

CYMBRIA CORPORATION

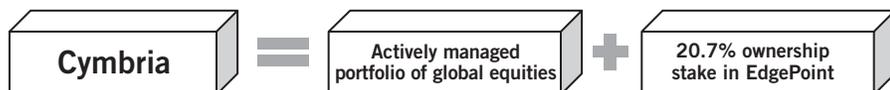
2019
ANNUAL REPORT

CYMBRIA CORPORATION

Note: In this report, “we,” “us” and “our” refer to both EdgePoint and Cymbria, related entities with the same operators.

INVESTMENT OBJECTIVE

Cymbria's investment objective is to provide shareholders with long-term capital appreciation primarily through a concentrated portfolio of global equities and an investment in EdgePoint Wealth Management Inc. (“EdgePoint”), which offers mutual funds, institutional and other investments through financial advisors.



INVESTMENT RESULTS

Cymbria – Class A

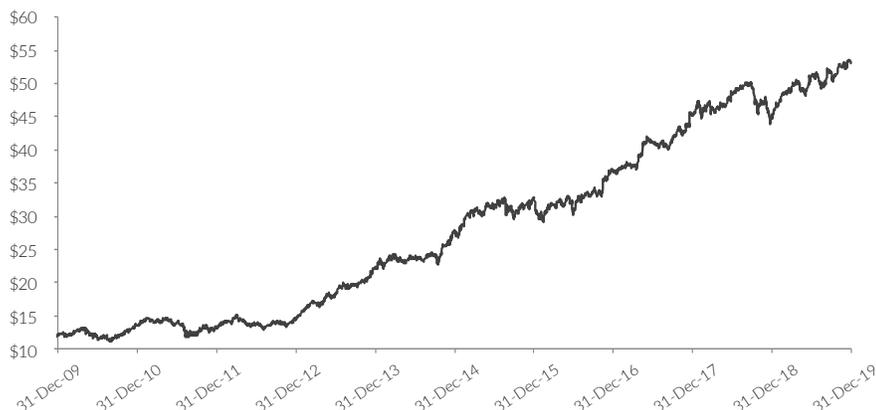
Adjusted net asset value (“aNAV”)*

	aNAV	Return (C\$)	Index (C\$)**
Inception:			
November 3, 2008	\$9.39 [†]		
2008[‡]	\$9.34	-0.54% [†]	-0.01%
2009	\$12.07	29.28%	10.39%
2010	\$13.50	11.82%	5.93%
2011	\$13.21	-2.12%	-3.20%
2012	\$14.68	11.07%	13.26%
2013	\$22.33	52.16%	35.18%
2014	\$27.53	23.31%	14.39%
2015	\$32.41	17.69%	18.89%
2016	\$36.59	12.91%	3.79%
2017	\$45.18	23.48%	14.36%
2018	\$45.38	0.43%	-0.49%
2019	\$53.09	16.98%	21.22%

Since inception^{††}

Compounded annual return	16.14%
Cumulative return	430.85%

Cymbria – Class A aNAV



* Previously NAV, aNAV represents the fair value of net assets of Cymbria, which differs from IFRS shareholders' equity in that it excludes deferred taxes. The calculation of aNAV has not changed since the inception of Cymbria.

** MSCI World Index (net).

[†] Excludes expenses related to the initial public offering (“IPO”). This provides a better understanding of how Cymbria's underlying investments performed and a more accurate comparison to the MSCI World Index.

[‡] November 3, 2008 to December 31, 2008.

^{††} Includes expenses related to IPO.

Source: Morningstar Direct, Bloomberg LP. Total returns in C\$ as at December 31, 2019. Index performance is based on a pre-tax calculation, while Cymbria's aNAV is after tax (but excludes deferred taxes). As a corporation, Cymbria's income and capital gains are taxed within the corporation and reflected in the daily aNAV. Had Cymbria held the same composition of securities as the Index, it would lag the Index in years it posted a positive return (after daily tax accruals) and exceed it in years the Index posted a negative return due to loss carryback provisions in the *Income Tax Act* (Canada).

Cymbria aNAV performance (annualized): YTD: 16.98%, 1 year: 16.98%, 3 year: 13.22%, 5 year: 14.03%, 10 year: 15.97%. since inception: 16.14%.

CYMBRIA CORPORATION

TABLE OF CONTENTS

Cymbria's investment results.....	Inside front cover
About Cymbria.....	4
Chairman's letter.....	5
The Cymbria option.....	6
Commentary.....	7
EdgePoint – An important driver of wealth.....	13
Counting the uncountable: the EdgePoint difference.....	16
10-year Partner Program.....	19
What's cooking.....	21
Completely free insights and not so free SWAG.....	22
Celebrating EdgePoint culture.....	24
EdgePoint in numbers.....	26
Management's discussion & analysis.....	30
Management's responsibility for financial reporting.....	42
Independent auditors' report.....	42
Financial Statements.....	44
Notes to the Financial Statements.....	50
Directors and Officers of the company.....	61
Company creed.....	Inside back cover

Cymbria's Annual Investor Day

Wednesday, May 13, 2020

Due to COVID-19, this year's event will take place via webinar.

Presentation: 9:30 – 10:30 a.m. EST

Question & Answer: 10:30 – 11:30 a.m. EST

Agenda

Company overview with Patrick Farmer, Chairman

Investment discussion with co-CEOs Tye Bousada and Geoff MacDonald,
and portfolio managers Ted Chisholm, Frank Mullen and Andrew Pastor

Question & Answer

RSVP by May 1, 2020

1.866.757.7207 or 416.963.9353

rsvp@edgepointwealth.com

Our investment approach

We adhere to a time-tested investment approach practiced by our portfolio managers throughout their investment careers.

We focus on global companies with strong competitive positions, defensible barriers to entry and long-term growth prospects that are run by competent management teams. As long-term investors in businesses, we view a stock as an ownership interest in a company and endeavour to acquire these ownership stakes at prices below our assessment of their true worth.

We believe the best way to buy a quality business at an attractive price is to have an idea about the company that isn't widely shared – what we call a *proprietary insight*. We strive to develop such proprietary insights around businesses we understand. Our holdings generally reflect our views looking out more than five years. We firmly believe that focusing on longer periods enables us to develop proprietary views about companies that aren't reflected in their current stock price.

Our approach is deceptively simple. We buy good, undervalued businesses and hold them until the market fully recognizes their potential. Following this approach requires the ability to think independently, a natural curiosity to search out new ideas and a commitment to thorough research to uncover opportunities the market doesn't fully appreciate.

A concentrated portfolio

We invest with conviction and, as a result, our portfolios are concentrated in our best ideas. This concentration allows individual portfolio holdings to have a meaningful impact on returns when the market recognizes our estimate of their values.

How do we approach risk?

Investment success is often defined exclusively by investment returns. In sharp contrast, when we make an investment we weigh the risk of that investment against its potential return. This is unlike most investors who tend to focus on returns and neglect to consider the risk taken to achieve that performance.

For us, risk is the potential for a permanent loss of capital. Our "old-school" view is summed up in the questions, "How much money can we lose, and what's the probability of that loss?" We focus on company-specific risk factors such as increased competition, management competence, profitability compression and the underlying valuation of a business relative to our assessment of its true worth. Noticeably absent from our definition of risk is the volatility of a company's share price relative to the market, as we don't equate short-term ups and downs with risk.

Measuring our results

Meaningful progress toward our goal of building long-term wealth for shareholders is reflected in Cymbria's since inception Class A aNAV cumulative return of 430.9% (includes IPO-related expenses). The benchmark MSCI World Index returned 235.7% (C\$) over the same timeframe.

We measure our investment results using Cymbria's aNAV rather than its stock price, as this more closely reflects our Investment team's value add. 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.

Measuring Cymbria's worth

Cymbria's stock price has swung between a 14.2% discount and a 34.0% premium to aNAV since inception.

Cymbria holds a collection of quality businesses we believe are trading for less than their worth. 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). 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.

Chairman's letter



In 2019, investors continued to enjoy the longest bull market (a market without a decline greater than 20% in the S&P 500 Index) in history, but much of the year was dominated by headlines about rising global trade tensions, changes to monetary policy and fears of a global slowdown.

Amid these fears, investors have once again turned to “safe” investments or stable growers. Stable growers are companies that have a history of delivering predictable earnings, which generally give investors comfort that they are safe investments, driving their valuations to historically high levels. This has resulted in uneven growth in the broader market, with returns almost entirely driven by an expansion in multiples for the names that everyone wants to own. In fact, the valuation gap between the most expensive stocks (the companies generally considered to have stable growth) and the least expensive stocks is among the widest in history.

Despite this environment, it should come as no surprise that our investment approach remains the same. Our Investment Team doesn't follow the consensus thinking; they continue to apply the same dedication and passion in search of businesses with good long-term growth prospects, run by competent management teams, where we aren't being asked to pay for that growth and where we have a proprietary insight (i.e., how we view businesses differently than the market). The Investment Team remains confident that the best vehicle for building long-term wealth for our shareholders is a diversified portfolio of attractively priced businesses that are well-positioned for growth.

Cymbria's Class A aNAV increased 17.0% in 2019, compared to an increase of 21.2% for the benchmark MSCI World Index (C\$). Since inception, the aNAV has grown by 16.1% per annum compared to 11.5% per annum for the Index over the same timeframe. Although we're pleased with the progress, we turn our attention to the future with the same passion and dedication.

Let me quickly review Cymbria's contributing drivers of wealth:

- As in previous years, Cymbria's primary driver of wealth creation is our Investment Team's stock selection ability, which increased Cymbria's Class A aNAV by 12.1% in 2019
- Cymbria's investment in EdgePoint now amounts to over \$254.4 million, an increase of 13.5% compared to last year. Continued support from key advisor relationships translated into growth at EdgePoint during the year. EdgePoint is Cymbria's largest holding, representing a 20.4% weight
- Cymbria's pro-rata share of EdgePoint's dividend was \$22 million in 2019, 56% greater than the year prior. Since inception, Cymbria has received \$69.6 million in dividends from EdgePoint
- Cymbria didn't repurchase shares in 2019, although we remain committed to doing so should an attractive opportunity arise. We renewed our Normal-Course Issuer Bid in 2019 for an additional 12-month period

In 2019, we added eight new members to the EdgePoint team and are now 75 internal partners strong. We're thankful that we continue to attract exceptional talent and are excited that the team is functioning so well as we continue to grow.

We're pleased with the progress we've made so far and we remain focused on the ongoing task of building wealth for our shareholders.

Thank you for your continued trust.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Farmer". The signature is fluid and cursive, written over a white background.

Patrick Farmer, Chairman

The Cymbria option

"Lots of investors seek businesses with [great] characteristics, but great owners are rare."
- Mark Leonard, Constellation Software

Before joining EdgePoint, I spent half a year speaking to Tye Bousada and Geoff MacDonald about Cymbria. Cymbria is built to perform, and its permanent capital means it has a unique ability to own and grow Canadian private companies over indefinite periods of time. We are not interested in acquiring businesses the way everybody else does, but are focused on being a great owner of great businesses.

One common question I get asked focuses on how we structure our private investments. While we do prefer to take a majority ownership position, our priority is to first identify and partner with exceptional entrepreneurs who own exceptional businesses. Some characteristics that we look for include:

- Growing and enduring businesses that will be around for the next 10 years
- Attractive returns on capital
- Differentiated business model with opportunities to grow market share
- Exceptional management team with a culture of ownership

In May 2019, Cymbria acquired a Canadian pest control business. There are many attributes that make the business a great fit for Cymbria: (i) the idea came from an investor in Cymbria, who then quit his job to work with the existing management team; (ii) the business has attractive returns on capital and we have identified opportunities to grow market share; and (iii) pest control is an enduring, growing industry where they provide a low-cost, mission-critical service. We are pleased with its progress thus far and are excited to be partners in growing the business.

When I first met Patrick Farmer, I asked him what success would look like to him in five years. His answer was to have built stronger relationships with our investment partners. Over the last two years, many of the best investment opportunities have come through referrals from our valued investment partners who know great business owners that we could partner with. If you know an owner of a great business and you believe they would be a good fit for Cymbria, please feel free to send them our way at ihaveagreatbusiness@edgepointwealth.com. I look forward to hearing from more of our investment partners.

Jason Liu



Jason Liu
ihaveagreatbusiness@edgepointwealth.com

Why would Cymbria be a good choice for your business?

Cymbria may not be the right fit for everyone; however, we believe our collection of attributes provides a unique offering relative to other options you may be considering.

Stability.

Cymbria can act as a permanent home for your company – we're not interested in buying your business and flipping it for a profit 24 months later. As entrepreneurs, Cymbria's founders understand the importance of stability for a company's culture and the benefits it can have for management's ability to plan.

Additional resource.

Cymbria's founders would be happy to act as a resource for your team, if asked. The founders have spent their lives investing in other people's businesses as well as building their own. As such, the Cymbria team can be a great resource if your organization is looking for someone to give feedback on an idea.

Strong network.

We've also built up a strong network of business associates and partners over the years who might prove helpful to you in a multitude of ways.

Source of growth capital.

Cymbria can be a great source of growth capital for your business. We have permanent capital, and have been able to grow that capital at an attractive rate through careful allocation. If your business can earn good returns on the capital it uses, Cymbria will be an eager supplier of that capital.

What does "hands off" really mean?

We have no desire to interfere with your business's day-to-day operations, but would like to have input on profit allocation.

Got a business that sounds like a good fit? Please provide a one-page summary of your business to your relationship manager or Jason Liu, Partner at Edgepoint Wealth, at ihaveagreatbusiness@edgepointwealth.com.

Belief and understanding

By Tye Bousada, Co-Chief Executive Officer

To achieve a pleasing long-term outcome from your investment in Cymbria, you truly need to believe in the investment approach that is used to guide your investment. Why do you have to believe? Because without belief, you're more likely to jump out of your Cymbria investment when faced with short-term underperformance or a downdraft in the overall markets – thus eliminating Cymbria's ability to compound your wealth over the long term. To illustrate this point, let's look at one of the most successful investment vehicles of all time: Berkshire Hathaway.

An investor who invested \$100 into Berkshire Hathaway 55 years ago finds themselves with an investment worth about \$2.7 million today. However, the path to this fortune wasn't smooth.

- There were three periods of time where your investment would have fallen by 50% or more.¹
- Furthermore, there were 18 years where Berkshire underperformed the returns on the S&P 500 Index.
- In 11 of those 18 years, it underperformed the S&P 500 Index by more than 10%.

Staying invested during those periods of time was obviously necessary to achieve the remarkable long-term returns. However, it would have been extremely difficult mentally to stay invested over that period of time. Fear would have gripped you – fear of losing money when the market was going down and fear of underperforming in those 18 years when Berkshire underperformed its benchmark. Those who were able to overcome that fear reaped the rewards. Those who stuck it out had the antidote to fear – belief in Berkshire's approach grounded in understanding, which led to the ability to avoid behaving emotionally during the tough times.

Cymbria is unlikely to deliver the same type of returns as Berkshire Hathaway over the long term, but we do believe it can deliver very pleasing ones. To experience pleasing future returns with your investment, you'll have to believe in the investment approach we use to grow your savings. But in order to believe in the approach, we first have to ensure that you really understand it.

That's the purpose of this letter – we'd like to build on your understanding of the approach we use to invest your savings. This is important because decisions you make about your investments can have a huge impact on whether you and your loved ones will have enough money to lead the lifestyle you hope for. We believe that how we invest your money makes sense, but that's not enough. It must make sense to you as well or you won't stick with it.

How we invest your money

We believe investing is most successful when it's most business-like. That makes for a nice tagline, but unless you are a business person you probably don't fully understand what this expression means or why it's important. So, let's use an example to explain.

Imagine you own a cookie business. People go crazy for your cookies and your business makes an annual profit of \$100,000. Now imagine someone comes along and offers you \$1 to buy your business. Would you sell it? Of course, you wouldn't. Swapping \$1 today for the chance to make \$100,000 or more a year isn't attractive at all. Now imagine someone offers you \$10 billion dollars for it. Would you sell it? Of course, you would. Why? Because somehow you know that swapping \$10 billion dollars today for something that is making \$100,000 a year is a good deal. Even if you aren't a business person, you intuitively know that \$1 is a bad deal and \$10 billion is a good deal. But where between \$1 and \$10 billion does it go from being a bad price to sell to a good price to sell? To answer this question, you must understand how a business derives its value.

For those of you who have successfully operated businesses or allocated capital, feel free to skip to the next section because this should be stuff you already know.

The right price

Ultimately, the value of a business is determined by two things:

1. The amount of money the business can produce for the owner in the future
2. What kind of returns an investor can generate by not taking any risk at all

The first point is easy to understand but the second point needs a little more explanation. Investing in a government bond is perceived by most as being risk-free. When you buy a government bond, you're lending the government money today, and in exchange the government agrees to pay you interest on that loan and to pay all your money back at some point in the future. The probability of not getting your money back is low (at least in Canada). The government knows you're not taking much risk by lending to them and, as such, they're not willing to pay you much interest on the loan. Today, Canadian government bonds yield less than 2%.² For the purpose of this example, we'll call this 2% the risk-free rate.

¹ Source: Bloomberg LP. As at December 31, 2019.

² Source: Bloomberg LP. As at February 11, 2020.

What impacts the rate that the government must pay? The simple answer is the cost of living. If inflation is high, then people demand a higher return in exchange for lending out their money today. This higher rate makes up for the loss of purchasing power that comes with inflation.

Now let's go back to investing in businesses. Investing in a business involves taking on more risk than lending money to the Government of Canada, so naturally investors in a business should demand a higher return than 2% to compensate them for this risk. What kind of return should they expect to earn?

The simplest way to answer this is to look back at what investors have earned over the long term by investing in businesses in the stock market. The answer to that question is about 10%.³ So, in exchange for taking on the risk of being a business owner, investors have required 10% returns over long periods of time. This 10% has been higher than the risk-free rate over time.

Let's go back to the cookie business now. What price would a rational business owner be willing to pay for the business if they think it can earn \$100,000 in profit over the next 12 months and the return they expect to make is 10%? The answer is \$1 million. If they invest \$1 million today and the business gives them back \$100,000 in the first year, they earned a 10% return on their investment.

$\$100,000/\$1 \text{ million} = 10\%$.

OK, what happens if the rational business owner thinks this cookie business is going to double its profits in the second year, and then triple them in the third year? Would \$1 million be the maximum price they would be willing to pay if they wanted a 10% return? No, they would be willing to pay a higher price. There's more math involved in calculating the exact price, but the key point is that it would be higher as a result of the expected growth in profits over time.

Adding value through proprietary insights

Now that we covered how a business derives its value, let's move to the question of how we try to add value for you using our investment approach. At its core, our approach revolves around a concept we call proprietary insight. This is a fancy way of saying that we believe the best way to buy a business at an attractive price is to have an idea about the business that isn't widely shared by others. For example, we might believe that the market is unaware that the cookie company is going to launch a new oatmeal raisin cookie, and that the price we are being asked to pay for the business doesn't factor in any of the profits from the new line. Alternatively, we might believe the cookie company is going to expand beyond Canada and that no one has recognized the increased growth potential, so it hasn't been factored into the price. We're ultimately trying to buy future growth and not pay for it.

