Gluskin Sheff + Associates Inc.

Management’s Discussion and Analysis

This interim Management’s Discussion and Analysis (“MD&A”) for the first quarter ended September 30, 2007, is provided as of November 8, 2007. It should be read in conjunction with the unaudited financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the quarter ending September 30, 2007, the Audited Financial Statements for the 12-month period ending June 30, 2007 and the MD&A for the period. Unless the context indicates or requires otherwise, the terms “Gluskin Sheff,” “Company,” “we,” “us,” and “our” mean Gluskin Sheff + Associates Inc.. Unless otherwise indicated, all dollar amounts in this MD&A refer to Canadian dollars.

The Company’s financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), requiring estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the statements and the amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates as a result of various factors. Certain totals, subtotals and percentages may not reconcile due to rounding.

NON-GAAP FINANCIAL MEASURES

We measure our business using a number of performance indicators that are not measurements in accordance with GAAP and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

“Earnings before interest, taxes, depreciation and amortization” (“EBITDA”) is a standard measure used in the financial industry by management, investors and investment analysts in understanding and comparing results. 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” is EBITDA without including Performance Fees and Performance Fee-related bonuses, non-recurring charitable commitments, and other non-cash expenses such as those associated with the accounting for stock options, deferred share units and non-cash expenses related to the transfer of shares to the Employee Trust. Management believes that Base EBITDA, as defined, is an important measure as it provides relevant information on the profitability of the base business.

“Adjusted EBITDA” is Base EBITDA with Performance Fees and Performance Fee-related bonuses added back.

“Assets Under Management” (“AUM”) is not a recognized measure under Canadian GAAP. Any reference to AUM is only to our paying assets under management, on which we charge Base Management Fees. Our non-paying assets under management are charged either no or only nominal fees. This measure may not be comparable to similar measures presented by other issuers. We monitor the level of our AUM as it drives our Base Management Fees. The amount of Performance Fees we earn is related to both the level of our AUM and our investment performance.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words “believe,” “anticipate,” “estimate,” “plan,” “expect,” “intend,” “may,” “project,” “will,” “would,” 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 risk 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 we do not intend, and do not assume any obligation to update or revise any such statements.

SUMMARY OF THE THREE-MONTHS ENDING SEPTEMBER 30, 2007

The highlights for the three-month period ending September 30, 2007 were:

- Increase in AUM at September 30, 2007 versus September 30, 2006 of approximately $1.6 billion and for the quarter of $66 million to approximately $5.5 billion.
- Base Management Fees increased by $6.7 million (49%) to $20.3 million in comparison to the first quarter of the fiscal year 2007.
- Base EBITDA of $13.2 million for the three-month period, an increase of approximately 67% over the comparable quarter of the fiscal year 2007.

OVERVIEW OF GLUSKIN SHEFF + ASSOCIATES INC.

Gluskin Sheff + Associates Inc is a wealth management firm whose primary business focus is managing equity assets on a discretionary basis for high net worth private clients. We also manage assets for a number of 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 and deliver a similar level of service to all of our clients.

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of Assets Under Management, and Performance Fees, calculated annually as a percentage of the appreciation (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. Our Performance Fees are calculated annually at June 30 and December 31, depending upon the performance year end of our segregated accounts and private pooled fund vehicles. The Company may also earn investment income on its investment and cash balances.

Assets Under Management are impacted by the net contributions of capital from new and existing clients, as well as by the net market appreciation or decline. 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. The Company also continues to have an active pipeline of new business activity from both existing and new clients, and the investment team remains focused on finding attractive investments for our clients' portfolios.

Gluskin Sheff's expenses include General and Administrative expenses (which include professional fees, office supplies and related overhead expenses), Occupancy, Business Development costs, Systems and Infrastructure costs, and Salaries and Benefits, which contains a bonus component that may fluctuate significantly based upon the overall performance of the Company and the amount of Performance Fees earned.

Gluskin Sheff + Associates Inc.

Gluskin Sheff + Associates Inc.
Summary Financial Information
($ in thousands, except per share amounts)

