

**Unaudited Financial Statements of**

**CYMBRIA CORPORATION**

*Three months and six months ended June 30, 2017*

**CYMBRIA®**

# CYMBRIA CORPORATION

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

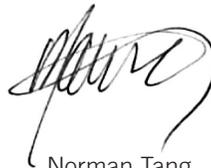
The accompanying condensed interim Financial Statements have been prepared by the Manager, EdgePoint Investment Group Inc., on behalf of Cymbria Corporation ("Cymbria"). Management is responsible for the information and representations contained in these Financial Statements.

Management has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The condensed interim Financial Statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts based on estimates and assumptions. The significant accounting policies that management believes are appropriate for Cymbria are described in Note 3 to the condensed interim Financial Statements.

The Board of Directors is responsible for reviewing and approving Cymbria's condensed interim Financial Statements, overseeing management's performance of its financial reporting responsibilities and engaging the independent auditors. The Board of Directors is composed of three members who are independent of management. For all share classes of Cymbria, the condensed interim Financial Statements have been reviewed and approved by the Board of Directors.



Patrick Farmer  
Chairman  
August 8, 2017



Norman Tang  
Chief Financial Officer  
August 8, 2017

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## NOTICE TO SHAREHOLDERS

Cymbria's Board of Directors, appoints independent auditors to audit Cymbria's annual Financial Statements. Under Canadian securities laws (National Instrument 51-102), if an auditor has not reviewed the interim Financial Statements, this must be disclosed in an accompanying notice.

Cymbria's independent auditor has not performed a review of these condensed interim Financial Statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

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**CYMBRIA CORPORATION**

Statements of Financial Position (Unaudited)  
(in '000s except per share amounts and number of shares)  
As at June 30, 2017 and December 31, 2016

	June 30, 2017	December 31, 2016 (Audited)
<b>Assets</b>		
Investments	\$ 731,036	\$ 639,513
EdgePoint Wealth Management Inc.	151,879	110,327
Foreign exchange forward contracts	4,909	235
Total financial assets held-for-trading or at fair value through profit or loss	887,824	750,075
Cash and cash equivalents	75,529	101,596
Receivable for investments sold	476	2,627
Dividends receivable	817	515
Income tax recovery	4,144	4,814
<b>Total Assets</b>	<b>\$ 968,790</b>	<b>\$ 859,627</b>
<b>Liabilities</b>		
Accrued liabilities	\$ 823	\$ 717
Payable for investments purchased	2,136	642
Foreign exchange forward contracts	-	617
Total current liabilities	2,959	1,976
Deferred share unit plan liability (Note 7)	654	485
Deferred income tax liability	39,241	30,490
<b>Total Liabilities</b>	<b>\$ 42,854</b>	<b>\$ 32,951</b>
<b>Shareholders' equity</b>		
Share capital (Note 5)	\$ 220,034	\$ 220,034
Surplus (Note 6)	447,841	406,179
Unrealized gain on investments	258,061	200,463
<b>Total Shareholders' Equity</b>	<b>\$ 925,936</b>	<b>\$ 826,676</b>
<b>Shareholders' equity</b>		
Common stock	\$ -	\$ -
Class A	568,389	508,138
Class J	357,547	318,538
<b>Number of shares outstanding (Note 5)</b>		
Class A	14,404,727	14,399,226
Class J	8,219,202	8,224,207
<b>Total shareholders' equity per share</b>		
Class A	\$ 39.46	\$ 35.29
Class J	\$ 43.50	\$ 38.73

The accompanying notes are an integral part of these interim Financial Statements.

