Gluskin Sheff

Third Quarter Results 2011

THREE MONTHS ENDED MARCH 31, 2011

"Our mission is to be the pre-eminent wealth management firm in Canada serving high net worth investors"

Gluskin Sheff + Associates Inc. is one of Canada's pre-eminent wealth management firms. Founded in 1984 and focused primarily on high net worth private clients, we are dedicated to meeting the needs of our clients by delivering strong, risk-adjusted investment returns and the highest level of personalized client service. With a solid track record of success, a strong reputation in the private client market and an experienced management team, we are confident that our passion for excellence will generate enhanced value for our shareholders over the long term.

Report to Shareholders

As at March 31, 2011 our Assets Under Management stood at $6.1 billion. The increase in AUM of $49 million from the end of the previous quarter resulted from positive investment performance, partially offset by net withdrawals.

Average AUM for the quarter remained at $6.0 billion, unchanged from the immediately preceding quarter. Base Management Fees for the three months ended March 31, 2011 decreased slightly by $0.3 million to $20.7 million from $21.0 million for the three months ended December 31, 2010.

Base EBITDA (which excludes Performance Fees net of related bonuses and sub-advisory fees, post-retirement obligations and non-cash expenses) for the three months ended March 31, 2011, increased $0.3 million to $10.8 million from $10.5 million for the three months ended December 31, 2010. Net Income was $7.2 million or $0.25 and $0.24 on a basic and diluted per share basis, respectively, for the three months ended March 31, 2011, compared with $14.1 million or $0.48 per share on a basic and diluted per share basis for the three months ended December 31, 2010, with the higher December 31st net income due to performance fees earned on funds with a December 31st performance year end.

Global financial markets faced a number of trying challenges in the first three months of 2011. Floods in Australia, unrest in the Middle East and North Africa, ongoing sovereign debt concerns in Europe and the devastating earthquake, tsunami and resulting nuclear issues in Japan all played a role in injecting additional uncertainty in global financial markets. Volatility was clearly a factor, with financial markets responding to global events with significant swings. In Canada, markets also gyrated on mixed signals for the outlook for commodities demand. Nonetheless, equity markets largely shrugged off events and ended the first quarter higher, even with certain economic data continuing to point to a tentative recovery.

We continue to follow a long-term approach to our investment strategies. We continue to balance levels of risk and reward. We continue to favour the resource sector as a long-term investment, and during the current quarter we launched a resource fund and a resource long/short fund to further allow us to capitalize on opportunities in these areas. We also opened our international fund and expect to add a global macro fund in the near future which will allow us to exploit opportunities across traditional asset classes as well as movements in interest rates, currencies and commodities.

The Company remains in a strong financial position and we plan to continue to use this to our advantage, to seek out new clients, to attract new talent, and to pursue other opportunities as they present themselves. Our entire team remains focused on providing strong, risk adjusted returns to our clients over investment cycles, and delivering outstanding service. Achieving success for our clients will continue to translate into a superior value proposition for our shareholders.

GERALD SHEFF
Co-Founder & Chairman
May 9, 2011

JEREMY FREEDMAN
President & Chief Executive Officer
May 9, 2011

Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2011 is provided as of May 9, 2011. It should be read in conjunction with the unaudited financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the three months ended March 31, 2011, the Audited Financial Statements for the years ended June 30, 2010 and 2009, and the related MD&As. Unless the context indicates or requires otherwise, the terms "Gluskin Sheff," "Company," "Firm," "we," "us," and "our" mean Gluskin Sheff + Associates Inc. Unless otherwise indicated, all dollar amounts in this MD&A are expressed in 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 financial 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.

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 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-GAAP FINANCIAL MEASURES

We measure our business using a number of performance indicators that are not measurements in accordance with Canadian 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.

Assets Under Management

Assets Under Management ("AUM") is not a recognized measure under Canadian GAAP. Any reference to AUM is only to our paying AUM, on which we charge base management fees ("Base Management Fees") or performance fees ("Performance Fees"). Our non-paying AUM are charged either no or 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.

Investment Performance

Investment performance is a key driver of AUM and is at the very core of what we do. The amount of Performance Fees we earn is related to both the level of our AUM and our investment performance.

Net Additions

Net additions (gross additions net of withdrawals), together with investment performance, determine the level of AUM which 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 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

Base EBITDA is EBITDA excluding Performance Fees net of related bonuses and sub-advisory fees, post-retirement obligations and other non-cash expenses such as those associated with the accounting for stock options, and Deferred Share Units. 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
Adjusted EBITDA is Base EBITDA adjusted for Performance Fees, Performance Fee related bonuses and sub-advisory fees that relate to Performance Fees.

Average AUM
Average AUM for a period is the simple average of the ending AUM for each month in that period.

Base Management Fee Percentage
Base Management Fee Percentage is calculated as the Base Management Fee for the period as a percentage of Average AUM for the period.

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 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, or rates of return adjusted for a deficiency carried forward from the prior year. 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 investment income or incur losses on its cash balances and its investments, which include seeded portfolios.

AUM are impacted by the net additions 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.

Gluskin Sheff's expenses include 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, and in fiscal 2010 a significant charge for post-retirement obligations), business development, general and administrative expenses, occupancy, and amortization of property and equipment.

SUMMARY OF THE THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2011

Financial highlights for the three months ended March 31, 2011 include:

- AUM increased by $49 million to $6.1 billion at March 31, 2011 or 1% from December 31, 2010. For the three months ended March 31, 2011, positive investment performance increased AUM by $165 million, which was partially offset by $116 million in net withdrawals. AUM increased by $480 million or 9% from March 31, 2010.
- Base Management Fees for the three months ended March 31, 2011 increased year-over-year by $1.3 million or 7% to $20.7 million from $19.4 million.
- Base EBITDA for the three months ended March 31, 2011 increased year-over-year by $0.7 million or 7% to $10.8 million from $10.1 million.
- Net income for the three months ended March 31, 2011 was $7.2 million, and represented $0.25 and $0.24 on a basic and diluted per share basis, respectively. Net income for the three months ended March 31, 2010 was $5.2 million, and represented earnings per share, basic and diluted, of $0.18 and $0.17, respectively.

Financial highlights for the nine months ended March 31, 2011 include:

- AUM increased by $524 million to approximately $6.1 billion at March 31, 2011 or 9% from June 30, 2010. For the nine months ended March 31, 2011, positive investment performance increased AUM by $715 million which was partially offset by net withdrawals of $191 million.
- Base Management Fees for the nine months ended March 31, 2011 increased year-over-year by $6.4 million or 11% to $62.1 million from $55.7 million.
- Base EBITDA for the nine months ended March 31, 2011 increased year-over-year by $2.3 million or 8% to $31.6 million from $29.3 million.
- Net income for the nine months ended March 31, 2011 was $27.7 million, and represented $0.95 and $0.94 on a basic and diluted per share basis, respectively. Net income for the nine months ended March 31, 2010 was $32.6 million, and represented earnings per share, basic and diluted, of $1.12 and $1.10, respectively.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

The volatility and risk that characterized 2010 continued in 2011 with the markets confronting heightened volatility, whether from a mixed set of economic data, geopolitical concerns related to the collapsing governments and tensions in the Middle East and North Africa, or natural disasters, especially the tragedy in Japan. In Canada, markets also gyrated on mixed signals for the outlook for commodities demand. In the current and prospective period of above-normal volatility, long/short “relative value” strategies make perfect sense.

We continue to follow a disciplined and long-term approach to our investment strategies and we are mindful of mitigating the risk of major loss, and do not chase the full measure of risk offered by a short-term market surge. During the quarter, our equity portfolios delivered solid absolute returns, in part thanks to higher weightings in our favourite securities. Our fixed income portfolios performed quite well given the challenging interest rate environment, and our alternative strategies continued to see gains on the "long" side offset by our short positions appreciating on market momentum. We do not believe the story of this economic cycle has yet been fully written.

