

**Management's Discussion & Analysis of**

**CYMBRIA CORPORATION**

**Three months ended March 31, 2018**

**CYMBRIA<sup>®</sup>**

Management's Discussion and Analysis ("MD&A") provides a review of Cymbria Corporation's ("Cymbria") financial results for the three months ended March 31, 2018 and assesses factors that may affect future results. The financial condition and results of operations are analyzed noting the significant factors that impacted the statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flows of Cymbria. As such, this MD&A should be read in conjunction with the condensed interim financial statements and notes thereto included in this report. The MD&A and the condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to provide information about Cymbria.

The following MD&A is the responsibility of management and is dated May 8, 2018. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, comprised exclusively of independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

The condensed interim financial statements may be included at the back of the MD&A. You can obtain a free copy of the interim or annual Financial Statements by calling 1.866.757.7207, writing to EdgePoint Investment Group Inc., 150 Bloor St. W., Suite 500, Toronto, ON, M5S 2X9, or visiting our website at [www.cymbria.com](http://www.cymbria.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

Likewise, shareholders can obtain copies of Cymbria's proxy voting policies and procedures, proxy voting disclosure records, and quarterly portfolio disclosures.

Please refer to Cymbria's Annual Information Form and the 2017 annual Financial Statements for more information which can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). For Cymbria's current and historical net asset values per share, please visit [www.cymbria.com](http://www.cymbria.com).

### **Caution regarding forward-looking statements**

This report may contain forward-looking statements about Cymbria, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," or negative versions thereof and similar expressions.

This report may also contain backward-looking statements that are more definitive in nature that include words such as "last year," "before we were born" and "our encyclopaedias say." We like to think we're pretty good at predicting what happened in the past so feel free to take most of these statements as truths.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties, and assumptions about Cymbria and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by Cymbria. Any number of important factors could contribute to these differences, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the abovementioned list of important factors is not exhaustive but is super exhausting to read, let's be honest! We encourage you to consider these and other factors carefully before making any investment decisions, and urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that Cymbria has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next MD&A.

**Management's Discussion and Analysis**

The following presents the views of EdgePoint Investment Group Inc. (the "Manager") concerning significant factors and developments that have affected Cymbria's performance and outlook.

Please read the aforementioned caution regarding forward-looking statements.

Where we refer to the purchase or sale of businesses in this report, we are referring to Cymbria's purchase or sale of shares in a company. We use the term businesses as it more closely aligns with the portfolio management team's view that the investment is in a business and not simply ownership of stock.

**Non-IFRS measures**

Cymbria prepares and releases audited annual financial statements and unaudited interim financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, Cymbria discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. Cymbria has presented such non-IFRS measures, because we believe they are relevant measures of the ability to evaluate Cymbria's performance. These non-IFRS measures should not be construed as alternatives to net comprehensive income (loss) determined in accordance with IFRS as indicators of Cymbria's performance.

- Adjusted Net Asset Value ("aNAV") – represents the fair value of the net assets of Cymbria, which differs from IFRS Shareholders' Equity because it does not take into account the deferred income tax liability on the unrealized gain on investments and the deferred tax benefits associated with any realized losses on investments. The calculation of aNAV has not changed since the inception of Cymbria.

Net asset value calculations are different across companies and shareholders of Cymbria should be cautioned that its aNAV may not be comparable to other companies. Cymbria still believes aNAV is an important measure because it is the basis on which the Manager evaluates Cymbria's performance. The difference between aNAV and shareholders' equity is the deferred income tax liability. Deferred income taxes can differ from actual income taxes paid in the future due to fluctuations in investment prices and changes to income tax rates. In addition, \$24.6 million of the \$42.2 million deferred income tax liability relates to Cymbria's investment in EdgePoint. The manager is compensated through the management fee that is based on Cymbria's aNAV calculation, not shareholders' equity. Below is a reconciliation of aNAV to shareholders' equity.

	Mar. 31, 2018 ('000s)	Dec. 31, 2017 ('000s)
aNAV	\$1,088,337	\$1,059,071
Less: Deferred income tax liability	(42,160)	(43,538)
Shareholders' equity	\$1,046,177	\$1,015,533

- Management Expense Ratio ("MER") – represents the total management fees and operating expenses paid by each class of Cymbria, including applicable sales taxes and interest, and excluding corporate income taxes, commissions and other portfolio transaction costs, as a percentage of the average daily aNAV of Cymbria on an annualized basis.

- Adjusted net asset value per share – represents the aNAV of Cymbria by class divided by the respective number of shares in that class. Below is a reconciliation of adjusted net asset value per share to shareholders' equity per share.

Class A	Mar. 31, 2018	Dec. 31, 2017
Adjusted net asset value per share	\$ 46.41	\$ 45.18
Less: Deferred income tax liability	(1.79)	(1.85)
Shareholders' equity per share	\$ 44.62	\$ 43.33

  

Class J	Mar. 31, 2018	Dec. 31, 2017
Adjusted net asset value per share	\$ 51.07	\$ 49.68
Less: Deferred income tax liability	(1.99)	(2.06)
Shareholders' equity per share	\$ 49.08	\$ 47.62

Readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

**Our business**

Cymbria is an investment corporation that trades on the Toronto Stock Exchange. As at March 31, 2018, Cymbria invested in a collection of 42 different business ideas, including a 20.7% ownership stake in EdgePoint Wealth Management Inc. ("EdgePoint").