	3 Months Ending Sep 30, 2007	3 Months Ending Sep 30, 2006	12 Months Ending Jun 30, 2007
ASSETS UNDER MANAGEMENT			
ASSETS UNDER MANAGEMENT	**$ 5,466,013**	**$ 3,900,716**	**$ 5,399,886**
BALANCE SHEET INFORMATION			
TOTAL ASSETS	**$ 93,242**	**$ 49,409**	**$ 157,819**
INCOME STATEMENT INFORMATION			
REVENUE			
• **Base Management Fees**	$ 20,281	$ 13,600	$ 64,461
• **Performance Fees**	284	42	114,117
• **Investment and Other Income**	925	237	1,255
TOTAL REVENUE	**$ 21,490**	**$ 13,879**	**$ 179,833**
OPERATING EXPENSES	**(5,686)**	**(5,526)**	**(23,203)**
DISCRETIONARY BONUSES	**(3,263)**	**(2,042)**	**(37,041)**
EBITDA	**12,541**	**6,311**	**$ 119,589**
AMORTIZATION	(51)	(21)	(106)
INTEREST EXPENSE	-	(176)	(284)
PROVISION FOR TAXES	(4,849)	(3,000)	(45,459)
NET INCOME	**$ 7,641**	**$ 3,114**	**$ 73,740**
BASIC EARNINGS PER SHARE	**$ 0.26**	**$ 0.11**	**$ 2.56**
DILUTED EARNINGS PER SHARE	**$ 0.26**	**$ 0.11**	**$ 2.55**
SELECTED ADJUSTED FINANCIAL INFORMATION			
EBITDA	**$ 12,541**	**$ 6,311**	**$ 119,589**
DISCRETIONARY BONUS COMPENSATION	3,263	2,042	37,041
NON-CASH EXPENSES [1]	769	1,660	6,027
NON-RECURRING CHARITABLE EXPENSES	-	-	-
EBITDA BEFORE COMPENSATION ADJUSTMENT	**16,573**	**10,013**	**162,657**
DISCRETIONARY BASE BONUS POOL	(3,103)	(2,033)	(9,727)
PERFORMANCE FEES	(284)	(42)	(114,117)
BASE EBITDA	**13,186**	**7,938**	**38,813**
PERFORMANCE FEES	284	42	114,117
PERFORMANCE FEE-RELATED BONUS POOL	(57)	(9)	(26,591)
ADJUSTED EBITDA	**$ 13,413**	**$ 7,971**	**$ 126,339**

1. Non-cash expenses represent stock options and/or share grants issued.

RESULTS OF OPERATIONS

Overall Performance

Total revenues for the first quarter of fiscal 2008 increased to $21.5 million, an increase of approximately $7.6 million year over year. Comparing Base Management fees only, these increased to $20.3 million for the quarter versus $13.6 million in the prior year, an increase of 49%. This increase reflects the increase in Assets Under Management (AUM). Growth in AUM was strong, increasing to approximately $5.5 billion, a net increase of approximately $1.6 billion (40%) over the quarter ending September 30, 2006.

Total Operating and General and Administrative expenses increased by approximately $1.2 million (16%) year-over-year due primarily to the increase in Salaries and Benefits expenses and System Development and Infrastructure Costs, and slightly offset by the decrease in Business Development expenses.

Cash flow continued to be positive within the Company.

Growth in Assets Under Management (AUM)

Total AUM increased by approximately $1.6 billion (40%) as at September 30, 2007 to approximately $5.5 billion compared to September 30, 2006 AUM of $3.9 billion. Of this $1.6 billion increase in AUM, $800 million resulted from a net inflows from clients and $800 million from net investment performance.

Revenues

Total revenues increased by approximately $7.6 million (55%) for the quarter ended September 30, 2007 to $21.5 million compared to total revenues for the quarter ended September 30, 2006 of $13.9 million.

Base Management Fees increased by approximately $6.7 million (49%) to $20.3 million for the three-month period ended September 30, 2007 compared to $13.6 million for the three-month period ended September 30, 2006. This increase reflects an approximately 40% increase in AUM year over year. Investment and Other Income increased by approximately $0.7 million from $0.2 million in fiscal 2007 to approximately $0.9 million in fiscal 2008, the increase primarily due to interest earned on investments and cash in the bank.

Expenses

Total expenses incurred, including non-cash expenses such as deferred compensation plans and depreciation, were approximately $9.0 million for the three-month period ended September 30, 2007 compared to approximately $7.8 million for the three-month period ended September 30, 2006. The increase is due primarily to the increase in Salaries and Benefits expenses and System Development and Infrastructure Costs, slightly offset by the decrease in Business Development expenses.

Salaries and Benefits costs were approximately $6.0 million for the three-month period ended September 30, 2007 compared to approximately $5.2 million for the same period in the prior year. The increase in salaries and benefits resulted from the increase in the Employee Bonus Pool accrual due to the increase in the Base Management Fees year-over-year.

Our share incentive plans are described in note 10 in the Company’s 2007 Audited Financial Statements.

General and Administrative expenses increased by approximately $0.5 million (29%) to $2.1 million for the three-month period ended September 30, 2007 compared to the three-month period ended September 30, 2006. The main item contributing to this increase was the higher consulting costs due to systems and infrastructure initiatives.