To come up with these proprietary views, we spend our days gathering facts about all sorts of businesses around the world and applying reasoning to those facts. We read all sorts of material on companies and industries. We talk to experts in different fields. We interview management teams of different businesses and we tour businesses (factory floors, call centres, etc.). We do all of this work in the hope of seeing something that others are missing.

If we're right about seeing an opportunity for growth that others have missed, then as the market recognizes it over time, it will start to pay for this growth, which means the share price will go up accordingly.

Sounds simple, doesn't it? Well it's not, and there's a few reasons for that.

First, we're not the only ones looking to buy growth for free. There are many other smart people looking for the same thing. Fortunately, we have some of the sharpest minds on our team and you can see the pleasing outcome of these minds in your long-term historical results. Ted, Frank, Andrew, George, Derek and Syd have all contributed names to Cymbria. These names in aggregate have built substantial wealth for Cymbria shareholders.

The second reason it's not simple has to do with being human. The vast majority of humans are hardwired with emotions that work against them when it comes to investing. Let's talk about the emotional extremes that most people experience at some point during their investment careers.

The emotional rollercoaster

Absolute dread.

You've surely seen a video of a herd of gazelles being chased by a lion. They're running for their lives. Most people feel that way in the stock market at some point during their investment journey. Prices are going down, panic sets in and there's a stampede to sell. The stampede occurs because there's very few things in life as uncomfortable as watching the price of something you own go down if you don't know what the value of it is. Most people don't know the true value of what they own, so dread sets in. The easiest thing to do is sell, so they join the stampede.

Here's the positive side to the absolute dread – unlike the average participant in the stock market, we make it our job to know the value of the businesses we own and to take advantage of that dread. We certainly haven't been perfect, but nothing in the past has helped us buy more growth for free than a good stampede.

³ The S&P 500 Total Return Index was used as an approximate return for equities. The U.S. dollar-period return from January 1, 1928 to December 31, 2019 was 9.5%, but was rounded to 10% for simplicity.

Here are some of the previous stampedes that you or someone you know may have found themselves in:

- The economic slowdown in the fourth quarter of 2018
- The U.S. debt downgrade of 2011
- The European sovereign debt crisis of 2011/12
- The U.S. financial crisis of 2008/2009
- 9/11
- The dot-com bubble burst of 2000 to 2002
- The emerging market crisis of the mid-1990s

Fear of missing out (FOMO).

FOMO is the politically correct label for the other end of the emotional extreme. Envy is the old-fashioned word for it. Nothing seems to disturb the human psyche more than watching your friends get rich when you aren't. Envy causes the average investor to become greedy at some point in every market cycle. When you combine envy with the fact that the average investor doesn't understand the value of businesses, then you can see how bubbles form and pop – destroying the envious along the way.

Famous bouts of envy in the stock market:

- Emerging markets from 2011 to 2015
- U.S. housing market in 2005/2006
- Dot-com bubble of 1998 to 2000
- The emerging market crisis from 1994 to 1998
- Japan in the late 1980s
- Oil in the 1970s

None of these ended well for those who caught FOMO while these significant events were going on.

So, this begs the question of where we are in the cycle today? Are we closer to dread or envy? Our view is that it isn't obvious. However, as people who try to think like rational business owners, we do see a few more examples of FOMO than we have for a while.

The danger of consensus thinking

What might be causing these emotional extremes? Big swings upwards or downwards in the market can be caused by consensus thinking among the investing public. Consensus is a great thing in many industries but not in investing. For example, before someone has a knee replacement, they probably would like consensus among the doctors about how to perform the knee surgery. Likewise, before someone builds a house, they likely want consensus among the engineers on how to keep the roof from collapsing during a snow fall. However, consensus thinking in the stock market has almost always resulted in the eventual destruction of wealth for those caught up in it. As proof, consider the famous bouts of dread and envy listed above. During both extremes there was broad-based consensus in the market that caused most investors to do the wrong thing at the wrong time. Today, we believe there seems to be a consensus brewing that:

1. The world is going to be perpetually stuck in a low-growth state
2. There's a recession around the corner
3. Inflation is never going to rear its ugly head again, and therefore, the risk-free rate won't rise in the future (recall from earlier that the risk-free rate is what all other investments are compared to)

With these consensus views in place, we believe investors are crowding into two broad groups of companies:

- The first group is what is broadly defined as “safety” companies. The consensus thesis for these companies is that no matter how bad things get in the future, they will remain stable. Examples include utility and telecom companies. Whenever there is a bit of fear about the economy, these types of businesses outperform in the short term but have proven to be sub-optimal investments over the long term.
- The second group is the obvious growers. These would include Microsoft, Google, Facebook, Amazon, Netflix, Uber, Tesla, Moody's, S&P Financial, Visa and Mastercard, just to name a few. The consensus thinking here is that there's an easily understood narrative about how these businesses can grow and, as such, these obvious growers should be valued more like bonds than like businesses. Recall that a government bond is less risky than a business and, as a result, bond investors have historically had a lower expected return than equity investors. Recently, however, the valuations for these companies have increased to the point where their future expected returns fall far below the 10% historical rate of return. The simple narrative is that these expected sub-optimal returns are acceptable given that these obvious growers will deliver less volatility over time.

The challenge with obvious growers

To further drive home this point, let's look at an example of an obvious grower through the eyes of a rational business owner. We'll use a real-life example that has been a top-five position in Cymbria in the past and created a substantial amount of value for Cymbria. The share price increased by 112% while we owned it. However, since we sold it, it appreciated by another 205% (making us feel and look just plain silly). We're going to withhold the name of this company for two reasons. First, we usually don't like discussing the specific names of businesses that aren't currently owned by Cymbria, and second, we don't have an issue with this particular company other than that we don't think the valuation makes sense. For the purpose of this example, we will call the company “BIG.” All details in the example are accurate except for the name.

BIG is a massive business. It's market capitalization (the total value of the business that accrues to its owners) is approximately US\$1.4 trillion (all figures related to our "BIG" example are in U.S. dollars). Given BIG's size, the company is followed by dozens of Wall Street analysts. These analysts collectively expect BIG to grow its profits by 11% next year. What this means is that BIG's profits have to grow by \$4.8 billion next year alone. To put that massive number into context, there are only 109 companies in the world with annual profits that exceed \$4.8 billion and BIG has to grow its profits by that much next year alone.⁴

Let's go one step further and assume that BIG can grow its profits by 11% annually for the next five years. That means that profits would grow by about \$30 billion over next five years – a very healthy assumption to say the least. There are five companies in the world with profits above \$30 billion and we are assuming that BIG will grow by this much in just five years.⁵

BIG requires very little capital to grow, which means it can pay out all of its free cash flow (profits) in dividends. BIG currently trades at a price equivalent to 32x its free cash flow (Price-to-Free-Cash-Flow ratio, or P/FCF). The inverse of this is what a business owner could expect to receive as a dividend. So, the dividend yield would be:

$$1/32 = 3\%$$

Therefore, an owner who expects a return of 10% and receives 3% as a dividend must make up the remaining 7% through share price appreciation. When you assume that the share price rises 7%/year but the profits rise by 11%/year, the result is that the Price-to-Free-Cash-Flow metric will decline every year, as the Price (numerator) is rising more slowly than the Free Cash Flow (denominator). This means by the fifth year, the valuation of the business will have fallen from 32x to around 26x.

If you're interested, here is the math behind BIG:

BIG's stats

Share price	\$183.89
Earnings Per Share Estimate (EPS) for next 12 months (analyst average) *	\$5.69
One-year Forward Price to Earnings Ratio	32x
Expected Earnings Per Share Growth (analyst average)	11%
Market capitalization (in billions)	\$1,416
Average shares outstanding (in billions)	7.7
Average 10 Year Price to Earnings ratio (2009 to 2019)	14.6x

Source: Bloomberg LP. As at Feb. 7, 2020. In US\$

*We use EPS as a proxy for Free Cash Flow Per Share

Investors' desired annual return

10%

	BIG's estimated growth projections (next five years)				
	2021	2022	2023	2024	2025
Estimated EPS based on 11% annual growth	\$6.32	\$7.01	\$7.78	\$8.64	\$9.59
Earnings (dividend) yield (earnings/price)	3.4%	3.6%	3.7%	3.9%	4.1%
Required share price appreciation to achieve 10% annual return	6.6%	6.4%	6.3%	6.1%	5.9%
BIG's estimated share price	\$195.96	\$208.55	\$221.62	\$235.15	\$249.07
BIG's estimated market capitalization (in billions)	\$1,509	\$1,606	\$1,706	\$1,811	\$1,918

Resulting Price to Earnings Ratio in 2025

26x

When considering whether 26x profits for this business five years from now represents good value, a rational business owner would likely ponder the following:

In order to generate a 10% return over the next five years, this business will have to grow in value by approximately half a trillion dollars. There are only 6 companies in the world with a total value greater than half a trillion and BIG is going to have to grow by this much in five years.

⁴ Source: Bloomberg LP. As at February 11, 2020, there were 109 companies in the MSCI World Index that generated a net income over US\$4.8 billion in the previous fiscal year.

⁵ Source: Bloomberg LP. As at February 11, 2020, there were five companies in the MSCI World Index that generated a net income over US\$30 billion in the previous fiscal year.

⁶ Source: Statistics Canada. 2016 Census of Canada Dwellings in Canada: Occupied private dwellings and types of dwelling, by region, 2016, May 3, 2017. Accessed February 11, 2020. <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016005/98-200-x2016005-eng.cfm>; Living in Canada, Average House Price in Canada. As at April 30, 2018. Accessed February 11, 2020. <https://www.livingin-canada.com/house-prices-canada.html>.

Just to illustrate how big this is, here's a few other things worth half a trillion dollars:

- 85% of the value of all of single-family homes in Alberta, or 48% of all those in Quebec, or 36% of all those in BC, or 17% of all homes in Ontario, or more than 100% of all homes in the other provinces⁶
- 90% of Berkshire Hathaway
- The entire annual economic output of all but 24 countries in the world. Half a trillion dollars is bigger than the annual output of Austria, Argentina, Norway, Ireland, Hong Kong, Singapore, Denmark and Finland, just to name a few⁷
- 25% of the entire S&P/TSX Composite Index
- The value of top 50 professional sports teams on the planet, including teams from the NFL, MLB, NBA, NHL, CFL and BPL,⁸ plus all the single-family homes in Manitoba and Saskatchewan⁹
- One sixth of the value of all farmland in the U.S.¹⁰
- Every bank in Canada
- Every commercial aerospace company on the planet, including Boeing and Airbus

Recall, all of the above is just the growth required over the next five years and not the total value of BIG in 2025. If you wanted to compare the total value of BIG in five years to the above list, you would have to multiply all the values above by four. For example, that's almost four Berkshire Hathaways.

Although BIG is currently trading at 32x profits and it expected to drop to 26x profits five years from now using the assumptions above, its 10-year average multiple from 2009 to 2019 is approximately 14.6x profits. What if instead of trading at 26x, in five years it trades at its current 10-year average multiple of 14.6? Then BIG would have a -2% return annually instead a 10% return.

The odds of BIG trading at 26x profits in 2025 are much lower given the law of large numbers. It's much harder for a company worth \$1.9 trillion to grow at a high rate, and therefore, the market will find it more difficult to assign a high valuation to it in the future.

Inflation is always a risk. If inflation increases, then the risk-free rate demanded by investors will increase as well (as previously discussed), which will, in turn, result in an increase in the return investors expect for investing in businesses. If investors demand a higher return from businesses in the future, they won't be willing to pay as much for them as they are today in terms of profit multiples. A lower multiple in the future means a lower return.

Finally, a rational business owner might wonder what is the probability that BIG is going to be able to enter new markets or create new products that can generate an additional \$30 billion in profits over the next five years? Would you bet your family's future on BIG being able to do this? I'm guessing, most of you wouldn't.

Back to FOMO

In spite of all of the rational reasons not to invest in this business, investors have invested \$1.4 trillion into BIG – money that is earmarked for feeding, sheltering and clothing their families. They have bid the price up to the level equivalent to 32x its profits today. In fact, if you own a U.S. or global index fund, a significant amount of your money is invested in BIG.

As people who try to think like rational business owners, we can't make sense of BIG's valuation today. So, why has it happened? Our answer goes back to that phenomenon known as FOMO.

The higher BIG's share price goes, the more investors want to own it. As more people try to buy it, the share price goes even higher, which in turn causes more people to try and buy it, and so on... It's kind of similar to how Paris Hilton became famous for being famous.

This style of investing actually has a name: it's called "price momentum investing." Recently, momentum investing has become popular. For example, according to Bloomberg since the beginning of 2020 companies with the best price momentum have outperformed companies that demonstrate value characteristics by a whopping 16.6%¹¹ and that's in just seven weeks.

History has shown that just like Paris Hilton, momentum investing goes on until it collapses under its own weight. Unlike Paris, however, when momentum investing collapses it will destroy a lot of people's financial futures.

⁷ Source: "List of countries by GDP (nominal)", Wikipedia. Last modified February 1, 2020. Accessed February 11, 2020. [https://en.wikipedia.org/wiki/List_of_countries_by_GDP_\(nominal\)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal))

⁸ Badenhause, Kurt, "The Dallas Cowboys Lead the World's Most Valuable Sports Teams 2018", *Forbes*, July 18, 2018. Accessed February 11, 2020. <https://www.forbes.com/sites/kurtbadenhause/2018/07/18/the-worlds-most-valuable-sports-teams-2018/#306546d475d1>.

⁹ Source: Statistics Canada. *2016 Census of Canada Dwellings in Canada: Occupied private dwellings and types of dwelling, by region, 2016*, May 3, 2017. Accessed February 11, 2020. <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016005/98-200-x2016005-eng.cfm>; Living in Canada, *Average House Price in Canada*. As at April 30, 2018. Accessed February 11, 2020. <https://www.livingin-canada.com/house-prices-canada.html>.

¹⁰ United States Department of Agriculture, *Land Values 2019 Summary*, August 2019. Accessed February 11, 2020. https://www.nass.usda.gov/Publications/Todays_Reports/reports/land0819.pdf

¹¹ Source: Bloomberg LP. As at February 13, 2020. Based on Bloomberg US Momentum Factor and Bloomberg US Value Factor.

Our approach

So how are we behaving in the face of what is going on out there? The same way we always have. We try to think like rational business owners. We only buy a business when we believe we are getting a chunk of its future growth in profits for free.

It's important to highlight that we continue to find what we believe are attractive investment opportunities despite the existence of FOMO. Perhaps these opportunities are available because everyone seems to be chasing the "safety" and "obvious growers," casting aside those ideas that don't fit nicely into one of those two groups. Whatever the reason, what matters most is that we are optimistic about the long-term outlook for the businesses you own. We believe you are getting their future growth for free.

Here are some examples of where we believe we are getting growth for free:

- Cymbria (i.e., you) owns a stake in the world's second-largest chemical distribution company. This distribution company recently completed the largest acquisition in its history, which happened to be a few months before a mini industrial recession caused customers to slow down their buying. The combination of these events caused the share price to sharply decline, which presented us with an opportunity to establish a position in this company on your behalf. Here is what we saw:
 - The company would benefit from the synergies generated from the recent acquisition, not to mention from an eventual recovery in the underlying demand for chemicals. More importantly, however, there was the new management team in place.
 - The team currently running the company was the same team that has turned around the profitability in its European division over the last few years. This new management will be implementing that same plan across the entire company. The company's competitive position in Europe was weaker than its competitive position in the U.S. (its primary market), so we expect the outcome to be at least as good. At the time of purchase, the company's free cash flow yield was around 7%, and we think it should be able to grow its free cash flow at double-digit rates going forward. We believe we are buying growth for free.
- Cymbria (i.e., you) owns a stake in one of the world's largest tractor manufacturers. Bad weather in the company's second-largest market caused farmers to postpone their tractor purchases, which then caused the share price to fall and presented us with an opportunity to establish a position for you. Here is what we saw:
 - It's not economically feasible for the world to cultivate rice by hand, but the majority of farmers still do. Certain markets, like Japan, have adopted tractors for rice cultivation, but the majority of Asia hasn't yet. For example, in Japan there are 44 tractors per 1,000 farmers, but in all of Asia that ratio is only 2.6. In a world where population is growing and arable land is declining, mechanization is mandatory to drive productivity and ensure food supply.
 - The company has a 7% free cash flow yield and we believe it should be able to grow its free cash flow by at least 5% per year. We believe we are buying growth for free.
- Cymbria (i.e., you) owns a stake in one of the world's largest food catering companies. When the market dropped quickly in the fall and winter of 2018, we got a chance to establish a position for you. Here is what we saw:
 - Globally, over half of food service is performed in-house (e.g., a school that runs its own cafeteria), but the trend is to utilize more outsourcing. Over two-thirds of its revenue is generated in the U.S. The penetration of contract catering in the U.S. is below the global average and, as such, the U.S. market is growing faster than the rest of the world. Over 50% of the company's business is generated from educational and healthcare facilities. The penetration of catering in these areas is below average, which means these types of customers are growing faster. The annual retention rate on the company's catering contracts is 95% (even in recessions).
 - This company has consistently grown its profit margins since going public in 2013, and we believe there is still room to further improve its margins. The free cash flow yield is around 6%, and we believe it should be able to grow its free cash flow by at least 8% a year. We believe we are buying growth for free.

The approach that guides Cymbria has protected and grown capital for longer than Cymbria has been around. Thinking like a rational business owner has helped us navigate markets frozen with dread and dripping in envy. It has seen recessions and recoveries, rising and falling interest rates, wars, pandemics and countless Presidents and Prime Ministers. It has seen different fads, like price momentum investing, come and go. It has not only survived the test of time, but thrived, and the reason is that nothing can beat investing like a rational business owner over the long term.

We continue to approach investing with measured confidence, value your trust in us and look forward to working to build your wealth in an effort to be worthy of that trust.

The business

True investment-led wealth management companies had become hard to find, and Cymbria's four founding partners, Tye Bousada, Patrick Farmer, Robert Krembil and Geoff MacDonald hated that the industry had devolved into an asset-gathering, sales- and marketing-driven machine at the expense of investors' best interests. Armed with a proven investment approach, they created EdgePoint.

Investment led and employee owned, EdgePoint is also one of Cymbria's primary drivers of wealth, with Cymbria benefiting from both EdgePoint's growth and its share of EdgePoint-distributed dividends.

Investment in EdgePoint

Cymbria's original \$509,585 investment in EdgePoint equates to a 20.7% ownership share. It has received \$69.6 million in dividends from EdgePoint since inception and the value of its investment in the company has increased to \$254.4 million, making EdgePoint the most valuable contributor to Cymbria's investment portfolio. EdgePoint launched on November 17, 2008 with three goals:

1. Achieve investment results at or near the top of our peer group over 10 years.
2. Remain an investment-led organization that has strong relationships with our investment partners.
3. Maintain a company culture that inspires our employees to think and act like owners.

Our progress

Our progress to date against those three goals follows.

1. Achieve investment results at or near the top of our peer group over 10 years.

We believe you can be lucky over shorter periods, but that it takes considerable skill to achieve long-term outperformance.

