,765
Amortization of restricted share units (note 13)	–	–	4,001	–	–	4,001
Amortization of stock options (note 13)	–	–	5	–	–	5
Purchase of treasury stock (note 12)	–	(1,738)	–	–	–	(1,738)
Exercise of stock options (note 11 and 13)	361	–	(361)	–	–	–
Repurchase of Common Shares (note 11)	(587)	–	–	(5,358)	–	(5,945)
Deferred income tax for dividends-in-kind	–	–	388	–	–	388
Special dividend (note 21)	–	–	(1)	–	–	(1)
Quarterly dividend (note 21)	–	–	383	(7,903)	–	(7,520)
End of period	\$ 66,475	\$ (37,315)	\$ 35,959	\$ 61,516	\$ (3,464)	\$ 123,171

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)

	6 MONTHS ENDED DEC 31, 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	–	–	–	31,368	–	31,368
Amortization of restricted share units (note 13)	–	–	5,443	–	–	5,443
Amortization of stock options (note 13)	–	–	72	–	–	72
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	–	–	(742)	–	–	(742)
Quarterly dividend (note 21)	–	–	538	(15,607)	–	(15,069)
End of period	\$ 66,356	\$ (24,511)	\$ 28,731	\$ 66,052	\$ (3,464)	\$ 133,164

	6 MONTHS ENDED DEC 31, 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	–	–	–	25,991	–	25,991
Amortization of restricted share units (note 13)	–	–	8,032	–	–	8,032
Amortization of stock options (note 13)	–	–	10	–	–	10
Purchase of treasury stock (note 12)	–	(10,628)	–	–	–	(10,628)
Exercise of stock options (note 11 and 13)	442	–	(442)	–	–	–
Repurchase of Common Shares (note 11)	(916)	–	–	(8,409)	–	(9,325)
Vesting of restricted share units (note 12 and 13)	–	12,737	(12,737)	–	–	–
Deferred income tax for dividends-in-kind	–	–	54	–	–	54
Special dividend (note 21)	–	–	75	(1,577)	–	(1,502)
Quarterly dividend (note 21)	–	–	726	(15,010)	–	(14,284)
End of period	\$ 66,475	\$ (37,315)	\$ 35,959	\$ 61,516	\$ (3,464)	\$ 123,171

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(\$ in thousands of Canadian dollars)

	3 MONTHS ENDED DEC 31, 2016	3 MONTHS ENDED DEC 31, 2015	6 MONTHS ENDED DEC 31, 2016	6 MONTHS ENDED DEC 31, 2015
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net income attributable to shareholders for the period	\$ 24,004	\$ 18,765	\$ 31,368	\$ 25,991
Adjustments for restricted cash movement	–	–	48	–
Adjustments for non-cash items				
Amortization of property and equipment	401	430	801	857
Amortization and derecognition of intangible assets (note 3)	1,188	1,694	2,285	2,880
Change in unrealized foreign exchange gains on cash balances	7	5	9	(468)
Post-retirement obligations (note 9)	–	98	–	196
Founders' retirement obligation provision (note 10)	94	–	188	–
Deferred income taxes (note 16)	(646)	(1,092)	3,370	1,361
Deferred share units expense (note 13)	457	388	568	(17)
Release of deferred share units (note 13)	–	(585)	–	(585)
Amortization of restricted share units (note 13)	2,774	4,001	5,443	8,032
Stock option expense (note 13)	39	5	72	10
Interest income (note 6)	3	(15)	6	(61)
Change in unrealized loss on prepaid equity forwards (note 13)	(319)	(132)	(206)	347
Cash provided by operating activities before changes in working capital items	28,002	23,562	43,952	38,543
Net change in working capital items (note 22)	(7,703)	14,340	(27,850)	(9,294)
Cash provided by operating activities	20,299	37,902	16,102	29,249
INVESTING ACTIVITIES				
Purchase of intangible assets (note 3)	(211)	(39)	(211)	(94)
Purchases of property and equipment	(14)	(54)	(71)	(111)
Sale of property and equipment	15	–	15	–
Purchases of short-term investments	(70,002)	(63,921)	(92,991)	(144,987)
Sales of short-term investments	38,581	49,656	61,570	131,611
Net interest received (note 6)	(3)	15	(6)	61
Cash used in investing activities	(31,634)	(14,343)	(31,694)	(13,520)
FINANCING ACTIVITIES				
Dividends paid (note 21)	(15,069)	(15,786)	(15,069)	(15,786)
Acquisition of treasury stock (note 12)	–	(1,738)	(8,280)	(10,628)
Repurchase of Common Shares (note 11)	–	(5,945)	–	(9,325)
Cash used in financing activities	(15,069)	(23,469)	(23,349)	(35,739)
Change in unrealized foreign exchange gains on cash balances	(7)	(5)	(9)	468
Increase (decrease) in cash during the period	(26,411)	85	(38,950)	(19,542)
Cash – beginning of period	38,794	9,250	51,333	28,877
Cash – end of period	\$ 12,383	\$ 9,335	\$ 12,383	\$ 9,335
Supplemental Information				
Interest paid	\$ –	\$ –	\$ –	\$ –
Income taxes paid	\$ 6,108	\$ 6,098	\$ 12,204	\$ 7,568