**Measuring our results**

We've made meaningful progress toward our goal of building long-term wealth for shareholders. The cumulative return of Cymbria's Class A aNAV since inception is 364.1% and the cumulative return of Cymbria's Class A shareholders' equity since inception is 344.6%.

We measure our investment results using Cymbria's aNAV rather than its stock price or shareholders' equity, as we feel this more closely reflects how our Investment team adds value. For instance, fluctuations in Cymbria's share price are not always consistent with the movements of its aNAV and can change based on numerous factors, some of which are independent of Cymbria's aNAV. Cymbria's shareholders' equity differs from aNAV because of accounting differences primarily related to deferred income taxes. Cymbria's aNAV includes a provision for current corporate income taxes, but excludes a provision for future taxes on unrealized capital gains and losses. Shareholders' equity includes both. Deferred tax does not impact the amount of capital that Cymbria has invested to earn a return. Therefore, when we measure our investment performance, we measure against the full amount of capital that was available to us to invest which is represented by aNAV. We are required to calculate aNAV daily and Cymbria's Class A aNAV is posted daily to our website.

**Measuring Cymbria's worth**

Cymbria's stock price has swung between a 14.2% discount and a 33.5% premium to aNAV since inception.

The publicly traded portion of Cymbria's portfolio consists of a collection of quality businesses we believe are trading for less than their true value. We try to buy businesses that can materially grow their cash flows over time and where we're not being asked

to pay for that growth today. This should translate into healthy share-price appreciation.

To help investors make intelligent decisions about their investment in Cymbria, we post its aNAV daily to our website. Some have suggested that doing so encourages short-term thinking. We tend to agree. Cymbria's aNAV is different from its worth. The aNAV represents the value of its holdings at today's prices, not tomorrow's worth. Not everyone uses Cymbria's aNAV as a guidepost, nor does posting it ensure that the stock will ever trade at that figure. Cymbria has traded within a wide band and people are free to ignore the guideposts.

Since we have no control over Cymbria's share price and don't know what's in the heads of sellers day-to-day, we also have no way of determining if there will be shareholders willing to sell at material discounts to aNAV (either knowingly or unknowingly). If Cymbria's stock price lags its aNAV, we also believe in buying back shares, as doing so at an attractive discount makes sense for our shareholders. Should these opportunities exist over the next decade, our share repurchases should greatly enhance Cymbria's value for remaining shareholders. This will occur at the expense of those willing to sell to us at a discount. If we're right about the value of the businesses inside Cymbria's portfolio over time, our share repurchases will prove to be one of our better investments. Please see "Non-IFRS Measures" for a discussion on aNAV.

**Recent developments**

It took just over one month for investors to be jarred from the relative market calm of 2017 by volatility's reappearance in early February. The movement seemed short-lived, but late March brought macro issues like interest rate increases and possible trade wars that took their toll on equity markets around the world. While many don't appreciate the sharp movements that come along with uncertainty, they can be beneficial in several ways. For investors with holdings in the market, it's a reminder that the market won't always go up and that their time horizon plays a key role in their actual return.

For managers like ourselves, volatility can provide opportunities to buy businesses at prices that we believe are below their true worth. We constantly review potential companies for inclusion in Cymbria. When price disjunctions happen like they did at the beginning of February and late March, they often give us the opportunity to buy new companies or add to our existing positions. We increased our positions in eight existing holdings and purchased six new names over the quarter. Those 14 companies' sector and geographic diversity illustrate the widespread nature of the market's reaction and how we capitalize on investors who follow prices instead of businesses.

We don't make macro-level predictions. We focus on evaluating individual businesses. Unusually low volatility in 2017 made many investors forget the normal short-term price fluctuations of equities, but we believe they are the best traditional investment option for the long term. We can't predict when they'll happen, but we eagerly await more opportunities to take advantage of periods of volatility when they inevitably occur.

**Overall performance**

For the three months ended March 31, 2018, Cymbria's shareholders' equity increased 3.0% (shareholders' equity increase for the three months ended March 31, 2017: 3.1%). As at March 31, 2018, Cymbria's shareholders' equity increased to \$1,046 million, compared to \$1,015 million as at December 31, 2017. The increase in shareholders' equity is largely attributable to stock selection, which is discussed in the *Investment Performance* section of this report.



**Summary of investment portfolio**

To protect shareholders' interests and the manager's proprietary investment ideas, we only disclose Cymbria's top 15 positions on a quarterly basis because of the frequency and timing of these quarterly reports. We will continue to disclose Cymbria's full portfolio on an annual basis. Please see Cymbria's 2017 Annual Report for the last published Schedule of Investments.