ON BEHALF OF THE BOARD:

  
\_\_\_\_\_  
Reena Carter, Director

  
\_\_\_\_\_  
James MacDonald, Director

**CYMBRIA CORPORATION**

*Statements of Comprehensive Income (Unaudited)*  
*(in '000s except per share amounts)*  
*Three months and six months ended June 30, 2017 and 2016*

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Income</b>				
Dividends from EdgePoint Wealth Management Inc.	\$ 5,175	\$ 3,726	\$ 5,175	\$ 3,726
Dividends from other investments	3,607	2,559	5,754	4,730
Interest for distribution purposes	41	6	75	13
Foreign currency gain (loss) on cash and other net assets	(74)	96	(63)	(494)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:				
Net realized gain (loss) on investments	9,743	4,951	42,090	36,488
Net realized gain (loss) on foreign exchange forward contracts	(1,867)	11,577	(654)	6,854
Change in unrealized appreciation (depreciation) on investments	64,155	(21,957)	61,103	(74,128)
Change in unrealized appreciation (depreciation) on foreign exchange forward contracts	5,284	(9,781)	5,291	4,678
<b>Total Income</b>	<b>\$ 86,064</b>	<b>\$ (8,823)</b>	<b>\$ 118,771</b>	<b>\$ (18,133)</b>
<b>Expenses (Note 8)</b>				
Management fees	\$ 1,615	\$ 1,302	\$ 3,153	\$ 2,547
Operating expenses	487	240	807	480
Investment research and portfolio maintenance	94	110	185	180
Harmonized Sales Tax	278	212	535	414
Net Withholding tax	710	405	915	595
Transaction costs	103	57	230	170
<b>Total Expenses</b>	<b>\$ 3,287</b>	<b>\$ 2,326</b>	<b>\$ 5,825</b>	<b>\$ 4,386</b>
<b>Profit (loss) for the period before taxes</b>	<b>\$ 82,777</b>	<b>\$ (11,149)</b>	<b>\$ 112,946</b>	<b>\$ (22,519)</b>
<b>Income taxes (recovery)</b>				
Current	\$ 541	\$ 1,866	\$ 4,935	\$ 5,124
Deferred	9,171	(4,276)	8,751	(9,279)
<b>Total Income taxes</b>	<b>\$ 9,712</b>	<b>\$ (2,410)</b>	<b>\$ 13,686</b>	<b>\$ (4,155)</b>
<b>Increase (decrease) in shareholders' equity from operations</b>	<b>\$ 73,065</b>	<b>\$ (8,739)</b>	<b>\$ 99,260</b>	<b>\$ (18,364)</b>
<b>Increase (decrease) in shareholders' equity from operations, by class</b>				
Class A	\$ 44,582	\$ (6,088)	\$ 60,038	\$ (12,206)
Class J	\$ 28,483	\$ (2,651)	\$ 39,222	\$ (6,158)
<b>Increase (decrease) in shareholders' equity from operations, per share</b>				
Class A	\$ 3.10	\$ (0.42)	\$ 4.17	\$ (0.85)
Class J	\$ 3.46	\$ (0.32)	\$ 4.77	\$ (0.75)

The accompanying notes are an integral part of these interim Financial Statements.

**CYMBRIA CORPORATION***Statements of Changes in Equity (Unaudited)**(in '000s)**Six months ended June 30, 2017 and 2016*

	<b>2017</b>	<b>2016</b>
<b>Class A:</b>		
Shareholders' equity, beginning of the period	\$ 508,138	\$ 447,965
Increase (decrease) in shareholders' equity from operations	60,038	(12,206)
Capital transactions:		
Class J to Class A share exchanges	52	245
Cumulative surplus on Class J to Class A share exchanges	(2)	(5)
Surplus	163	603
	60,251	(11,363)
Shareholders' equity, end of the period	\$ 568,389	\$ 436,602

**Class J:**

Shareholders' equity, beginning of the period	\$ 318,538	\$ 280,346
Increase (decrease) in shareholders' equity from operations	39,222	(6,158)
Capital transactions:		
Class J to Class A share exchanges	(50)	(240)
Surplus	(163)	(603)
	39,009	(7,001)
Shareholders' equity, end of the period	\$ 357,547	\$ 273,345

The accompanying notes are an integral part of these interim Financial Statements.