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

Notes to Unaudited Interim Consolidated Financial Statements

For the three and six months ended December 31, 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 and six months ended December 31, 2016, were authorized for issue by a resolution of the Board of Directors on February 13, 2017.

Basis of Presentation

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

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

Principles of Consolidation

The unaudited interim consolidated financial statements include the accounts of Gluskin Sheff + Associates Inc., any subsidiaries, other controlled entities, and trusts established for the participants of the Company’s Restricted Share Unit (“RSU”) Plan (the “Trusts”). Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

During the three and six months ended December 31, 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 and six months ended December 31, 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, and the results since this date are included in the unaudited interim consolidated financial statements for the three months ended December 31, 2016.

Blair Franklin Management Inc., which is wholly-owned by the Company, is the general partner of Blair Franklin Global Credit Fund LP. Until its dissolution in August 2016, Blair Franklin II Management Inc., which was wholly-owned by the Company, was the general partner of the Blair Franklin Global Rates Fund LP. Blair Franklin Global Rates Fund LP wound up in fiscal 2016.

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 December 31, 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 December 31, 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 December 31, 2016, the Company had client relationships intangible asset of \$24,566 arising from its acquisition of Blair Franklin in fiscal 2014 (June 30, 2016 - \$26,408). During the three months ended December 31, 2016, amortization of client relationships was \$812 (December 31, 2015 - \$859). The Company derecognized \$155 (December 31, 2015 - \$602) of the intangible asset relating to client relationships, for client relationships that had terminated during the period. During the six months ended December 31, 2016, amortization of client relationships was \$1,628 (December 31, 2015 - \$1,720) and \$213 (December 31, 2015 - \$694) of the client relationship intangible asset was derecognized. 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 and six months ended December 31, 2016.

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

As at December 31, 2016, the Company had finite life intangible assets comprised of non-compete agreements of \$543 arising from its acquisition of Blair Franklin in fiscal 2014 (June 30, 2016 - \$647), technology of \$379 (June 30, 2016 - \$404) and customized systems and software of \$1,026 (June 30, 2016- \$1,341). During the three months ended December 31, 2016 amortization of these intangible assets was \$222 (December 31, 2015 - \$233). During the six months ended December 31, 2016 amortization of these intangible assets was \$444 (December 31, 2015 - \$466). The Company determined that there were no indicators of impairment and that none of these intangible assets were impaired during the three and six months ended December 31, 2016.

Impairment assessment of Customized Systems & Software Under Construction

As at December 31, 2016, there were \$212 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 and six months ended December 31, 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 and six months ended December 31, 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 December 31, 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. 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 of the Company's audited annual consolidated financial statements for the year ended June 30, 2016. During the first, second and third quarters, goodwill is assessed for indicators of impairment. As at December 31, 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.