Top 15 securities	Fair value ('000s)	% of shareholders' equity
EdgePoint Wealth Management Inc.	\$ 185,941	17.0%
Shiseido Co., Ltd.	54,963	5.0%
Flowserve Corp.	41,343	3.8%
Wells Fargo & Co.	40,917	3.8%
Berkshire Hathaway Inc.	40,086	3.7%
CSX Corp.	37,556	3.4%
Subaru Corp.	36,716	3.4%
Generac Holdings Inc.	32,829	3.0%
WABCO Holdings Inc.	32,823	3.0%
Unilever NV	31,057	2.9%
TE Connectivity Ltd.	30,687	2.8%
Echelon Financial Holdings Inc.	29,714	2.7%
Affiliated Managers Group Inc.	28,866	2.6%
WESCO International Inc.	25,102	2.3%
Realogy Holdings Corp.	24,471	2.2%
<b>Total</b>	<b>\$ 673,071</b>	<b>61.7%</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions.

**Investment performance**

Cymbria's investment performance can be attributed to its investment in a portfolio of securities and EdgePoint.

**Portfolio of securities**

While we provide these results to fulfill the disclosure requirement of this report, we measure investment success over periods of 10 years or more, and believe it takes considerable skill to consistently add value over the long term. However, in this section we will discuss the investments that we believe would be of interest to shareholders and highlight any material changes to the businesses we own, if any.

These are the investments that had the most meaningful positive impact on shareholders' equity during the quarter:

- Shiseido Co., Ltd.

Shiseido is one of the largest cosmetic companies in the world. We first added the business to Cymbria at the beginning of February 2015. Shiseido is similar to many Japanese companies in that it makes great products but has profit margins well below its global competitors. When we bought Shiseido, its operating margins were an abysmal 3.5%, however its gross margins were 75%. A sense of accountability and an ownership mentality were both missing among management and the board. It was a cosmetics company with only one female corporate officer and a seniority system where promotion and pay were based on age. We believed there was a large opportunity for the new management team to address cost issues in the business. Since then, the new CEO, during his three-year tenure, abolished the seniority system and found significant cost savings which were reinvested in advertising and R&D. We believe the net result from the cost savings and growth in the business should be dramatically higher profits.

The stock was up 25% during the first quarter in part due to Shiseido's investments in its core offerings, particularly its luxury brands. It adjusted its long-term sales and margins guidance higher and Cymbria's unrealized gain in the business increased by \$9.7 million.

- Bioverativ Inc.

Bioverativ is a U.S.-based pharmaceutical company that partnered with rare-disease drug maker Swedish Orphan Biovitrum AB (SOBI) to distribute hemophilia drugs to different markets. Recently the price of both companies declined when a competitor announced a new drug to treat hemophilia. We already held SOBI, but we also purchased Bioverativ which became very attractively valued as analysts had lowered estimates due to existing U.S. corporate tax rates. However, we saw the government taking steps to adjust the rates and purchased the company before the rest of the market reassessed Bioverativ's value. Soon after our purchase, Sanofi acquired Bioverativ at a 64% premium.

At the time we sold our position on February 8, 2018, the stock was up 91% year to date, and Cymbria realized a gain on the sale of the business of \$11.1 million.

Conversely, the following investment had the most meaningful negative impact on shareholders' equity during the period:

- Wells Fargo & Co.

Wells Fargo is a U.S. bank and diversified financial services company. In February 2018, the U.S. Federal Reserve sanctioned Wells Fargo by prohibiting any asset growth beyond its end-of-2017 amount until it fixed its corporate governance. The punishment was for already sanctioned actions from prior years. We don't believe the share price properly reflects the bank's long-term value. The stock price was down 14% in the first quarter and this caused Cymbria to have a decrease in the unrealized gain of \$6.1 million.

**Portfolio turnover**

During the three months ended March 31, 2018, we purchased stakes in 6 new businesses. Below are the 2 most significant additions by weight in Cymbria:

- Middleby Corp.

Middleby Corp. is a leading global equipment manufacturer for commercial cooking and food preparation, industrial food processing and premium residential kitchens. Among over 50 brands, it holds top positions across almost all of its product categories.

The core of its business is balanced between new restaurant openings, repair/replacement and menu-driven changes. Middleby benefits from the competition within the restaurant industry and the constant demand for innovation and efficiencies. Purchases from the restaurants are driven by return-on-investment and Middleby can take advantage of their need for automation, menu flexibility, speed (both serving and cooking) and energy efficiency. The company's management also has an excellent track record of improving shareholder value through acquiring and integrating smaller companies such as Viking Range, LLC into Middleby's infrastructure.

- Bharti Infratel Ltd.

Bharti Infratel Ltd. is the leader in telecommunications tower infrastructure in India. The country has significant room for wireless growth as only a quarter of the population currently owns a smartphone and half of the people in rural areas don't own a mobile phone. Although India has several mobile providers, being the primary operator means an increased likelihood that provider antennas will point towards their towers. The company is fundamentally sound with net cash holdings, consistent revenue and no significant debt.

We originally bought the company in early 2017 but sold it soon after its share price appreciated to just below our five-year projection. A recent decline due to consolidation of wireless service providers leading to a reduction in antennas on Bharti's towers allowed us to repurchase the company at about a 20% discount from our sale price. We believe the drop is only a short-term event and our long-term thesis remains unchanged.