EBITDA, Adjusted EBITDA, and Net Income

For the quarter ended September 30, 2007, EBITDA totaled approximately $12.5 million. This is set out in the table of Summary Financial Information which reconciles EBITDA to Net Income. Base EBITDA, which has been adjusted to eliminate the effect of the non-cash expenditures as well as Performance Fees, was approximately $13.2 million.

Income before taxes was approximately $12.5 million for the first quarter of this year. Net Income for the first quarter was approximately $7.6 million, an increase of approximately 145% over the prior year, as the growth in revenues exceeds the growth in expenses.

Gluskin Sheff + Associates Inc.
Summary Financial Information
($ in thousands, except per share amounts)

	3 Months Ending Nov 30, 2005	3 Months Ending Feb 28, 2006	4 Months Ending Jun 30, 2006	3 Months Ending Sep 30, 2006	3 Months Ending Dec 31, 2006	3 Months Ending Mar 31, 2007	3 Months Ending Jun 30, 2007	3 Months Ending Sep 30, 2007
ASSETS UNDER MANAGEMENT								
ASSETS UNDER MANAGEMENT	**$ 2,927,198**	**$ 3,466,388**	**$ 3,730,942**	**$ 3,900,716**	**$ 4,233,129**	**$ 4,734,346**	**$ 5,399,886**	**$ 5,466,013**
INCOME STATEMENT INFORMATION								
REVENUE								
• **Base Management Fees**	$ 9,278	$ 10,984	$ 17,198	$ 13,600	$ 14,873	$ 16,545	$ 19,443	$ 20,281
• **Performance Fees**	180	3,512	21,516	42	12,376	171	101,528	284
• **Investment and Other Income**	362	397	556	237	315	248	455	925
TOTAL REVENUE	**$ 9,820**	**$ 14,893**	**$ 39,270**	**$ 13,879**	**$ 27,564**	**$ 16,964**	**$ 121,426**	**$ 21,490**
BASE EBITDA	**5,374**	**6,411**	**10,553**	**7,938**	**8,940**	**10,215**	**11,720**	**13,186**
ADJUSTED EBITDA	**5,518**	**9,221**	**27,766**	**7,971**	**15,065**	**10,345**	**92,958**	**13,413**
NET INCOME	**(5,455)**	**-**	**(22,768)**	**3,114**	**7,884**	**5,044**	**57,698**	**7,641**
BASIC EARNINGS PER SHARE	**n/a**	**$ 0.00**	**n/a**	**$ 0.11**	**$ 0.27**	**$ 0.17**	**$ 2.00**	**$ 0.26**
DILUTED EARNINGS PER SHARE	**n/a**	**$ 0.00**	**n/a**	**$ 0.11**	**$ 0.27**	**$ 0.17**	**$ 1.99**	**$ 0.26**

CONTROLS AND PROCEDURES

Disclosure controls and Procedures

Pursuant to Multilateral Instrument 52-109 released by the Canadian Securities Administrators, the Company’s management has evaluated the effectiveness of the Company’s disclosure controls and procedures as at September 30, 2007 and concluded that such disclosure controls and procedures are appropriate, given the nature and extent of the Company's operations, and that these controls and procedures are effective.

Internal control over financial reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting for the Company. There are inherent limitations in all internal control systems no matter how well the systems are designed. Therefore reasonable assurance with respect to financial reporting, and financial statement preparation and presentation can only be provided by those systems and procedures which management has determined to be effective.

As at September 30, 2007 the Company's internal control systems over financial reporting, and financial statement preparation and presentation, were effective in terms of their design to provide reasonable assurance regarding the reliability of financial reporting for external purposes.

MANAGING RISK

The investment management industry has experienced considerable growth in the past decade and because of this, the Company is exposed to a number of risk factors that are inherent in this industry. The following risks are noted, and they are described in greater detail in the Company's Annual Information Form ("AIF").

Risk factors related to the Company:

- Change(s) in the securities markets
- Poor investment decisions
- Loss of key employees
- Failure to execute a succession plan
- Change(s) in the investment management industry
- Competitive pressures
- A failure in our ability to manage risks in our portfolio models
- Rapid growth in our AUM
- Employee errors or misconduct
- Failure to implement effective information security policies, procedures and capabilities
- Failure to develop effective business resiliency plans
- Failure to comply with government regulations
- Failure to maintain adequate insurance coverage on favorable 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. The senior management team meets on a regular basis to address business issues and to consider new risks to the Company.

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

The senior management team meets regularly to review investment performance and discuss trends and activity in the capital markets.

The Company has processes in place for succession planning to ensure that the hiring and retention of highly qualified staff with specific expertise is achieved. These processes are reviewed on a regular basis by both the senior management team and the Board of Directors.