We continue to favour the resource sector as a long-term investment, and during the current quarter we launched a resource fund and a resource long/short fund to further allow us to capitalize on opportunities in these areas. We also opened our international fund and expect to add a global macro fund in the near future which will allow us to exploit opportunities across traditional asset classes as well as movements in interest rates, currencies and commodities.

In addition to new product launches, initiatives in a number of areas undertaken in the past year are continuing, with intent to enhance the Gluskin Sheff brand by further developing the Company's business over the long-term.

In Toronto, project work continues as we prepare for our head office move later this year to new, expanded premises in the Bay Adelaide Centre. We continue to invest in business enhancements that provide scalability and support for future growth, and as we streamline our operations we continue to work on the transition of our trust accounting, fund accounting and unitholder recordkeeping to an experienced external service provider.

We continue to take steps to build our Company and our team in order to remain a pre-eminent wealth management firm in Canada serving high net worth investors.

SUMMARY FINANCIAL INFORMATION[1]

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

	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
ASSETS UNDER MANAGEMENT				
Assets Under management — Beginning of period ($ in millions)	$6,009	$5,350	$ 5,534	$4,461
Net additions (withdrawals)	(116)	87	(191)	419
Market value appreciation[2]	165	141	715	698
Assets Under management — End of period	$ 6,058	$5,578	$6,058	$ 5,578

	AS AT MAR 31, 2011	AS AT MAR 31, 2010	AS AT JUN 30, 2010
BALANCE SHEET INFORMATION			
Total assets	$106,176	$114,892	$117,337

	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
INCOME STATEMENT INFORMATION				
Revenue				
Base management fees	$20,724	$ 19,366	$ 62,072	$ 55,701
Performance fees	1,701	79	17,688	45,325
Investment and other income	377	121	1,514	435
	22,802	19,566	81,274	101,461
Operating expenses	(9,270)	(8,330)	(30,129)	(35,014)
Provision for bonus pool	(2,710)	(2,481)	(10,312)	(15,661)
EBITDA	10,822	8,755	40,833	50,786
Amortization	(354)	(240)	(1,043)	(653)
Provision for income taxes	(3,243)	(3,276)	(12,054)	(17,532)
Net income	$ 7,225	$ 5,239	$ 27,736	$ 32,601
Basic earnings per share	$ 0.25	$ 0.18	$ 0.95	$ 1.12
Diluted earnings per share	$ 0.24	$ 0.17	$ 0.94	$ 1.10
SELECTED ADJUSTED FINANCIAL INFORMATION				
EBITDA	$10,822	$ 8,755	$ 40,833	$ 50,786
Provision for bonus pool	2,710	2,481	10,312	15,661
Sub-advisor's share of performance fees	40	4	1,629	3,690
Post-retirement obligations	100	95	298	8,667
Non-cash expenses[3]	1,215	1,276	3,243	3,142
EBITDA before compensation adjustment	14,887	12,611	56,315	81,946
Provision for base bonus pool	(2,368)	(2,466)	(7,020)	(7,334)
Performance fees	(1,701)	(79)	(17,688)	(45,325)
Base EBITDA	10,818	10,066	31,607	29,287
Performance fees	1,701	79	17,688	45,325
Sub-advisor's share of performance fees	(40)	(4)	(1,629)	(3,690)
Provision for performance fee related bonus pool	(342)	(15)	(3,292)	(8,327)
Adjusted EBITDA	$ 12,137	$ 10,126	$ 44,374	$ 62,595

Notes:

1. *Certain of the comparative figures have been reclassified to conform to presentation adopted in the current period.*
2. *Net of fees and other expenses.*
3. *Non-cash expenses include expenses related to stock options, deferred share units and restricted share units.*

RESULTS OF OPERATIONS

Overall Performance

For the three months ended March 31, 2011, the Company earned $0.25 and $0.24 on a basic and diluted per share basis, respectively, compared with $0.18 and $0.17 on a basic and diluted per share basis, respectively, for the same period last year as net income increased by $2.0 million or 38% to $7.2 million from $5.2 million. Base EBITDA increased by $0.7 million or 7% to $10.8 million from $10.1 million last year due to an increase in base management fees partially offset by an increase in operating expenses. Adjusted EBITDA increased by $2.0 million or 20% to $12.1 million for the three months ended March 31, 2011 from $10.1 million for the three months ended March 31, 2010 due to an increase in realized performance fees.

Revenues

Total revenues for the three months ended March 31, 2011 increased year-over-year by $3.2 million or 17% to $22.8 million from $19.6 million. Total revenues for the nine months ended March 31, 2011 decreased year-over-year by $20.2 million or 20% to $81.3 million from $101.5 million, mainly due to lower performance fees earned at December 31, 2010 compared with December 31, 2009.

Base Management Fees for the three months ended March 31, 2011 increased year-over-year by $1.3 million or 7% to $20.7 million from $19.4 million as average AUM increased approximately $0.6 billion or 11% over the same period, and the average Base Management Fee Percentage decreased to 1.39% from 1.44%. Base Management Fees for the nine months ended March 31, 2011 increased year-over-year by $6.4 million or 11% to $62.1 million from $55.7 million as average AUM increased approximately $0.8 billion or 15% over the same period, and the average Base Management Fee Percentage decreased to 1.40% from 1.44%.

Investment and other income for the three months ended March 31, 2011 increased year-over-year by $0.3 million to $0.4 million from $0.1 million. The increase was a result of higher interest income earned on corporate investments. Investment and other income for the nine months ended March 31, 2011 increased year-over-year by $1.1 million to $1.5 million from $0.4 million. The increase was a result of higher interest income earned on corporate investments, and net investment gains on securities owned and sold short.

Expenses

Total operating expenses for the three months ended March 31, 2011 increased year-over-year by $1.2 million or 12% to $12.3 million from $11.1 million. Total operating expenses for the nine months ended March 31, 2011 decreased year-over-year by $9.8 million or 19% to $41.5 million from $51.3 million.

Salaries and benefits for the three months ended March 31, 2011 increased year-over-year by $0.5 million or 9% to $6.8 million from $6.3 million. The increase was due primarily to an increase in base salaries reflecting the addition of new staff and higher bonus expense due to the increase in net income. Salaries and benefits for the nine months ended March 31, 2011 decreased year-over-year by $11.8 million or 34% to $22.6 million from $34.4 million. Increases in base salaries were more than offset by a decrease in the Performance Fee bonus pool, as well as the absence of the initial charge of $8.7 million relating to the Post-retirement obligations incurred last year. As disclosed in the Company's most recent Management Information Circular, certain revisions were made to compensation and incentive plans effective for fiscal 2011. These changes included revising the basis for calculating the total amount of the bonus pool as well as providing for a portion of the bonuses to be paid in the form of Restricted Share Units ("RSUs") and a portion to be paid in cash. RSUs granted in relation to bonus awards for a specified year will be granted early in the fiscal year following the year to which the bonus relates, at which point the cost of the RSUs will be reflected in compensation expense using a graded vesting methodology over the three year vesting period. Therefore, the current accrual for the current year's bonus expense in any year will reflect only the cash component of the total bonus to be awarded. In future years, the bonus expense will comprise the cash component of that year's bonus award and the amortization of RSUs granted in respect of bonus awards from prior years. The ratio of the 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 will not be known until the end of the fiscal year, and therefore the actual percentages to be paid in RSUs versus cash will not be known with certainty until such time. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash. The percentage estimate for the cash component used in calculating the current quarter's bonus is 82%.

Business development expenses for the three months ended March 31, 2011 decreased year-over-year by $0.1 million or 8% to $0.6 million from $0.7 million. Business development expenses for the nine months ended March 31, 2011 increased year-over-year by $0.6 million or 30% to $2.6 million from $2.0 million. Increases were as a result of the increase in donations and sponsorships and general business development activities.

General and administrative expenses for the three months ended March 31, 2011 increased year-over-year by $0.6 million or 19% to $4.0 million from $3.4 million, primarily due to higher expenditures incurred in implementing and operating enhanced technology. General and administrative expenses for the nine months ended March 31, 2011 increased year-over-year by approximately $0.9 million or 7% to $13.8 million from $12.9 million primarily due to increases in costs associated with a number of business projects currently in progress, and information access. These increases were offset in part by a decline in sub-advisory fees on Performance Fees.