**CYMBRIA CORPORATION**

Statements of Cash Flows (Unaudited)  
(in '000s)  
Six months ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Cash Flow from Operating Activities</b>		
Increase (decrease) in shareholders' equity from operations	\$ 99,260	\$ (18,364)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	63	494
Net realized (gain) loss on investments	(42,090)	(36,488)
Net realized (gain) loss on foreign exchange forward contracts	654	(6,854)
Change in unrealized (appreciation) depreciation on investments	(61,103)	74,128
Change in unrealized (appreciation) depreciation on foreign exchange forward contracts	(5,291)	(4,678)
(Increase) decrease in dividends receivable	(302)	(287)
Increase (decrease) in accrued liabilities and other payables	945	(7,512)
Increase (decrease) in deferred income tax liability	8,751	(9,279)
Purchase of investments	(163,821)	(129,527)
Proceeds from sales of investments	136,930	133,400
<b>Net Cash Generated (Used) by Operating Activities</b>	<b>\$ (26,004)</b>	<b>\$ (4,967)</b>
Net increase (decrease) in cash and cash equivalents	\$ (26,004)	\$ (4,967)
Foreign currency gain (loss) on cash and other net assets	(63)	(494)
Cash and cash equivalents, beginning of the period	101,596	24,757
<b>Cash and Cash Equivalents, end of the period</b>	<b>\$ 75,529</b>	<b>\$ 19,296</b>
Cash and cash equivalents comprise:		
Cash at bank	\$ 75,529	\$ 19,296
	\$ 75,529	\$ 19,296
Interest received, net of withholding tax	\$ 75	\$ 13
Dividends received, net of withholding tax	\$ 9,712	\$ 7,574
Income taxes paid	\$ (4,625)	\$ (11,366)

The accompanying notes are an integral part of these interim Financial Statements.

**1. The Corporation:**

Cymbria Corporation (“Cymbria”) is an investment company incorporated on September 4, 2008, under the laws of the Province of Ontario. It commenced operations and was listed on the Toronto Stock Exchange on November 4, 2008. EdgePoint Investment Group Inc. (the “Manager”) provides senior management to Cymbria and is also its Investment Advisor.

The registered office of Cymbria is located at 150 Bloor St. W., Suite 500, Toronto, Ontario, M5S 2X9, Canada.

The investment objective of Cymbria is to provide long-term capital appreciation through a concentrated portfolio of global companies and an investment in EdgePoint Wealth Management Inc. (“EdgePoint”), which offers mutual funds, institutional and other investments through financial advisors. The portfolio management team looks for global companies that it believes have strong competitive positions, long-term growth prospects and are run by competent management teams. The portfolio management team endeavours to acquire ownership stakes in these companies at prices below its assessment of each company’s true value.

**2. Basis of preparation:**

(a) Statement of compliance:

These unaudited condensed interim financial statements of Cymbria have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

The condensed interim financial statements were authorized for issue by the Board of Directors on August 8, 2017.

**3. Significant accounting policies:**

The accounting policies applied by Cymbria in these condensed interim financial statements are the same as those applied by Cymbria in its financial statements for the year ended December 31, 2016, which were prepared in accordance with IFRS.

The disclosures contained in these unaudited interim financial statements do not include all the requirements of IFRS for annual financial statements. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2016. The unaudited interim financial statements are based on accounting policies, as described in note 3 to the 2016 audited annual financial statements.

(a) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended June 30, 2017, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of Cymbria, with the possible exception of IFRS 9, *Financial Instruments*.

IFRS9 deals with recognition, derecognition, classification and measurement of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement*, in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset’s contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables.

The effective date of this standard is January 1, 2018, but early adoption is permitted. The Manager is currently in the process of evaluating the potential effect of this standard.

