

**Management's Discussion & Analysis of**

**CYMBRIA CORPORATION**

**Three months and six months ended June 30, 2020**

**CYMBRIA®**

Management's Discussion and Analysis ("MD&A") provides a review of Cymbria Corporation's ("Cymbria") financial results for the three months and six months ended June 30, 2020 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 audited annual financial statements and notes thereto included in this report. The MD&A and the audited annual 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 August 13, 2020. 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 unaudited 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 2019 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 adjusted 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 encyclopedias 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, natural disasters, epidemic and pandemic outbreaks, public health emergencies, 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 and aid in 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, \$29.0 million of the deferred income tax liability relates to a deferred liability on 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.

	Jun. 30, 2020 ('000s)	Dec. 31, 2019 ('000s)
aNAV	\$ 1,088,194	\$ 1,247,265
Less: Deferred income tax liability	(21,581)	(39,529)
Shareholders' equity	\$ 1,066,613	\$ 1,207,736

- 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	Jun. 30, 2020	Dec. 31, 2019
Adjusted net asset value per share	\$ 46.29	\$ 53.09
Less: Deferred income tax liability	(0.92)	(1.69)
Shareholders' equity per share	\$ 45.37	\$ 51.40

Class J	Mar. 31, 2020	Dec. 31, 2019
Adjusted net asset value per share	\$ 51.31	\$ 58.75
Less: Deferred income tax liability	(1.01)	(1.86)
Shareholders' equity per share	\$ 50.30	\$ 56.89

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 June 30, 2020, Cymbria invested in a collection of 47 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 362.9% and the cumulative return of Cymbria's Class A shareholders' equity since inception is 353.7%.

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 34.0% 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 informed 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**

In the face of today's uncertainty caused by COVID-19, the average investor seeks investments that make them feel comfortable. They tend to buy two types of businesses – the obvious growers and the obvious safety names. Obvious growers are businesses with a high probability of growing in the short term. Safety names are businesses with below-average volatility in their business models and, by default, their share prices.

The problem is that everyone knows these things. This "herd mentality" results in rising valuations for both types of companies. Although owning an obvious growth or safety stock makes people feel comfortable today, overpaying for a business for short-term comfort won't help achieve pleasing long-term results. The inescapable reality of investing is that the entry price dictates returns. By paying too high a price for a great business, investors can still lose money. Overpaying for anything doesn't help in the long term, no matter how comfortable it makes you feel today.

Historically, Cymbria thrived during uncertain times. We used past periods of volatility like the global Financial Crisis, the European sovereign debt crisis, the U.S. debt downgrade and the emerging market slowdown of 2015 to buy great businesses that were going to grow – without having to pay for that growth.

We've been quite active since the beginning of the COVID-19 crisis. Since January we added several new ideas and increased weights in existing businesses, some of which we have followed for well over a decade. We waited patiently for a short-term catalyst that would allow us to buy their future growth for free by having views about their future not currently reflected in their share price. It turns out the pandemic was that catalyst.

Here are a few examples of recent additions:

We purchased a business that will benefit from fewer people taking public transit and more people using private vehicles going forward.

This same business will benefit from the average age of the cars on the road increasing, which usually happens during a recession.

We purchased a technology services company in Japan that should be able to double its profit margins in the next three years while also growing its revenue. Japanese companies have underinvested in IT infrastructure for decades and it's finally caught up with them. Their spending in this space will increase and this company has one of the best solutions to help.