Finally, the Company maintains appropriate insurance coverage for general business liability risks.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates positive cash flow from our operations and has limited requirements for longer term capital. A move to expanded premises is planned for second quarter of fiscal 2008 and an assessment of future premises requirements is underway. We believe that our Base Management Fees will continue to be sufficient to satisfy our ongoing operational needs, including expenditures on our corporate infrastructure and information systems. We believe that our earnings will continue to provide the means to sustain our growth and to pay regular dividends. We also believe that our cash flow will continue to be sufficient to meet working capital and other requirements.

The Company intends to use its cash reserves to fund new business initiatives, to run the operations of the business, including financing of premises, and for dividend payments. The Company is expecting to pay out in the second quarter a portion of its cash in both the Regular Dividend and the Special Dividend which were declared on September 20, 2007.

The Company has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the Company's Audited Financial Statements dated June 30, 2007.

CRITICAL ACCOUNTING ESTIMATES

A summary of significant accounting policies underlying the financial statements is presented in note 1 to the Company's 2007 Audited Annual Financial Statements. Accounting policies are an integral part of our financial statements, which are prepared in accordance with Canadian generally accepted accounting principles. 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 on the financial statements. Due to their nature, estimates involve judgments based on available information. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements. Management has made the following critical accounting estimates:

Stock-based Compensation

The Company introduced a share option and share unit plan in June 2006. Stock and stock based awards are measured and recognized at fair value and are expensed over the applicable vesting period of the awards. For the deferred share units awards, an adjustment is made each quarter to reflect subsequent changes in the market value of the underlying common shares of the Company on which the award is based. Estimates are made for a number of variables that are factored into the valuation of the share options at the time the option is are awarded as described in note 8 to the Company's unaudited interim financial statements.

CHANGES IN ACCOUNTING POLICIES

Effective July 1, 2007, Gluskin Sheff adopted the Canadian Institute of Chartered Accountants (CICA) Handbook provisions section 1530, "Comprehensive Income" and section 3855, "Financial Instruments – Recognition and Measurement". These changes in accounting policies are described in note 3 to the Company's unaudited interim financial statements.

The changes resulting from the new accounting and reporting requirements were adopted on a retroactive basis without the restatement of the prior period, with a transitional adjustment to retained earnings of $187 on July 1, 2007. Changes in disclosure and presentation were made in the Company's unaudited interim financial statements. There was a minimal effect on reported net income for the first quarter.

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, loan payable, accounts payable and accrued liabilities, and management and staff bonuses payable whose carrying values approximate the relevant fair values due to their short-term nature. Short-term investments are recorded on the balance sheet at their fair value. The balance due from related parties is current and, therefore, has not been discounted. It is management's opinion that the Company is not exposed to significant interest rate, foreign currency or credit risks arising from these financial instruments.

The maximum loss that the Company can incur in respect of securities owned is the amount paid to acquire the securities. The maximum gain to the Company in respect of the securities sold short is the proceeds received upon entering into the short sale transaction whereas the amount of the potential loss is unlimited. The market values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities.

RELATED PARTY TRANSACTIONS

There were no changes to the nature and extent of related party transactions entered into by the Company in the quarter ended September 30, 2007. For further information, refer to the notes to the Audited Financial Statements dated June 30, 2007.

SHARE CAPITAL

Our authorized share capital consists of an unlimited number of Multiple Voting Shares and Subordinate Voting Shares and an unlimited number of preference shares, issuable in series. As at September 30, 2007, there were 20,409,900 Multiple Voting Shares, 8,792,230 Subordinate

Voting Shares and no preference shares outstanding. The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect of the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or winding up of the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share. Subordinate Voting Shares carry one vote per share, while Multiple Voting Shares carry 15 votes per share. Holders of Subordinate Voting Shares are entitled to elect one-third of the Directors and holders of Multiple Voting Shares are entitled to elect two-thirds of the Directors.

OUTLOOK

The Company's financial performance is dependent in part on the general performance of the Canadian, U.S., and global markets. These markets, general business conditions and investor sentiments can change quickly, making future results difficult to predict. However, the size of the market for our services is large and growing and our market share is relatively small. We need to increase our market share only modestly to grow our AUM in a material fashion. We continue to see interest in our services from prospective investors.

Looking ahead we will continue to build our business by executing the same strategies that have produced growth and performance since the founding of the firm in 1984. Our most important strategy is to effectively manage the assets we presently have under management. By continuing to look after our clients, we expect to earn the privilege of managing an increasing share of their invested assets.

We expect to generate incremental growth by expanding the scope of our investment products and further addressing the needs of our clients. As mentioned above, we have seeded a number of new portfolio models, and we expect to introduce them to our clients.

We will also continue to tap into what has been an important source of new business – referral from existing clients.

Overall, the business environment in which we operate remains generally positive, and our pipeline of prospective new business remains active.

OTHER INFORMATION

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