Investment results since inception

Series A Portfolios	EdgePoint Canadian Portfolio	S&P/TSX Composite Index	EdgePoint Global Portfolio	MSCI World Index ^{†††}	EdgePoint Canadian Growth & Income Portfolio	60% S&P/TSX/40% ICE BofAML Canada Broad Market Index	EdgePoint Global Growth & Income Portfolio	60% MSCI World Index/40% ICE BofAML Canada Broad Market Index ^{†††}
2019	23.8%	22.9%	13.2%	21.2%	16.9%	16.4%	9.7%	15.5%
2018	-16.3%	-8.9%	-3.4%	-0.5%	-10.4%	-4.8%	-1.2%	0.4%
2017	9.5%	9.1%	16.7%	14.4%	8.1%	6.5%	12.1%	9.6%
2016	23.5%	21.1%	13.4%	3.8%	18.6%	13.0%	11.5%	3.0%
2015	-4.3%	-8.3%	12.7%	18.9%	-2.7%	-3.6%	9.0%	12.7%
2014	9.4%	10.6%	18.7%	14.4%	8.4%	10.1%	13.9%	12.3%
2013	26.3%	13.0%	44.5%	35.2%	22.2%	7.1%	32.4%	19.3%
2012	8.9%	7.2%	11.1%	13.3%	6.6%	5.9%	9.0%	9.5%
2011	-7.8%	-8.7%	-2.7%	-3.2%	-4.1%	-1.4%	-0.5%	2.1%
2010	16.6%	17.6%	8.0%	5.9%	14.0%	13.5%	9.0%	6.6%
2009	50.2%	35.1%	28.2%	10.4%	40.4%	22.7%	29.1%	8.6%
2008 [†]	4.9%	2.8%	10.4%	7.6%	1.5%	3.2%	4.1%	6.0%
Since inception ^{††}	11.7%	9.4%	14.8%	12.3%	10.0%	7.7%	12.1%	9.4%

[†] November 17, 2008 to December 31, 2008.

^{††} November 17, 2008.

^{†††} MSCI Daily Total Return Net World Index ("MSCI World Index").

As at December 31, 2019. Total returns in C\$.

These are the benchmark indexes we've chosen for our portfolios:

EdgePoint Global Portfolio: The MSCI World Index is a broad-based, market-capitalization-weighted index comprising equity securities available in developed markets globally. The index was chosen for being a widely used benchmark of the global equity market.

EdgePoint Canadian Portfolio: The S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. The index was chosen for being a widely used benchmark of the Canadian equity market.

EdgePoint Canadian Growth & Income Portfolio: 60% S&P/TSX Composite Index/40% ICE BofAML Canada Broad Market Index. The S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. The ICE BofAML Canada Broad Market Index tracks the performance of publicly traded investment-grade debt denominated in Canadian dollars and issued in the Canadian domestic market. The blended benchmark was chosen because the S&P/TSX Composite Index is a widely used benchmark of the Canadian equity market and the ICE BofAML Canada Broad Market Index is representative of fixed-income opportunities consistent with the Portfolio's mandate.

EdgePoint Global Growth & Income Portfolio: 60% MSCI World Index/40% ICE BofAML Canada Broad Market Index. The MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally. The ICE BofAML Canada Broad Market Index tracks the performance of publicly traded investment-grade debt denominated in Canadian dollars and issued in the Canadian domestic market. The blended benchmark was chosen because the MSCI World Index is a widely used benchmark for the global equity market and the ICE BofAML Broad Market Index is representative of fixed-income opportunities consistent with the Portfolio's mandate.

Why our performance may differ from our benchmarks: We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic/sector allocations may impact comparability and could result in periods when our performance differs materially from the index. Additional factors such as credit quality, issuer type and yield may impact fixed-income comparability.

Standard performance

We're mandated to include annualized returns in the below table because we provide performance by year in the above table. We don't ignore the regulators; however, if it was up to us we wouldn't bother showing you these numbers.

They can be misleading because what an investment has averaged over a given period rarely matches the actual returns earned by individual investors. Annualized figures are always date sensitive and a few periods of performance in one direction can drastically change outcomes as poor years drop off or good years are added.

Series A Portfolios	YTD	1-year	3-year	5-year	10-year	Since inception*
EdgePoint Canadian Portfolio	23.8%	23.8%	4.3%	6.0%	8.0%	11.7%
EdgePoint Canadian Growth & Income Portfolio	16.9%	16.9%	4.2%	5.5%	7.3%	10.0%
EdgePoint Global Portfolio	13.2%	13.2%	8.5%	10.3%	12.6%	14.8%
EdgePoint Global Growth & Income Portfolio	9.7%	9.7%	6.7%	8.1%	10.2%	12.1%

* November 17, 2008.

Source: Fundata Canada Inc. Annualized total returns as at December 31, 2019 in C\$ compounded annually.

2. Remain an investment-led organization that has strong relationships with our investment partners.

We continue to focus on ensuring we partner with the right advisors and offer them the support they need to succeed while helping their clients reach their goals. As we grow, upholding our service levels remains paramount.

This year, talking with advisors across the country, we learned that many investors calculate their investment growth using “book value” instead of “net invested amount.” This common mistake is a source of much confusion for investors and subsequently difficult conversations for advisors.

In response, we added “net invested” amount information and “account level personal rate of return” on EdgePoint’s online access tool – Wealthlink. Also available on our website, www.edgepointwealth.com, is a short animated investor-friendly video, “Decoding your investment returns” which explains investment growth versus book value and the impact of distributions. We’re pleased that these new tools have been well received by our partners and their clients.

We’re proud of how we’ve been able to help our partners and their clients by building their wealth during the first 11 years of our existence. To help build for EdgePoint’s next decade, we created a video “*An investors’ journey with EdgePoint*”, to remind newer investors that the first decade wasn’t always a smooth ride, but that it paid to be patient during the tough times. Volatility is a constant in the market, how our clients react to it however will determine if they can get to their Point B. The video is available on our website – we encourage you to take a look!

Our advisor partnerships climbed to 6,907 in 2019 from 6,543 in 2018, with the top 20% of our advisors continuing to represent approximately 82% (or \$18.1 billion of EdgePoint’s retail AUM) with an average of \$13.1 million per advisor.

The top 20% of our institutional clients now represent 96% of our institutional AUM (approximately \$4.8 billion) with an average of \$217 million per client.

We want our industry talking less about how much it has collected from investors and more about how much it has made for them. Here are our most recent stats:

\$9,800,000,000* – How much we’ve made for our investors

\$100,700,000† – How much we’ve saved investors through lower fees. Based on category average MERs provided by Strategic Insight. We use a conservative estimate because it’s a big number regardless, and we’d rather report less and save you more.

To see your fee savings as an EdgePoint investor in real time, check out our MER savings counter on our homepage at www.edgepointwealth.com.

We also believe in eating our own cooking by maintaining a significant personal investment in our products. As at December 31, 2019, our internal partners held some \$322 million in company-related products. Having “skin in the game” fosters accountability and creates alignment with our investment partners. While co-investment can’t promise results, it does help to ensure investors’ well-being moves in lockstep with their managers’.

* Includes since inception total returns from all investments managed by EdgePoint, net of fees and taxes charged directly to the respective portfolios. Excludes fees and taxes paid directly by investors.

† Source: Strategic Insight, Morningstar Direct. Category average MERs of actively managed series F funds in the following categories: Global Equity Category, Canadian Equity and Canadian Focused Equity Category, Canadian Equity Balanced, Canadian Neutral Balanced and Canadian Fixed Income Balanced, Global Equity Balanced, Global Fixed Income Balanced, Global Neutral Balanced. Series F is available to investors in fee-based/advisory fee arrangement and excludes trailing commissions. EdgePoint Portfolio MERs as at December 31, 2019. Annual savings calculated using an average of monthly assets under management for Series A and A non-HST or years 2009 to 2017 and series F and F non-HST for years 2018 and 2019. Due to the shift in assets towards fee based, we believe comparing using Series F MERs starting in 2018 is more relevant.

3. Maintain a company culture that inspires our employees to think and act like owners.

Believing that culture begins with a business's owners, we offer employees the opportunity to buy a stake in EdgePoint Wealth. To truly align our interests, we believe employees should purchase their shares rather than be given stock or options. This increases the commitment to our company and eliminates any sense of entitlement. There's an important difference between the risk of losing one's hard-earned savings and forgoing a satisfactory capital gain. It's just common sense that employees with a large stake in the success of a business are motivated to meet – and even exceed – the expectations of their individual role. This is another area that sets us apart from the majority of companies in our industry. Almost all of EdgePoint's employees are EdgePoint owners.

New employees in 2019

Adam Young, Compliance

Stefania D'Angelo, Operations

Ryan Hatch, Sales

Ruairi O'Connor, Sales

Mimi Hijleh, Sales

Alex Gramegna, Sales

Steven Lo, Investments

Claire Thornhill, Investments

EdgePoint's contributions to Cymbria

Cymbria's wealth drivers	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Security selection	12.06%	-4.50%	13.45%	10.48%	11.09%	17.36%	45.49%	9.55%	-3.36%	9.53%
EdgePoint valuation	2.85%	3.60%	8.82%	1.45%	5.76%	5.17%	6.04%	0.96%	0.85%	1.92%
EdgePoint dividend	2.07%	1.33%	1.21%	0.98%	0.84%	0.78%	0.63%	0.56%	0.39%	0.37%
Change in Cymbria's Class A aNAV	16.98%	0.43%	23.48%	12.91%	17.69%	23.31%	52.16%	11.07%	-2.12%	11.82%

Security selection includes Cymbria's income (excluding EdgePoint dividends) and expenses. The change in Cymbria's Class A aNAV includes an accrual for current income taxes and excludes the impact of potential deferred taxes on the Portfolio's unrealized gains. Calculations are for Cymbria's Class A aNAV.

Counting the uncountable: the EdgePoint difference

By Norman Tang, Chief Financial Officer

In the last couple of Annual Reports, I wrote about how we value EdgePoint Wealth and some of the challenges we experience when making the assumptions that go into the valuation model. I thought for this year it might be interesting for shareholders to look at some of the more qualitative aspects that, in my opinion, make EdgePoint unique in the asset management industry. “Unique” is a difficult word to use when talking about asset managers. In the past 48 hours alone, you’ve probably been (consciously or unconsciously) subjected to advertising, marketing, email blasts, etc. from 10 different fund managers. What’s “unique” about any of it? Half of them were probably telling you about some fund that recently had great performance or won an award. The other half were probably telling you about yet another fund launch that adds to their already massive lineup.

I’m going to approach this subject by reminding you about EdgePoint’s three primary goals:

1. Achieve investment results at or near the top of its peer group over 10 years
2. Remain an investment-led organization that has strong relationships with its investment partners
3. Maintain a company culture that inspires employees to think and act like owners

You’re probably thinking “what’s unique about that?” No investment company would want results near the bottom of their peer group, terrible relationships with its partners or a culture that inspires employees to think and act like rogue agents. What’s unique is not necessarily the goals but the approach that EdgePoint takes in achieving them and ultimately how they define their successful accomplishment.

If you think back to your business classes, you might remember something called a SWOT analysis. “SWOT” stands for “strengths, weaknesses, opportunities and threats.” It’s a qualitative way to analyze a business’s competitive profile. If a neutral third party were to look at EdgePoint and perform a SWOT analysis, it might look something like this:

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Experienced management team ▪ Ability to retain portfolio managers ▪ Advanced information systems and financial analysis ▪ Strong historical investment performance ▪ Low historical redemptions ▪ Strong historical gross sales ▪ Achieved similar economies of scale and profitability of much larger asset managers <ul style="list-style-type: none"> ▫ AUM is derived primarily from four funds and growth has been achieved organically versus launching new products ▫ Low non-recoverable expenses such as sales and marketing, management, analysts and portfolio managers ▫ Outsourced back office functions ▪ Growing institutional business 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Lack of extensive distribution network and reliance on independent and large financial institution and insurance-owned brokers to distribute products ▪ EdgePoint’s redemption rate has increased above its historical rate ▪ Many existing investment advisors may be approaching the maximum levels of investment with EdgePoint, thus reducing future growth ▪ EdgePoint introduced a 10-year Partner Program that will reduce fees by 10% on equity funds and 5% on balanced funds. The negative impact on revenue will increase as additional funds managed reach the 10-year level ▪ Gross sales as of October 2019 came in slightly below previous management forecast and, as a result, future sales forecasts have been adjusted downward.
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ Further expand the institutional and high-net-worth business ▪ Develop new investment funds ▪ Expand sales team ▪ Seek growth through an increase in the AUM of each advisor currently doing business with EdgePoint 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Compliance with regulations and constant changes to the regulatory environment ▪ Competitive pressure from large financial institutions and insurance-owned brokers seeking to grow market share by selling more of their own product and reducing the ‘shelf-space’ available to third-party investment products ▪ Growth of ‘robo-advisors’ ▪ Changes to the risk tolerance of investors from capital appreciation to preservation and income generation ▪ Potential negative impact on sales and redemptions if short-term performance deteriorates ▪ The probability of a near-term market downturn increases as the duration of the bull market extends ▪ Expected continued industry fee pressure would reduce the profitability of actively managed funds

I didn't make up this SWOT analysis to fit a narrative. I actually pulled this out of EdgePoint's valuation report performed by a neutral third party. Many of the points in this SWOT analysis would be similar across all companies in the industry, so EdgePoint wouldn't necessarily be at an advantage or disadvantage. What I'd like to do is highlight a few points where I believe EdgePoint has a unique advantage over the industry.

- **Ability to retain portfolio managers**

I'd take it a step further and say one of EdgePoint's unique strengths is its ability to retain all key employees. If you go back to our third goal above, there's no better way to maintain a company culture that inspires employees to think and act like owners than to actually make all employees owners. Almost every one of the 75 employees at EdgePoint, from the most junior positions to the most senior, have *purchased* shares of the business. The level of ownership is also significant: more than half of employees receive annual dividends that are equivalent to 50% of their base salary or more. That is rare in this industry. Owners rarely willingly leave the companies that they've helped build.

Another benefit of meaningful employee ownership is that it has allowed a 'pancake-like' (i.e., relatively flat) hierarchy structure. Of course, there are people ultimately responsible for their departments, but every employee as an owner is empowered to simply make the business better. There are only a few employees who actually have titles, and that's to satisfy a regulatory requirement. I'm confident in saying EdgePoint likely has one of the lowest employee turnover rates in the industry.

- **Economies of scale**

This is one where EdgePoint doesn't necessarily hold an advantage because it's still smaller than most of its competitors, but how they achieve profit margins compared to much larger asset managers helps to highlight how this is a different business and ties back to EdgePoint's second and third goals of being an investment-led firm that maintains strong relationships with its investment partners and has employees who think and act like owners. The management fee that EdgePoint charges on its mutual funds is about 20% less than the average fee charged by the industry for active funds with similar mandates. All else being equal, that alone should make it incredibly difficult for the business to have a profit margin similar to the rest of the industry. Basic math says that if a business has 20% less revenue, it also needs to have fewer expenses to achieve a similar profit margin.

What are some of the expenses that EdgePoint has cut out of its business? Part of the second goal above (remaining investment led and maintaining strong relationships with investment partners) means accepting that not every advisor will want to do business with EdgePoint. Strong relationships have to work both ways. If being everything to everybody is *not* a goal, then what value would traditional sales and marketing add to the business? Since inception, EdgePoint has never spent a single dollar on traditional sales and marketing. None of the marketing that you've likely seen from those 10 asset managers in the past 48 hours (that I mentioned in the first paragraph) came from EdgePoint. The cost of these sales and marketing campaigns is paid for by investors through management fees, so why waste investors' money on something that won't help improve its investment results?

Having employees think and act like owners has a number of benefits, one of which is considering business expenses from the perspective of a responsible owner. Flying business class and staying in fancy hotels are great perks of the job when you reach a certain level at most companies. However, when you're an owner of the company, they're just higher, unnecessary expenses. The back of the plane gets you there about a second later than the front of the plane, but it costs much less. Beyond just flights and hotels, EdgePoint employees look at how they spend the company's money through the eyes of an owner. After all, effectively controlling expenses means a healthier dividend for all shareholders, including Cymbria.

- **10-year Partner Program**

This was listed as a weakness but I actually think it belongs in either strengths or opportunities. From strictly a valuation perspective, yes, reducing fees by 5% to 10% would detract from the business's value. However, EdgePoint views this program as a way to help build on the first and second goals – achieving investment results near the top of the peer group over 10 years and maintaining strong relationships with investment partners. The hope is that the 10-year Partner Program will help steer investors away from short-term noise in the markets and instead focus on long-term investment results. What would be the point in achieving superior long-term investment results if none of EdgePoint's investors were around long enough to experience it? There is, of course, a monetary cost to reducing fees after 10 years, but it would be partially offset by a reduction in the redemption rate and would hopefully create a strong bond between EdgePoint and its investment partners.

- **Developing new investment funds**

The second goal starts with remaining an investment-led organization. Before launching a new investment fund, an investment-led fund manager asks, "Should we be selling this?" rather than, "Will this sell?" For the first 10 years of EdgePoint's existence there were probably a few products it could have launched that would have sold, but didn't pass the "should we" test. The "should we" test goes beyond just the investment opportunity and should also look at the structure in which the new fund is being offered to ensure that it's best for the mandate.

In early 2018, the EdgePoint Variable Income Portfolio was launched using an Offering Memorandum rather than a Prospectus. This limited who could invest in the fund to accredited investors only, which means it will never be as large as it could be had it been a traditional mutual fund. However, this allows the fund to be structured in a manner conducive to a mandate that invests in high-yield corporate debt, loans and income-producing equities. This structure provides flexibility and the ability to manage liquidity, which is critical for a fund that might often find itself investing in less-liquid securities. It also allows for a unique fee structure where there is no standard management fee, but only a performance fee.

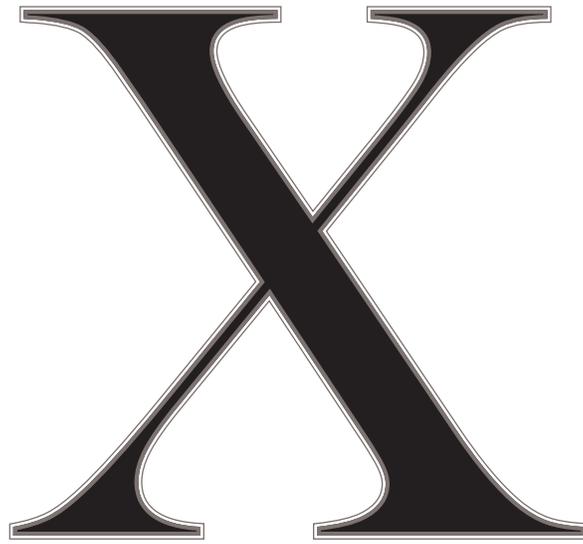
More recently, at the end of 2019, EdgePoint launched EdgePoint Go West Portfolio, also using an Offering Memorandum. This Portfolio invests predominantly in Western Canadian resource-based businesses. They feel that there might not be an industry globally that is more out of favour than resources, and specifically Canadian resources. In EdgePoint's view, this pessimism provides an opportunity that can be welcomed by a firm that is prepared to look different and invest with conviction.