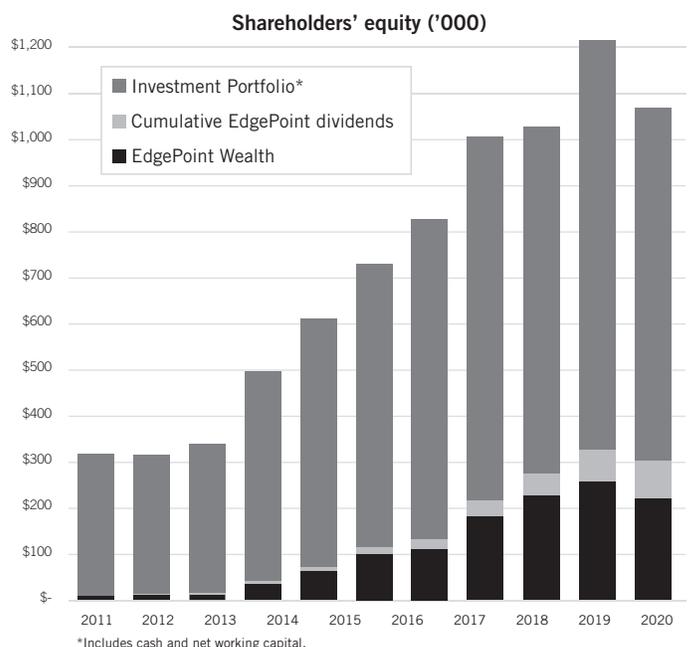
We purchased a global propane distributor. Homes still need to be heated and cooled, pandemic or not. This business came into the crisis with absolutely no debt, which puts it in a good position to acquire market share going forward. The management team has a long history of completing acquisitions that have benefited shareholders, and now the company has the perfect environment and balance sheet to complete even more acquisitions. They are a great operator, as evidenced by their ability to increase profits for the last eight consecutive years.

With respect to businesses exiting the portfolio, Realogy Holdings Corp., Aramark and Air Canada were businesses where we didn't believe the risk return potential going forward was appealing considering the impacts of COVID-19.

These are challenging times for the world and there remains considerable uncertainty. During difficult periods like this, it helps to have something to believe in. We firmly believe in our investment approach. Thinking and acting like a rational business owner has proved to be a successful investment approach in the past, and we believe it will prove to be a successful approach in the future.

**Overall performance**

For the six months ended June 30, 2020, Cymbria's shareholders' equity decreased 11.7% (June 30, 2019: 11.7% increase). As at June 30, 2020, Cymbria's shareholders' equity decreased to \$1,067 million, compared to \$1,207 million as at December 31, 2019. The decrease in shareholders' equity is largely attributable to investment performance, 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 disclose Cymbria's full portfolio on an annual basis. Please see Cymbria's 2019 Annual Report for the last published Schedule of Investments.

Top 15 securities	Fair value ('000s)	% of shareholders' equity
EdgePoint Wealth Management Inc.	\$ 219,200	20.6%
Shiseido Co., Ltd.	41,151	3.9%
Neptune Acquisition LP (MDA Corp.)	39,662	3.7%
CSX Corp.	36,706	3.4%
Berry Global Group Inc.	33,174	3.1%
Shionogi & Co., Ltd.	32,561	3.1%
Affiliated Managers Group, Inc.	32,275	3.0%
Flowserve Corp.	28,486	2.7%
Fidelity National Information Services Inc.	26,613	2.5%
Subaru Corp.	26,284	2.5%
Swedish Orphan Biovitrum AB	26,122	2.5%
Berkshire Hathaway Inc., class A and class B	24,786	2.3%
TE Connectivity Ltd.	24,299	2.3%
Mattel, Inc.	23,641	2.2%
Fujitsu Ltd.	21,961	2.1%
Total	\$ 636,921	59.9%

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. With a long-term view, it would not add a significant amount of value to discuss every business that is owned in the portfolio, including those that have had short-term fluctuations in value. However, in this section we will discuss the investments that we believe would be of interest to shareholders and/or 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:

- Swedish Orphan Biovitrum AB

Swedish Orphan Biovitrum is an international specialty biopharmaceutical company dedicated to rare diseases. The business continues to achieve a high level of revenue growth and the outlook for its core franchises is unchanged despite some concerns in the first quarter of 2020 around potential supply chain disruptions. Moreover, the company's Kineret drug has shown promising data for treating COVID-19 patients. The stock increased by 27% during the quarter and Cymbria's unrealized gain in the business increased by \$5.6 million.

- Berry Global Group Inc.

Berry Global is the largest plastic company in North America. Approximately 70% of the products Berry manufactures are consumer non-discretionary. As a result, the demand for its overall portfolio has been relatively resilient through the COVID-19 pandemic. In the first quarter of 2020, Berry's share price declined with the broader market despite strong underlying fundamentals. In the second quarter of 2020, Berry's share price nearly fully recovered this decline as management reiterated confidence around the outlook for its business. The stock increased by 31% during the quarter and Cymbria's unrealized gain in the business increased by \$7.1 million.