We generally sell a stake in a business for one of two reasons. First, if our thesis about the business is deemed no longer valid. Second, there is a constant culling process whereby we continuously strive to upgrade the quality of Cymbria's portfolio with better ideas.

During the three months ended March 31, 2018, we sold our stakes completely in 4 businesses. Below are the most significant sells based on the amount of realized gains and losses:

- Bioverativ Inc.

The realized gain on selling Bioverativ was \$11.1 million for the three months ended March 31, 2018. See above comments on Bioverativ and the acquisition that triggered the realized gain.

- Anthem Inc.

We first purchased a stake in Anthem in 2008 at about US\$30 per share. As the largest insurer in most of the states in which it competed, we believed it had a pricing advantage over its competition that allowed it to gain share. We thought the combination of demographics, health care inflation and Anthem's pricing advantage would result in its top-line growing faster than 5% a year even in a bad economy.

We bought the company despite then-U.S. President elect Obama's campaign promise to reduce margins of health management organizations like Anthem. Due to the general market's fear about lower profits, the stock price fell. Anthem took this opportunity to buy back over half of its outstanding shares during Obama's tenure. While the President fulfilled his mandate and reduced margins, the company's earnings per share actually compounded at 11% annually during his two terms. Anthem's recent share price mirrors the value we saw in the business. Although our ownership of Anthem was controversial at various points, we believe Anthem was a very pleasing holding for our investors. It acts as a reminder that sometimes you have to look wrong in the short term to look right in the long term. The holding period of return of our stake in the business was 115.8% and Cymbria realized a gain of \$13.1 million on the sale of our remaining Anthem shares during the three months ended March 31, 2018.

- Microsemi Corp.

Microsemi Corp. is a semiconductor manufacturer we watched for many years before purchasing it. It specialized in products for aviation and military clients, a field with high margins and barriers to entry. We invested in Microsemi after seeing the upcoming implementation of 5G wireless networks. Specifically, it had a line of products that would help with the infrastructure necessary to adopt the new technology. On March 1, 2018, Microchip Technology Inc. recognized this and made an offer to acquire the company. The holding period return of Microsemi in Cymbria was 28.2% and Cymbria realized a gain of \$8.0 million on the sale of Microsemi during the three months ended March 31, 2018.

Cymbria had portfolio turnover rates of 11.4% for the three months ended March 31, 2018 and 12.3% for the three months ended March 31, 2017. Portfolio turnover rate is calculated based on the lesser of purchases or proceeds of sales of securities during the period divided by the average value of the Portfolio's securities during that time. Cymbria's portfolio turnover rate indicates how frequently Cymbria's portfolio advisor traded its Portfolio of investments. A portfolio turnover rate of 100% is equivalent to Cymbria buying and selling all of the securities in its Portfolio once in the course of a year. The higher the portfolio turnover rate in a year, the greater the trading costs payable and chance of taxable capital gains during that year. A high turnover rate isn't necessarily related to Cymbria's performance.

**Investment in EdgePoint**

Cymbria's original \$509,585 investment in EdgePoint represents a 20.7% ownership share as at March 31, 2018. Cymbria

has received \$33.5 million in dividends from EdgePoint since inception and its value in Cymbria has increased to \$185.9 million, making EdgePoint the most valuable contributor to Cymbria's investment portfolio.

In the 5 year period ending December 31, 2017, assets under management increased from \$2.6 billion to \$18.9 billion. Notwithstanding an increase in market volatility, strong net sales at EdgePoint during the first quarter helped assets under management grow from \$18.9 billion to \$21.3 billion as at March 31, 2018.

Cymbria's stake in EdgePoint continues to be valued at a range of \$185.9 million to \$205.8 million. For financial statement purposes, EdgePoint is valued at \$185.9 million. This valuation uses a specific set of assumptions of which the significant ones are outlined in note 10 to the financial statements. The range noted above changes only the discount rate in the valuation. In reality, the possible results for EdgePoint can vary far outside of this range. To highlight how wide a range could be without going to extremes, please refer to the sensitivity analysis in Note 10 of the financial statements. Neither of the scenarios in the sensitivity analysis are particularly aggressive and yet it gives a very wide range of possible values of -13.6% to +34.3% from the current carrying value. We spend a considerable amount of time on the assumptions that go into the base cash flow model to determine the \$185.9 million valuation and believe that this represents fair market value as at March 31, 2018. However, valuing a business like EdgePoint is an imperfect science and depending on actual results there could be considerable variance both positively or negatively from today's value.

**Financial review**

This section discusses the significant changes in Cymbria's financial performance, financial condition and cash flows for the three months ended March 31, 2018 compared to those for the three months ended March 31, 2017 and as at December 31, 2017.

This section should be read in conjunction with Cymbria's audited financial statements and corresponding notes thereto.