Occupancy costs for the three and nine months ended March 31, 2011 remained flat over the same periods last year.

Amortization of property and equipment for the three and nine months ended March 31, 2011 increased by $0.2 million and $0.3 million, respectively, compared to last year due to an increase in capitalized system project costs.

EBITDA, Base EBITDA, Adjusted EBITDA and Net Income

For the three months ended March 31, 2011, EBITDA increased year-over-year by $2.0 million or 24% to $10.8 million from $8.8 million. For the nine months ended March 31, 2011, EBITDA decreased year-over-year by $10.0 million or 20% to $40.8 million from $50.8 million. This information 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 net Performance Fees (Performance Fees less Performance Fee related bonuses and sub-advisory fees that relate to Performance Fees), post-retirement obligations and other non-cash expenses for the three months ended March 31, 2011 increased year-over-year by $0.7 million or 7% to $10.8 million from $10.1 million. Base EBITDA for the nine months ended March 31, 2011 increased year-over-year by $2.3 million or 8% to $31.6 million from $29.3 million. Adjusted EBITDA for the three months ended March 31, 2011 increased year-over-year by $2.0 million or 20% to $12.1 million from $10.1 million. Adjusted EBITDA for the nine months ended March 31, 2011 decreased year-over-year by $18.2 million or 29% to $44.4 million from $62.6 million.

Income before provision for income taxes for the three months ended March 31, 2011 increased year-over-year by $2.0 million or 23% to $10.5 million from $8.5 million. Income before provision for income taxes for the nine months ended March 31, 2011 decreased year-over-year by $10.3 million or 21% to $39.8 million from $50.1 million.

Net income for the three months ended March 31, 2011 increased year-over-year by $2.0 million or 38% to $7.2 million from $5.2 million. Net income for the nine months ended March 31, 2011 decreased year-over-year by $4.9 million or 15% to $27.7 million from $32.6 million.

For the three months ended March 31, 2011, the Company's effective tax rate of 31.0% (March 31, 2010 – 38.5%) is impacted primarily by the non-deductibility for tax purposes of expenses associated with stock options and deferred share units.

Accounts Receivable

The Company's accounts receivable as at March 31, 2011 and June 30, 2010 consisted primarily of amounts attributable to Base Management Fees and Performance Fees.

SUMMARY OF QUARTERLY RESULTS

The following quarterly financial information was taken from the Company's unaudited quarterly reports to the shareholders. This information is consistent with the annual audited financial statements of the Company.

SUMMARY FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS[1]

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

	AS AT JUN 30, 2009	AS AT SEP 30, 2009	AS AT DEC 31, 2009	AS AT MAR 31, 2010	AS AT JUN 30, 2010	AS AT SEP 30, 2010	AS AT DEC 31, 2010	AS AT MAR 31, 2011
Assets Under Management *($ in millions)*	$4,461	$4,981	$5,350	$5,578	$5,534	$5,849	$6,009	$6,058

	3 MONTHS ENDED JUN 30, 2009	3 MONTHS ENDED SEP 30, 2009	3 MONTHS ENDED DEC 31, 2009	3 MONTHS ENDED MAR 31, 2010	3 MONTHS ENDED JUN 30, 2010	3 MONTHS ENDED SEP 30, 2010	3 MONTHS ENDED DEC 31, 2010	3 MONTHS ENDED MAR 31, 2011
INCOME STATEMENT INFORMATION								
Revenue								
Base management fees	$ 15,781	$ 17,558	$ 18,777	$ 19,366	$19,769	$20,324	$21,024	$20,724
Performance fees	2,522	1,012	44,234	79	1,899	168	15,819	1,701
Investment and other income	544	46	268	121	148	370	767	377
	$18,847	$ 18,616	$63,279	$ 19,566	$ 21,816	$20,862	$37,610	$22,802
Base EBITDA	8,844	9,550	9,671	10,066	9,159	10,336	10,453	10,818
Adjusted EBITDA	10,772	10,028	42,441	10,126	10,667	10,468	21,769	12,137
Net income	5,793	5,782	21,580	5,239	5,835	6,404	14,107	7,225
Basic earnings per share	$ 0.20	$ 0.20	$ 0.74	$ 0.18	$ 0.20	$ 0.22	$ 0.48	$ 0.25
Diluted earnings per share	$ 0.20	$ 0.20	$ 0.73	$ 0.17	$ 0.20	$ 0.22	$ 0.48	$ 0.24

Note:

1. *Certain of the comparative figures have been reclassified to conform with presentation adopted in the current period.*

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

The number of issued and outstanding shares did not change materially over the past eight quarters, consequently earnings per share, both basic and fully diluted, mainly reflect the trend in quarterly net income.

SUMMARY OF PORTFOLIO AUM AND PERFORMANCE

For the period ended March 31, 2011
($ in millions)

Annualized Rates of Return[1,2] (net of all fees paid and accrued)

	INCEPTION DATE	AUM $	CALENDAR YEAR-TO-DATE %	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity Investment Strategies								
Value	Jan 1991	528	4.9	11.3	-1.2	2.4	13.9	13.5
Growth	Jul 1984	172	5.8	14.0	-0.2	2.5	7.4	11.5
U.S. Equity	Feb 1986	35	2.9	6.8	0.8	0.0	3.4	9.3
Top 15	Jul 2003	72	2.3	16.5	-7.8	0.9	—	13.7
North American Value	Jul 1997	88	2.9	9.8	0.4	2.7	12.9	10.9
International[3]	Aug 2008	31	-4.5	5.5	—	—	—	3.8
Resource[3]	Aug 2009	78	4.7	29.5	—	—	—	28.1
Premium Income	Jul 2001	1,133	4.7	16.0	8.3	6.0	—	15.1
		2,137						
Alternative Investment Strategies[4]								
Multi-Strategy	Jan 2009	675	0.8	0.2	—	—	—	4.6
Multi-Strategy Opportunities	Jan 2009	317	1.0	1.0	—	—	—	7.1
Equity Long/Short[3]	Jul 2004	48	-1.4	-1.7	2.0	2.2	—	12.6
Income Long/Short[3]	Jul 2004	265	1.9	4.2	9.4	8.0	—	17.1
Other Long/Short funds		65						
		1,370						
Credit Alternative Investment Strategies								
Credit Arbitrage	Jan 2009	457	2.3	2.7	—	—	—	11.2
Enhanced Credit Arbitrage	Dec 2008	177	2.4	3.8	—	—	—	15.9
		634						
Fixed Income Investment Strategies								
Enhanced Bond	Dec 2008	538	1.2	2.1	—	—	—	8.4
Enhanced Yield[3]	Feb 2009	531	2.0	6.6	—	—	—	9.6
		1,069						
Institutional & Special Mandates[5]		848						
Assets Under Management		6,058						

Notes:

1. *Past performance is not necessarily indicative of future performance.*
2. *Where, for a particular portfolio model, we manage both a pooled fund and segregated accounts, we have measured the performance of whichever has been in operation the longest to represent the overall performance of the portfolio model.*
3. *The performance presented for the GS+A International Portfolio, the GS+A Resource Portfolio, the GS+A Equity Long/Short Portfolio, the GS+A Income Long/Short Portfolio and the GS+A Enhanced Yield Portfolio, includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.*
4. *The Multi-Strategy Fund, Multi-Strategy Opportunities Fund, Multi-Strategy Trust and Multi-Strategy Opportunities 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.*
5. *Includes institutional mandates managed primarily in accordance with our Value portfolio model ($508 million), our Premium Income portfolio model ($167 million), our all-Canadian Growth portfolio model ($96 million), private client mandates managed primarily in accordance with a combination of our Value and Premium Income portfolio models ($16 million), our Incubator Fund ($24 million), our Founders portfolio model ($35 million), and our U.S. Equity portfolio model ($2 million) (all numbers are approximate).*

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance 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.