- CSX Corp.

CSX is one of the largest railroads in the United States. At the end of the first quarter of 2020, as shelter-in-place orders were mandated, CSX experienced about a 25% decline in carload volumes. This resulted in a share price decline of about 40% from its peak. Despite these unprecedented volume declines, CSX remained cash flow positive. CSX has also used this downturn to further reduce operating costs to manage the cyclical downturn. A large portion of these cost improvements are assumed to be permanent and once carload volumes return to a pre-COVID-19 levels, free cash flow generation we believe will exceed previous periods with comparable volumes. Carloads have sequentially improved since the end of the first quarter of 2020 and coming out of June 2020 are about 15% below comparable June 2019 levels. Subsequently, its share price has substantially recovered. The stock increased by 22% during the quarter and Cymbria's unrealized gain in the business increased by \$4.6 million.

The following investment had a material negative impact on shareholders' equity during the quarter:

- Wells Fargo & Co

Wells Fargo is one the largest financial institutions in the United States. In its second quarter results for 2020, the company recorded a larger than expected provision expense in its loan portfolio and expressed significant caution in the outlook of its business. These negative results were further compounded by ongoing regulatory issues facing the lender. Given these overarching issues, the market correctly anticipated concerns about Wells Fargo's ability to meet the upcoming Fed stress test. The stock declined 11% during the quarter and Cymbria's realized a loss of \$10.5 million on the sale of the business. We have completely exited Wells Fargo from Cymbria.

**Portfolio turnover**

During the quarter ended June 30, 2020, we purchased 8 new businesses. Two of the largest purchases, in terms of significance to the portfolio as at June 30, 2020, were:

- MDA Corp.

MDA, formerly MacDonald Detwiller, is the newest private investment for Cymbria (acquired via Neptune Acquisition LP). We worked with a consortium to acquire the company and we (along with other funds managed by the Manager) are the largest minority investor. MDA was founded fifty-one years ago and is a market leader across a diverse number of space-related

technologies including earth observation, space robotics and satellite subsystem manufacturing. Despite an expected revenue decline this year, these technologies are mission critical and will continue to generate earnings through this challenging economic environment. We see a path to doubling the business over the next five years.

- Restaurant Brands International Inc.

Restaurant Brands International owns Tim Hortons Inc., Burger King and Popeyes Louisiana Chicken. Restaurant Brands is managed by 3G Capital, a company with extensive experience in improving margins and expanding operations in the fast food space. Restaurant Brands implemented strong cost-cutting practices in its acquisitions. It significantly increased Tim Horton's profitability and looks to do the same with Burger King and Popeye's. Tim Horton's growth prospects into new countries are significantly higher under Restaurant Brands than they were under Tim Horton's itself. Tim Horton's expansion plans extend beyond the U.S. into areas like Mexico, South America, China and the Middle East. At its trough in March, Restaurant Brands was down about 65% from its 2019 highs and over 55% year-to-date. Investors are primarily concerned with how store operations have been impacted and the significant amount of debt on the balance sheet. While the company has a considerable amount of debt, the nearest maturity isn't for another four years. At the end of 2019, the company had enough cash on hand to cover roughly three years of interest payments. We believe Restaurant Brands is a defensive, capital-light business model with incredible brands and a very long runway for growth.

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 quarter we sold our stakes completely in five businesses. In addition to Wells Fargo (discussed above) below is the most significant sale based on the dollar value of realized gains and losses:

- Realogy Holdings Corp.

We first purchased the business in May 2014. Realogy is an American real estate and relocation services company. It owns and operates franchises several real estate brands and brokerages, and offers relocation, title and settlement services. The impact of COVID-19 on its business caused us to question its short-term resiliency. We don't believe many people will be house shopping or hosting open houses during the pandemic. As well, the business has a lot of leverage, which could be an added risk. We decided to exit our stake completely. Our holding period return was -74.7% and Cymbria realized a loss of \$5.7 million on the sale of the business during the quarter.