These are the things that are considered at EdgePoint when deciding on new investment fund offerings. Both Portfolios were seeded internally as EdgePoint employees strongly believe in eating their own cooking, before inviting external investors to join them. There are going to be future opportunities for new products; however, they will never be launched with the goal of growing assets under management, but solely with the goal of maximizing investment returns for their clients; and you will never hear about them in marketing and advertising campaigns.

- **Fee pressure**

This threat isn't unique to EdgePoint. For the past several years, active managers have seen their market share decline as a result of increased competition from lower-cost index products. Most active managers have responded as you'd expect: lowering management/trailer fees, fixing operating costs, fee rebates, etc. EdgePoint addressed this at inception. As previously discussed, EdgePoint's management fee for the EdgePoint Global Portfolio is 0.80%, while a typical management fee for a global equity fund is closer to 1.00% or more. There are some competitors who have lowered their fees to around EdgePoint's level, but the majority of the industry is still well above it. In addition, EdgePoint's goal was never to have the lowest fees in the industry, but to offer relevant investment products at a reasonable fee to help its investors maximize their returns. Even with some recent fee reductions in the industry, there's still a considerable amount of runway before EdgePoint feels the same kind of pressure as the broader industry to reduce fees.

These are just a few of the points that stood out to me as I read the SWOT analysis where a third party might view them differently than EdgePoint. Many other qualitative features make EdgePoint unique (like having a really old relationship management team – sorry, Pierre, I meant to say a “veteran” team!), but maybe I'll save that for another day. EdgePoint makes up about 20% of Cymbria's portfolio and is its single-largest holding. EdgePoint has been a very important investment for Cymbria and one of the features that helps make it “unique”. Hopefully, this has highlighted how much of EdgePoint's business model is tied to its three guiding principles and has given you a sense of why we believe EdgePoint will continue to be a resilient investment in the future.



10-YEAR PARTNER PROGRAM

A LONG-TERM VIEW PAYS OFF IN MORE WAYS THAN ONE

We can think of at least 12,135 excellent reasons why we launched EdgePoint’s 10-year Partner Program in 2018.

12,135ⁱ

Investors across Canada that have invested in an EdgePoint Portfolio for 10 years or more.



10.61%ⁱⁱ

Average EdgePoint investor annualized return over 10 years.



These investors benefit from our 10-year Partner program that rewards long-term focus with a fee discount.

Congratulations to this distinguished group of investors!

You have achieved the most challenging feat in investing – taking a long-term view.

ⁱAs at December 31, 2019.

ⁱⁱSource: Average EdgePoint investor returns: CIBC Mellon. Average EdgePoint investor returns are the average money-weighted returns (net of fees) across investors in EdgePoint Global Portfolio, EdgePoint Global Growth & Income Portfolio, EdgePoint Canadian Portfolio and EdgePoint Canadian Growth and Income Portfolio from December 31, 2012 to December 31, 2019. Please refer to the funds’ standardized performance on page 14. Money-weighted returns represent the investor’s personal rate of return taking into account their decisions regarding the timing and magnitude of portfolio cash flows.

As you may know, we take a long-term view to investing and will hold good, undervalued businesses until the market fully recognizes their potential. We believe this disciplined approach leads to pleasing investment returns over the long term.

When you qualify for our 10-year Partner Program, it proves that you're aligned with our investment approach as well. Achieving your long-term financial goals requires the discipline to stay invested, even when markets are volatile and you're tempted to sell and run for the hills. That type of resolve and conviction separates you from the average investor. We designed our 10-year Partner Program to reward investors who have shown the patience and ability to focus on the long term and stick with our investment approach for at least 10 consecutive years, by reducing our management fees by 5% to 10%, depending on the Portfolio.

Lower fees = more money available to work hard for you

And that's where the "12,135 excellent reasons" comes into play, because that represents the current number of EdgePoint investors across Canada who have been invested in an EdgePoint Portfolio for 10 or more consecutive years. For these 12,135 investors, earning an average annualized compound return of 10.61%* over these 10 years is part of their reward – a big part for sure, but as the ol' TV ads like to proclaim, "Wait ... there's more!"

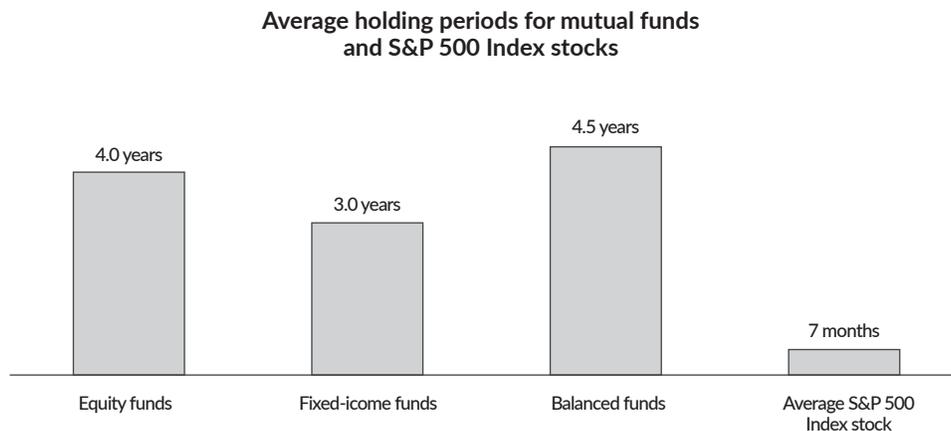
Participating in the 10-year Partner Program means that these 12,135 investors also benefit from lower investment management fees on funds they currently have invested...and on any additional monies they invest as well!

*Please refer to the Funds' standardized performance on page 14.



Not convinced yet that 10 years is a big deal worthy of discounted fees?

Well, consider this staggering fact: the average investor only holds a stock for about seven months and an equity mutual fund for only four years.



That's why we believe staying invested for 10 years or more is a wonderful feat and congratulate those who have achieved it.

See for yourself how our program works

Whether you're one of the 12,135 investors, or whether you're approaching your own impressive 10-year milestone, you can learn more about the EdgePoint 10-year Partner Program on our website at www.edgepointwealth.com.

Source: "Quantitative Analysis of Investor Behavior, 2019", DALBAR, Inc. Retention rate is the average time required to fully redeem an account in years. The study group uses U.S. mutual fund investors divided by fund category. Balanced funds invest in a mix of equities, fixed-income securities and money market instruments. Holding periods calculated from Dec. 31, 1999 to Dec. 31, 2018. S&P 500 Index stock: FactSet Research Systems. As at March 6, 2019. Average holding period in months is calculated using cumulative one-year volume and average shares outstanding for the past year minus closely held shares. Actual equity holding periods may differ from results above which are used as a best estimate. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

WHAT'S COOKING

You may or may not have heard, but EdgePoint has recently added to the menu. As long-term investors who have experienced the full range of economic conditions, we know that sometimes the market presents opportunities for the astute and nimble investor. In 2018 and 2019, two such compelling situations arose.



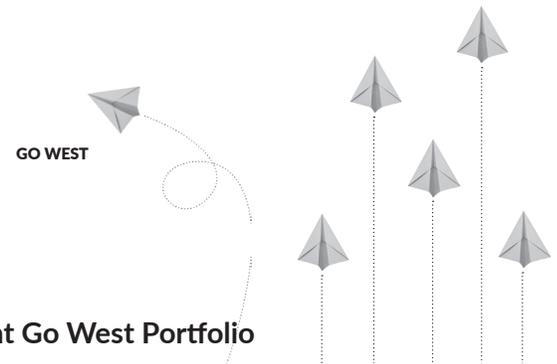
EdgePoint Variable Income Portfolio

The Portfolio was created to use our skillset in analyzing business and take advantage of opportunities across the capital structure. We believe that a flexible capital base can generate attractive opportunities in today's environment and that a bottom-up, fundamental investment approach can take advantage of any mis-pricings in the market caused by volatility. Even in the current ultra-low-rate environment, the Portfolio is designed to generate attractive fixed income returns, while still conservatively managing interest rate and credit risk.

Key features:

- We eat our own cooking – Both Portfolios were seeded internally to build assets and to show our full alignment and conviction before inviting external investors to join us.
- Not for widespread consumption – Each Portfolio is offered only through an offering memorandum to investors who qualify.
- We only eat if our investors eat – There is no management fee. Only performance fees are charged (other than operating expenses), which better aligns us with our investors. In other words, we don't make any money unless the performance goals are met.

Be assured that the launch of these two Portfolios was purely an investment-led decision based on attractive market opportunities. As always, our actions are driven by the genuine prospects for pleasing long-term returns, as opposed to the singular desire to increase assets under management, as is relatively common in the industry. For more information, please refer to Norm Tang's letter, *Counting the uncountable: the EdgePoint difference*, on **page 16**.



EdgePoint Go West Portfolio

We believe the pessimism that currently surrounds Western Canada's resource-based economy has created a rare and interesting investment opportunity. The Portfolio invests predominantly in Western Canadian resource-based businesses, and has a finite life, meaning that when we are no longer excited about the opportunities in this space the Portfolio will be closed and our investors' money will be returned.

COMPLETELY FREE INSIGHTS & NOT-SO-FREE SWAG

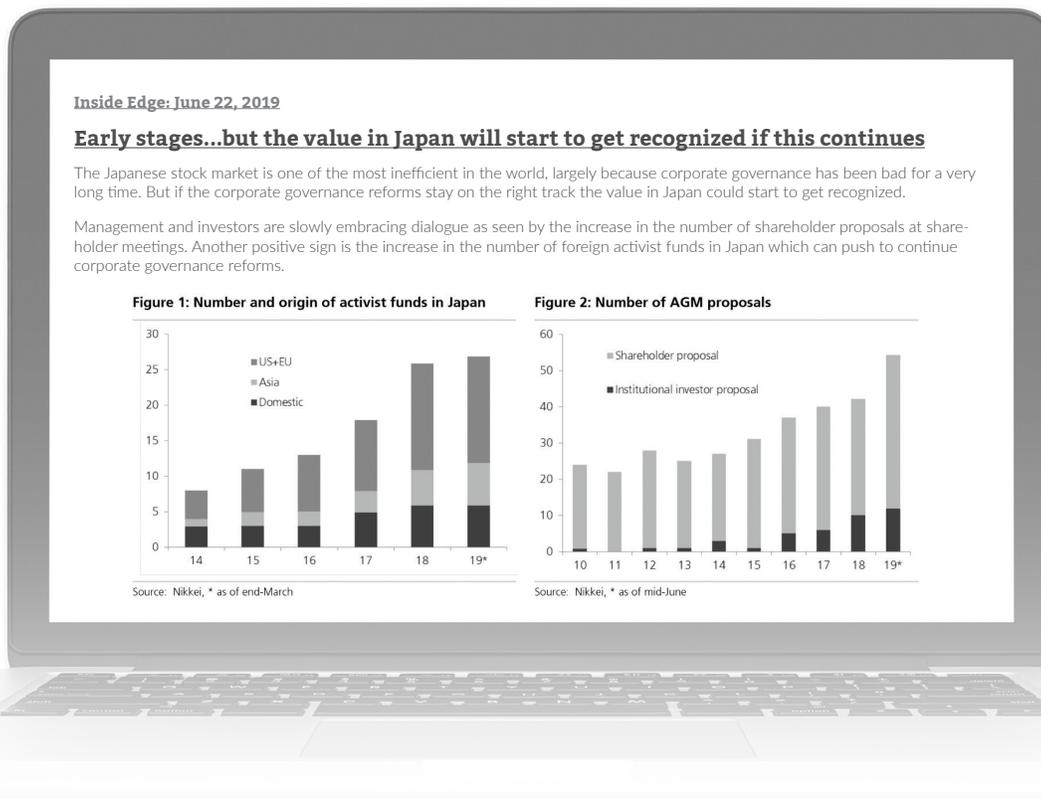
Inside Edge: Yours for the asking

Ever wonder what Geoff MacDonald or George Droulias are reading every day? Join the club – we’re also curious about how our Investment Team members build their knowledge base and come up with their unique investment ideas.

You can find out about this and much more by subscribing to Inside Edge, our Investment Team’s curated briefing of their latest reads and daily musings.

Inside Edge was initially a way to share good reading among our internal partners, but we thought our external partners might also be interested in learning more about the topics that capture the attention of our Investment Team. We’ve since expanded on the original scope of Inside Edge by including latest EdgePoint materials and looks into the lives of EdgePointers.

If you haven’t subscribed yet, now’s the time. You’ll start receiving our emails every Saturday morning, so you can enjoy our content while sipping your morning coffee. Subscribe on our website at www.edgepointwealth.com.



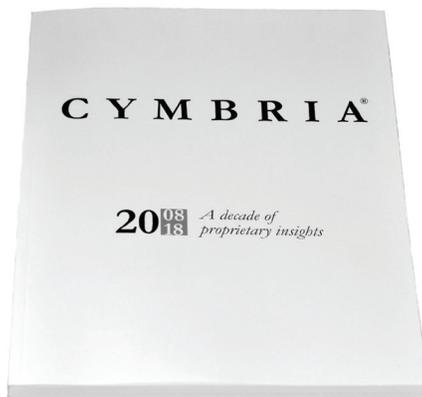
EdgePoint & Cymbria swag: Yours at a reasonable cost

If you've ever gone to a fund company event, chances are you have received "freebies" plastered with their logo. Guess who pays for those golf balls, pens or hats that you never use? The end investor, via fund fees.

You know that EdgePoint doesn't follow industry convention and won't do things just because everyone else does. We're more concerned about doing what's right, so rather than handing out free merchandise to promote ourselves, we're selling it ... but for a good cause!

We have always been committed to keeping fees low for our investors. Last year, in an effort to reduce them further, we started selling EdgePoint and Cymbria-branded merchandise. The profits will help lower fund fees and (all else being equal) increase our investors' future returns, so you can shop guilt-free.

SWAG CATALOGUE



Cymbria: A decade of proprietary insights. This reference book features every Cymbria commentary written in our first decade.



We're active investors and we also stay active. Our workout shirts (available in long or short sleeves) bear the EdgePoint logo.



A cozy EdgePoint toque will help get you through the cold, snowy winter months.



How about a handy Cymbria or EdgePoint mug for the coffee you drink while reading Inside Edge every Saturday morning?

#notfree

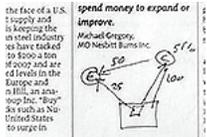
Check out at our EdgePoint store through our website at www.edgepointwealth.com. As we like to say, you can shop till you (and your fund fees) drop.

A BUSINESS IS MORE THAN A PIECE OF PAPER

CYMBRIA'S JOURNEY FROM SKETCH TO REALITY

Cymbria started as a simple sketch scrawled in the corner of a newspaper. From a single small desk in the corner of someone else's office, we built the foundations of what we are today. We raised initial capital, worked hard to understand our clients and then worked even harder to meet their needs.

As we look back over the past 11 years, we realize that some things have changed: three Toronto office moves, a new Montreal office, growing to 75 internal partners, a steady increase in Cymbria Day attendees and number of investors served by EdgePoint. However, our commitment to putting our investors first and to our investment approach have stayed the same.

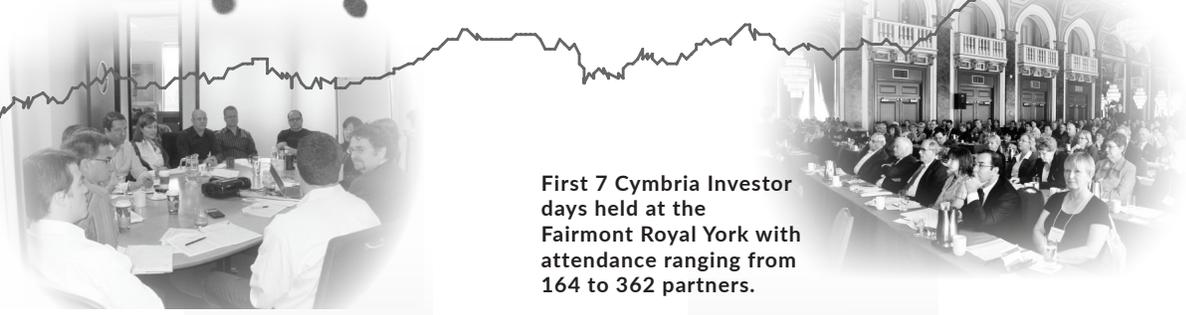


to catch a falli



2011 - we moved into a new office to accommodate our growth - but not at a high price tag.

Nov. 4, 2008
CYB listed on TSX
Cymbria Corp.
Class A nAV **\$10**



First 7 Cymbria Investor days held at the Fairmont Royal York with attendance ranging from 164 to 362 partners.

# OF INVESTORS SERVED BY EDGEPOINT	2008	2009	2010	2011	2012	2013
	16,782	27,460	44,192	52,326	68,907	

INTERNAL PARTNERS

GEOFF MACDONALD
TYE BOUSADA
PATRICK FARMER
GEOFF GOSS
DIANE ROSSI
NATALIYA GOREVA
RICHARD DJAKOVIC
OLIVIA KAO
MALCOLM KING
CRAIG ADVICE
SAYURI CHILDS
SANDRO PANELLA
SARAH FORD

NORM TANG
PHO LAI
GREG LAGASSE
FRANK MULLEN
NICK TELEMAQUE
PIERRE NOVAK

MATILDE VIZINHO
TERESA DI RUSCIO
SYLVIE ROBERT

CESARE RIZZUTO
MICHELLE DE MARCO
TED CHISHOLM
ALAN LYNAM

ETIENNE LEBLANC
TIM NG

ANDREW PASTOR
ROBERT MAVRAK
JELENA VLATKOVIC
HEATHER FRASER
ANNA NEPRAVISHTA
HARRY BURKE



\$53.09

Cymbria Corp. Class A aNAV
As at Dec. 31, 2019

**BONJOUR
MONTREAL!**

2017 - we opened our
Montreal office.

**TORONTO OFFICE
EXPANSION**



2016 - Cymbria Day relocated to
Koerner Hall and was attended by
445 partners from across the country.



**It feels good to belong to
something this meaningful.**

88,634	124,770	150,488	218,000	311,305	333,374
2014	2015	2016	2017	2018	2019

JOEL DESILVA ALLIE DIBELLONIA KRIS REUSCHEL	BRYAN LONG DANIELA ORLA STEVEN COONEY HEATHER SIEGNER AMY HAMILTON	GEORGE DROULIAS NANCY SOLAKIS KIRSTEN DE JONGE JUAN GOMEZ DEREK SKOMOROWSKI MONTANA MORTIMER	ELIZABETH O'SULLIVAN THEODORE KOSKOLETOS TRACEY CHEN GREG SINCLAIR ZACK CHETRAT BEN COTTER SYDNEY VAN VIERZEN MARC-ANDRÉ LESSARD MARIE HÉLÈNE ROULEAU JAMES KRAPEZ	BRIAN FUNG ZACHARY SPICER TEDDY MURZYDLO GRANT SCHNEIDER JACOB MARTIGNAGO CHRISTEN CHEUNG JASON LIU ALEXANDRA IMBESI JUDY TANG	ADAM YOUNG STEFANIA D'ANGELO RYAN HATCH MIMI HULEH ALEX GRAMEGNA RUAIRI O'CONNOR STEVEN LO CLAIRE THORNHILL
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EDGEPOINT IN NUMBERS

A YEAR IN REVIEW

Long-term investors

12,135ⁱ

Investors across Canada that have invested in an EdgePoint Portfolio for 10 years or more.