Internal Control over Financial Reporting

Management of the Company has ensured that internal controls over financial reporting 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 Canadian generally accepted accounting principles. There have been no changes in internal controls over financial reporting in the most recent quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Management of the Company has evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting (as defined under National Instrument 52-109) as of June 30, 2010, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of those disclosure controls and procedures and internal controls over financial reporting were adequate and effective as of June 30, 2010.

Operational Matters

During the third quarter of fiscal 2011, the Company continued to work with a service provider to provide operational support services for its Funds, including unitholder recordkeeping and fund accounting. Following the transition of the fund accounting function to a service provider early in 2010, the next phase of the transition involves conversion of unitholder records to this external platform.

LIQUIDITY AND CAPITAL RESOURCES

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

There are no significant regulatory capital requirements for the Company, and the major capital expenditures planned in the fiscal year relate to the relocation to a new premise at the end of calendar 2011 as well as continued system development

and other project costs. Gluskin Sheff has been incurring capital expenditures primarily for computer hardware and software.

During the nine months ended March 31, 2011, property and equipment increased to $11.9 million from $4.4 million as at June 30, 2010. The increase of $7.5 million relates primarily to capital expenditures in respect of our move to the Bay Adelaide Center later this year, and capital expenditures in relation to our continued enhancements to our systems and technology.

Gluskin Sheff's current liabilities are in the normal course of the Company's operations and are payable within one year. Payment will be funded through cash provided by operating activities. Gluskin Sheff has no debt.

Aside from funding normal working capital requirements, Gluskin Sheff expects to fund new business initiatives and corporate development from its cash reserves and positive cash flow.

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 as at June 30, 2010.

Gluskin Sheff's policies and procedures related to the management of capital are described in note 6 of the Company's March 31, 2011 unaudited interim financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies underlying the financial statements is presented in note 1 of the Company's most recent annual Audited Financial Statements for the year ended June 30, 2010. Accounting policies are an integral part of our financial statements, which are prepared in accordance with Canadian GAAP. 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 judgements based on available information. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements. Management has made the following critical accounting estimates:

Stock Option Plan

The Company has a share option plan for employees and directors. Option awards are measured and recognized at fair value and are expensed over the applicable vesting period of the awards. Estimates are made for a number of variables that are factored into the valuation of the share options at the time the options are

awarded as described in note 12 of the Company's most recent annual Audited Financial Statements for the year ended June 30, 2010.

Post-Retirement Obligations
In fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, following their departures from their respective roles as President & Chief Investment Officer and as Chief Executive Officer. The agreement provides for a lump sum retirement payment to each of $1.5 million at the end of their respective five year transition periods, or on their death, and fixed annual payments to each of $250,000 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. The Company engaged a third-party actuary to compute the fair value of the post-retirement obligation estimates, including discount rates, life expectancy, and annual inflation assumptions which were used in the actuarial valuation. The Co-Founders were immediately vested and therefore any costs relating up to fiscal 2010 were recorded as an expense in fiscal 2010. Additional information, including amounts accrued and expensed in the current quarter are described in note 7 of the Company's March 31, 2011 unaudited interim financial statements.

Bonus Expense
Commencing in fiscal 2011, a portion of the bonus pool will be paid in restricted share units ("RSUs"). 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, and therefore the actual percentages to be paid in RSUs versus cash will not be known with certainty until such time. Therefore, the calculation of cash bonuses accrued in each interim quarter of the Company's fiscal year requires an estimate of the percentage that will be paid in cash.

CHANGES IN ACCOUNTING POLICIES

There were no changes in any accounting policies underlying the financial statements in the current quarter.

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS will be required commencing in calendar 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will adopt IFRS for the fiscal year beginning July 1, 2011 and will present the interim and annual financial statements including comparatives in accordance with IFRS. The Company will continue to present its results for fiscal 2011 using Canadian GAAP.

The Company has developed a formal project structure involving the audit committee, senior management and external advisors. Project progress reports have been provided to the Company's Audit Committee on a quarterly basis.

The Company's IFRS Conversion Plan consists of four phases:

- **Component Diagnostic Phase** – a high level analysis of the major differences between Canadian GAAP and IFRS. The diagnostic indicated the areas that would most likely have significant impact on the Company. This phase began in 2009 and is complete.
- **Detailed Component Diagnostic Phase** – involved a deeper analysis of the differences that were identified in the Component Diagnostic Phase. This phase is complete.
- **Design Phase** – resulting in the design and development of detailed solutions to address differences identified during the Detailed Component Diagnostic Phase. This phase is in progress and is expected to be completed in the fourth quarter of fiscal 2011.
- **Implementation Phase** – implementing all the required changes necessary for IFRS. This phase will be completed in two parts: inclusion of an opening balance sheet and equity reconciliation as at July 1, 2010, detailing IFRS transition differences, in the 2011 annual report; and prior to the issuance of the Company's first quarter 2012 financial statements for other disclosure requirements.

The areas that could have an impact on the Company, based on existing IFRS as at March 31, 2011, are consolidation, property and equipment, share-based compensation, income taxes and initial adoption of IFRS under the provisions of IFRS 1 (First-Time Adoption of International Accounting Reporting Standards). The Company has not finalized quantifying the effects of the differences between IFRS and Canadian GAAP. The Company is in the process of making its IFRS 1 elections; final decisions will be made as part of its Implementation Phase

deliberations. The Company continues to monitor the development and interpretation of standards as well as industry practices.

Activities in the Quarter

In the third quarter, the Company continued with the Design Phase of its IFRS project. The following elements were completed in the third quarter:

- Determination of the preliminary effects on opening retained earnings for the differences related to share-based payments and property and equipment.
- Selection of the IFRS 1 elections with respect to:
  - Property and Equipment – The Company is electing not to restate assets to fair value as at July 1, 2010.
- Development of templates for IFRS financial statements and note disclosures.

The Company is actively engaged in the Implementation Phase of the project which includes:

- Finalizing the Company's decisions under IFRS;
- Selecting final IFRS 1 elections;
- Drafting the 2012 financial statement disclosures;
- Completing external communication strategies;
- Completing the final quantification of opening retained earnings adjustments; and
- Completing the reconciliation required between Canadian GAAP and IFRS as at July 1, 2010 and for the 2011 comparative amounts.

The areas where the Company has identified accounting differences between IFRS and Canadian GAAP are discussed below. This information reflects current views, assumptions and expectations of the Company and is subject to change based on final decisions on conversion to IFRS.

Consolidated and Separate Financial Statements

Currently under Canadian GAAP, there are two models to determine whether entities are to be consolidated: the variable interest model and the voting interest model. Under IFRS, consolidation is based solely on control which is defined as "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities." The Company's preliminary assessment of the impact of adopting the IFRS consolidation model is substantially complete and the Company does not anticipate that these provisions will have a material impact to the Company's financial statements.

Property and Equipment

IFRS 1 permits an issuer to use the fair value of property and equipment as its deemed cost upon its transition to IFRS. This election is made on an asset by asset basis. The Company has not elected to restate any of its property, plant and equipment to fair value.

Share-based Payments

Under IFRS, the graded vesting method is used to recognize compensation expense related to awards that vest in installments over the vesting period which is what the Company currently applies under Canadian GAAP. The Company will continue to apply the graded vesting method and no transition adjustment is expected upon adoption of IFRS.

Income Taxes

The impact on the Company of accounting for the tax consequences of transactions and other events under IFRS versus Canadian GAAP may result in adjustments to the opening balance sheet at transition.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management expects to complete this assessment by June 30, 2011.