Cymbria had portfolio turnover rates of 29.1% for the six months ended June 30, 2020 and 22.6% for the year ended December 31, 2019. 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 and is not annualized. Cymbria's portfolio turnover rate indicates how frequently we traded our 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 June 30, 2020. We have received \$79.5 million in dividends from EdgePoint since inception and its value in Cymbria has increased to \$219.2 million, making EdgePoint the most valuable contributor to Cymbria's investment portfolio.

Negative market volatility caused by fear over the economic impact of the COVID-19 pandemic led assets under management to fall from \$28.9 billion as at December 31, 2019 to \$24.4 billion as at June 30, 2020.

With the assistance of a third-party valuator, Cymbria's stake in EdgePoint was revalued in March 2020 at a range of \$197.6 million to \$240.8 million. For financial statement purposes, EdgePoint is valued using the mid-point of \$219.2 million, representing a 13.8% decrease from its value as at December 31, 2019. The discounted cash flow model used for the valuation has 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. A change to any one or all of the assumptions can have a material impact on the valuation of EdgePoint as highlighted in Note 10. In determining the fair value of EdgePoint, we have considered the potential impact of the COVID-19 pandemic in our assumptions; however, we have not assumed a long-term impact of the COVID-19 pandemic. The duration and full economic impact of the COVID-19 pandemic is unknown at this time, and accordingly, there is a degree of uncertainty surrounding the potential impact it may have on the business and/or operations of EdgePoint.

We spend a considerable amount of time on the assumptions that go into the base cash flow model to determine the \$219.2 million valuation and believe that this represents fair market value as at June 30, 2020. 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 six months ended June 30, 2020 compared to those for the six months ended June 30, 2019 and as at December 31, 2019.

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

**Financial performance**

	Three months ended		Six months ended	
	2020	2019	2020	2019
	('000s)	('000s)	('000s)	('000s)
<b>Income</b>				
Net realized gain (loss) on investments	\$ (15,113)	\$ 10,747	\$ (36,255)	\$ 28,605
Change in unrealized gain (loss) on investments	115,369	27,039	(130,128)	85,968
Dividend and interest income	7,336	16,566	17,122	25,716
Foreign currency gain (loss) on hedging	573	1,176	(7,848)	3,081
Foreign currency gain (loss), excluding hedging	(1,162)	(83)	(1,480)	(145)
<b>Total income</b>	<b>\$ 107,003</b>	<b>\$ 55,445</b>	<b>\$ (158,589)</b>	<b>\$ 143,225</b>
<b>Expenses</b>				
Management fees	\$ 1,716	\$ 1,918	\$ 3,634	\$ 3,704
Withholding taxes, HST, and transaction costs	770	803	1,748	1,619
Other expenses	453	725	953	1,270
<b>Total expenses</b>	<b>\$ 2,939</b>	<b>\$ 3,446</b>	<b>\$ 6,335</b>	<b>\$ 6,593</b>
<b>Profit (loss) for the period before taxes</b>	<b>\$ 104,064</b>	<b>\$ 51,999</b>	<b>\$ (164,924)</b>	<b>\$ 136,632</b>
<b>Income taxes (recovery)</b>	<b>12,740</b>	<b>4,836</b>	<b>(23,801)</b>	<b>15,195</b>
<b>Net comprehensive income</b>	<b>\$ 91,324</b>	<b>\$ 47,163</b>	<b>\$ (141,123)</b>	<b>\$ 121,437</b>

*(a) Net realized gain on investments*

During the three months ended June 30, 2020, the realized loss on investments of \$15.1 million is largely attributable to a loss from the sale of shares of Wells Fargo & Co. of \$10.5 million and Realty Holdings Corp. of \$5.7 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 on investments is a \$115.4 million gain for the three months ended June 30, 2020. This is a result of fluctuations in the value of investments during the period, largely due to a slight rebound from negative volatility resulting from the COVID-19 pandemic. The gain during the quarter is still significantly less than the \$245.5 million unrealized loss experienced in the three months ended March 31, 2020. The businesses with the three largest unrealized gains during the period were Middleby Corp. with a \$7.4 million gain and Berry Global Group Inc. with a \$7.1 million gain. 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 public equities and the investment in EdgePoint. An important