10.61%ⁱⁱ

Average EdgePoint investor return over 10 years



We believe this is a testament to the value our advisor partners have provided to our investors. Congratulations on achieving the most difficult feat in investing - taking a long term view.

Advisor partnerships



Our goal is to partner with like-minded individuals rather than try to be all things to all people in an industry with over 95,000ⁱⁱⁱ financial advisors.

Investors served



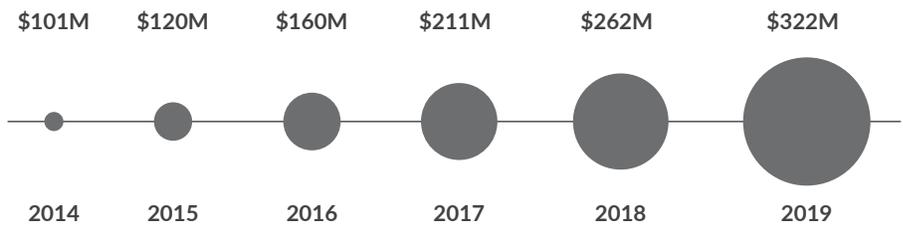
We work hard every day to be worthy of the trust each and every one of these investors place in us.

Fee savings^{iv}

\$100.7M

Start with our simple product lineup (fewer transactions between funds), no deferred sales charge purchase option (less administration) and no costly marketing department or advertising. Add a bunch of other little things and it all amounts to a big break for our investors.

Co-investment^v



At EdgePoint, our internal partners are collectively one of our largest investors in EdgePoint portfolios.

ⁱAs at December 31, 2019.

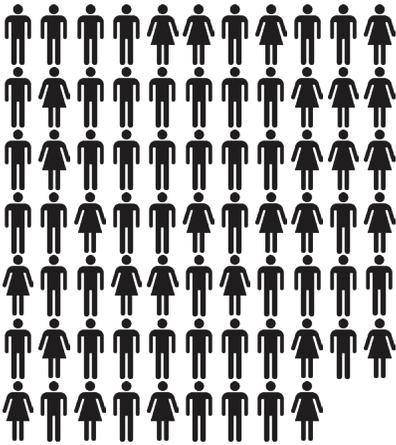
ⁱⁱSource: Average EdgePoint investor returns: CIBC Mellon. Average EdgePoint investor returns are the average money-weighted returns (net of fees) across investors in EdgePoint Global Portfolio, EdgePoint Global Growth & Income Portfolio, EdgePoint Canadian Portfolio and EdgePoint Canadian Growth and Income Portfolio from December 31, 2012 to December 31, 2019. Please refer to the funds' standardized performance on page 14. Money-weighted returns represent the investor's personal rate of return taking into account their decisions regarding the timing and magnitude of portfolio cash flows.

ⁱⁱⁱSource: Strategic Insight. As at October 25, 2018.

^{iv}Source: Fee savings are calculated using average EdgePoint MERs for Series A and A non-HST for years 2009 to 2017, and series F and F non-HST for years 2018 to 2019 compared to category average MERs. Series F is available to investors in fee-based/advisory fee arrangement and excludes trailing commissions. Due to the shift in assets under management, we believe comparing F series MERs starting in 2018 is more relevant. MERs since inception to end-of-year 2008 not included. Category average MERs provided by Strategic Insight as at calendar year-ends. Category average is MERs of actively managed front-end funds in relevant categories defined as core funds with total assets greater than \$50 million, excluding ETFs and index funds. Annual savings calculated using an average of monthly assets under management. As at December 31, 2019.

^vCo-investment numbers include investments in EdgePoint portfolios as at December 31 of each year noted. 2019 figure includes investments by EdgePoint Wealth Management house account in EdgePoint Portfolios (the figure is not included in previous years).

Employee partnerships



We continue to grow and our people continue to stay!

Overall, the average tenure of an EdgePointer is almost six years. We think it's a good retention rate for a 11-year-old company.

Online

If a picture says a thousand words, then how many words does a video say? EdgePoint created 3 videos last year to help investors understand our approach and important investment concepts.



NEED INSIGHTS?

There were

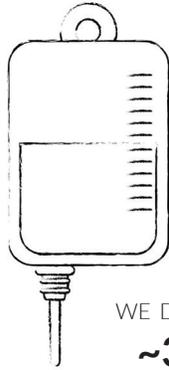
162

posts to **Inside Edge** giving you a glimpse into the minds of the Investment team



Charitable endeavours

In our free time, we like to give back. Over the last year...



WE DONATED
~33.8
PINTS OF BLOOD
(101 LIVES SAVED)

13 EDGEPOINTERS DID A
5K RUN/WALK FOR CHARITY,
RUNNING **~70,000** STEPS



WE SPONSORED A FAMILY WISH LIST THROUGH
HOLIDAY HELPERS



EDGE-ucation

We know the importance of a long investment horizon, that's why we started running financial literacy camps for kids starting in 2013.

2019 RESULTED IN...

11 CAMPS
IN OVER **9 LOCATIONS**
FOR **360 PEOPLE**



These one-day events are aimed at kids ages 13 to 18 and cover the foundations and importance of investing and building long-term wealth. Our hope is that the program helps future generations make good financial decisions and become financially independent.

Merch

We held our first internal t-shirt design competition. The winning design is available at the EdgePoint online store through our website at www.edgepointwealth.com.



All profits go towards lowering our investors' fees.

Management's Discussion & Analysis of

CYMBRIA CORPORATION

Year ended December 31, 2019

CYMBRIA[®]

Management's Discussion and Analysis ("MD&A") provides a review of Cymbria Corporation's ("Cymbria") financial results for the year ended December 31, 2019 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 March 12, 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 annual 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 or the SEDAR website at 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. For Cymbria's current and historical adjusted net asset values per share, please visit 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, \$33.6 million of the \$39.5 million deferred income tax liability relates to Cymbria's investment in EdgePoint Wealth Management Inc. 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

	Dec. 31, 2019 ('000s)	Dec. 31, 2018 ('000s)
aNAV	\$1,247,265	\$1,065,080
Less: Deferred income tax liability	(39,529)	(27,803)
Shareholders' equity	\$1,207,736	\$1,037,277

- 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	Dec. 31, 2019	Dec. 31, 2018
Adjusted net asset value per share	\$ 53.09	\$ 45.38
Less: Deferred income tax liability	(1.69)	(1.19)
Shareholders' equity per share	\$ 51.40	\$ 44.19

Class J	Dec. 31, 2019	Dec. 31, 2018
Adjusted net asset value per share	\$ 58.75	\$ 50.06
Less: Deferred income tax liability	(1.86)	(1.31)
Shareholders' equity per share	\$ 56.89	\$ 48.75

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. At the end of 2019, Cymbria invested in a collection of 46 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 430.9% and the cumulative return of Cymbria's Class A shareholders' equity since inception is 414.0%.

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 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

In 2019, we entered an unprecedented eleventh year of economic expansion as all major global indices reached new all-time highs. The rising price environment in 2019 has made it more difficult than in the past to find attractive investments at attractive prices.

This expansion was partly driven by a growing discrepancy in valuations between the top 20% of the most expensive stocks (generally considered stable businesses) versus the average large-capitalization stock. These businesses usually have a history of delivering predictable earnings and generally give investors comfort that they are safe investments. In periods of uncertainty, investors want to own these companies and often pay a high premium for them, which in turn pushes their stock valuations even higher. This divergence helps to explain why global indices continue to rise. The last time we saw a relative difference this large was during the 2008-9 financial crisis.

Investors continue to crowd into another broad group of businesses that we like to call obvious growers. These would include Microsoft, Google, Facebook, Amazon, Tesla and Visa, just to name a few. The consensus thinking here is that there's an easily understood narrative about how these businesses can grow. As such, these obvious growers should be valued more like bonds than like businesses. Government bonds are seen as less risky than a business, meaning bond investors historically expected a lower return than equity investors in exchange for that "peace of mind". Recently, valuations for these companies increased to the point where their future expected returns fall far below the historical rate of return of the market, which is about 10%.

We don't believe that the best way to build wealth over the long term is by investing in companies where the majority of the market reached the same conclusion. We will continue to invest in businesses where

we believe we have a proprietary insight as it allows us to buy growth without having to pay for it.

Outlook

As we turn our attention to the next decade, our investment approach remains the same. Our investment team will steadfastly apply the same dedication and passion in their search to buy businesses with good long-term growth prospects without paying full price for that growth.

The majority of investors focus on where things are heading. They try to make predictions about the unpredictable, such as policy changes on interest rates or political turbulence. These never-ending events cause many to ask us where we think things are going or how we are positioning Cymbria for the next six to 12 months. We believe that while these are important factors to consider when making investment decisions, they shouldn't be the focus for long-term investors.

We have always believed that the key to long-term investment success is to have an idea about a business that isn't widely understood by others, and to invest in this business when you can buy it for less than what you believe it's worth. Here are two examples in Cymbria today.

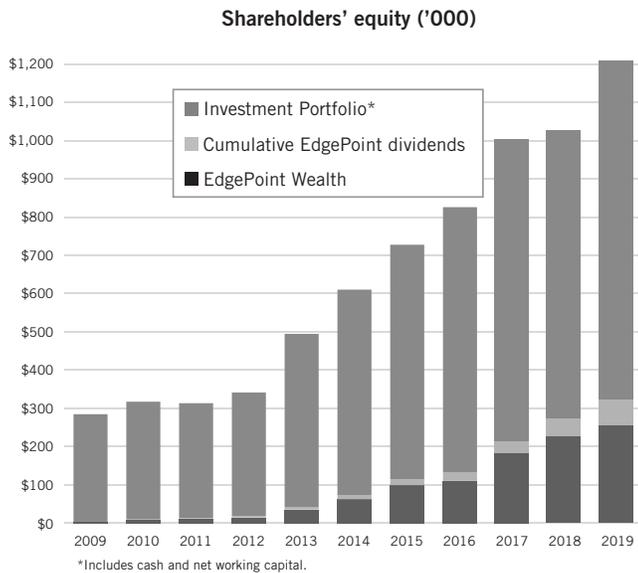
Univar Solutions Inc. is second largest chemical distributor in the world. It completed its largest acquisition months before a mini-industrial recession, which caused its customers to draw down their inventories (i.e. customers stopped buying chemicals temporarily). This presented an opportunity for us to establish a position as we saw an eventual recovery, many potential synergies from a recent acquisition and a newly promoted management team who previously led the European arm of Univar to a substantial rise in profitability.

The second example is Berry Global Group, Inc. Berry is the largest North American plastic manufacturer with over 70% of its products being non-discretionary items like diapers and other hygiene products. We believe Berry is one of the lowest-cost plastic manufacturers in the world, primarily attributable to a scale and procurement advantage. We believe the combination of a defensive, non-discretionary product portfolio with a low-cost position and significant growth opportunities through acquisitions should allow Berry to consistently grow, irrespective of the economic environment.

The bottom line is nobody knows when the current elevated market levels will experience a pullback or how sharp or prolonged that downturn might be. We don't waste our time trying to forecast such things. Rather, we consider the facts surrounding the underlying businesses we own. We focus on maintaining a disciplined long-term investment approach grounded in bottom-up fundamental research, and we are pleased with the collection of businesses we own.

Overall performance

For the year ended December 31, 2019, Cymbria's shareholders' equity increased 16.4% (December 31, 2018: 2.1%). As at December 31, 2019, Cymbria's shareholders' equity increased to \$1,208 million, compared to \$1,037 million as at December 31, 2018. The increase in shareholders' equity is largely attributable to investment performance, which is discussed in the *Investment performance* section of this report.



Summary of investment portfolio

Below is a summary of the top 15 investments held by Cymbria as a percentage of shareholders' equity. A full list of the investment portfolio can be found in the "Schedule of Investment Portfolio" in the audited financial statements.

Top 15 Securities	Fair value	% of Shareholders' equity
EdgePoint Wealth Management Inc.	\$254,431	21.1%
Shiseido Co., Ltd.	46,859	3.9%
Berkshire Hathaway Inc., Class A	43,601	3.6%
CSX Corp.	42,661	3.5%
Flowserve Corp.	42,643	3.5%
Wells Fargo & Co.	40,223	3.3%
DuPont de Nemours Inc.	36,487	3.0%
TE Connectivity Ltd.	33,845	2.8%
Subaru Corp.	33,358	2.8%
Affiliated Managers Group Inc.	31,917	2.6%
Shionogi & Co., Ltd.	28,513	2.4%
Fidelity National Information Services, Inc.	28,027	2.3%
The Middleby Corp.	27,613	2.3%
Swedish Orphan Biovitrum AB	27,530	2.3%
Mattel Inc.	26,398	2.2%

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 comments 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 had the most impact 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 year:

- Real Matters Inc.

Real Matters is a leading technology company that provides services for the mortgage lending and insurance industries. We first purchased the business in February of 2016. Given the drop in long-term bond yields and the associated drop in mortgage rates in the U.S., re-financing has picked up from 30-year lows. Refinancing represents 50% of the business's volume and the stock is reflecting a return to volume growth. The title and closing business is also showing signs of growth. The stock was up 270% during the year and Cymbria's unrealized gain in the business increased by \$11.3 million.

- Crown Holdings Inc.

Crown is a global metal packaging company. We first purchased the business in July of 2018. The company is a worldwide leader in the design, manufacture and sale of packaging products for consumer goods. Primary products include steel and aluminum cans for food, beverage, household and other consumer products, as well as for metal vacuum closures and caps. The company has specialized in metal packaging for more than 100 years. By product-type, approximately 50% of Crown's business is exposed to metal beverage cans, 25% to metal food cans, 20% to industrial packaging items and 5% to other packaging items. Crown's current valuation is attractive for a stable business with high barriers to entry and facing no disruption. The stock was up 75% during the year and Cymbria's unrealized gain in the business increased by \$6.7 million.

- Flowserve Corp.

Flowserve is a leading supplier and aftermarket service provider of industrial flow management equipment such as pumps, valves and seals. We first purchased the business in December of 2014. The company services industries such as power, oil, gas and chemical. About half of its business is after-market maintenance, which is higher margin, more stable and a very attractive aspect of the overall business. With a new management team that brought in talent and centralized operations, combined with a solid balance sheet and cash flows, we believe that the company should be able to take advantage of growing end markets. The stock was up 31% during the year and Cymbria's unrealized gain in the business increased by \$8.5 million.

Conversely, the following investments had the most meaningful negative impact on shareholders' equity during the year:

- 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, but investors remain skeptical owing to the threat of future competition. We believe the threat is being over-emphasized. The stock was down 20% during the year and Cymbria's unrealized loss in the business increased by \$7.0 million.

- Realogy Holdings Corp.

Realogy is a U.S.-based real estate franchisor providing real estate and relocation services around the globe. Realogy struggled in 2019 on concerns in the underlying real estate market as overall industry transaction volumes slowed owing to the sharp rise in interest rates leading into 2019. After discussion with Realogy management, they emphasized their focus on generating cash flow to improve their balance sheet. Our thesis today remains intact as the company continues to pay down its debt and stabilize its margins. The stock was down approximately 34% during the year.

Portfolio turnover

During the year, we purchased stakes in eight new businesses. Below are the three most significant names by weight in Cymbria.

- Air Canada

Air Canada is the largest passenger airline in Canada. Since the financial crisis, Air Canada has undergone an incredible turnaround. The company restructured operations, renegotiated punitive union contracts, launched a low-cost carrier (Air Canada Rouge), improved its balance sheet and brought its loyalty program in-house. This turnaround period required intensive capital investment, which is nearing an end. As we look forward and Air Canada enters a capital-harvesting period, we believe Air Canada will generate significant free cash flow and best-in-class operating metrics. As at December 31, 2019, Air Canada's weight in Cymbria represents 1.3% of shareholders' equity.

- Berry Global Group, Inc.

Berry is a global manufacturer and marketer of plastic packaging products, including consumer packaging, engineered materials, and health & hygiene products. The company is a scale-advantaged consolidator currently integrating its largest acquisition to date: RPC Group plc. RPC is one of the largest Europe-based polymer resin converters. Berry's customers range from large, blue-chip multinational corporations (e.g., P&G, McDonald's) to small businesses. Berry has over 13,000 customers with minimal customer concentration. The company's value creation over its operating history has been through consolidation, not through organic growth. We believe the synergies created through the RPC acquisition will be greater than what the market expects and that the company will begin to grow organically. As at December 31, 2019, Berry's weight in Cymbria represents 1.6% of shareholders' equity.

- The RMR Group Inc.

RMR is an alternative asset manager focused on real estate. It provides management services to four publicly owned real estate investment trusts and three operating companies related to real estate. The business model is attractive because of the long-term management contracts (20-year term) and the ability to grow without investing a lot of capital. As at December 31, 2019, The RMR Group's weight in Cymbria represents 1.4% of shareholders' equity.

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 year we sold our stakes completely in nine businesses. Below are the most significant sells based on the amount of realized gains and losses:

- WABCO Holdings Inc.

WABCO has pioneered breakthrough technologies for braking, stability and transmission automation systems supplied to the world's commercial truck and bus markets. We first purchased a stake in the business at the end of 2012. Recently, WABCO announced a deal where ZF Friedrichshafen AG will be acquiring its business. The deal is expected to be closed in early 2020. The holding period return of the business was 69% and Cymbria realized a gain of \$13.7 million.

- Generac Holdings Inc.

Generac is a global leader in the design and manufacturing of a wide range of residential, commercial and industrial power products. We first purchased a stake in Generac in January 2015. The general thesis was that the typical household ownership of a portable generator (standard diesel or gasoline-based) in North America was around 18% while Generac's penetration was only around 2%, with considerable growth potential. Although we didn't believe that the natural gas-based generators would get to penetration rates like portable generators, there was still a lot of room for growth. We sold our stake in the business as the thesis successfully played out. The holding period return in Cymbria was 46% and the realized gain on selling Generac was \$10.8 million.

- Ubiquiti Networks Inc.

We first purchased a stake in Ubiquiti in June of 2015. At the time of purchase, Ubiquiti had two primary customer audiences: wireless internet service providers who provide internet services in remote areas, and IT resellers who provide networking information technology for small-to-medium-sized businesses. The business developed strong loyalty from these groups based on low prices from its unique operating model's minimal overhead, an active online support community and continual innovation leading to high-quality products. In February 2019, we sold our stake in the business as we believe the market recognized its full valuation. The holding period return of our stake in the business was 115% and Cymbria realized a gain on sale in the quarter of \$7.3 million.

Cymbria had portfolio turnover rates of 22.6% for the year ended December 31, 2019 and 38.6% for the year ended December 31, 2018. 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 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 December 31, 2019. We have received \$69.6 million in dividends from EdgePoint since inception and its value in Cymbria has increased to \$254.4 million, making EdgePoint the most valuable contributor to Cymbria's investment portfolio.