**4. Critical accounting estimates and judgments:**

In the preparation of these condensed interim financial statements, the Manager has made judgments, estimates and assumptions that affect the application of Cymbria’s accounting policies and the reported amounts of assets, liabilities, income and expenses. There have been no changes in the critical accounting estimates and judgments which were set out in detail in note 4 of Cymbria’s financial statements for the year ended December 31, 2016.

**5. Share capital:**

Cymbria has authorized an unlimited number of Class A non-voting, non-redeemable shares, an unlimited number of Class J non-voting, non-redeemable shares and an unlimited number of common shares. Share capital consists of the following:

June 30, 2017	Number of shares	Amount ('000s)
Common shares outstanding, June 30, 2017	100	—*
Class A shares issued:		
Shares outstanding, January 1, 2017	14,363,241	\$ 137,462
Class A shares issued in exchange for Class J shares	5,501	52
Contributed Surplus		(2)
Class A shares outstanding, June 30, 2017	14,404,727	\$ 137,512
Class J shares issued:		
Shares outstanding, January 1, 2017	8,257,157	\$ 82,572
Class J shares exchanged for Class A shares	(5,005)	(50)
Class J shares outstanding, June 30, 2017	8,219,202	\$ 82,522
<b>Total</b>		<b>\$ 220,034</b>

**5. Share capital (continued):**

June 30, 2016	Number of shares	Amount ('000s)
Common shares outstanding, June 30, 2016	100	—*
Class A shares issued:		
Shares outstanding, January 1, 2016	14,363,241	\$ 137,462
Class A shares issued in exchange for Class J shares	26,148	245
Contributed Surplus		(5)
Class A shares outstanding, June 30, 2016	14,389,389	\$ 137,702
Class J shares issued:		
Shares outstanding, January 1, 2016	8,257,157	\$ 82,572
Class J shares exchanged for Class A shares	(23,970)	(240)
Class J shares outstanding, June 30, 2016	8,233,187	\$ 82,332
<b>Total</b>		<b>\$ 220,034</b>

\*Amount of common shares outstanding is \$100.

**6. Surplus:**

The changes in surplus for the six months ended June 30, 2017 and 2016 are as follows:

	June 30, 2017 ('000s)	June 30, 2016 ('000s)
Opening surplus	\$ 406,179	\$ 323,993
Net investment income (loss)	519	(846)
Net realized gain on investments and foreign exchange, net of transaction costs	41,143	42,678
Closing surplus	\$ 447,841	\$ 365,825

**7. Deferred share unit plan:**

In 2009, Cymbria implemented a Deferred Share Unit (“DSU”) plan that gives directors the option to receive all of their Cymbria-related compensation in the form of DSUs. The number of DSUs awarded is based on the fair market value, as defined by the plan, of Class A shares on the award date. DSUs earn additional DSUs related to dividends that would otherwise have been paid if Class A shares had been issued on the grant date. The number of DSUs issued in regard to dividends is based on the fair market value of Class A shares, as defined in the plan, on the date dividends are paid. Upon redemption of DSUs, participants can elect to receive either a cash payment equal to the fair market value, as defined in the plan, of DSUs credited to the participant’s account, or the equivalent number of Class A shares purchased in the open market on the participant’s behalf. The plan is considered unfunded and participants’ rights are no greater than those of an unsecured Cymbria creditor.

The following table summarizes DSU activity for the six months ended June 30, 2017 and the year ended December 31, 2016:

June 30, 2017	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2017	12,410	\$ 485
Granted during 2017 (Fair value on grant date)	1,145	51
Cumulative fair value adjustments during the period		118
<b>Balance, June 30, 2017</b>	<b>13,025</b>	<b>\$ 542</b>

December 31, 2016	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2016	9,484	\$ 308
Granted during 2016 (Fair value on grant date)	2,926	103
Cumulative fair value adjustments during the year		74
<b>Balance, December 31, 2016</b>	<b>12,410</b>	<b>\$ 485</b>

A maximum of 1,000,000 DSUs may be awarded under the plan, with the maximum value of DSUs awarded to participants within any one-year period not to exceed \$100,000 per participant.