The effects on information technology, data systems, and internal controls have also been assessed, and the Company does not expect that significant modifications will be necessary on conversion, based on the Company's analysis of current standards to date.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and short-term investments, accounts receivable, securities owned, accounts payable, accrued liabilities, securities sold short, and accrued bonuses. The fair value of cash, accounts receivable, accounts payable, accrued liabilities, and accrued bonuses approximate their relevant carrying values due to their short-term nature. At March 31, 2011 the Company held $11.1 million in cash, $65.4 million in short-term investments, $0.8 million in securities owned and $0.3 million in securities sold short (collectively "marketable securities"). Securities owned, securities sold short and certain short-term investments are held pursuant to the Company's strategy of seeding new portfolio models, some of which the Company may eventually introduce as part of its investment strategies. The Company's marketable securities have been designated as 'held-for-trading' and are recorded at fair value using quotations from independent third party pricing sources, with realized and unrealized gains or losses being recognized in investment and other income in the income statement. The use of financial instruments exposes the Company to risks such as credit risk, interest rate risk and market risk. Refer to note 14 of the Company's March 31, 2011 unaudited interim financial statements for a more detailed analysis of risk exposures and sensitivity analyses for certain risks.

MANAGING RISK

Gluskin Sheff is exposed to a number of risks 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:

- 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.
- 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 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 to 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.

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.

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 and Company management have designed our corporate governance policies and practices to ensure we are focused on our responsibilities to our shareholders 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:

- The Board consists of ten directors, seven of whom are independent. The independent directors are not employees of the Company or parties to material contracts with the Company and are only entitled to directors' fees. The Company believes that the size and composition of the Board are well suited to the circumstances of the Company.
- The independent directors meet without management present at the end of each regularly scheduled board meeting. All Board members can and do interact with management as situations arise.
- For all independent directors, there is a minimum share ownership requirement of 6,000 Subordinate Voting Shares and one-half of all directors' fees are taken in the form of Deferred Share Units, ensuring alignment of their interests with those of shareholders.
- The Audit Committee and the Compensation, Nominating and Governance Committee, sub-committees of the Board of Directors, are exclusively composed of independent directors.
- The Audit Committee is chaired by Robert S. Weiss, FCA, who has extensive financial experience, as do the other Audit Committee members. This Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, and the system of internal control over financial reporting.
- The Compensation, Nominating and Governance Committee is chaired by Herbert Solway, QC. This Committee is responsible for administering the

Company's compensation policy 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 March 31, 2011. For further information, refer to note 5 of the Company's March 31, 2011 unaudited interim financial statements.

SHARE CAPITAL

As at May 9, 2011, there has been no change to the capital structure of the Company from that disclosed in the unaudited interim financial statements dated March 31, 2011. The number of outstanding Subordinate Voting Shares has increased during the quarter due to the exercise of stock options. 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 the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share, as further described in the Company's Annual Information Form. 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.

Stock options currently outstanding pursuant to our incentive stock option plan total 2,144,000 of which 836,000 stock options are currently exercisable.

OTHER INFORMATION

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

INTERIM BALANCE SHEETS

($ in thousands)

	AS AT MAR 31, 2011 (UNAUDITED)	AS AT JUN 30, 2010 (AUDITED)
ASSETS		
Current assets		
Cash and short-term investments (notes 4)	$ 76,576	$ 97,083
Accounts receivable (note 5)	10,107	9,564
Securities owned at fair value (note 4)	813	1,729
Income taxes recoverable	3,512	2,093
Future income taxes (note 9)	2,487	1,705
Prepaid expenses and other assets	806	754
	94,301	**112,928**
Property and equipment	11,875	4,409
Total assets	**$106,176**	**$ 117,337**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,767	$ 2,453
Securities sold short at fair value (note 4)	255	—
Accrued bonuses	10,353	18,290
	16,375	**20,743**
Long-term liability	478	—
Post-retirement obligations (note 7)	9,168	8,870
	9,646	**8,870**
	26,021	**29,613**
SHAREHOLDERS' EQUITY		
Share capital (note 8)	8,757	8,531
Treasury shares (note 8)	(3,538)	—
Contributed surplus (note 8)	11,281	8,171
Retained earnings	63,655	71,022
	80,155	**87,724**
Total liabilities and shareholders' equity	**$106,176**	**$ 117,337**

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

INTERIM STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS (UNAUDITED)

($ in thousands, except per share amounts)

	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
REVENUE				
Base management fees (note 5)	$ 20,724	$ 19,366	$ 62,072	$ 55,701
Performance fees (note 5)	1,701	79	17,688	45,325
Investment and other income (note 4)	377	121	1,514	435
	22,802	**19,566**	**81,274**	**101,461**
EXPENSES				
Salaries and benefits (notes 5, 7, 10 and 11)	6,848	6,275	22,594	34,418
Business development	603	658	2,582	1,987
General and administrative (note 12)	4,048	3,391	13,800	12,866
Occupancy	481	487	1,465	1,404
Amortization of property and equipment	354	240	1,043	653
	12,334	**11,051**	**41,484**	**51,328**
Income Before Provision for Income Taxes	$ 10,468	$ 8,515	$ 39,790	$ 50,133
Provision for (recovery of) income taxes (note 9)				
Current income taxes	3,476	3,173	12,835	19,583
Future income taxes	(233)	103	(781)	(2,051)
	3,243	3,276	12,054	17,532
Net income and comprehensive income for the period	7,225	5,239	27,736	32,601
Retained earnings – Beginning of period	60,430	67,261	71,022	49,978
	67,655	72,500	98,758	82,579
Dividends	(4,000)	(3,655)	(35,103)	(13,734)
Retained earnings – End of period	**$ 63,655**	**$ 68,845**	**$ 63,655**	**$ 68,845**
Average shares outstanding (in thousands)	**29,089**	**29,239**	**29,193**	**29,221**
Average diluted shares outstanding (in thousands)	**29,550**	**29,574**	**29,504**	**29,530**
Basic earnings per share (note 13)	**$ 0.25**	**$ 0.18**	**$ 0.95**	**$ 1.12**
Diluted earnings per share (note 13)	**$ 0.24**	**$ 0.17**	**$ 0.94**	**$ 1.10**

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

INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

($ in thousands)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
OPERATING ACTIVITIES				
Net Income for the period	$ 7,225	$ 5,239	$ 27,736	$ 32,601
Adjustments for				
Amortization of property and equipment	354	240	1,043	653
Net investment gains	(46)	(96)	(780)	(528)
Post-retirement obligations	100	95	298	8,667
Future income taxes	(234)	104	(782)	(2,050)
Stock-based compensation	1,215	1,275	3,243	3,141
	8,614	6,857	30,758	42,284
Changes in non-cash working capital items				
Accounts receivable	9,591	(969)	(543)	878
Prepaid expenses and other assets	(175)	(212)	(52)	40
Income taxes recoverable	(3,512)	—	(1,419)	4,548
Income taxes payable	(1,516)	(2,593)	—	2,307
Accounts payable and accrued liabilities	(1,510)	(4,012)	3,792	1,205
Accrued bonuses	2,710	2,481	(7,937)	5,943
	14,202	**1,552**	**24,599**	**57,405**
INVESTING ACTIVITIES				
(Repurchases) sales of securities sold short	(233)	—	138	61
Net sales (purchases) of securities owned	2,801	(190)	1,813	(1,726)
Purchases of property and equipment	(6,152)	(876)	(8,509)	(1,350)
	(3,584)	**(1,066)**	**(6,558)**	**(3,015)**
FINANCING ACTIVITIES				
Dividends paid	(4,000)	(3,655)	(35,103)	(13,734)
Acquisition of treasury stock	—	—	(3,538)	—
Exercise of stock options	—	—	93	16
	(4,000)	**(3,655)**	**(38,548)**	**(13,718)**
Increase (decrease) in cash during the period	**6,618**	**(3,169)**	**(20,507)**	**40,672**
Cash and short-term investments – Beginning of period	**69,958**	**97,698**	**97,083**	**53,857**
Cash and short-term investments – End of period	**$ 76,576**	**$ 94,529**	**$ 76,576**	**$ 94,529**
CASH AND SHORT-TERM INVESTMENTS COMPRISE				
Cash	$ 11,137	$ 11,487	$ 11,137	$ 11,487
Short-term investments	65,439	83,042	65,439	83,042
	$ 76,576	**$ 94,529**	**$ 76,576**	**$ 94,529**
SUPPLEMENTARY INFORMATION				
Interest paid during the period	—	—	—	—
Income taxes paid during the period	8,494	5,767	14,373	12,767

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

Notes to Unaudited Interim Financial Statements

($ in thousands, except per share amounts)

NATURE OF BUSINESS AND ORGANIZATION

Gluskin Sheff + Associates Inc. (the "Company") provides discretionary investment management services to high net worth private clients and institutional investors. The Company was incorporated in 1984 under the Ontario Business Corporations Act. The Company is listed on the Toronto Stock Exchange and trades under the symbol "GS".