**Financial performance**

	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>('000s)</b>	<b>('000s)</b>
<b>Income</b>		
Net realized gain on investments	\$ 45,546	\$ 32,347
Change in unrealized gain (loss) on investments	(9,554)	(3,052)
Dividend and interest income	3,261	2,181
Foreign currency gain (loss) on hedging	(1,063)	1,220
Foreign currency gain (loss), excluding hedging	3	11
<b>Total income</b>	<b>\$ 38,193</b>	<b>\$ 32,707</b>
<b>Expenses</b>		
Management fees	\$ 1,776	\$ 1,538
Withholding taxes, HST, and transaction costs	879	589
Other expenses	610	411
<b>Total expenses</b>	<b>\$ 3,265</b>	<b>\$ 2,538</b>
<b>Profit (loss) for the period before taxes</b>	<b>\$ 34,928</b>	<b>\$ 30,169</b>
<b>Income taxes (recovery)</b>	<b>4,284</b>	<b>15,423</b>
<b>Net comprehensive income</b>	<b>\$ 30,644</b>	<b>\$ 14,746</b>

*(a) Net realized gain on investments*

During the three months ended March 31, 2018, the realized gain on investments of \$45.5 million is largely attributable to gains from the sale of shares of Anthem Inc. of \$13.1 million, Bioerativ Inc. of \$11.1 million, Microsemi Corp. of \$8.0 million, and Shiseido Co., Ltd. of \$6.6 million. Fluctuations in investment values are not comparable to prior periods due to the different composition of the investment portfolio from period to period. Highlights of the most significant contributors to Cymbria's performance are discussed in the *Investment Performance* section.

*(b) Change in unrealized gain (loss) on investments*

The change in unrealized gain (loss) on investments is a \$9.6 million loss during the three months ended March 31, 2018. This is a result of fluctuations in the value of investments during the period. The largest changes in unrealized gain (loss) during the period were a loss of \$11.7 million from Anthem Inc., a gain of \$9.7 million from Shiseido Co., Ltd., a loss of \$6.1 million from Wells Fargo & co., and a gain of \$4.7 million from Swedish Orphan Biovitrum AB. Readers should be aware that Cymbria can experience both a change in unrealized loss and a realized gain on an investment during a period if a business is sold during the period for greater than its book value.

Fluctuations in investment values are not comparable to prior periods due to the different composition of the investment portfolio from period to period. Highlights of the most significant contributors to Cymbria's performance are discussed in the *Investment Performance* section.

*(c) Dividend and interest income*

Dividend and interest income is earned on the portfolio of securities and the investment in EdgePoint. An important driver of wealth for Cymbria is the dividend from EdgePoint. EdgePoint typically pays a dividend semi-annually, which can be reinvested by Cymbria in its portfolio of securities or used to buy back Cymbria shares. Cymbria's portfolio of securities is not managed with the intent to derive a certain amount of dividend or interest income. Therefore, it is typical that this type of income would fluctuate from period to period.

*(d) Foreign currency gain (loss)*

Cymbria is valued in Canadian dollars; however, it invests in securities denominated in foreign currencies. The foreign currency gains and losses of these securities are included in net realized and unrealized gain (loss) on investments. In order to reduce the impact of short-term fluctuations, we may employ currency hedging. Specifically, we may hedge all or a portion of our foreign currency exposure depending on our view of a currency's relative value and its associated risks. The Manager monitors and updates the degree of currency hedging based on a variety of economic factors, including the foreign currency's purchasing power parity versus the Canadian dollar.

As at March 31, 2018, Cymbria's most significant foreign currency exposure was the U.S. dollar, which as a percentage of shareholders' equity was approximately 42%, and Cymbria hedged 10% of that exposure. Cymbria did not have a hedge in place for its investment securities denominated in the Japanese yen, Euro, Indian Rupee, Swiss Franc, British pound or Swedish

krona as we did not believe there was material currency risk with the investments. As a result of foreign currency hedging activities during the three months ended March 31, 2018, Cymbria had a \$1.1 million net realized and unrealized loss from hedging activities.

Excluding Cymbria's hedging positions, Cymbria did not have a significant gain or loss due to other fluctuations in foreign currencies during the period.

*(e) Expenses and MER*

The increase in management fees is due to the increase in aNAV over the corresponding period, on which the fee is based.

Cymbria believes that the MER continues to be an important metric to evaluate the impact that fees and expenses have on Cymbria's investment performance. For the three months ended March 31, 2018, the annualized MER was 1.14% for Class A shareholders and 0.68% for Class J shareholders, compared to 1.20% and 0.72% for the year ended December 31, 2017 for Class A and Class J shareholders, respectively.

**Financial condition**

	<b>Mar. 31, 2018</b>	<b>Dec. 31, 2017</b>
	('000s)	('000s)
<b>Assets</b>		
Investments	\$ 1,036,079	\$ 994,453
Cash and cash equivalents	59,553	68,223
Other assets	1,560	365
<b>Total assets</b>	<b>\$ 1,097,192</b>	<b>\$ 1,063,041</b>
<b>Liabilities</b>		
Foreign exchange forward contracts	\$ 136	\$ -
Income tax payable	2,837	2,186
Accrued liabilities and other payables	5,063	1,278
Deferred share unit plan	819	756
Deferred income tax liability	42,160	43,538
<b>Total liabilities</b>	<b>\$ 51,015</b>	<b>\$ 47,758</b>
<b>Shareholders' equity</b>	<b>\$ 1,046,177</b>	<b>\$ 1,015,283</b>

*(a) Investments*

Cymbria's investments as at March 31, 2018, primarily consists of a portfolio of equities of \$849.8 million and an investment in EdgePoint of \$185.9 million. The increase of \$41.6 million from December 31, 2017 is a result of net investment purchases of \$2.5 million, realized gains on the sale of investments of \$45.6 million, and a decrease in unrealized value of the portfolio of \$9.6 million. The Investment Performance section of this MD&A discusses the significant changes in these investments. The Summary of Investment Portfolio highlights the top 15 investment positions of Cymbria.