driver of wealth for Cymbria is the dividend from EdgePoint. During the three months ended June 30, 2020, Cymbria received a dividend of \$4.8 million from EdgePoint, representing an 8% decrease compared to the same period in 2019. This dividend can be reinvested by Cymbria in its portfolio of securities or used to buy back Cymbria shares. Dividends and interest income from investments other than EdgePoint amounted to \$2.4 million for the three months ended June 30, 2020. These investments are not managed with the intent to derive a certain amount of dividend or interest income and the composition of the portfolio from period to period has changed. 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 June 30, 2020, Cymbria's most significant foreign currency exposure was the U.S. dollar, which as a percentage of shareholders' equity was approximately 41% and Cymbria hedged approximately 9% of that exposure. Cymbria's investments in the Japanese Yen represent approximately 17% of shareholders' equity and Cymbria hedged approximately 11% of that exposure.

Cymbria did not have a hedge in place for its investment securities denominated in the Euro, Indian Rupee, Swedish krona, Swiss Franc or British pound 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 June 30, 2020, Cymbria had a \$0.6 million net realized and unrealized gain 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*

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 June 30, 2020, the annualized MER was 1.04% for Class A shareholders and 0.59% for Class J shareholders, compared to 1.11% and 0.66% for the year ended December 31, 2019 for Class A and Class J shareholders, respectively. Management fees were relatively unchanged from the same period in 2019. The effective management fee as a percentage of aNAV for the six months ended June 30, 2020 was 0.80% and 0.40% for Class A and J shareholders, respectively.

**Financial condition**

	June 30, 2020 (‘000s)	Dec. 31, 2019 (‘000s)
<b>Assets</b>		
Investments	\$ 1,030,766	\$ 1,162,227
Cash and cash equivalents	54,493	85,283
Other assets	1,234	825
Income tax recovery	15,425	7,016
<b>Total assets</b>	<b>\$ 1,101,918</b>	<b>\$ 1,255,351</b>
<b>Liabilities</b>		
Foreign exchange forward contracts	\$ 3,251	\$ 59
Accrued liabilities and other payables	3,563	1,009
Credit facility	6,000	6,000
Deferred share unit plan	910	1,018
Deferred income tax liability	21,581	39,529
<b>Total liabilities</b>	<b>\$ 35,305</b>	<b>\$ 47,615</b>
<b>Shareholders' equity</b>	<b>\$ 1,066,613</b>	<b>\$ 1,207,736</b>

*(a) Investments*

Cymbria's investments as at June 30, 2020, primarily consists of a portfolio of equities of \$804.1 million and an investment in EdgePoint of \$219.2 million. The decrease of \$131.5 million from December 31, 2019 is primarily the result of a change in the unrealized and realized value of the portfolio of \$174.2 million offset by the net purchase of investments of \$39.6 million. The *Investment performance* section of this MD&A discusses the significant changes in these investments. The Schedule of Investment Portfolio included in the Financial Statements discloses the top 15 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. The decrease of \$30.8 million from the end of 2019 is primarily due to the net purchase of investments of \$39.6 million during the six months ended June 30, 2020. As at June 30, 2020, cash and cash equivalents was comprised entirely of cash held at the bank.

*(c) Other assets*

Other assets primarily consists of dividends receivable of \$0.9 million and a receivable for investments sold of \$0.4 million. Dividends receivable consists of dividends that have been declared but not yet received as at June 30, 2020. Receivable for investments is a result of investments that been sold but not yet settled as at June 30, 2020.

**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							
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018
Total income (loss)	\$ 107,003	\$ (265,592)	\$ 39,774	\$ 21,298	\$ 55,445	\$ 87,780	\$ (98,145)	\$ 37,402
Total expenses	\$ 2,939	\$ 3,396	\$ 3,345	\$ 3,741	\$ 3,446	\$ 3,147	\$ 3,136	\$ 3,751
Net income (loss)	\$ 91,324	\$ (232,447)	\$ 32,790	\$ 16,232	\$ 47,163	\$ 74,274	\$ (86,962)	\$ 30,069
Net income (loss), per share								
Class A	\$ 3.87	\$ (9.92)	\$ 1.38	\$ 0.67	\$ 1.98	\$ 3.14	\$ (0.47)	\$ 1.27
Class J	\$ 4.34	\$ (10.89)	\$ 1.58	\$ 0.80	\$ 2.29	\$ 3.53	\$ (0.19)	\$ 1.44

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

The Income tax recovery of \$15.4 million is a result of the required income tax installments for 2020 being more than Cymbria's income tax liability as at June 30, 2020.