These financial statements are for the three and nine months ended March 31, 2011 and March 31, 2010 with the Balance Sheets being as at March 31, 2011 and June 30, 2010.

1. BASIS OF PRESENTATION

These interim financial statements are prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and do not include all disclosures required for annual financial statements.

These financial statements should be read in conjunction with the June 30, 2010 Audited Financial Statements of Gluskin Sheff + Associates Inc. included in the 2010 Annual Report. These financial statements reflect the same significant accounting policies as those described in the notes to the Audited Financial Statements of Gluskin Sheff + Associates Inc. for the year ended June 30, 2010.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. CHANGES IN ACCOUNTING POLICIES

There were no changes in any accounting policies underlying the Company's financial statements in the current quarter.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and short-term investments, securities owned, accounts receivable, accounts payable, accrued liabilities, securities sold short, and accrued bonuses. Financial instruments comprised of cash, accounts receivable, accounts payable, accrued liabilities, and accrued bonuses, have carrying values which approximate their fair values due to their short-term

nature. Financial instruments comprised of short-term investments, securities owned and securities sold short, are recorded at fair value using quotations from independent third-party pricing sources.

4. SECURITIES OWNED AND SOLD SHORT AND SHORT-TERM INVESTMENTS

The Company has seeded new portfolio models, some of which the Company may eventually introduce as part of its investment strategies.

The maximum loss that the Company may 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 from entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The fair values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities. The realized and unrealized gains or losses incurred on securities owned, securities sold short, and short-term investments are included in investment and other income. The realized and unrealized gains on securities owned and securities sold short for the three months ended March 31, 2011 are $46 (March 31, 2010 – $96) and for the nine months ended March 31, 2011 are $780 (March 31, 2010 – $528).

Details of investment and other income (loss) are as follows:

	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
Realized gain on securities owned and securities sold short	**$ 646**	$96	**$ 894**	$109
Change in unrealized gain (loss) on securities owned and securities sold short	**(600)**	—	**(114)**	419
Change in unrealized gain on short-term investments	**40**	—	**38**	—
Interest and other income (loss)	**291**	25	**696**	(93)
	$ 377	$121	**$1,514**	$435

Fair Value Measurement

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value as at March 31, 2011.

	LEVEL 1	LEVEL 2	TOTAL
Short-term investments	$ —	$65,439	$65,439
Securities owned at fair value	797	16	813
Securities sold short	(255)	—	(255)
	$ 542	$ 65,455	$65,997

There were no transfers between the hierarchy levels and any level 3 financial assets or liabilities held during the quarter.

Included in cash and short-term investments at March 31, 2011 is $0.7 million held in a segregated account, in connection with a loan guarantee by the Company in respect of borrowings by certain executives from a Canadian Chartered Bank, pursuant to the Company's Executive Loan Program.

5. RELATED PARTY TRANSACTIONS

Included in the Company's total revenue for the three months ended March 31, 2011 are Base Management Fees of $15,631 (March 31, 2010 – $15,184) and for the nine months ended March 31, 2011 of $47,809 (March 31, 2010 – $31,210) earned from the management of the Company's pooled fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled funds that are limited partnerships, an affiliate of the Company is the general partner.

Included in the Company's salaries and benefits expense for the three months ended March 31, 2011 is a reimbursement of certain operating expenses by the Company's pooled funds of $914 (March 31, 2010 – $901) and for the nine months ended March 31, 2011 of $2,792 (March 31, 2010 – $2,529). All related party transactions are recorded at the exchange amount. Included in the Company's accounts receivable as at March 31, 2011 is $5,394 (June 30, 2010 – $4,751) owing from the Company's pooled funds.

Included in the Company's liabilities as at March 31, 2011 are post-retirement obligations of $9,168 (June 30, 2010 – $8,870) in respect of the Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, as described in note 7.

6. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue operations as a going concern. Capital is comprised of share capital (net of Treasury Shares), contributed surplus and retained earnings.

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.

The Company is required to maintain a minimum capital level of $100 as a registration requirement under the Ontario Securities Act. Throughout the three and nine months ended March 31, 2011, the Company maintained levels of capital well in excess of the $100.

7. POST-RETIREMENT OBLIGATIONS

During the second quarter of fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, that governs the terms of their arrangements with the Company following their departures from their respective roles as President & Chief Investment Officer and Chief Executive Officer. Under this agreement, Messrs. Gluskin and Sheff will continue to be employed by the Company for a period of up to five years. The agreement

provides for a lump sum retirement payment to each of $1.5 million at the end of their respective five year transition periods being no later than January 1, 2015 for Mr. Gluskin and June 30, 2015 for Mr. Sheff, or on their death, and fixed annual payments to each of $250 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. Such compensation has been established at levels commensurate with the tenure and seniority of the Co-Founders and has been reviewed by the Company's Compensation, Nominating and Governance Committee and the Board's independent directors.

The post-retirement obligations to be provided to the Co-Founders represent in substance a defined benefit plan, for which the Co-Founders are immediately fully vested and the cumulative expense of recognizing the fair value of the obligations was expensed in the second quarter of fiscal 2010. Any future changes in estimates and fair value will result in amendments to the liability of the plan in the period in which the changes occur. The Company expects to fund the future retirement benefits to the Co-Founders out of operating cash flow as amounts become due and therefore has no current plans to pre-fund these benefits. The Co-Founders will not be required to contribute to the retirement plan.

The increase in expense and related liability recognized in the three months ended March 31, 2011 was $100 (March 31, 2010 – $95) and for the nine months ended March 31, 2011 was $298 (March 31, 2010 – $8,667). This amount is included in salaries and benefits.

On January 15, 2011 the Company renewed its irrevocable letter of credit for $3 million with a Schedule I bank in support of its obligations under the retirement agreement.

Sensitivity analysis

The following table presents the sensitivity analysis of certain assumptions on the post-retirement obligations and expense as at March 31, 2011.

	CHANGE IN OBLIGATIONS AND EXPENSE
Impact of 1.0% change in the discount rate	$1,065
Impact of 1.0% change in Consumer Price Index	$ 126

8. SHARE CAPITAL, TREASURY SHARES AND CONTRIBUTED SURPLUS

Authorized

The company is authorized to issue an unlimited number of Subordinate Voting Shares ("SVS") and Multiple Voting Shares ("MVS") and an unlimited number of preference shares, issuable in series.

Shares issued and outstanding

As at March 31, 2011, there were 16,676 SVS and 12,613 MVS (March 31, 2010 – 15,329 SVS and 13,913 MVS) and no preference shares outstanding. MVS rank equally in all respects with the SVS, except that each MVS is entitled to 15 votes at any shareholders' meeting for all matters other than the election of directors.