5. FINANCIAL INSTRUMENTS

Fair Value Measurement

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

	AS AT DEC 31, 2016	AS AT JUN 30, 2016
	LEVEL 2	LEVEL 2
Financial assets		
Short-term investments	\$ 31,421	\$ -
Prepaid equity forwards	2,786	2,580
Total financial assets	\$ 34,207	\$ 2,580

Short-term investments are measured at amortized cost which approximates fair value due to their short-term nature. The fair value of the prepaid equity 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 and six months ended December 31, 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		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Gluskin Sheff research subscriptions	\$ 477	\$ 584	\$ 955	\$ 1,106
Interest income	25	15	57	61
Foreign exchange income, net	(16)	(5)	(18)	468
Income from sublease	20	–	47	–
Other income (expenses)	33	19	40	6
	<u>\$ 539</u>	<u>\$ 613</u>	<u>\$ 1,081</u>	<u>\$ 1,641</u>

The Company's other income includes income from the Gluskin Sheff research subscriptions of \$477 for the three months ended December 31, 2016 (December 31, 2015 - \$584) and \$955 for the six months ended December 31, 2016 (December 31, 2015 - \$1,106). Related unearned income of \$649 (December 31, 2015 - \$673) 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 December 31, 2016, are Performance Fees of \$37,362 (December 31, 2015 - \$31,145) and Base Management Fees of \$22,955 (December 31, 2015 - \$23,308) earned from the management of the Company's pooled fund vehicles. Included in the Company's statement of income and comprehensive income for the six months ended December 31, 2016, are Performance Fees of \$38,661 (December 31, 2015 - \$32,942) and Base Management Fees of \$46,042 (December 31, 2015 - \$46,561) 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 December 31, 2016, reimbursement of certain operating expenses by the Company's pooled fund vehicles to the Company totaled \$875 (December 31, 2015 - \$897) and \$1,759 for the six months ended December 31, 2016 (December 31, 2015 - \$1,799). 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 Gluskin Sheff Research publication expenses in general and administrative expenses for the three and six months ended December 31, 2016, is \$391 (December 31, 2015 - \$404) and \$769 (December 31, 2015 - \$840) respectively, due to an employee as part of a compensation arrangement related to the economic research subscriptions. The corresponding liability is included in accounts payable and accrued liabilities. Included in general and administrative expenses for the six months ended December 31, 2016, is a partial recovery of \$1,062 (December 31, 2015 - \$nil) relating to a change in tax treatment of certain transactions related to two pooled funds.

Included in the Company's accounts receivable as at December 31, 2016, is \$30,721 (December 31, 2015 - \$15,906) due from the Company's pooled fund vehicles for Base Management Fees, Performance Fees and reimbursement for certain operating expenses. If not collectible, this balance would represent 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 December 31, 2016, the service fee payable balance was \$nil in the Company's balance sheet (June 30, 2016 – \$431).

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. Changes in the estimated liability were accounted for in the statement of income and comprehensive income. The earn-out payable balance at December 31, 2016, was \$960 which is included in current liabilities in the Company's balance sheet (June 30, 2016 – \$787).

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 ("superannuation 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 I bank in support of its obligations under the post-retirement agreement. As at December 31, 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 and six months ended December 31, 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, prior to reclassification as a provision:

	3 MONTHS ENDED	6 MONTHS ENDED
	DEC 31, 2015	DEC 31, 2015
<i>Post-Retirement Obligations</i>		
Balance – Beginning of period	\$ 12,281	\$ 13,910
Interest expense	98	196
Lump sum retirement payment	–	(1,500)
Payments	(230)	(457)
Balance – End of period	\$ 12,149	\$ 12,149
Comprised of:		
Current	\$ 1,017	\$ 1,017
Non-current	11,132	11,132
Total post-retirement obligations	\$ 12,149	\$ 12,149

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, the 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 has 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 and in respect of their entitlement under the Post-Retirement Agreements to each receive superannuation payments of \$250 per annum for life. As at December 31, 2016, the amount that the Company considers is payable in aggregate is \$11.7 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:

<i>Founders' Retirement Obligation Provision</i>	3 MONTHS ENDED	6 MONTHS ENDED
	DEC 31, 2016	DEC 31, 2016
Balance – Beginning of period	\$ 11,857	\$ 12,164
Interest expense	94	188
Payments	(261)	(662)
Balance – End of period	<u>\$ 11,690</u>	<u>\$ 11,690</u>

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 and six months ended December 31, 2016, no Common Shares were repurchased under this authorization (December 31, 2015 – 276,073 Common Shares and 431,685 Common Shares, respectively).

Shares Issued and Outstanding

Common Shares are non-redeemable and have no par value. No preference shares were outstanding as at December 31, 2016 and June 30, 2016.