**8. Related party transactions:**

i. Management and service fees:

The Manager charges a monthly management fee at an annual rate of 1% of the daily average NAV of Class A shares, excluding EdgePoint’s value. During the period ended June 30, 2017, the management fee charged on Class A shares was approximately 0.87% per annum.

The Manager charges Class J shareholders a monthly management fee at an annual rate of 0.5% of the daily average NAV of Class J shares, excluding EdgePoint’s value. During the period ended June 30, 2017, the management fee charged on Class J shares was approximately 0.44% per annum.

The total management fee for the six months ended June 30, 2017 amounted to \$3.2 million (June 30, 2016: \$2.5 million), with \$0.5 million in outstanding accrued fees due to the Manager at June 30, 2017 (December 31, 2016: \$0.5 million), which have been subsequently paid.

ii. Operating expenses

Cymbria is also responsible for various expenses relating to its operations. These expenses may include, but are not limited to: taxes (including income, capital and harmonized sales taxes), accounting, legal and audit fees, Board of Directors’ fees and expenses, custodial fees, portfolio transaction costs, registrar and transfer agency fees, regulatory costs, shareholder reporting, investment advisor expenses incurred in connection with its duties as Investment Advisor and all administration expenses incurred by the Manager for its duties as Manager, excluding any salaries to the Manager’s

**8. Related party transactions (continued):**

principal shareholders, and all general operating expenses that could include allocated salaries, overhead and other costs directly related to Cymbria’s operations and incurred by the Manager. For the six months ended June 30, 2017, allocated expenses totaled \$0.2 million (June 30, 2016: \$0.2 million). Except for interest, bank charges, withholding tax, and transaction costs paid or payable directly by Cymbria, the Manager incurs such expenses on Cymbria’s behalf and is then reimbursed by Cymbria for such expenses. Cymbria’s common operating expenses are allocated to classes based on the average daily NAVs of each class.

**9. Fair value measurement:**

Cymbria’s investments and derivative financial instruments are carried at fair value. In the opinion of the Manager, the fair values of financial instruments, other than investments and derivative financial instruments, approximate their carrying values given their short-term nature.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Cymbria can access at the measurement date;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., as derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs of different levels are used to measure an asset’s or liability’s fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Changes in valuation methods may result in transfers into, or out of, an investment’s assigned level.

The following table categorizes financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is included. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring:

June 30, 2017 ('000s)	Level 1	Level 2	Level 3	Total
Equities	\$ 731,036	\$ –	\$ 151,879	\$ 882,915
Foreign exchange forward contracts	–	4,909	–	4,909
<b>Total</b>	<b>\$ 731,036</b>	<b>\$ 4,909</b>	<b>\$ 151,879</b>	<b>\$ 887,824</b>

December 31, 2016 ('000s)	Level 1	Level 2	Level 3	Total
Equities	\$ 630,372	\$ –	\$ 119,118	\$ 749,840
Foreign exchange forward contracts	–	235	–	235
Foreign exchange forward contracts	–	(617)	–	(617)
<b>Total</b>	<b>\$ 630,722</b>	<b>\$ (382)</b>	<b>\$ 119,118</b>	<b>\$ 749,458</b>

For the six months ended June 30, 2017, the net change in value for financial instruments classified as held- for-trading is a \$4.6 million gain (June 30, 2016: \$11.5 million gain) and designated at FVTPL is a \$103.2 million gain (June, 2016: \$37.6 million loss).

The following tables reconcile Cymbria’s Level 3 fair value measurements for the six months ended June, 2017 and for the year ended December 31, 2016.