Notwithstanding lower net sales for all of its Portfolios, strong investment performance results at EdgePoint during the year helped assets under management grow from \$23.8 billion to \$28.9 billion as at December 31, 2019.

With the assistance of a third-party valuator, Cymbria's stake in EdgePoint was revalued in December at a range of \$254.4 million to \$280.9 million. For financial statement purposes, EdgePoint is valued at \$254.4 million, a 14% increase from December 31, 2018. The discounted cash flow model used for the valuation has a specific set of assumptions of which the significant ones are outlined in Note 11 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 11 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 11.

We spend a considerable amount of time on the assumptions that go into the base cash flow model to determine the \$254.4 million valuation and believe that this represents fair market value as at December 31, 2019. 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.

Subsequent to December 31, 2019, EdgePoint experienced a decline in assets under management as a result of negative market volatility caused by fear over the economic impact of the COVID-19 pandemic. On March 12, 2020, the value of EdgePoint was adjusted to \$219.2 million, representing a decrease of approximately 3.3% of shareholders' equity.

Financial review

This section discusses the significant changes in Cymbria's financial performance, financial condition and cash flows for the fiscal year ended December 31, 2019 compared to those for the years ended December 31, 2018 and 2017.

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

Financial performance

	Year ended December 31,		
	2019	2018	2017
	('000s)	('000s)	('000s)
Income			
Net realized gain on investments	\$ 69,140	\$ 124,909	\$ 100,563
Change in unrealized gain (loss) on investments	82,584	(113,663)	97,687
Dividend and interest income	48,647	27,711	19,750
Foreign currency gain (loss) on hedging	4,110	(4,542)	8,537
Foreign currency gain (loss), excluding hedging	(184)	259	(406)
Total income	\$ 204,297	\$ 34,674	\$ 226,131
Expenses			
Management fees	\$ 7,793	\$ 7,387	\$ 6,501
Withholding taxes, HST, and transaction costs	3,282	3,470	2,915
Other expenses	2,604	2,601	1,999
Total expenses	\$ 13,679	\$ 13,458	\$ 11,415
Profit for the period before taxes	\$ 190,618	\$ 21,216	\$ 214,716
Income taxes	20,159	(528)	25,859
Net comprehensive income	\$ 170,459	\$ 21,744	\$ 188,857

(a) Net realized gain on investments

During the year ended December 31, 2019, the realized gain on investments of \$69.1 million is largely attributable to a gain from the sale of shares of WABCO Holdings Inc. of \$13.7 million and Generac Holdings Inc. of \$10.8 million. In addition, Real Matters Inc. and Constellation Software Inc. were partially sold during the year generating realized capital gains of \$12.7 million and \$10.8 million, respectively. 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 \$82.6 million gain for the year ended December 31, 2019. This is a result of fluctuations in the value of investments during the period. The three largest contributors to the gain during the period were EdgePoint Wealth Management Inc. with \$30.3 million, Real Matters Inc. with \$11.3 million and Flowserve Corp. with \$8.5 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.

(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 year ended December 31, 2019, Cymbria received dividends totaling \$22.0 million from EdgePoint, representing a 56% increase compared to 2018. This dividend can be reinvested by Cymbria in its portfolio of securities or used to buy back Cymbria shares. Dividends from investments other than EdgePoint amounted to \$25.3 million for the year ended December 31, 2019. These investments are 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 December 31, 2019, Cymbria's most significant foreign currency exposure was the U.S. dollar, which as a percentage of shareholders' equity was approximately 40% and Cymbria hedged approximately 13% of that exposure. Cymbria's investments denominated in the Japanese Yen represent approximately 15% of shareholders' equity and Cymbria hedged approximately 9% 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 Danish krone as we did not believe there was material currency risk with these investments. As a result of foreign currency hedging activities during the year ended December 31, 2019, Cymbria had a \$4.1 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 year ended December 31, 2019, the annualized MER was 1.11% for Class A shareholders and 0.66% for Class J shareholders, compared to 1.15% and 0.69% for the year ended December 31, 2018 for Class A and Class J shareholders, respectively. The increase of \$0.4 million in management fees from 2018 is due to the increase in aNAV over the corresponding period, on which the fee is based. However, because of the increase in the value of EdgePoint during the year (no fee is charged on the value of EdgePoint) the effective management fee as a percentage of aNAV lowered to 0.79% and 0.40% for Class A and J shareholders, respectively.

Financial condition

	Dec. 31, 2019 ('000s)	Dec. 31, 2018 ('000s)	Dec. 31, 2017 ('000s)
Assets			
Investments	\$1,162,227	\$1,051,910	\$ 994,453
Cash and cash equivalents	85,283	20,325	68,223
Other assets	825	646	365
Income tax recovery	7,016	-	-
Total assets	\$1,255,351	\$1,072,881	\$1,063,041
Liabilities			
Foreign exchange forward contracts	\$ 59	\$ 3,769	\$ -
Income tax payable	-	2,590	2,186
Accrued liabilities and other payables	1,009	502	1,028
Credit facility	6,000	-	-
Deferred share unit plan	1,018	940	756
Deferred income tax liability	39,529	27,803	43,538
Total liabilities	\$ 47,615	\$ 35,604	\$ 47,508
Shareholders' equity	\$1,207,736	\$1,037,277	\$1,015,533

(a) Investments

Cymbria's investments as at December 31, 2019, primarily consists of a portfolio of equities of \$897.9 million and an investment in EdgePoint of \$254.4 million. The increase of \$110.3 million from December 31, 2018 is primarily the result of a change in the unrealized value of the portfolio of \$155.8 million offset by the net sale of investments of \$42.4 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 all of the 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. The increase of \$65.0 million from the end of 2018 is primarily due to the net sale of investments of \$42.4 million during the year ended December 31, 2019. As at December 31, 2019, cash and cash equivalents was comprised entirely of cash held at the bank.

(c) Other assets

Other assets primarily consists of dividends receivable of \$0.8 million, which is a result of dividends that have been declared but not yet received as at December 31, 2019.

(d) Income tax recovery and Income taxes payable

The Income tax recovery of \$7.0 million is a result of the required income tax installments for 2019 being more than Cymbria's income tax liability as at December 31, 2019.

(e) Credit facility

During the year ended December 31, 2019, Cymbria drew \$6.0 million on its credit facility. The proceeds were invested in a higher yielding interest-bearing security.

(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 year ended December 31, 2019, Cymbria issued 1,844 units and the total value of the plan increased by approximately \$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 December 31, 2019, Cymbria's deferred income tax liability is presented net and it comprises of a liability on the unrealized appreciation of investments of \$39.7 million offset by an asset on deferred share units of \$0.2 million. Included in the deferred income tax liability is \$33.6 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 December 31, 2019 and March 12, 2020 were 100. Class A shares are non-redeemable and traded on the Toronto Stock Exchange. As at December 31, 2019 and March 12, 2020, there were 15,693,448 and 15,787,525 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 December 31, 2019 and March 12, 2020, there were 7,050,482 and 6,965,482 shares outstanding, respectively.

Cash flows

For the year ended December 31, 2019, Cymbria had a net increase in cash and cash equivalents of \$65.0 million. The majority of the net increase in cash and cash equivalents is due to cash generated from operating activities, including the net sale of investments of \$42.4 million. Cymbria also had an increase in cash from financing activities as we drew \$6.0 million on the credit facility during the year. Cymbria did not generate a significant amount of cash flows from capital activities.

Shareholder activity

Cymbria refiled its Normal-Course Issuer Bid ("NCIB") for the 12-month period beginning on May 23, 2019 to May 22, 2020. 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, 2019, 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 year ended December 31, 2019, as Cymbria's Class A shares have been trading above 97% of aNAV on average over the year.

Fourth quarter results

The following table shows Cymbria's fourth quarter financial performance for the three months ended December 31, 2019 and 2018.

	Three months ended Dec. 31,	
	2019	2018
	('000s)	('000s)
Income		
Net realized gain on investments	\$ 16,292	\$ 10,905
Change in unrealized gain (loss) on investments	12,246	(111,461)
Dividend and interest income	9,358	6,603
Foreign currency gain (loss) on hedging	1,925	(4,427)
Foreign currency gain (loss), excluding hedging	(47)	235
Total income (loss)	\$ 39,774	\$ (98,145)
Expenses		
Management fees	\$ 2,056	\$ 1,855
Withholding taxes, HST, and transaction costs	648	608
Other expenses	641	673
Total expenses	\$ 3,345	\$ 3,136
Profit (loss) for the period before taxes	\$ 36,429	\$ (101,281)
Income taxes	3,639	(14,319)
Net comprehensive income	\$ 32,790	\$ (86,962)

During the quarter ended December 31, 2019, Cymbria had a net comprehensive income of \$32.8 million that was driven by a realized gain and change in unrealized gain on investments totaling \$28.5 million, compared to a \$100.6 million loss for the quarter ended December 31, 2018. The investments that had the most significant contribution to the change in unrealized gain during the quarter were EdgePoint that contributed \$6.1 million, AutoCanada Inc. contributed \$4.7 million and Mattel Inc. contributed \$3.6 million.

Summary of interim results

The financial information summarized below is derived from Cymbria's condensed interim financial statements from the three month periods ended December 31, 2019, September 30, 2019, June 30, 2019, and March 31, 2019, and the same periods from 2018. 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							
	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018
Total income (loss)	\$ 39,774	\$ 21,298	\$ 55,445	\$ 87,780	\$ (98,145)	\$ 37,402	\$ 57,224	\$ 38,193
Total expenses	\$ 3,345	\$ 3,741	\$ 3,446	\$ 3,147	\$ 3,136	\$ 3,751	\$ 3,485	\$ 3,265
Net income (loss)	\$ 32,790	\$ 16,232	\$ 47,163	\$ 74,274	\$ (86,962)	\$ 30,069	\$ 47,994	\$ 30,644
Net income (loss), per share								
Class A	\$ 1.38	\$ 0.67	\$ 1.98	\$ 3.14	\$ (0.47)	\$ 1.27	\$ 2.03	\$ 1.29
Class J	\$ 1.58	\$ 0.80	\$ 2.29	\$ 3.53	\$ (0.19)	\$ 1.44	\$ 2.27	\$ 1.46

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 during the year to mature on September 22, 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 will be secured by a selection of eligible securities in Cymbria's investment portfolio. As at December 31, 2019, the outstanding balance of the credit facility was \$6 million (December 31, 2018: 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. Proceeds from drawing on the credit facility were used to purchase an investment in higher yielding debt.

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 has a financial liability associated with drawn amounts on the credit facility. As at December 31, 2019, cash and cash equivalents represents 7% of Cymbria's total shareholders' equity. Cymbria's portfolio of securities includes actively traded global stocks that can be readily sold. As at December 31, 2019, the portfolio of public equities that the Manager believes can be readily sold represents 74% 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 December 31, 2019.

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. In December 2019, Cymbria committed to participate in purchasing a minority stake of a private Canadian company for an estimated range of \$35 million to \$70 million, conditioned on regulatory approvals. The transaction is expected to close sometime in 2020.

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 year ended December 31, 2019, management fees totaled \$7.8 million, compared to \$7.4 million for the same period in 2018. 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 accounting standards

The accounting policies applied by Cymbria in the attached audited financial statements are the same as those applied by Cymbria in its financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS. Cymbria has not early adopted any 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:

	Classification	Measurement
Financial assets		
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
Financial liabilities		
Accrued liabilities	Amortized cost	Amortized cost
Income taxes payable	Amortized cost	Amortized cost
Payable for investments purchased	Amortized cost	Amortized cost
Credit facility	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

Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2019. 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 its Co-Chief Executive Officers and Chief Financial Officer, is responsible for establishing and maintaining Cymbria's Disclosure Controls and Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR") (as defined in National Instrument 52-109).

Consistent with NI 52-109, Cymbria's Co-Chief Executive Officers and Chief Financial Officer have reviewed the design of Cymbria's DC&P and ICFR and have concluded that as at December 31, 2019:

- Cymbria's DC&P provides reasonable assurance that (i) material information relating to Cymbria has been made known to them, particularly during the financial year ended December 31, 2019 and (ii) information required to be disclosed by Cymbria in its annual filings, interim filings or other reports filed or submitted by it under securities legislation has been recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- Cymbria's ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Cymbria's Co-Chief Executive Officers and Chief Financial Officer have evaluated the effectiveness of Cymbria's DC&P as at December 31, 2019 and have concluded that Cymbria's DC&P were effective as of that date.

Cymbria's Co-Chief Executive Officers and Chief Financial Officer have also evaluated the effectiveness of Cymbria's ICFR as at December 31, 2019, using the Internal Control-Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission, and have concluded that Cymbria's ICFR was effective as at that date.

There were no changes made in the design of ICFR during the year ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, Cymbria's ICFR. 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.

Financial Statements of

CYMBRIA CORPORATION

Years ended December 31, 2019 and 2018

CYMBRIA®

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

KPMG LLP, Cymbria's external auditor, has audited the Financial Statements in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the Financial Statements. Their report, as auditors, is set forth herein.

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



Patrick Farmer
Chairman
March 12, 2020



Norman Tang
Chief Financial Officer
March 12, 2020

Independent Auditors' Report

To the Shareholders of Cymbria Corporation

Opinion

We have audited the financial statements of Cymbria Corporation (the Entity), which comprise:

- the statements of financial position as at December 31, 2019 and 2018
- the statements of comprehensive income for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions
- the information, other than the financial statements and the auditors' report thereon, included in the "Annual Report"

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

CYMBRIA CORPORATION

We obtained the information included in Management's Discussion and Analysis and the Annual Report filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Peter Hayes

Toronto, Canada

March 12, 2020

CYMBRIA CORPORATION

Statements of Financial Position
(in '000s except per share amounts and number of shares)
As at December 31, 2019 and 2018

	2019	2018
Assets		
Investments	\$ 905,555	\$ 827,789
EdgePoint Wealth Management Inc.	254,431	224,121
Foreign exchange forward contracts	2,241	–
Total financial assets at fair value through profit or loss*	1,162,227	1,051,910
Cash and cash equivalents	85,283	20,325
Receivable for investments sold	63	116
Dividends and interest receivable	762	530
Income tax recovery	7,016	–
Total Assets	\$ 1,255,351	\$ 1,072,881
Liabilities		
Payable for investments purchased	\$ 1,009	\$ 427
Accrued liabilities	–	75
Foreign exchange forward contracts	59	3,769
Credit facility (Note 9)	6,000	–
Income taxes payable	–	2,590
Total current liabilities	7,068	6,861
Deferred share unit plan liability (Note 7)	1,018	940
Deferred income tax liability (Note 10)	39,529	27,803
Total Liabilities	\$ 47,615	\$ 35,604
Shareholders' equity		
Share capital (Note 5)	\$ 220,034	\$ 220,034
Retained earnings (Note 6)	987,702	817,243
Total Shareholders' Equity	\$ 1,207,736	\$ 1,037,277
Shareholders' equity		
Common stock	\$ –	\$ –
Class A	806,682	682,289
Class J	401,054	354,988
Number of shares outstanding (Note 5)		
Class A	15,694,001	15,438,357
Class J	7,049,982	7,281,482
Total shareholder's equity per share		
Class A	\$ 51.40	\$ 44.19
Class J	\$ 56.89	\$ 48.75

*Cost of investments is reflected in the *Schedule of Investment Portfolio*.

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

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

ON BEHALF OF THE BOARD:



Reena Carter, Director



James MacDonald, Director

CYMBRIA CORPORATION

Statements of Comprehensive Income
(in '000s except per share amounts)
Years ended December 31, 2019 and 2018

	2019	2018
Income		
Dividends from EdgePoint Wealth Management Inc.	\$ 22,016	\$ 14,070
Dividends	25,293	13,242
Interest for distribution purposes	1,338	399
Foreign currency gain (loss) on cash and other net assets	(184)	259
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	69,142	124,909
Net realized gain (loss) on foreign exchange forward contracts	(1,840)	184
Change in unrealized appreciation (depreciation) on investments	82,581	(113,663)
Change in unrealized appreciation (depreciation) on foreign exchange forward contracts	5,951	(4,726)
Total Income	\$ 204,297	\$ 34,674
Expenses (Note 8)		
Management fees	\$ 7,793	\$ 7,387
Net withholding tax	1,664	1,578
Harmonized Sales Tax	1,275	1,254
Operating expenses	1,105	1,261
Investment and portfolio maintenance	1,012	1,000
Interest Expense (Note 9)	487	340
Transaction costs	343	638
Total Expenses	\$ 13,679	\$ 13,458
Profit for the year before taxes	\$ 190,618	\$ 21,216
Income taxes (recovery)		
Current	\$ 8,433	\$ 15,207
Deferred	11,726	(15,735)
Total Income Taxes	\$ 20,159	\$ (528)
Net income	\$ 170,459	\$ 21,744
Net income, by class		
Class A	\$ 111,628	\$ 11,825
Class J	\$ 58,831	\$ 9,919
Net income, per share		
Class A	\$ 7.15	\$ 0.80
Class J	\$ 8.25	\$ 1.25

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

CYMBRIA CORPORATION

*Statements of Changes in Equity
(in '000s)
Years ended December 31, 2019 and 2018*

	2019	2018
Class A:		
Shareholders' equity, beginning of the year	\$ 682,289	\$ 627,136
Net income, by class	111,628	11,825
Capital transactions:		
Class J to Class A share exchanges	2,399	9,049
Cumulative surplus on Class J to Class A share exchanges	(84)	(300)
Surplus	10,450	34,579
	124,393	55,153
Shareholders' equity, end of the year	\$ 806,682	\$ 682,289
Class J:		
Shareholders' equity, beginning of the year	\$ 354,988	\$ 388,397
Net income, by class	58,831	9,919
Capital transactions:		
Class J to Class A share exchanges	(2,315)	(8,749)
Surplus	(10,450)	(34,579)
	46,066	(33,409)
Shareholders' equity, end of the year	\$ 401,054	\$ 354,988

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

CYMBRIA CORPORATION

Statements of Cash Flows
(in '000s)
Years ended December 31, 2019 and 2018

	2019	2018
Cash Flow from Operating Activities		
Net income	\$ 170,459	\$ 21,744
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	184	(259)
Net realized (gain) loss on investments	(69,142)	(124,909)
Net realized (gain) loss on foreign exchange forward contracts	1,840	(184)
Change in unrealized (appreciation) depreciation on investments and EdgePoint Wealth Management Inc.	(82,581)	113,663
Change in unrealized (appreciation) depreciation on foreign exchange forward contracts	(5,951)	4,726
(Increase) decrease in dividends and interest receivable	(232)	(175)
Increase (decrease) in accrued liabilities and other payables	(9,603)	568
Increase (decrease) in deferred income tax liability	11,726	(15,735)
Purchase of investments	(257,213)	(461,463)
Proceeds from sales of investments	299,655	413,867
Net Cash Generated (Used) by Operating Activities	\$ 59,142	\$ (48,157)
Cash Flows from Financing Activities		
Issuance of credit facility, net of repayments	\$ 6,000	\$ -
Net Cash Generated (Used) by Financing Activities	\$ 6,000	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 65,142	\$ (48,157)
Foreign currency gain (loss) on cash and other net assets	(184)	259
Cash and cash equivalents, beginning of the year	20,325	68,223
Cash and cash equivalents, end of the year	\$ 85,283	\$ 20,325
Cash and cash equivalents comprise:		
Cash at bank	\$ 85,283	\$ 20,325
	\$ 85,283	\$ 20,325
Interest received, net of withholding tax	\$ 1,338	\$ 397
Dividends received, net of withholding tax	\$ 45,413	\$ 25,559
Interest paid	\$ (443)	\$ (434)
Income taxes paid	\$ (18,039)	\$ (14,803)