	3 MONTHS ENDED			
	DEC 31, 2016		DEC 31, 2015	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
<i>Share Capital</i>				
Beginning of Period				
Common Shares	31,234	\$ 66,356	31,543	\$ 66,701
Activity During the Period				
Exercise of stock options	–	–	24	361
Normal course issuer bid cancellations	–	–	(276)	(587)
	–	\$ –	(252)	\$ (226)
End of the Period				
Common Shares	31,234	\$ 66,356	31,291	\$ 66,475

	6 MONTHS ENDED			
	DEC 31, 2016		DEC 31, 2015	
	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
<i>Share Capital</i>				
Beginning of Period				
Common Shares	31,234	\$ 66,356	31,693	\$ 66,949
Activity During the Period				
Exercise of stock options	–	–	30	442
Normal course issuer bid cancellations	–	–	(432)	(916)
	–	\$ –	(402)	\$ (474)
End of the Period				
Common Shares	31,234	\$ 66,356	31,291	\$ 66,475

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 December 31, 2016, no treasury stock was acquired by the Trusts (December 31, 2015 – \$1,738). During the six months ended December 31, 2016, \$8,280 of treasury stock was acquired by the Trusts (December 31, 2015 – \$10,628).

During the three months ended December 31, 2016, no treasury stocks were released by the Trusts to settle vested RSUs. During the six month ended December 31, 2016, \$21,084 treasury stocks was released by the Trusts to settle vested RSUs (December 31, 2015 – \$12,737).

	3 MONTHS ENDED			
	DEC 31, 2016		DEC 31, 2015	
	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
<i>Treasury Stock</i>				
Balance – Beginning of period	1,098	\$ 24,511	1,481	\$ 35,577
Treasury stock purchased	–	–	80	1,738
Balance – End of period	1,098	\$ 24,511	1,561	\$ 37,315

	6 MONTHS ENDED			
	DEC 31, 2016		DEC 31, 2015	
	NUMBER OF SHARES (000'S)	STATED VALUE	NUMBER OF SHARES (000'S)	STATED VALUE
<i>Treasury Stock</i>				
Balance – Beginning of period	1,561	\$ 37,315	1,573	\$ 39,424
Treasury stock purchased	453	8,280	490	10,628
Treasury stock released	(916)	(21,084)	(502)	(12,737)
Balance – End of period	1,098	\$ 24,511	1,561	\$ 37,315

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 December 31, 2016, no stock options were issued. During the six months ended December 31, 2016, the Company issued 100,000 stock options to a participant as a signing bonus (December 31, 2015 – nil). The average fair value of options granted during the three months ended December 31, 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 and six months ended December 31, 2016, was a total of \$39 and \$72 respectively (December 31, 2015 – \$5 and \$10, respectively). During the three months ended December 31, 2016, 90,000 stock options expired and no stock options were exercised (December 31, 2015 – nil and 80,000, respectively). During the six months ended December 31, 2016, 127,000 stock options expired and no stock options were exercised (December 31, 2015 – nil and 98,000, respectively).

	3 MONTHS ENDED				6 MONTHS ENDED			
	DEC 31, 2016		DEC 31, 2015		DEC 31, 2016		DEC 31, 2015	
	OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
STOCK OPTIONS								
Balance – Beginning of period	240	\$ 18.23	257	\$ 18.33	177	\$ 19.36	275	\$ 18.15
Options Issued	–	–	–	–	100	17.10	–	–
Options exercised	–	–	(80)	16.07	–	–	(98)	15.98
Options expired	(90)	20.93	–	–	(127)	20.82	–	–
Balance – End of period	150	\$ 16.62	177	\$ 19.36	150	\$ 16.62	177	\$ 19.36

AS AT DEC 31, 2016

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000'S)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
\$10.00 – \$17.99	150	2.39	\$ 16.62	40	\$ 15.65
	150	2.39	\$ 16.62	40	\$ 15.65

AS AT DEC 31, 2015

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000'S)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000'S)	WEIGHTED AVERAGE EXERCISE PRICE
\$10.00 – \$17.99	50	3.11	\$ 15.65	30	\$ 15.65
\$18.00 – \$25.99	127	0.86	20.82	127	20.82
	177	1.50	\$ 19.36	157	\$ 19.83