	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2011		MAR 31, 2010		MAR 31, 2011		MAR 31, 2010	
Share Capital	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
Beginning of period								
Multiple Voting Shares	**12,613**		16,588		**13,613**		18,263	
Subordinate Voting Shares	**16,667**		12,649		**15,661**		10,939	
	29,280	**$8,651**	29,237	$7,879	**29,274**	**$8,531**	29,202	$7,423
Activity during the period								
Convert from Multiple Voting Shares	**—**	**—**	(2,675)	—	**(1,000)**	**—**	(4,350)	—
Exercise of Stock Options	**9**	**106**	5	74	**15**	**226**	40	530
Convert to Subordinate Voting Shares	**—**	**—**	2,675	—	**1,000**	**—**	4,350	—
	9	**$ 106**	5	$ —	**15**	**$ 226**	40	$ 530
End of the period								
Multiple Voting Shares	**12,613**		13,913		**12,613**		13,913	
Subordinate Voting Shares	**16,676**		15,329		**16,676**		15,329	
	29,289	**$8,757**	29,242	$7,953	**29,289**	**$8,757**	29,242	$7,953

Treasury Shares

In relation to the Company's stock-based compensation RSU plan (described in Note 11), the Company may acquire shares in the open market which will be held in a trust for the benefit of the RSU participants to hedge the potential economic exposure that could arise on outstanding RSUs due to fluctuation in the stock price. During the three months ended December 31, 2010, the Company paid cash of approximately $3.5 million to acquire shares in the open market pursuant to this arrangement. These shares are recorded as treasury shares and are not considered to be outstanding for basic earnings per share calculations.

	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2011		MAR 31, 2010		MAR 31, 2011		MAR 31, 2010	
Treasury Shares	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE	NUMBER OF SHARES (000's)	STATED VALUE
Balance, beginning of period	193	3,538	—	—	—	—	—	—
Shares acquired	—	—	—	—	193	3,538	—	—
Balance, end of period	193	$3,538	—	$—	193	$3,538	—	$—

	3 MONTHS ENDED		9 MONTHS ENDED	
Contributed Surplus	MAR 31, 2011	MAR 31, 2010	MAR 31, 2011	MAR 31, 2010
Balance – Beginning of period	$10,172	$6,683	$ 8,171	$ 5,257
Deferred share units	112	267	423	384
Amortization of stock options	561	1,008	1,997	2,757
Restricted share units	542	—	1,031	—
Exercised stock options	(106)	(74)	(133)	(514)
Forfeited stock options	—	—	(208)	—
Balance – End of period	$ 11,281	$7,884	$11,281	$7,884

9. INCOME TAXES

The reconciliation of the Company's effective income tax rate to the statutory income tax rate is as follows:

	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010
Income Taxes at statutory rate, 29.25% (2010 – 32.00%)	$3,057	$2,726
Increase (decrease) in income taxes resulting from:		
Stock-based compensation	197	408
Realized and unrealized capital gains on securities owned	215	2
Future tax asset not previously recorded	(104)	—
Other non-deductible items and changes in future tax rates	(122)	140
Income tax provision as reported, 31.00% (2010 – 38.50%)	$3,243	$3,276

	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
Income Taxes at statutory rate, 29.25% (2010 – 32.00%)	$ 11,638	$16,043
Increase (decrease) in income taxes resulting from:		
Stock-based compensation	647	1,005
Realized and unrealized capital gains on securities owned	33	(62)
Future tax asset not previously recorded	(148)	—
Prior year's over provision	(34)	(157)
Other non-deductible items and changes in future tax rates	(82)	703
Income tax provision as reported, 30.29% (2010 – 35.00%)	$12,054	$ 17,532

The future income tax asset relates to the following:

	AS AT MAR 31, 2011	AS AT JUN 30, 2010
Unrealized gain on securities owned and securities sold short	$ —	$ 83
Property and equipment	(315)	(595)
Acquisition of treasury stock for RSUs	267	—
Accrued liabilities	243	—
Post-retirement obligations	2,292	2,217
Future income tax asset	$2,487	$1,705

As at March 31, 2011, the Company has approximately $100 (June 30, 2010 – $1,110) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these financial statements.

10. SALARIES AND BENEFITS

The Company accrues for bonuses to its employees.

Included in salaries and benefits expense are accrued bonuses for the three months ended March 31, 2011 of $2,710 (March 31, 2010 – $2,481) and for the nine months ended March 31, 2011 of $10,312 (March 31, 2010 – $15,661).

11. STOCK-BASED COMPENSATION PLANS

The Company established a stock option plan and a deferred share unit ("DSU") plan, for employees and directors, in May 2006 and September 2006 respectively. The aggregate number of SVS that may be issued under the Plans is limited to 10% of equity shares issued and outstanding. The Company established a RSU plan for employees in September 2010.

There are three components to the Company's stock-based compensation structure: stock options, deferred share units, and restricted share units.

Stock options

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.

For the three months and nine months ended March 31, 2011, the Company did not issue any stock options to participants as the regular use of employee stock options as an element of annual compensation was discontinued this year. The use of options will be limited to special circumstances only. There will be no further issuance of stock options for Directors.

The expense related to stock options outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2011 was $561 (March 31, 2010 – $1,008) and for the nine months ended March 31, 2011 was $1,789 (March 31, 2010 – $2,757) using the graded vesting methodology in accordance with CICA Handbook Section 3870.

The outstanding balances of stock options are summarized in the following table.

	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2011		MAR 31, 2010		MAR 31, 2011		MAR 31, 2010	
STOCK OPTIONS	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
Balance – Beginning of period	2,174	$18.49	2,440	$18.34	2,277	$18.54	1,847	$ 17.23
Options granted	—	—	—	—	—	—	735	20.60
Options exercised	(30)	15.51	(20)	15.53	(36)	15.52	(142)	15.52
Options forfeited	—	—	—	—	(97)	19.91	(20)	15.59
Balance – End of period	2,144	$ 18.53	2,420	$18.37	2,144	$ 18.53	2,420	$ 18.37

	AS AT MAR 31, 2011				
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING (000's)	WEIGHTED AVERAGE REMAINING CONTRACTUAL YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000's)	WEIGHTED AVERAGE EXERCISE PRICE
$10.00 – $17.99	1,194	3.70	$ 15.33	552	$ 15.53
$18.00 – $25.99	715	5.90	20.60	143	20.60
$26.00 – $33.99	235	3.52	28.50	141	28.50
	2,144	4.42	$ 18.53	836	$ 18.59

Range of exercise prices	As at Jun 30, 2010				
	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	1,282	4.41	$ 15.35	356	$ 15.53
$18.00 – $25.99	735	6.64	20.60	—	—
$26.00 – $33.99	260	4.27	28.50	104	28.50
	2,277	5.11	$ 18.54	460	$18.46

Deferred share units

The Company's DSU plan represents notional 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 SVS. Members of the Company's Board of Directors are required to take 50% of their annual retainers and other fees in the form of DSUs. The number of DSUs received is determined by the market value of the Company's SVS on each director's fee payment date. DSUs allocated under this plan are adjusted to reflect dividends. DSUs cannot be redeemed for cash or SVS (purchased on the open market) until the holder is no longer a director of the Company.

The expense related to outstanding DSUs that has been included in the salaries and benefits expense during the three months ended March 31, 2011 was $112 (March 31, 2010 – $267) and for the nine months ended March 31, 2011 was $423 (March 31, 2010 – $384).

The outstanding balances of DSUs are summarized in the following table.

	3 MONTHS ENDED		9 MONTHS ENDED	
DEFERRED SHARE UNITS	MAR 31, 2011	MAR 31, 2010	MAR 31, 2011	MAR 31, 2010
Balance – Beginning of period	**41**	26	**32**	20
Issued	**3**	3	**12**	9
Balance – End of period	**44**	29	**44**	29

Restricted share units

The Company's RSU plan represents notional 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 SVS. The number of RSUs received is determined by the market value of the Company's SVS at the time of award. RSUs allocated under this plan are adjusted to reflect dividends. RSUs vest over time at the rate of one-third of the total RSUs granted on each anniversary of the grant date.

For the three months ended March 31, 2011, the Company awarded $0.3 million of RSUs to employees. The expense related to RSUs outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2011 was $542 (March 31, 2010 – $nil) and for the nine months ended March 31, 2011 was $1,031 (March 31, 2010 – $nil) using the graded vesting methodology.

	3 MONTHS ENDED		9 MONTHS ENDED	
RESTRICTED SHARE UNITS	MAR 31, 2011	MAR 31, 2010	MAR 31, 2011	MAR 31, 2010
Balance – Beginning of period	**177**	—	—	—
Issued	**14**	—	**191**	—
Balance – End of period	**191**	—	**191**	—

12. GENERAL AND ADMINISTRATIVE

Included in the Company's general and administrative expense are sub-advisory fees for the three months ended March 31, 2011 of $370 (March 31, 2010 – $335) and for the nine months ended March 31, 2011 of $2,629 (March 31, 2010 – $4,984).