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

CYMBRIA CORPORATION

Schedule of Investment Portfolio
(in '000s except number of shares/units)
As at December 31, 2019

Number of shares/units	Security	Average cost	Fair value	% of shareholders' equity
Equities				
Banks				
575,753	Wells Fargo & Co.	\$ 30,862	\$ 40,223	3.3%
		30,862	40,223	3.3%
Consumer Discretionary				
1,028,634	Subaru Corp.	42,946	33,358	2.8%
1,500,267	Mattel Inc.	26,566	26,398	2.2%
186,269	Cie Financiere Richemont SA	20,551	19,010	1.6%
259,455	Aramark Corp.	12,841	14,622	1.2%
1,077,040	AutoCanada Inc.	11,195	13,344	1.1%
		114,099	106,732	8.8%
Consumer Staples				
503,841	Shiseido Co., Ltd.	17,305	46,859	3.9%
143,004	PriceSmart, Inc.	14,136	13,188	1.1%
		31,441	60,047	5.0%
Diversified Financials				
279,585	EdgePoint Wealth Management Inc.	509	254,431	21.1%
75	Berkshire Hathaway Inc., Class A	23,368	33,073	2.7%
290,052	Affiliated Managers Group Inc.	45,794	31,917	2.6%
35,793	Berkshire Hathaway Inc., Class B	6,428	10,528	0.9%
		76,099	329,949	27.3%
Energy				
1,261,844	PrairieSky Royalty Ltd.	33,289	19,218	1.6%
2,700,887	CES Energy Solutions Corp.	9,717	6,293	0.5%
		43,006	25,511	2.1%
Health Care				
352,564	Shionogi & Co., Ltd.	24,983	28,513	2.4%
1,285,260	Swedish Orphan Biovitrum AB	29,466	27,530	2.3%
38,802	Genmab A/S	7,647	11,205	0.9%
9,431	Eurofins Scientific SE	5,213	6,789	0.6%
		67,309	74,037	6.1%
Industrials				
454,019	CSX Corp.	31,483	42,661	3.5%
659,809	Flowserve Corp.	38,775	42,643	3.5%
194,163	The Middleby Corp.	29,525	27,613	2.3%
1,241,414	Mitsubishi Electric Corp.	24,750	22,232	1.8%
1,074,343	Kubota Corp.	20,860	22,161	1.8%
310,679	Air Canada	12,811	15,071	1.3%
475,249	Univar Solutions Inc.	13,063	14,960	1.2%
		171,267	187,341	15.5%
Information Technology				
271,951	TE Connectivity Ltd.	22,682	33,845	2.8%
155,177	Fidelity National Information Services Inc.	22,010	28,027	2.3%
206,436	EchoStar Corp., Class A	11,333	11,610	1.0%
688,153	Real Matters Inc.	3,989	8,478	0.7%
2,419	Constellation Software Inc.	1,643	3,051	0.3%
195,572	Sogou Inc. ADR	2,296	1,156	0.1%
		63,953	86,167	7.1%

CYMBRIA CORPORATION

Schedule of Investment Portfolio
(in '000s except number of shares/units)
As at December 31, 2019

Number of shares/units	Security	Average cost	Fair value	% of shareholders' equity
Insurance				
954,179	Manulife Financial Corp.	\$ 20,396	\$ 25,152	2.1%
2,423,660	Echelon Financial Holdings Inc.	19,352	14,821	1.2%
312,481	Vienna Insurance Group AG	9,635	11,561	1.0%
432,497	T&D Holdings, Inc.	8,530	7,211	0.6%
		57,913	58,745	4.9%
Materials				
437,673	DuPont de Nemours, Inc.	39,963	36,487	3.0%
35,300	SK Kaken Co., Ltd.	22,357	20,988	1.7%
318,232	Berry Global Group Inc.	17,898	19,625	1.6%
195,586	Crown Holdings Inc.	11,985	18,424	1.5%
1,222,380	Osisko Gold Royalties Ltd.	14,799	15,426	1.3%
		107,002	110,950	9.2%
Private Equity				
	Private pest control company	1,333	1,333	0.1%
		1,333	1,333	0.1%
Real Estate				
275,853	RMR Group Inc.	14,457	16,349	1.4%
259,277	Seritage Growth Properties, Class A	12,978	13,494	1.1%
364,083	Grand City Properties S.A.	9,479	11,338	0.9%
548,384	Realty Holdings Corp.	23,208	6,893	0.6%
		60,122	48,074	4.0%
Telecommunication Services				
5,045,682	Bharti Infratel Ltd.	29,948	23,178	1.9%
		29,948	23,178	1.9%
	Total Equities	\$ 854,354	\$ 1,152,287	95.4%
Face Value (\$'000)	Fixed Income			
6,000	Pulse Seismic, Private Loan 10% due 2023/12/31	6,000	6,000	0.5%
	Total Fixed Income	\$ 6,000	\$ 6,000	0.5%
	Foreign exchange forward contracts (Note 13)		2,182	0.2%
	Options (Note 14)	2,140	1,699	0.1%
	Adjustment for transaction costs	(568)		
	Total financial assets and liabilities at fair value through profit or loss	\$ 861,926	\$ 1,162,168	96.2%

1. The Corporation:

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

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

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

2. Basis of preparation:**(a) Statement of compliance:**

The financial statements of Cymbria have been prepared in compliance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized for issue by the Board of Directors on March 12, 2020.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is Cymbria’s functional currency.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Cymbria’s accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring and publishing its adjusted net asset value.

(a) Financial instruments:

Financial instruments include financial assets and liabilities such as debt and equity securities, derivatives, cash and other receivables and payables. Cymbria classifies and measures financial instruments in accordance with IFRS 9, Financial Instruments. Upon initial recognition, financial assets and financial liabilities are classified as fair value through profit or loss (“FVTPL”), fair value through other comprehensive income or

amortized cost based on the Manager’s assessment of the business model within which the financial asset is managed and the financial asset’s contractual cash flow characteristics.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. Cymbria uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Cymbria’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

The investment in EdgePoint, for which no published market exists, is estimated primarily using a discounted cash flow method, unless such securities have been exchanged in an arm’s length transaction that approximates a trade effected in a published market. The Manager engages a third-party valuator to assist in the valuation of EdgePoint.

Upon initial recognition, financial instruments classified as FVTPL are initially recognized on the trade date at fair value. Other financial assets and other financial liabilities are recognized on the date on which they are originated at fair value. All financial assets and liabilities are recognized in the *Statements of Financial Position* when Cymbria becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive the cash flows from the instrument has expired or Cymbria has transferred substantially all risk and rewards of ownership.

Financial instruments classified as FVTPL at each reporting period are subsequently measured at fair value with changes in fair value recognized in the *Statements of Comprehensive Income* in the period in

3. Significant accounting policies (continued):

which they occur. The cost of investments is based on the weighted average cost of investments and excludes commissions and other portfolio transaction costs, which are separately reported in the *Statements of Comprehensive Income*. Realized gains and losses on disposition, including foreign exchange gains or losses on such investments, are determined based on the cost of investments. Gains and losses arising from changes in the fair value of the investments are included in the *Statements of Comprehensive Income* for the period in which they arise. Cymbria's investments and derivative financial assets and liabilities are classified as FVTPL.

Financial assets at amortized cost are recognized initially on the date on which they are originated at fair value plus any directly attributable transaction costs. Subsequent measurement of financial assets at amortized cost is at amortized cost using the effective interest method, less any impairment losses. Cymbria classifies cash and cash equivalents, receivable for investments sold and dividends receivable as financial assets at amortized cost.

Other financial liabilities at amortized cost are initially measured on the date on which they are originated at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Cymbria's financial liabilities at amortized cost are comprised of payables for investments purchased, income taxes payable and accrued liabilities. Due to the short-term nature of these financial liabilities, their carrying values approximate fair values. Cymbria derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Transaction costs included in the initial carrying amount of financial instruments at FVTPL are expensed as incurred.

Financial assets and financial liabilities are offset and the net amount presented in the *Statements of Financial Position* only when Cymbria has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(b) Shareholders' equity:

Cymbria classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Cymbria's common shares, Class A shares, and Class J shares do not contain a redemption feature, are therefore not puttable, and are classified as equity under IAS 32, Financial Instruments.

(c) Foreign currency:

Cymbria's functional and presentation currency is the Canadian dollar. Foreign-denominated investments and other foreign-denominated assets and liabilities are translated into Canadian dollars using the exchange

rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash and other financial assets and liabilities are presented as 'Foreign exchange gain (loss) on cash and other net assets' and those relating to derivatives are presented within 'Net realized gain (loss) on foreign exchange forward contracts' and 'Change in unrealized appreciation (depreciation) on foreign exchange forward contracts' in the *Statements of Comprehensive Income*.

(d) Income recognition:

Interest income for distribution purposes from investments in fixed income and short-term investments represents the coupon interest received by Cymbria accounted for on an accrual basis. Cymbria does not use the effective interest method to amortize premiums paid or discounts received on the purchase of fixed income securities. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) Deferred share unit plan:

On October 28, 2009, Cymbria approved a Deferred Share Unit ("DSU") plan for its directors. The plan is described in Note 7. DSUs granted to eligible directors are considered compensation costs in respect of past performance and are recognized in operating expenses. Compensation costs are measured based on the fair market value, as defined in the plan, of Cymbria's Class A shares on the date DSUs are granted. DSUs earn additional DSUs related to dividends that would otherwise have been paid if Class A shares had been issued on the grant date. DSUs are accounted for as a financial liability with changes in their fair value recognized in operating expenses.

(f) Income taxes:

Income taxes expense comprises current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the

3. Significant accounting policies (continued):

laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Cymbria currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the *Statements of Comprehensive Income*.

(g) Net income, per share:

Net income, per share in the *Statements of Comprehensive Income* represents the net income for each class for the period divided by the average shares outstanding for each class for the period.

(h) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2019, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of Cymbria.

4. Critical accounting estimates and judgments:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Actual results may differ from these 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 the Manager 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 the area with the most significant accounting judgments and estimates Cymbria has made in preparing financial statements. See Note 11 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.

5. Share capital:

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

December 31, 2019	Number of shares		Amount ('000s)
Common shares outstanding, December 31, 2019	100		—*
Class A shares issued:			
Shares outstanding, January 1, 2019	15,438,357	\$	147,219
Class A shares issued in exchange for Class J shares	255,644		2,399
Contributed Surplus			(84)
Class A shares outstanding, December 31, 2019	15,694,001	\$	149,534
Class J shares issued:			
Shares outstanding, January 1, 2019	7,281,482	\$	72,815
Class J shares exchanged for Class A shares	(231,500)		(2,315)
Class J shares outstanding, December 31, 2019	7,049,982	\$	70,500
Total		\$	220,034

*Amount of common shares outstanding is \$100.

5. Share capital (continued):

December 31, 2018	Number of shares	Amount ('000s)
Common shares outstanding, December 31, 2018	100	—*
Class A shares issued:		
Shares outstanding, January 1, 2018	14,474,051	\$ 138,470
Class A shares issued in exchange for Class J shares	964,306	9,049
Contributed surplus		(300)
Class A shares outstanding, December 31, 2018	15,438,357	\$ 147,219
Class J shares issued:		
Shares outstanding, January 1, 2018	8,156,427	\$ 81,564
Class J shares exchanged for Class A shares	(874,945)	(8,749)
Class J shares outstanding, December 31, 2018	7,281,482	\$ 72,815
Total		\$ 220,034

*Amount of common shares outstanding is \$100.

6. Retained earnings:

The changes in retained earnings for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019 ('000s)	December 31, 2018 ('000s)
Opening retained earnings	\$ 817,243	\$ 795,499
Net income	170,459	21,744
Closing retained earnings	\$ 987,702	\$ 817,243

7. Deferred share unit plan:

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

The following table summarizes DSU activity for the years ended December 31, 2019 and 2018:

December 31, 2019	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2019	16,379	\$ 940
Granted during 2019 (Fair value on grant date)	1,844	103
Cumulative fair value adjustments during the year		(25)
Balance, December 31, 2019	18,223	\$ 1,018
December 31, 2018	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2018	14,609	\$ 756
Granted during 2018 (Fair value on grant date)	1,770	103
Cumulative fair value adjustments during the year		81
Balance, December 31, 2018	16,379	\$ 940

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

8. Related party transactions:

i. Management fees:

The Manager charges a monthly management fee at an annual rate of 1% of the daily average net asset value of Class A shares, excluding EdgePoint’s value. During the year ended December 31, 2019, the effective management fee charged on Class A shares was approximately 0.79% per annum.

The Manager charges Class J shareholders a monthly management fee at an annual rate of 0.5% of the daily average net asset value of Class J shares, excluding EdgePoint’s value. During the year ended December 31, 2019, the effective management fee charged on Class J shares was approximately 0.40% per annum.

The total management fee for the year ended December 31, 2019 amounted to \$7.8 million (December 31, 2018: \$7.4 million), with nil in outstanding accrued fees due to the Manager at December 31, 2019 and 2018.

ii. Operating expenses

Cymbria is also responsible for various expenses relating to its operations. These expenses may include, but are not limited to: taxes (including income, capital and harmonized sales taxes), accounting, legal and audit fees,

8. Related party transactions (continued):

Board of Directors' fees and expenses, custodial fees, portfolio transaction costs, registrar and transfer agency fees, regulatory costs, shareholder reporting, investment advisor expenses incurred in connection with its duties as Investment Advisor and all administration expenses incurred by the Manager for its duties as Manager, excluding any salaries to the Manager's principal shareholders, and all general operating expenses that could include allocated salaries, overhead and other costs directly related to Cymbria's operations and incurred by the Manager. For the year ended December 31, 2019, allocated expenses totaled \$0.2 million (December 31, 2018: \$0.3 million). Except for interest, bank charges, withholding tax, and transaction costs paid or payable directly by Cymbria, the Manager incurs such expenses on Cymbria's behalf and is then reimbursed by Cymbria for such expenses. Cymbria's common operating expenses are allocated to classes based on the average daily net asset value of each class.

9. Credit facility:

On September 22, 2017, Cymbria entered into a credit agreement with a Canadian chartered bank (the "Bank") that can be renewed on an annual basis thereafter. This agreement was renewed during the year ended December 31, 2019 to mature on September 22, 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 will be secured by a selection of eligible securities in Cymbria's investment portfolio. As at December 31, 2019, the outstanding balance of the credit facility was \$6.0 million (December 31, 2018: nil). For the year ended December 31, 2019, Cymbria accrued \$0.5 million in interest and standby fees on the credit facility (December 31, 2018: \$0.3 million), which have been subsequently paid. As at the date of this report, Cymbria has complied with all covenants, conditions or other requirements of the credit agreement.

10. Income taxes:

Cymbria, as a public corporation, is subject to income taxes on its net investment income and net realized gain on investments at rates of approximately 26.50% and 13.25%, respectively. Taxable dividends from taxable Canadian corporations, as defined by the Income Tax Act (Canada), are excluded from taxable income. The effective income tax rates for deferred income taxes are approximately 26.50% on investment income and 13.25% on net realized gains.

At the end of the most recent taxation year December 31, 2019, Cymbria had capital and non-capital losses for tax purposes of nil (December 31, 2018: nil).

The total provision for income taxes in the *Statements of Comprehensive Income* is at a rate less than the combined federal and provincial statutory rate for the following reasons:

	December 31, 2019 ('000s)	December 31, 2018 ('000s)
Profit for the year before taxes \$	190,618	\$ 21,216
Tax at the combined statutory rate: 26.50% (2018: 26.50%)	\$ 50,514	\$ 5,623
Increase (decrease) in provision due to:		
Capital gains taxed at 50% Non-taxable Canadian dividends	\$ (20,624)	\$ (923)
Foreign withholding taxes	(8,479)	(4,087)
Other	(1,223)	(1,160)
	(29)	19
Income taxes	\$ 20,159	\$ (528)

The components of Cymbria's deferred income tax liability are as follows:

	December 31, 2019 ('000s)	December 31, 2018 ('000s)
Deferred share units	\$ 270	\$ 249
Net unrealized appreciation of investments	(39,799)	(28,052)
Deferred income tax liability	\$ (39,529)	\$ (27,803)

A loss realized by Cymbria on a disposition of capital property will be a suspended loss when Cymbria acquires a substituted property identical or the same as the property sold within 30 days before and 30 days after the sale, and Cymbria owns the substituted property 30 days after the original disposition. If a loss is suspended, Cymbria cannot deduct the loss from its capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

As of the most recent taxation year of December 31, 2019, Cymbria had suspended losses of \$1,130,744 (December 31, 2018: \$34,572).

11. Fair value measurement:

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

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Cymbria can access at the measurement date;

11. Fair value measurement (continued):

- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., as derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

All fair value measurements below are recurring.

December 31, 2019 (‘000s)	Level 1	Level 2	Level 3	Total
Equities	\$ 896,523	\$ –	\$ 255,764	\$ 1,152,287
Fixed income	–	–	6,000	6,000
Options	–	1,699	–	1,699
Foreign exchange forward contracts	–	2,241	–	2,241
Foreign exchange forward contracts	–	(59)	–	(59)
Total	\$ 896,523	\$ 3,881	\$ 261,764	\$ 1,162,168

December 31, 2018 (‘000s)	Level 1	Level 2	Level 3	Total
Equities	\$ 827,158	\$ –	\$ 224,121	\$ 1,051,279
Options	–	631	–	631
Foreign exchange forward contracts	–	(3,769)	–	(3,769)
Total	\$ 827,158	\$ (3,138)	\$ 224,121	\$ 1,048,141

For the year ended December 31, 2019, the net change in value for financial instruments classified as FVTPL is a \$6.7 million gain (December 31, 2018: \$206.8 million gain).

The following tables reconcile Cymbria's Level 3 fair value measurements for the years ended December 31, 2019 and December 31, 2018.

December 31, 2019 (‘000s)	Equities	Fixed Income
Balance at beginning of period	\$ 224,121	\$ –
Investment purchases during the period	1,333	6,000
Change in unrealized appreciation (depreciation) in value of investments	30,310	–
Balance at end of period	\$ 255,764	\$ 6,000

December 31, 2018 (‘000s)	Equities
Balance at beginning of year	\$ 185,941
Change in unrealized appreciation (depreciation) in value of investments	38,180
Balance at end of year	\$ 224,121

During the years ended December 31, 2019 and 2018, there were no transfers between levels.

(a) Equities

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

As at December 31, 2019, Cymbria had two Level 3 equity investments, in EdgePoint and a private pest control company.