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 I financial institution. At the agreement end date (the "valuation date"), the Schedule I financial institution will pay to the Company an amount equivalent to the notional amount of the shares using the volume-weighted average price of the Company's Common Shares for the five business days leading up to and including the valuation date. The initial notional amount of the prepaid equity forward is 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 I 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 December 31, 2016, the fair value of these prepaid equity forwards was \$2,786 with 159,735 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 and six months ended December 31, 2016, there were no payments under this DSU plan (December 31, 2015 - \$585). During the three months ended December 31, 2016, the Company recognized a DSU expense of \$457 (December 31, 2015 - \$388 expense), including a mark-to-market loss of \$245 (December 31, 2015 - loss of \$170). During the six months ended December 31, 2016, the Company recognized a DSU expense of \$568 (December 31, 2015 - \$17 income), including a mark-to-market loss of \$139 (December 31, 2015 - gain of \$463). As at December 31, 2016, a DSU

liability of \$557 (June 30, 2016 - \$nil) is included in current liabilities and \$2,433 (June 30, 2016 - \$2,422) is included in long-term liabilities in the Company's balance sheet. During the three and six months ended December 31, 2016, the Company recorded a \$318 gain and a \$206 gain, respectively (December 31, 2015 - \$132 gain and \$347 loss, respectively) on the prepaid equity forwards.

DEFERRED SHARE UNITS (000'S)	3 MONTHS ENDED		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Balance – Beginning of period	156	133	145	123
Issued during period	15	12	26	22
Released during period	–	(26)	–	(26)
Balance – End of period	171	119	171	119

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 and six months ended December 31, 2016, the Company awarded \$271 (December 31, 2015 – \$382) of RSUs granted as dividends-in-kind for the aggregate amount of dividends that would have been paid if the RSUs had been Common Shares. During the six months ended December 31, 2016, the Company awarded \$6,737 (December 31, 2015 – \$10,562) in RSUs to employees, plus \$538 (December 31, 2015 – \$801) 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 December 31, 2016, was \$2,774 (December 31, 2015 – \$4,001). The amortization related to RSUs that has been included in compensation expense during the six months ended December 31, 2016, was \$5,443 (December 31, 2015 – \$8,032). In the three and six months ended December 31, 2016 there were no reversals of RSU amortization recognized in prior periods for RSUs forfeited due to an employee departure during the period (December 31, 2015 - \$29).

No RSUs vested in the three months ended December 31, 2016, and 2015. During the six months ended December 31, 2016, \$21,084 (December 31, 2015 – \$12,737) of RSUs vested and were settled with treasury stock held by the Trusts in the period.

RESTRICTED SHARE UNITS (000'S)	3 MONTHS ENDED		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Balance – Beginning of period	1,068	1,523	1,612	1,556
Issued during the period	34	37	406	506
Vested and settled during the period	–	–	(916)	(502)
Forfeited during the period	–	(2)	–	(2)
Balance – End of period	1,102	1,558	1,102	1,558

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 December 31, 2016 (December 31, 2015 – \$51) and \$96 for the six months ended December 31, 2016 (December 31, 2015 - \$102), 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 December 31, 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 December 31, 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 December 31:

BASIC AND DILUTED EARNINGS PER SHARE	3 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015
Numerator:		
Net income attributable to shareholders	\$ 24,004	\$ 18,765
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	30,137	29,953
Weighted average number of stock options outstanding	1	28
Weighted average number of outstanding RSUs	680	963
Weighted average number of outstanding DSUs	160	123
Weighted average number of shares outstanding – diluted	30,978	31,067
Earnings per share		
Basic	\$ 0.80	\$ 0.63
Diluted ¹	\$ 0.78	\$ 0.61

Notes:

- For the three months ended December 31, 2016, the computation of diluted earnings per share excluded 100,000 weighted-average options outstanding as their option price exceeded the average market price of the Company's shares (December 31, 2015 – all weighted-average options outstanding were included). For the three months ended December 31, 2016, the computation of diluted earnings per share included all RSUs outstanding, on a weighted-average basis (December 31, 2015 – all RSUs outstanding, on a weighted-average basis, were included).