*(e) Credit facility*

As at June 30, 2020, Cymbria has drawn \$6.0 million on its credit facility. The amount is unchanged from December 31, 2019.

*(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 six months ended June 30, 2020, Cymbria issued 1,188 units and the total value of the plan decreased 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 June 30, 2020, Cymbria's deferred income tax liability is presented net and is comprised of a liability on the net unrealized appreciation of investments of \$21.7 million offset by an asset on deferred share units of \$0.1 million. Included in the deferred income tax liability is a \$29.0 million liability 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 June 30, 2020 and August 13, 2020 were 100. Class A shares are non-redeemable and traded on the Toronto Stock Exchange. As at June 30, 2020 and August 13, 2020, there were 15,852,896 and 15,849,896 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 June 30, 2020 and August 13, 2020, there were 6,906,482 and 6,904,137 shares outstanding, respectively.

**Cash flows**

For the six months ended June 30, 2020, Cymbria had a net decrease in cash and cash equivalents of \$30.8 million. The majority of the net decrease in cash and cash equivalents is due to cash generated by operating activities, including the net purchase of investments of \$39.6 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 25, 2020 to May 24, 2021. 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 six months ended June 30, 2020, Cymbria did not repurchase any shares as they were trading at either a premium or small discount to aNAV. 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. Subsequent to June 30, 2020, Cymbria repurchased an additional 5,600 Class A shares under the NCIB for a total cost of \$0.2 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 ability 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 six months ended June 30, 2020 as Cymbria’s Class A shares have been trading above 97% of aNAV on average over the period.

**Credit facility**

On September 22, 2017, Cymbria entered into a five-year credit agreement with a Canadian chartered bank (the “Bank”) that can be renewed on an annual basis. Cymbria renewed the credit agreement in 2019 for an additional year to mature on September 21, 2024. 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 is secured by a selection of eligible securities in Cymbria’s investment portfolio. As at June 30, 2020, the outstanding balance of the credit facility was \$6 million (December 31, 2019 \$6 million). 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.

**Liquidity**

Cymbria maintains strong liquidity with cash and cash equivalents and its portfolio of public equities. In addition to financial liabilities that arise from its normal course of investing activities, Cymbria may have a financial liability associated with drawn amounts on the credit facility. As at June 30, 2020, cash and cash equivalents represents 5% of Cymbria’s total shareholders’ equity. Cymbria’s portfolio of securities includes actively traded global stocks that can be readily sold. As at June 30, 2020, the portfolio of public equities that the Manager believes can be readily sold represents 70% of Cymbria’s total shareholders’ equity. Cymbria has drawn \$6 million on its credit facility; however, the Manager does not believe this poses a significant risk to liquidity. There are no other outstanding debt or contractual obligations that would pose a significant risk to liquidity as at June 30, 2020.

**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 six months ended June 30, 2020, management fees totaled \$3.6 million, compared to \$3.7 million for the same period in 2019. 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 10 of the interim 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 accounting standards**

The accounting policies applied by Cymbria in the attached condensed unaudited interim financial statements are the same as those applied by Cymbria in its audited financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS. Cymbria has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Financial instruments**

In accordance with IFRS 9, *Financial Instruments*, Cymbria has accounted for 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

	<b>Classification</b>	<b>Measurement</b>
<b>Financial assets</b>		
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
Credit Facility	Amortized cost	Amortized cost

**Future changes in accounting policies**

A number of new standards, amendments to standards and interpretations are not yet effective for the six months ended June 30, 2020. The Manager has assessed that none of these will have a significant effect on the financial statements of Cymbria.

**Risks**

The risks associated with investing in Cymbria remain as disclosed in the Annual Information Form dated March 27, 2020 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 unaudited condensed interim financial statements as at August 13, 2020.

There were no changes made in the design of internal controls over financial reporting during the three months ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, Cymbria's internal controls over financial reporting. Cymbria will continue to monitor and mitigate the risks associated with any potential changes to its control environment in response to COVID-19.

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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## **LEGAL COUNSEL**

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## **TORONTO STOCK EXCHANGE LISTING**

CYB