June 30, 2017 ('000s)	Equities
Balance at beginning of period	\$ 119,118
Transfers out	(8,791)
Change in unrealized appreciation in value of investments	41,552
<b>Balance at end of period</b>	<b>\$ 151,879</b>
Total change in unrealized appreciation for assets held as at June 30, 2017	\$ 41,552

December 31, 2016 ('000s)	Equities
Balance at beginning of year	\$ 99,376
Investments purchased during the year	6,698
Change in unrealized appreciation in value of investments	13,044
<b>Balance at end of year</b>	<b>\$ 119,118</b>
Total change in unrealized appreciation for assets held as at December 31, 2016	\$ 13,044

During the six months ended June 30, 2017, there was one transfer between levels (June 30, 2016: nil). Real Matters Inc. transferred from Level 3 to Level 1 on May 9, 2017 when it filed its initial public offering and began trading on the Toronto Stock Exchange.

a) Equities

Cymbria’s equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. When certain of Cymbria’s equities do not trade frequently, current observable prices may not be available. In such cases, fair value is determined using observable market data and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

As at June 30, 2017, Cymbria’s only Level 3 investment was EdgePoint.

EdgePoint is a private company not traded on any public exchange and is considered a Level 3 asset because there

**9. Fair value measurement (continued):**

is no market in which a share price can be readily observed. The Manager engages a third-party valuator to assist in the valuation of EdgePoint. EdgePoint's value is determined using the Discounted Cash Flow ("DCF") method. Under the DCF method, EdgePoint's fair value is estimated using the net present value of expected future cash flows. The cash flows include significant assumptions over market growth, net sales, expenses including income taxes, discount rates and an exit or terminal value. The projected cash flows, together with the terminal value of the business at the end of the forecast period, are discounted to the valuation date using an appropriate rate. This value is corroborated with a number of other recognized valuation methodologies for comparable businesses, such as price-to-AUM and price-to-earnings ratios. These data points are then compared to analyst reports and information available for publicly traded wealth management companies to determine a range of values for the business, which is then discounted for the private nature of the shares and minority interest issues due to less than a controlling interest being owned. The Manager determines the most appropriate valuation methodologies to use, which are subject to change. On a quarterly basis, or as frequently as necessary, the Manager reviews the key assumptions, including EdgePoint's results and business prospects, for significant changes since the most recent valuation. If there are material changes, the Manager may engage the third party valuator to assist in the re-valuation of EdgePoint and the amount recorded in the financial statements will be updated.

The following table sets out information about significant unobservable inputs used at June 30, 2017 in measuring EdgePoint, which is categorized as Level 3 in the fair value hierarchy.

EdgePoint Wealth Management Inc.

Fair Value at June 30, 2017: \$151.9 million  
(December 31, 2016: \$110.3 million).

Unobservable Input	Range	Sensitivity to changes in significant unobservable inputs
Annual market growth	4%–8%	(\$14.4M)–\$14.6M
Annual gross sales	\$700M–\$1.9B	(\$14.0M)–\$12.9M
Redemption rate	8%–14%	\$21.7M–(\$22.1M)
Discount rate	10%–13%	\$25.4M–(\$7.8M)
Terminal value	7x–11x	(\$6.9M)–\$18.0M

Significant unobservable inputs are developed as follows:

- i) Annual market growth: represents the future weighted average investment returns of the funds managed by EdgePoint. EdgePoint's management fee revenue is calculated as a percentage of assets under management ("AUM"), therefore higher investment returns of the funds will increase EdgePoint's expected annual cash flow. The range of 4%–8% was

developed based on a weighted average of the index returns of the funds' benchmarks over a range of prior periods.