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

BASIC AND DILUTED EARNINGS PER SHARE	6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015
Numerator:		
Net income attributable to shareholders	\$ 31,368	\$ 25,991
Denominator (Number of shares in thousands):		
Weighted average number of shares outstanding – basic	29,936	30,022
Weighted average number of stock options outstanding	3	42
Weighted average number of outstanding RSUs	906	998
Weighted average number of outstanding DSUs	153	123
Weighted average number of shares outstanding – diluted	30,998	31,185
Earnings per share		
Basic	\$ 1.05	\$ 0.87
Diluted ¹	\$ 1.01	\$ 0.84

Notes:

- For the six months ended December 31, 2016, the computation of diluted earnings per share excluded 100,000 weighted-average options outstanding as their option price exceeded the average market price of the Company's shares (December 31, 2015 – all weighted-average options outstanding were included). For the six months ended December 31, 2016, the computation of diluted earnings per share included all RSUs outstanding, on a weighted-average basis (December 31, 2015 – 29,805 RSUs outstanding, on a weighted-average basis, were 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. The Company's Base Management Fees and current cash resources continue to be sufficient for ongoing operational needs. If required, the Company has identified other financing alternatives that could be utilized as a result of the outcome of the arbitration.

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 and six months ended December 31, 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	
	DEC 31, 2016	DEC 31, 2015
Income tax provision based on statutory income tax rate, 26.5% (2016 – 26.5%)	\$ 8,719	\$ 7,193
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	96	996
RSUs – differences between tax deductions and accounting estimates	–	(13)
Prior year's (over)/under provision	62	115
Dividends received from Trusts	28	98
Other	(20)	(11)
Income tax provision as reported, 27.0% (2016 – 30.4%)	<u>\$ 8,885</u>	<u>\$ 8,378</u>

	6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015
Income tax provision based on statutory income tax rate, 26.5% (2016 – 26.5%)	\$ 11,509	\$ 9,944
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	151	72
Non-tax-deductible adjustment (note 7)	(281)	954
RSUs – differences between tax deductions and accounting estimates	448	193
Prior year's (over)/under provision	62	115
Dividends received from Trusts	145	206
Other	15	51
Income tax provision as reported, 27.8% (2016 – 30.4%)	<u>\$ 12,049</u>	<u>\$ 11,535</u>

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

	AS AT DEC 31, 2016	AS AT JUN 30, 2016
Deferred income tax assets		
Accrued and long term liabilities	\$ 955	\$ 759
Prepaid equity forwards	-	25
Restricted share units	5,018	8,783
Restricted share units dividends-in-kind	502	1,245
Service fee payable	-	114
Founders' retirement obligation provision	3,098	3,223
Total deferred income tax assets	\$ 9,573	\$ 14,149
Deferred income tax liabilities		
Acquired intangible assets	(6,754)	(7,276)
Prepaid equity forwards	(8)	-
Service fee payable	(1)	-
Property and equipment	(905)	(856)
Total deferred income tax liabilities	\$ (7,668)	\$ (8,132)
Net deferred income tax assets	\$ 1,905	\$ 6,017

As at December 31, 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 December 31, 2016, are accrued cash bonuses of \$14,320 (December 31, 2015 - \$11,219), RSU amortization relating to awards of prior fiscal years of \$1,388 (December 31, 2015 - \$2,692) and RSU amortization relating to awards of the current fiscal year of \$1,386 (December 31, 2015 - \$1,309). Included in compensation expense for the six months ended December 31, 2016, are accrued cash bonuses of \$17,761 (December 31, 2015 - \$14,957), RSU amortization relating to awards of prior fiscal years of \$3,770 (December 31, 2015 - \$6,411) and RSU amortization relating to awards of the current fiscal year of \$1,673 (December 31, 2015 - \$1,621).

18. CLIENT WEALTH MANAGEMENT

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Donations	\$ 296	\$ 352	\$ 674	\$ 699
Media and Marketing	59	61	87	96
Travel	218	96	301	167
Promotion	522	304	679	380
	\$ 1,095	\$ 813	\$ 1,741	\$ 1,341

19. GENERAL AND ADMINISTRATIVE

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Insurance	\$ 105	\$ 107	\$ 210	\$ 215
Systems development, infrastructure and licenses	1,075	1,025	2,206	2,135
Research data	555	623	1,170	1,214
Office services and telecommunications	424	435	864	894
Professional fees	2,097	481	2,669	738
Other consulting	455	154	990	291
Regulatory and public company fees	532	590	1,117	1,014
Sub-advisory fees and other fees	73	67	141	138
Gluskin Sheff Research publication expenses	391	404	769	840
Net change in service fees and earn-out	171	(266)	191	(228)
Non-tax-deductible adjustment (note 7)	–	3,600	(1,062)	3,600
Net change in Founders' retirement obligation provision (note 10)	94	–	188	–
Other	206	242	389	502
	\$ 6,178	\$ 7,462	\$ 9,842	\$ 11,353