*(b) Cash and cash equivalents*

Cymbria maintains cash and cash equivalents to purchase investments, pay expenses, and occasionally buy back shares. Cymbria does not distribute cash by issuing a dividend. Cash balances are monitored on a daily basis by the Manager, and the decrease of \$8.7 million from the end of 2017 is primarily due to the net purchase of investments in the portfolio during the three months ended March 31, 2018. As at March 31, 2018, cash and cash equivalents was comprised entirely of cash held at the bank.

*(c) Other assets*

Other assets primarily consists of dividends receivable of \$1.5 million, which is a result of dividends that have been declared but not yet received as at the end of the period.

*(d) Income tax recovery and Income taxes payable*

The Income taxes payable of \$2.8 million is a result of the required income tax installments for 2018 being less than Cymbria's income tax liability as at March 31, 2018.

*(e) Accrued liabilities and other payables*

As at March 31, 2018, accrued liabilities and other payables primarily consists of a payable for investments purchased of \$5.0 million. The increase from the end of 2017 is a result of investments that were purchased but not yet settled at the end of the period.

*(f) Deferred share unit plan*

Cymbria's deferred share unit plan exists to provide directors the option to receive their compensation in the form of deferred share units. The units are valued using the five day volume weighted average stock price of Cymbria prior to the period end. For the three months ended March 31, 2018, Cymbria issued 471 units, and the total value of the deferred share unit plan increased by \$0.1 million.

*(g) Deferred income tax liability*

The deferred income tax liability represents temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes versus taxation purposes. As at March 31, 2018, Cymbria's deferred income tax liability is presented net and it comprises of a liability on the unrealized appreciation of investments of \$42.5 million, offset by an asset on deferred share units of \$0.2 million. Included in the deferred income tax liability is \$24.6 million related to Cymbria's investment in EdgePoint.

*(h) Shareholders' equity*

Cymbria's shareholders' equity is comprised of common stock, Class A, and Class J shareholders. The Manager owns 100% of the common stock of Cymbria. The number of common shares outstanding on March 31, 2018 and May 8, 2018 were 100. Class A shares are non-redeemable and traded on the Toronto Stock Exchange. As at March 31, 2018 and May 8, 2018, there were 14,485,417 and 14,504,421 shares outstanding, respectively. Class J shares are non-redeemable and were offered through a private placement. Class J shares can be exchanged for an equivalent value of Class A shares on the last business day

of each week. As at March 31, 2018 and May 8, 2018, there were 8,146,090 and 8,128,820 shares outstanding, respectively.

**Cash flows**

For the three months ended March 31, 2018, Cymbria had a net decrease in cash and cash equivalents of \$8.7 million. The majority of the net decrease in cash and cash equivalents is due to cash used for operating activities, including the net purchase of investments of \$2.5 million. Cymbria did not generate a significant amount of cash flows from financing or capital activities.

**Shareholder activity**

Cymbria refiled its Normal-Course Issuer Bid ("NCIB") for the 12-month period beginning on May 23, 2017 to May 22, 2018. Cymbria will use the NCIB to repurchase shares in the event that we believe the company is being undervalued by the market and an attractive opportunity exists to enhance the value for its shareholders. During the year ended December 31, 2017 and the three months ended March 31, 2018, Cymbria did not repurchase any shares as they were either trading at a premium to aNAV or at a very small discount. Since inception, Cymbria has repurchased and cancelled 460,800 Class A shares at an average price of \$12.95 per share and a total cost of \$6.0 million.

On June 27, 2013, Cymbria's shareholders overwhelmingly approved a proposal to amend its constating documents to provide for a Liquidity Realization Opportunity ("LRO") in respect of both Class A and Class J shares. The LRO gives Cymbria the right to repurchase a number of shares from time to time at a very small discount to aNAV where (i) Cymbria's portfolio has experienced growth in the previous fiscal year, (ii) Class A shares are trading at a price less than 97% of aNAV, and (iii) on the Manager's recommendation. When these events occur, shareholders may elect to participate in the LRO and have an opportunity to dispose of shares at a price close to aNAV. This feature was introduced to increase Cymbria's attractiveness as an investment by recognizing that liquidity requirements and investment time horizons vary from investor to investor. We believe that Cymbria's aNAV, which is disclosed daily, is a fair representation of Cymbria's portfolio at current prices. When Class A shares trade at prices not reflective of the aNAV, the LRO provides another venue whereby shareholders may dispose of their shares at a price closer to aNAV. The LRO does not affect Cymbria's ability to continue repurchasing shares through the NCIB. Please see the Management Information Circular dated May 28, 2013 for more information on the LRO. Cymbria did not announce a LRO for the three months ended March 31, 2018, as Cymbria's Class A shares have been trading above 97% of aNAV on average over the period.