- ii) Annual gross sales: represents the weighted average of new units purchased in the mutual funds managed by EdgePoint. Higher gross sales of the funds will increase EdgePoint's AUM and will therefore increase annual cash flow. The range of \$700M–\$1.9B was developed based on a combination of EdgePoint's historical gross sales data and projections of future sales.
- iii) Redemption rate: represents the weighted average of units redeemed by unitholders of the mutual funds managed by EdgePoint as a percentage of AUM. A higher redemption rate will decrease EdgePoint's AUM and will therefore lower the annual cash flow. The range of 8%–14% is based on a combination of EdgePoint's historical redemption rate and the long-term redemption rate of the industry.
- iv) Discount rate: is the annual percentage used to determine the present value of EdgePoint's future cash flows. The discount rate factors in not only the time value of money, but also the risk or uncertainty of those future cash flows. A higher discount rate would indicate a greater uncertainty of future cash flows and therefore determine a lower net present value for EdgePoint. The range of 10%–13% was determined based on a combination of EdgePoint's assumed weighted-average cost of capital, the risk-free rate, market risk factors, and other systematic and unsystematic risk factors.
- v) Terminal value multiple: represents the multiple used to value all future cash flows of EdgePoint beyond the 10 year forecast in the model. A higher multiple would indicate a greater premium on the value of EdgePoint's future cash flows, resulting in a higher net present value. The range of 7x–11x was determined based on comparable multiples estimated by various analysts for similar public company asset managers.

Although the Manager believes that its estimates of fair value for EdgePoint are appropriate, the use of different assumptions could lead to different measurements of fair value. For the fair value measurement of EdgePoint, changing a combination of the significant assumptions noted above to reasonably possible alternative assumptions would increase the value of EdgePoint by \$15.6 million.

**b) Derivative assets and liabilities**

Derivative assets and liabilities consists of foreign exchange forward contracts. Foreign exchange forward contracts are valued primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency and interest rates. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit related inputs are determined not to be significant to fair value, are classified as Level 2. Counterparty credit risk is managed through the use of collateral and a Credit Support Annex, when available.

**9. Fair value measurement (continued):**

In the normal course of business, Cymbria may enter into various netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. As at June 30, 2017 and December 31, 2016, Cymbria did not have any financial instruments eligible for offsetting.

**10. Interests in Subsidiaries, Associates, and Unconsolidated Structured Entities:**

Cymbria may invest in a subsidiary, associate or unconsolidated structured entity as part of its investment strategy. In determining whether Cymbria has control or significant influence over an investment, Cymbria assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where Cymbria has control over an investment, Cymbria qualifies as an investment entity under IFRS 10 – Consolidated Financial statements, and therefore accounts for investments it controls at fair value through profit and loss. Cymbria’s primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in Cymbria’s prospectus to meet those objectives. Cymbria also measures and evaluates the performance of any investment on a fair value basis. Investments over which Cymbria has control or significant influence are categorized as subsidiaries and associates, respectively.

Cymbria’s investments are susceptible to market price risk arising from uncertainty about future values of those investments. The maximum exposure to loss from interests in investments is equal to the total fair value of the investment at any given point in time. The fair value of investments is included in the statements of financial position.

As at June 30, 2017, Cymbria had material investments in the following subsidiaries, associates and unconsolidated structured entities:

June 30, 2017	Place of Business	Type	Ownership %
Echelon Financial Holdings Inc.	Canada	Associate	20.7%
EdgePoint Wealth Management Inc.	Canada	Associate	20.7%

## **OFFICERS**

**Tye Bousada, CFA**

*Co-Chief Executive Officer*

**Geoff MacDonald, CFA**

*Co-Chief Executive Officer*

**Diane Rossi**

*Corporate Secretary*

**Norman Tang, CPA, CA**

*Chief Financial Officer*

## **DIRECTORS**

**Ugo Bizzarri, CFA**

*Director*

**Reena Carter, CA, CPA, CBV, C.Dir**

*Director and Chair of the Audit Committee*

**Patrick Farmer, CFA**

*Chairman*

**James MacDonald**

*Director and member of the Audit Committee*

**Richard Whiting**

*Director and member of the Audit Committee*

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## **TORONTO STOCK EXCHANGE LISTING**

**CYB**