20. OCCUPANCY

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Lease for premises	\$ 907	\$ 873	\$ 1,768	\$ 1,632
Premises maintenance	32	28	70	78
	\$ 939	\$ 901	\$ 1,838	\$ 1,710

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 six months ended December 31, 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
September 30, 2016 – regular dividend Q1, 2016	NOVEMBER 21, 2016	NOVEMBER 30, 2016	\$ 0.25	\$ 7,535
Total Dividends Declared			\$ 0.50	\$ 15,069

Subsequent to quarter end, on February 13, 2017, the Company declared a regular dividend of \$0.25 per equity share for the quarter ended December 31, 2016. This dividend will be paid on March 2, 2017, to shareholders of record at the close of business on February 22, 2017.

The following dividends were declared and paid by the Company during the six months ended December 31, 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
September 30, 2015 – regular dividend Q1, 2016	NOVEMBER 23, 2015	DECEMBER 3, 2015	0.250	7,520
Total Dividends Declared and Paid			\$ 0.525	\$ 15,786

22. WORKING CAPITAL

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	DEC 31, 2016	DEC 31, 2015	DEC 31, 2016	DEC 31, 2015
Accounts receivable	\$ (20,365)	\$ (7,060)	\$ (21,252)	\$ (1,502)
Prepaid expenses and other assets	343	326	453	228
Income tax receivable	3,423	3,373	(3,525)	2,606
Accounts payable and accrued liabilities	(5,111)	7,193	822	4,631
Accrued bonuses	14,321	11,219	(3,428)	(12,643)
Post-retirement obligation	–	(230)	–	(1,957)
Founders' Retirement Obligation Provision	(261)	–	(662)	–
Service fee and earn-out payable	(53)	(481)	(258)	(657)
	\$ (7,703)	\$ 14,340	\$ (27,850)	\$ (9,294)

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 forwards 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 December 31, 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 December 31, 2016, is \$2,786 (June 30, 2016 – \$2,580) related to the prepaid equity forwards. Included in current and long term liabilities on the balance sheet as at December 31, 2016, is \$557 and \$2,433, respectively (June 30, 2016 – \$nil and \$2,422, respectively) 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 \$161 (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 \$146 (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 December 31, 2016, the Company was subject to interest risk through some of its short-term investments. The Company's sensitivity to interest rates as determined based on portfolio weighted duration was not significant as at December 31, 2016 and June 30, 2016. As of December 31, 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 December 31, 2016 and June 30, 2015, there were no investments in securities owned and managed by the Company denominated in U.S. dollars. As at December 31, 2016, a total of \$696 (June 30, 2016 – \$58) of cash and \$231 (June 30, 2016 – \$181) of accounts receivable were denominated in U.S. dollars. As at December 31, 2016, had the U.S. dollar foreign exchange rate relative to the Canadian dollar increased by 5%, with all other variables held constant, the decrease in net income before provision for income taxes would have amounted to approximately \$33 (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 \$37 (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 December 31, 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 December 31, 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 December 31, 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 I 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 I Canadian bank with a credit rating of AA- as at December 31, 2016.

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

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company 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. The Company's Base Management Fees and current cash resources continue to be sufficient for ongoing operational needs. If required, the Company has identified other financing alternatives that could be utilized as a result of the outcome of the arbitration.

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 December 31, 2016, totaled \$32,472 (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 December 31, 2016 and June 30, 2016, the Company did not hold investments in debt securities.

24. SUBSEQUENT EVENTS

In February 2017, the Company received approval from the Toronto Stock Exchange (the "TSX") to renew its normal course issuer bid ("NCIB"). The NCIB will be made in accordance with the requirements of the TSX. The Company may begin to purchase Common Shares on February 16, 2017, under this renewal.

25. 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

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V. ANN DAVIS

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President & Chief Executive Officer

Gluskin Sheff

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Audit and Risk Committee

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