**Summary of interim results**

The financial information summarized below is derived from Cymbria's condensed interim financial statements from the three month periods noted in the table below. In each of the periods, the changes in Total income (loss) and Net income (loss) are primarily a result of the realized and unrealized changes in the fair value of Cymbria's investments. No meaningful correlations can be made by comparing these figures from period to period.

(in '000s except per share amounts)	Three months ended							
	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Total income (loss)	\$ 38,193	\$ 84,854	\$ 22,506	\$ 86,064	\$ 32,707	\$ 69,448	\$ 68,699	\$ (8,823)
Total expenses	\$ 3,265	\$ 3,231	\$ 2,609	\$ 3,287	\$ 2,538	\$ 2,427	\$ 2,214	\$ 2,326
Net income (loss)	\$ 30,644	\$ 71,795	\$ 17,552	\$ 73,065	\$ 26,195	\$ 58,941	\$ 57,788	\$ (8,739)
Net income (loss), per share								
Class A	\$ 1.29	\$ 2.94	\$ 0.71	\$ 3.10	\$ 1.07	\$ 2.50	\$ 2.45	\$ (0.42)
Class J	\$ 1.46	\$ 3.58	\$ 0.89	\$ 3.46	\$ 1.31	\$ 2.79	\$ 2.74	\$ (0.32)

## Liquidity

Cymbria maintains strong liquidity with cash and cash equivalents and its portfolio of public equities. Aside from financial liabilities that arise from its normal course of investing activities, Cymbria has no other significant financial liabilities. As at March 31, 2018, cash and cash equivalents represents 6% of Cymbria's total shareholders' equity. Cymbria's portfolio of securities includes actively traded global stocks that can be readily sold. As at March 31, 2018, the portfolio of public equities that the Manager believes can be readily sold represents 75% of Cymbria's total shareholders' equity. Cymbria does not have any outstanding debt or contractual obligations that would pose a significant risk to liquidity as at March 31, 2018.

## Credit facility

On September 22, 2017, Cymbria entered into a credit agreement with a Canadian chartered bank (the "Bank") that matures on September 21, 2022 and can be renewed on an annual basis. The credit agreement allows Cymbria to borrow up to \$100 million. Interest is charged on the outstanding balance based on whether the facility is drawn as bankers acceptance or prime loan. For a bankers acceptance loan, interest is charged on the outstanding balance at the bankers acceptance rate plus 80 basis points. For a prime loan, interest is charged on the outstanding balance at the Bank's prime rate. In addition, Cymbria will pay a standby fee on the unused portion of the credit facility equal to 34 basis points if the facility is less than 25% drawn and 26 basis points otherwise. When drawn upon, the credit facility will be secured by a selection of eligible securities in Cymbria's investment portfolio. As at March 31, 2018, the outstanding balance of the credit facility was nil. As at the date of this report, Cymbria has complied with all covenants, conditions or other requirements of the credit agreement.

The purpose of the credit facility is to provide Cymbria with increased flexibility to purchase additional investments when we believe an opportunity exists where the potential return is worth the added risk that leverage introduces. There are a number of reasons why we decided to add this credit facility to Cymbria even though we don't envision using it in the short term. We wanted to ensure that every investment tool that we set out in the prospectus in 2008 is available to us to grow your wealth, no matter how unlikely we are to use it. In our experience, the availability of this type of securities-based lending is rarely available at times of extreme market corrections. 2008 would be the most recent example. When we launched Cymbria in the fall of 2008, we talked to major lenders about prime brokerage lending because we saw many interesting investment ideas but were unable to secure a willing party at the time. The conditions today are quite different and we were able to secure this facility under terms that were acceptable to us. This credit facility differs significantly from prime brokerage lending because it has a committed five-year term that is renewable annually. As opposed to a prime brokerage account that is due on demand, amounts drawn on this credit facility cannot be called by the Bank (provided we maintain our covenants) until the remaining five-year term has expired. In addition, it is a committed facility therefore the Bank must make the funding available to us at any time during the remaining term. Having a commitment that more closely aligns with an investment horizon was important to us when making the decision to obtain a credit facility.

To be perfectly clear, we are not calling for a market correction in the next five years. Truth be told, we hope we are never in a position to want to draw on this facility. However, if an opportunity arises that meets our heightened criteria for a leveraged investment, we

will know that the funding is available to us at a relatively low cost to Cymbria.

## Commitments and contingencies

In the ordinary course of business activities, Cymbria may be contingently liable for litigation and claims arising from investing. Where required, the Manager records adequate provisions in the accounts. The Manager is not aware of any current or pending litigation or claims against Cymbria.

## Related parties

### Manager and Investment Advisor

Cymbria is managed by EdgePoint Investment Group Inc. (the "Manager"), which is responsible for Cymbria's day-to-day operations and is also the portfolio advisor to Cymbria. The Manager provides investment advisory and portfolio management services, which comprise investment selection, analysis and monitoring, including business travel to corporate head offices, other associated due diligence costs, portfolio construction, risk management and broker analysis, selection and monitoring, and trading expertise, and could also include marketing and promotion of Cymbria. These services are in the normal course of operations and are charged at the rate agreed to by the parties.