EdgePoint is a private company not traded on any public exchange and is considered a Level 3 asset because there is no market in which a share price can be readily observed. The Manager engages a third-party valuator to assist in the valuation of EdgePoint. EdgePoint's value is determined using the Discounted Cash Flow ("DCF") method. Under the DCF method, EdgePoint's fair value is estimated using the net present value of expected future cash flows. The cash flows include significant assumptions over market growth, net sales, expenses including income taxes and the estimated market value of portfolio management services received from a related party, discount rates and an exit or terminal value. The projected cash flows, together with the terminal value of the business at the end of the forecast period, are discounted to the valuation date using an appropriate rate. This value is corroborated with a number of other recognized valuation methodologies for comparable businesses, such as price-to-AUM and price-to-earnings ratios. These data points are then compared to analyst reports and information available for publicly traded wealth management companies to determine a range of values for the business, which is then discounted due to the private nature of the shares and less than a controlling interest being owned. The Manager determines the most appropriate valuation methodologies to use, which are subject to change. On a quarterly basis or as frequently as necessary, the Manager reviews the key assumptions, including EdgePoint's results and business prospects, for significant changes since the most recent valuation. If there are material changes, the Manager may engage the third-party valuator to assist in the re-valuation of EdgePoint and the amount recorded in the financial statements will be updated.

The following table sets out information about significant unobservable inputs used at December 31, 2019 in measuring EdgePoint, which is categorized as Level 3 in the fair value hierarchy.

11. Fair value measurement (continued):

EdgePoint Wealth Management Inc.

Fair value at December 31, 2019: \$254.4 million

Unobservable Input	Input used	Range of reasonable alternatives	Sensitivity to changes in significant unobservable inputs
Annual market growth	5%	4%–6%	(\$9.9M)–\$11.1M
Redemption rate	13.5%	10%–18%	\$41.0M–(\$37.7M)
Discount rate	11.5%	10%–13%	\$34.8M–(\$25.6M)
Portfolio management cost	0.15%	0.10%–0.20%	\$22.4M–(\$21.8M)

Fair Value at December 31, 2018: \$224.1 million

Unobservable Input	Input used	Range of reasonable alternatives	Sensitivity to changes in significant unobservable inputs
Annual market growth	5%	4%–6%	(\$9.4M)–\$10.0M
Redemption rate	12.5%	9%–14%	\$35.0M–(\$14.9M)
Discount rate	12.5%	10.5%–14%	\$42.9M–(\$22.9M)
Portfolio management cost	0.15%	0.10%–0.20%	\$20.6M–(\$20.5M)

Significant unobservable inputs are developed as follows:

- (i) Annual market growth: represents the future weighted average investment returns of the funds managed by EdgePoint. EdgePoint’s management fee revenue is calculated as a percentage of assets under management (“AUM”), therefore higher investment returns of the funds will increase EdgePoint’s expected annual cash flow. The range of 4%–6% was developed based on a weighted average of the index returns of the funds’ benchmarks over a range of prior periods.
- (ii) Redemption rate: represents the weighted average of units redeemed by unitholders of the mutual funds managed by EdgePoint as a percentage of AUM. A higher redemption rate will decrease EdgePoint’s AUM and will therefore lower the annual cash flow. The range of 10%–18% is based on a combination of EdgePoint’s historical redemption rate and the long-term redemption rate of the industry.
- (iii) Discount rate: is the annual percentage used to determine the present value of EdgePoint’s future cash flows. The discount rate factors in not only the time value of money, but also the risk or uncertainty of those future cash flows. A higher discount rate would indicate a greater uncertainty of future cash

flows and therefore determine a lower net present value for EdgePoint. The range of 10%–13% was determined based on a combination of EdgePoint’s assumed weighted-average cost of capital, the risk-free rate, market risk factors and other systematic and unsystematic risk factors.

- (iv) Portfolio management cost: represents the fees paid to the Manager by EdgePoint for providing investment advisory services. Due to the Manager and EdgePoint being related parties, fees negotiated between the two parties are considered substantially below market value. For the purposes of valuing EdgePoint, it is assumed that a reasonable market value for services provided is paid to the Manager. A higher rate would increase the fees paid to the Manager and therefore decrease the annual cash flow. The input is presented as a percentage of AUM. The range of 0.10%–0.20% was determined based on sub-advisory fees of comparable investment managers.

Although the Manager believes that its estimates of fair value for EdgePoint are appropriate, the use of different assumptions could lead to different measurements of fair value. For the fair value measurement of EdgePoint, changing a combination of the significant assumptions noted above to reasonably possible alternative assumptions would increase or decrease the value of EdgePoint. Taking a pessimistic view by changing the annual market rate to 4%, redemption rate to 18%, discount rate to 13%, and portfolio management cost to 0.20% would result in a decrease in the value of EdgePoint by \$80.6 million. Conversely, taking an optimistic view by changing the annual market rate to 6%, redemption rate to 10%, discount rate to 10%, and portfolio management cost to 0.10% would result in an increase in the value of EdgePoint by \$132.4 million.

Cymbria’s other Level 3 asset is a private pest control company that is not traded on any public exchange and is considered a Level 3 asset because there is no market in which its value can be readily observed. The fair value of the company was determined using the cost of acquiring securities of the company during the year ended December 31, 2019. The use of a different valuation methodology would not lead to a significantly different fair value.

(b) Fixed income

Fixed income is comprised of corporate bonds that are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs relating to Cymbria’s fixed income securities are not observable and therefore have been classified as Level 3.

As at December 31, 2019, Cymbria had one Level 3 fixed income investment in Pulse Seismic. The value of the bond was determined using a model and changing the inputs used in valuing it would not significantly impact its value to Cymbria.

(c) Derivative assets and liabilities

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

12. Financial instrument risk:

In the normal course of business, Cymbria is exposed to a variety of financial risks: market risk (comprising market price risk, foreign currency risk and interest rate risk), counterparty credit risk and liquidity risk. The value of investments in Cymbria's portfolio can fluctuate daily as a result of changes in interest rates, market and economic conditions, and factors specific to individual securities within Cymbria. The level of risk depends on Cymbria's investment objectives and the type of securities in which it invests.

Risk management

Cymbria's overall risk management program seeks to maximize the returns derived for the level of risk to which Cymbria is exposed and seeks to minimize potential adverse effects on Cymbria's financial performance. All investments result in the risk of loss of capital. The team takes a conservative approach to risk management by applying in-depth, thorough research to each investment idea in order to understand the risks of the individual business and weighs this against its return potential.

Risk is further managed by investing in a diversified portfolio of companies. The team believes that investing in businesses with competitive advantages is a more effective approach to diversification than focusing on traditional sector allocations. The team takes a common-sense approach to risk by assessing how much money can be lost and the probability of losing it. While this approach may seem overly simplistic, it provides vital clarity about the true investment risks.

The Manager employs a governance structure that oversees Cymbria's investment activities and monitors compliance with Cymbria's stated investment strategy, internal guidelines and securities regulations. The Governance and Oversight Committee of the Manager conducts quarterly reviews to monitor portfolio activity for compliance with applicable rules.

Risk factors

(a) Market risk:

Cymbria's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following includes sensitivity analyses that show how shareholders' equity would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(i) Market price risk

Market price risk arises primarily from uncertainties about the future market prices of instruments held. Market price fluctuations may be caused by factors specific to an individual investment, or factors affecting all securities traded in a market or industry sector. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. Cymbria's most significant exposure to market price risk arises from its investment in equity securities.

If equity prices for these securities had increased or decreased on their respective stock exchanges by 5% as at December 31, 2019, with all other variables held constant, Cymbria's shareholders' equity would have increased or decreased, respectively, by approximately \$57.6 million or 4.8% of total shareholders' equity or 33.8% of net income (December 31, 2018: \$52.6 million or 5.1% of total shareholders' equity or 241.8% of net income). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(ii) Foreign currency risk

Foreign currency risk arises from financial instruments denominated in a currency other than the Canadian dollar, which is Cymbria's functional currency. Cymbria is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. When the Investment Advisor deems it appropriate, Cymbria will enter into foreign exchange forward contracts to reduce its foreign currency exposure.

The following tables indicate the currencies (excluding the Canadian dollar) to which Cymbria's financial instruments had significant exposure. Period-end figures are in Canadian dollars and include the notional amount of forward exchange contracts, if any:

12. Financial instrument risk (continued):

December 31, 2019
(\$'000s)

Currency	Investments	Cash and cash equivalents	Foreign exchange forward contracts	Total
U.S. dollar	483,735	(60)	(64,398)	419,277
Japanese Yen	181,322	–	(17,932)	163,390
Euro	31,387	–	–	31,387
Swedish Krona	27,530	33	–	27,563
Indian Rupee	23,178	–	–	23,178
Swiss franc	19,010	–	–	19,010
Danish Krone	11,205	–	–	11,205

December 31, 2018
(\$'000s)

Currency	Investments	Cash and cash equivalents	Foreign exchange forward contracts	Total
U.S. dollar	418,105	1,686	(69,557)	350,234
Japanese Yen	151,872	–	(9,785)	142,087
Indian Rupee	25,424	–	–	25,424
Euro	21,800	(116)	–	21,684
Danish Krone	19,632	–	–	19,632
Swedish Krona	19,427	252	–	19,679
Swiss franc	16,299	–	–	16,299
China Renminbi	9,484	42	–	9,526
British pound	6,853	–	–	6,853

As at December 31, 2019, if the Canadian dollar had strengthened or weakened by 5% relative to all foreign currencies with all other variables held constant, Cymbria's shareholders' equity would have decreased or increased, respectively, by approximately \$30.6 million or 2.9% of total shareholders' equity or 20.4% of net income (December 31, 2018: \$30.6 million or 2.9% of total shareholders' equity or 140.6% of net income).

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

(iii) Interest rate risk

Interest rate risk is the risk that the fair value, or future cash flows of financial instruments, will fluctuate as a result of changes in market interest rates. The majority of Cymbria's financial assets are equity shares, which are not interest bearing. Cymbria has a credit facility in place but the amount that has been drawn on is not considered significant enough to pose a significant interest rate risk to Cymbria. Aside from the credit facility, Cymbria's financial liabilities are primarily short-term in nature and generally not interest bearing and its exposure to interest rate risk is considered insignificant.

(b) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to honour an obligation or commitment that it has entered into with Cymbria.

Cymbria's main exposure to credit risk is its trading of listed securities. It minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

Cymbria may enter into foreign exchange contracts to buy and sell currencies for the purpose of settling foreign securities transactions. These are short-term spot settlements carried out with counterparties with a credit rating of at least "A." The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

(c) Liquidity risk:

Liquidity risk is the risk that Cymbria will encounter difficulty in meeting obligations associated with financial liabilities.

Aside from financial liabilities that arise from its normal investing activities, Cymbria has no other significant financial liabilities. As Cymbria's shares are non-redeemable, they do not represent a liquidity risk.

Cymbria may invest in derivatives, fixed income securities and unlisted equity investments that are not traded in an active market. As a result, Cymbria may not be able to quickly liquidate its investments in these instruments at amounts, which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with Cymbria's policy, the Manager monitors Cymbria's liquidity position on a daily basis.

Cymbria may invest in illiquid assets, but maintains the majority of its assets in liquid investments traded in an active market that can be readily sold. As at December 31, 2019, illiquid securities represent approximately 21.7% of Cymbria's shareholders' equity (December 31, 2018: 21.0%).

Cymbria also has the ability to borrow up to 25% of its shareholders' equity to invest in securities for the purpose of enhancing returns. As at December 31, 2019, this borrowing represented 0.5% of shareholders' equity (December 31, 2018: nil).

The tables below categorizes Cymbria's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amount in the tables are the contractual undiscounted cash flows.

December 31, 2019	On demand (\$'000s)	< 3 months (\$'000s)	> 3 months (\$'000s)	Total (\$'000s)
Payable for investments purchased	1,009	–	–	1,009
Credit facility	–	–	6,000	6,000
Foreign exchange forward contracts	–	59	–	59
Deferred share unit plan liability	–	–	1,018	1,018
Deferred income tax liability	–	–	39,529	39,529

December 31, 2018	On demand (\$'000s)	< 3 months (\$'000s)	> 3 months (\$'000s)	Total (\$'000s)
Payable for investments purchased	427	–	–	427
Accrued liabilities	–	75	–	75
Foreign exchange forward contracts	–	3,769	–	3,769
Income taxes payable	–	2,590	–	2,590
Deferred share unit plan liability	–	–	940	940
Deferred income tax liability	–	–	27,803	27,803

13. Foreign exchange forward contracts:

December 31, 2019				
Settlement date	Currency to be delivered ('000s)	Currency to be received ('000s)	Contract price	Fair value ('000s)
January 6, 2020	1,500,000 JPY	18,799 CAD	0.0125	\$ 848
January 14, 2020	1,600 USD	2,108 CAD	1.3176	31
February 18, 2020	11,400 USD	15,166 CAD	1.3304	366
March 2, 2020	500 USD	662 CAD	1.3244	13
May 19, 2020	3,400 USD	4,505 CAD	1.3251	91
June 1, 2020	1,000 USD	1,326 CAD	1.3256	27
July 31, 2020	8,500 USD	11,251 CAD	1.3236	215
August 13, 2020	5,000 USD	6,639 CAD	1.3277	147
September 21, 2020	23,000 USD	30,367 CAD	1.3203	503
				2,241
May 19, 2020	1,698 CAD	1,300 USD	0.7655	(11)
July 31, 2020	4,592 CAD	3,500 USD	0.7623	(48)
				(59)
Total number of contracts:	11		Net fair value	\$ 2,182

14. Options:

December 31, 2019					
Call options	Expiry date	Strike price	Number of contracts	Average cost ('000s)	Fair value ('000s)
EURO STOXX 50 Index	June 16, 2023	3,816	3,386,136	\$ 1,070	\$ 1,455
EURO STOXX Banks Index	February 17, 2023	142	941,864	356	79
EURO STOXX Banks Index	March 17, 2023	142	941,864	358	81
EURO STOXX Banks Index	April 21, 2023	142	941,864	356	84
				\$ 2,140	\$ 1,699

15. Offsetting financial assets and financial liabilities:

In the normal course of business, Cymbria may enter into various netting arrangements or other similar agreements that do not meet the criteria for offsetting in the *Statements of Financial Position* but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Cymbria has not offset any financial assets and financial liabilities in the *Statements of Financial Position*. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement that covers similar financial instruments.

The ISDA and similar master netting agreements do not meet the criteria for offsetting in the *Statements of Financial Position*. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of Cymbria or the counterparties. In addition, Cymbria and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The collateral provided in respect of the below transactions is subject to the standard industry terms of ISDA's *Credit Support Annex*. This means that cash given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral. Cash collateral pledged by Cymbria is included in Cash and cash equivalents on the *Statements of Financial Position*.

December 31, 2019 (\$'000s)					
Type of financial instrument	Gross amounts of recognized financial assets and liabilities	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Cash collateral pledged	Net Amount
Foreign exchange forward contracts – assets	2,241	2,241	(59)	1,160	2,182
Foreign exchange forward contracts – liabilities	(59)	(59)	59	–	–

December 31, 2018 (\$'000s)					
Type of financial instrument	Gross amounts of recognized financial assets and liabilities	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Cash collateral pledged	Net Amount
Foreign exchange forward contracts – assets	–	–	–	38	–
Foreign exchange forward contracts – liabilities	(3,769)	(3,769)	–	2,312	(1,457)

16. Interests in subsidiaries, associates, and unconsolidated structured entities:

Cymbria may invest in a subsidiary, associate or unconsolidated structured entity as part of its investment strategy.

In determining whether Cymbria has control or significant influence over an investment, Cymbria assesses voting rights, the exposure to variable returns, and its ability to use the voting

16. Interests in subsidiaries, associates, and unconsolidated structured entities: (continued):

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

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

As at December 31, 2019 and 2018, Cymbria had material investments in the following subsidiaries, associates and unconsolidated structured entities:

December 31, 2019	Place of Business	Type	Ownership %
Echelon Financial Holdings Inc.	Canada	Associate	20.2%
EdgePoint Wealth Management Inc.	Canada	Associate	20.7%

December 31, 2018	Place of Business	Type	Ownership %
Echelon Financial Holdings Inc.	Canada	Associate	20.3%
EdgePoint Wealth Management Inc.	Canada	Associate	20.7%

17. Commitments and subsequent events:

In December 2019, Cymbria committed to participate in purchasing a minority interest of a private Canadian company for an estimated range of \$35 to \$70 million, conditioned on regulatory approvals. The transaction is expected to close sometime in 2020.

Subsequent to December 31, 2019, EdgePoint experienced a decline in assets under management as a result of negative market volatility caused by fear over the economic impact of the COVID-19 pandemic. On March 12, 2020, the value of EdgePoint was adjusted to \$219.2 million, representing a decrease of approximately 3.3% of shareholders’ equity.

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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
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TORONTO STOCK EXCHANGE LISTING

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OUR CREED

We've put in place a foundation of commitments that governs our company. Our commitments, as well as the belief from which each one was born, are listed here.

1. We will put our investment partners first in all business decisions.

We believe that investors and their advisors should be treated as our investment partners. When faced with a decision, we'll be guided by the belief that what matters is our investment partners and what's important to them.

2. We will consistently adhere to our investment approach.

We believe in our deceptively simple investment approach: Buy good, undervalued businesses and hold them until the market recognizes their full potential. We believe this requires an ability to think independently and a commitment to embrace the thorough research required to uncover opportunities that the market doesn't fully appreciate.

3. We will partner with financial advisors.

We believe that investors should seek out professional financial advice. A skilled and principled financial advisor can offer effective advice in helping reach financial goals. We hope advisors will recommend our investment products, but understand that they may not. We believe that's their value to their clients: independent objective advice.

4. We will focus on delivering superior service to our investment partners.

We believe in the importance of highly responsive service, especially when you've entrusted us with your investments.

5. We will invest in our investment products alongside our investment partners.

We believe that our employees should invest their personal wealth in our company's products. We believe that a personal commitment to products by employees fosters a strong sense of accountability and ensures that employees' interests are aligned with our investors'.

6. We will use investment results and not asset growth as our benchmark for achievement.

We believe in the importance of being an investment-led organization as opposed to sales and marketing driven. We believe the difference between these two types of organizations is material. A sales- and marketing-led company spends more time and money gathering assets than it does investing the money it's already gathered. An investment-led organization focuses the majority of its efforts on building wealth.

7. We will build a distinct culture where our employees think and act like owners.

We believe that employees who think and act like owners make better long-term decisions. We believe long-term thinking from our employees will enhance the long-term wealth of our investment partners.

8. We will communicate with our investment partners regularly and honestly.

We believe informed investors and advisors make better decisions. We believe the ingredients of success in the wealth management business are investment results and reputation. We believe that the bond between both is setting expectations through open and honest communication.

9. We will endeavour to keep "it" simple.

We believe achieving superior investment results isn't easy. However, there are aspects of the investment management industry that have become unnecessarily complex. We will endeavour to keep our offerings, our company and our interactions with our partners as simple as we can.

Don't get caught in a wheel of missed fortunes...



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