13. 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 average number of shares outstanding during the period excluding treasury shares held in the RSU trust which are not included in shares outstanding in the relevant period for accounting purposes.

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

Basic and diluted earnings per share	3 MONTHS ENDED MAR 31, 2011	3 MONTHS ENDED MAR 31, 2010
Basic earnings per share		
Net income available to shareholders	$ 7,225	$ 5,239
Average number of shares outstanding (in 000's)	29,089	29,239
Basic earnings per share	$ 0.25	$ 0.18
Diluted earnings per share		
Net income available to shareholders	$ 7,225	$ 5,239
Average number of shares outstanding (in 000's)	29,089	29,239
Stock options and RSUs potentially exercisable as determined under the treasury stock method (in 000's)	461	335
Average number of shares outstanding – diluted (in 000's)	29,550	29,574
Diluted earnings per share[1]	$ 0.24	$ 0.18

Note:

1. *For the three months ended March 31, 2011, the computation of diluted earnings per share excluded weighted-average options outstanding of 275 (March 31, 2010 – 1,000) with a weighted-average exercise price of $27.53 (March 31, 2010 – $22.69) as the option price was greater than the average market price of the Company's shares.*

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

Basic and diluted earnings per share	9 MONTHS ENDED MAR 31, 2011	9 MONTHS ENDED MAR 31, 2010
Basic earnings per share		
Net income available to shareholders	$ 27,736	$32,601
Average number of shares outstanding (in 000's)	29,193	29,221
Basic earnings per share	$ 0.95	$ 1.12
Diluted earnings per share		
Net income available to shareholders	$ 27,736	$32,601
Average number of shares outstanding (in 000's)	29,193	29,221
Stock options and RSUs potentially exercisable as determined under the treasury stock method (in 000's)	311	309
Average number of shares outstanding – diluted (in 000's)	29,504	29,530
Diluted earnings per share[1]	$ 0.94	$ 1.10

Note:

1. *For the nine months ended March 31, 2011, the computation of diluted earnings per share excluded weighted-average options outstanding of 950 (March 31, 2010 – 1,000) with a weighted-average exercise price of $22.55 (March 31, 2010 – $22.69) as the option price was greater than the average market price of the Company's shares.*

14. RISK MANAGEMENT

The Company's financial instruments include cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, and accrued bonuses, whose carrying values approximate their fair values due to their short-term nature, and short-term securities holdings, which are recorded at fair value using quotations from independent third-party pricing sources. The Company also has financial instruments consisting of other securities owned and securities sold short recorded at fair value representing seeded capital used in forming new portfolios.

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, foreign currency exchange, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses. As many of the Company's financial instruments are recognized at fair value and classified as held for trading, any changes will affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair values of the financial instruments. The maximum gain to the Company in respect of the securities sold short is the proceeds received entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The Company manages market risk by the daily monitoring of its securities owned and securities sold short. The Company separates market risk into three categories: price risk, interest rate risk, and foreign exchange risk.

Price Risk
Price risk arises from the possibility that changes in the price of the Company's investments will result in changes in carrying values. As at March 31, 2011, investments in securities owned and securities sold short managed by the Company amounted to $813 or 0.8% (June 30, 2010 – $1,729 or 1.5%) of total assets and $255 or 0.2% of total liabilities and shareholders' equity (June 30, 2010 – $342 or 0.5%). If the fair value of securities owned increased by 5%, with all other variables held constant, this would have increased net income before provision for income taxes by approximately $30 (June 30, 2010 – $69); conversely, if the value of securities owned decreased by 5%, this would have decreased net income by the same amount. If the fair values of securities sold short increased by 5%, with all other variables held constant, the decrease to net income before provision for income taxes would have been approximately $9 (June 30, 2010 – $14); conversely, if the value of securities sold short decreased by 5%, this would have increased net income by the same amount.

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

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. As at March 31, 2011 and June 30, 2010, the Company was subject to interest risk through some of its short-term investments. The Company's sensitivity to interest rate as determined based on portfolio weighted duration was not significant as at March 31, 2011 and June 30, 2010, since investments in debt securities have a weighted term to maturity of less than a year. The interest rate risk during the quarter is minimal.

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. It is therefore exposed to foreign exchange risk, as the value of investments denominated in other currencies will fluctuate due to changes in foreign exchange rates. As at March 31, 2011 and June 30, 2010, certain investments in securities owned and securities sold short owned by the Company were denominated in U.S. dollars. Investments in securities owned of $500 (June 30, 2010 – $387) and securities sold short of $nil (June 30, 2010 – $nil) were denominated in U.S. dollars as at March 31, 2011. Furthermore, as at March 31, 2011, a total of $183 (June 30, 2010 – $98) of cash and $162 (June 30, 2010 – $141) of accounts receivable were denominated in U.S. dollars. As at March 31, 2011, had the foreign exchange rate between the U.S. dollar and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income before provision for income taxes would have amounted to approximately $52 (June 30, 2010 – $25).

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. Credit risk arises from the potential that counterparties fail to satisfy their obligations. The Company's exposure to credit risk is minimal. Credit risk is 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 funds and managed accounts managed by the Company, which are current.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. The current assets reflected in the consolidated balance sheets are highly liquid. The majority of investments held by the Company is readily marketable and is recorded at their fair value. Financial liabilities, including accounts payable, accrued liabilities, and accrued bonuses, are short-term in nature and are generally due within several months. 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.

15. AUDITORS

The interim financial statements have been prepared by Management and have not been reviewed by the Company's independent auditors.

Board of Directors

PAUL BEESTON
Audit Committee

DONALD CARTY
Compensation, Nominating and Governance Committee

JEREMY FREEDMAN
President & Chief Executive Officer Gluskin Sheff

IRA GLUSKIN
Co-Founder & Vice-Chairman Gluskin Sheff

WILFRED GOBERT
Audit Committee

GERALD SHEFF
Co-Founder & Chairman Gluskin Sheff

HERBERT SOLWAY
Chairman of the Compensation, Nominating and Governance Committee

PIERRE-ANDRE THEMENS
Audit Committee

PAMELA D. WALLIN
Compensation, Nominating and Governance Committee

ROBERT S. WEISS
Chairman of the Audit Committee

Officers

GERALD SHEFF
Co-Founder & Chairman

IRA GLUSKIN
Co-Founder & Vice-Chairman

JEREMY FREEDMAN
President & Chief Executive Officer

WILLIAM WEBB
Executive Vice-President & Chief Investment Officer

DAVID MORRIS
Chief Financial Officer & Secretary

BRIAN GINSLER
Chief Operating Officer

DAVID ROSENBERG
Chief Economist & Strategist

JAMES SIMMONDS
Chief Compliance Officer

JIM BANTIS
Vice-President, Risk Management

MICHAEL CECCARELLI
Vice-President, Risk Management

SILVIA CHEUNG
Vice-President, Investment Accounting

MALCOLM CLARKE
Vice-President, Operations & Technology

RENO GIANCOLA
Vice-President & Portfolio Manager

JEFF HALES
Vice-President & Portfolio Manager

DAVID HODGSON
Vice-President & Portfolio Manager

PATRICK KEELEY
Vice-President, Risk Management

SANDY KWAN
Controller

KAI LAM
Vice-President & Portfolio Manager

BRUCE LEBOFF
Vice-President, Risk Management

JEANNINE LICHONG
Vice-President & Portfolio Manager

JEFF MOODY
Vice-President, Risk Management

SARAH NIXON-SUGGITT
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DEAN SMITH
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TIM STINSON
Vice-President, Risk Management

CHRISTINE TAN
Vice-President & Portfolio Manager

DAVID VANKKA
Vice-President, Risk Management

MARK WISNIEWSKI
Vice-President & Portfolio Manager

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