As compensation for providing these management services, the Manager receives a monthly management fee based on the daily average aNAV of each class of Cymbria shares, excluding the value of EdgePoint. For the three months ended March 31, 2018, management fees totaled \$1.8 million, compared to \$1.5 million for the same period in 2017. In addition, the Manager is entitled to be reimbursed by Cymbria for operating expenses associated with its advisory services, excluding salaries to the Manager's principal shareholders. Please see *Non-IFRS Measures* for a discussion on aNAV.

Cymbria is responsible for paying its own operating expenses which includes, but is not limited to, taxes (including income, capital, and harmonized sales taxes), accounting, legal fees, audit fees, Board of Directors' fees, custodial and safekeeping fees, portfolio transaction costs, registrar and transfer agency fees, regulatory costs and filing fees, shareholder reporting including the costs of preparing and distributing annual and interim reports, Annual Information Forms, statements and investment communications, interest and bank charges, and all administration expenses incurred by the Manager for its duties as Manager that could include salaries (excluding salaries to the Manager's principal shareholders), overhead and other costs related directly to Cymbria's operations. Except for interest, bank charges, and taxes paid or payable directly by Cymbria, the Manager incurs such expenses on Cymbria's behalf and is then reimbursed by Cymbria for such expenses.

## Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

The following discusses the most significant accounting judgments that Cymbria has made in preparing the financial statements:

- i. *Fair value measurement of derivatives and securities not quoted in an active market*

Cymbria holds financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is where Cymbria has made the most significant accounting judgments and estimates in preparing financial statements. See Note 11 of the annual financial statements for more information on the fair value measurement of Cymbria's financial statements.

*ii. Deferred tax assets*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

**Adoption of new standards**

The accounting policies applied by Cymbria in the attached condensed interim financial statements are the same as those applied by Cymbria in its financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS, except for the adoption of new standards effective as of January 1, 2018. Cymbria has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2018, they do not have a material impact on the interim condensed financial statements of Cymbria. The nature and the impact of the adoption of new standards is described below:

IFRS 9, Financial Instruments, deals with the recognition, derecognition, classification and measurement of financial instruments. It was adopted by Cymbria on January 1, 2018. 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 previous IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables. Cymbria's financial instruments previously classified as held-for-trading are now classified as fair value through profit or loss. There is no change in the recognition or measurement of these financial instruments. Cymbria's financial instruments previously measured at amortized cost meet the solely principal and interest criterion and accordingly, are continued to be measured at amortized cost under IFRS 9.

**Future changes in accounting policies**

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended March 31, 2018. The Manager has assessed that none of these will have a significant effect on the financial statements of Cymbria.

**Financial instruments**

In accordance with IFRS 9, Financial Instruments, Cymbria has designated its financial instruments as follows:

	<b>Classification</b>	<b>Measurement</b>
<b>Financial assets</b>		
Investments	Fair value through profit or loss	Fair value
Foreign exchange forward contracts	Fair value through profit or loss	Fair value
Cash and cash equivalents	Amortized cost	Amortized cost
Receivable for investments sold	Amortized cost	Amortized cost
Dividends receivable	Amortized cost	Amortized cost
Income tax recovery	Amortized cost	Amortized cost
<b>Financial liabilities</b>		
Accrued liabilities	Amortized cost	Amortized cost
Income taxes payable	Amortized cost	Amortized cost
Payable for investments purchased	Amortized cost	Amortized cost
Deferred share unit plan liability	Fair value through profit or loss	Fair value
Deferred income tax liability	Amortized cost	Amortized cost

**Risks**

The risks associated with investing in Cymbria remain as disclosed in the Annual Information Form dated March 29, 2018 and filed on SEDAR. Any changes to Cymbria over the period have not affected the overall risks.

**Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Cymbria, under the supervision of the Co-Chief Executive Officers and the Chief Financial Officer have designed, or caused to be designed, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Co-Chief Executive Officers and the Chief Financial Officer have also designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by Cymbria in its corporate filings have been recorded, processed, summarized and reported within the time periods specified in securities legislation. In addition, Cymbria's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by Cymbria, and have reviewed and approved this MD&A and the condensed interim financial statements as at May 8, 2018.

There were no changes made in the design of internal controls over financial reporting during the three months ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, Cymbria's internal controls over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives

are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our internal controls over financial reporting and disclosure controls and procedures are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

## **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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## **AUDITOR**

**KPMG LLP**

333 Bay St., Suite 4600

Bay Adelaide Centre

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## **CUSTODIAN**

**CIBC Mellon Trust Company**

1 York St., Suite 900

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## **MANAGER AND INVESTMENT ADVISOR**

**EdgePoint Investment Group Inc.**

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Toronto, ON M5S 2X9

## **LEGAL COUNSEL**

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199 Bay St.

Toronto, ON M5L 1B9

## **REGISTRAR AND TRANSFER AGENT**

**Computershare Investor Services Inc.**

100 University Ave., 8th floor

Toronto, ON M5J 2Y1

## **TORONTO STOCK EXCHANGE LISTING**

**CYB**