

Unaudited Financial Statements of

CYMBRIA CORPORATION

**Three months and nine months ended
September 30, 2021**

CYMBRIA®

CYMBRIA CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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



Patrick Farmer
Chairman
November 11, 2021



Norman Tang
Chief Financial Officer
November 11, 2021

NOTICE TO SHAREHOLDERS

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

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

CYMBRIA CORPORATION

Statements of Financial Position (Unaudited)
(in '000s except per share amounts and number of shares)
As at September 30, 2021 and December 31, 2020

	September 30, 2021	December 31, 2020 (Audited)
Assets		
Investments	\$ 1,161,506	\$ 950,164
EdgePoint Wealth Management Inc.	244,341	220,523
Foreign exchange forward contracts	55	373
Total financial assets at fair value through profit or loss* (Note 10)	1,405,902	1,171,060
Cash and cash equivalents	76,095	47,609
Dividends receivable	1,461	947
Receivable for investments sold	–	328
Interest receivable	–	15
Income tax recovery	–	17,047
Total Assets	\$ 1,483,458	\$ 1,237,006
Liabilities		
Accrued liabilities	\$ 1,305	\$ –
Payable for investments purchased	23,036	–
Foreign exchange forward contracts	278	40
Credit facility (Note 9)	2,550	6,000
Income taxes payable	1,715	–
Total current liabilities	28,884	6,040
Deferred share unit plan liability (Note 7)	1,311	1,072
Deferred income tax liability	58,495	37,776
Total Liabilities	\$ 88,690	\$ 44,888
Shareholders' equity		
Share capital (Note 5)	\$ 219,652	\$ 219,656
Retained earnings (Note 6)	1,175,116	972,462
Total Shareholders' equity	\$ 1,394,768	\$ 1,192,118
Shareholders' equity		
Common stock	\$ –	\$ –
Class A	968,335	803,179
Class J	426,433	388,939
Number of shares outstanding (Note 5)		
Class A	16,315,399	15,820,746
Class J	6,453,494	6,899,137
Total shareholder's equity per share		
Class A	\$ 59.35	\$ 50.77
Class J	\$ 66.08	\$ 56.38

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

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

ON BEHALF OF THE BOARD: 
Reena Carter, Director


James MacDonald, Director

CYMBRIA CORPORATION

Statements of Comprehensive Income (Unaudited)
(in '000s except per share amounts)
Three and nine months ended September 30, 2021 and 2020

	Three months ended September 30, 2021		Nine months ended September 30, 2020	
Income				
Dividends from EdgePoint Wealth Management Inc.	5,175	\$ 4,761	\$ 15,525	\$ 14,698
Dividends	6,030	3,663	13,079	10,248
Interest for distribution purposes	7	157	1,090	757
Foreign currency gain (loss) on cash and other net assets	836	(806)	637	(2,286)
Other net changes in fair value of financial assets and financial liabilities		-		
Net realized gain (loss) on investments	24,181	10,786	52,881	(25,469)
Net realized gain (loss) on foreign exchange forward contracts	(300)	(1,074)	2,062	(3,570)
Change in unrealized gain on investments	(49,223)	16,423	155,812	(113,705)
Change in unrealized loss on foreign exchange forward contracts	(366)	2,185	1,032	(3,167)
Total Income	\$ (13,660)	\$ 36,095	\$ 242,118	\$ (122,494)
Expenses (Note 8)				
Management fees (Note 8)	\$ 2,636	\$ 1,874	\$ 7,389	\$ 5,508
Operating expenses	563	388	1,604	703
Net withholding tax	788	672	1,559	1,404
Harmonized Sales Tax	433	318	1,231	897
Transaction costs	104	203	469	640
Interest expense (Note 9)	98	99	296	333
Investment research and portfolio maintenance	139	179	479	583
Total Expenses	\$ 4,761	\$ 3,733	\$ 13,027	\$ 10,068
Profit (loss) for the period before taxes	\$ (18,421)	\$ 32,362	\$ 229,091	\$ (132,562)
Income taxes (recovery)				
Current	\$ 2,913	\$ 347	\$ 5,701	\$ (5,506)
Deferred	(6,541)	2,477	20,719	(15,471)
Total Income Taxes	\$ (3,628)	\$ 2,824	\$ 26,420	\$ (20,977)
Net income (loss)	\$ (14,793)	\$ 29,538	\$ 202,671	\$ (111,585)
Net income (loss), by class				
Class A	\$ (10,531)	\$ 19,719	\$ 138,184	\$ (75,517)
Class J	\$ (4,262)	\$ 9,819	\$ 64,487	\$ (36,068)
Net income (loss), per share				
Class A	\$ (0.65)	\$ 1.24	\$ 8.51	\$ (4.77)
Class J	\$ (0.66)	\$ 1.42	\$ 9.89	\$ (5.20)

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

CYMBRIA CORPORATION

Statements of Changes in Equity (Unaudited)
(in '000s)
Nine months ended September 30, 2021 and 2020

	2021	2020
Class A:		
Shareholders' equity, beginning of the period	\$ 803,179	\$ 806,682
Net income (loss), by class	138,184	(75,517)
Capital transactions:		
Class J to Class A share exchanges	4,646	1,516
Cumulative surplus on Class J to Class A share exchanges	(190)	(57)
Shares repurchased and cancelled	(4)	(124)
Surplus	22,520	5,982
	165,156	(68,200)
Shareholders' equity, end of the period	\$ 968,335	\$ 738,482
Class J:		
Shareholders' equity, beginning of the period	\$ 388,939	\$ 401,054
Net income (loss), by class	64,487	(36,068)
Capital transactions:		
Class J to Class A share exchanges	(4,456)	(1,458)
Surplus	(22,537)	(6,449)
	37,494	(43,975)
Shareholders' equity, end of the period	\$ 426,433	\$ 357,079

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

CYMBRIA CORPORATION

Statements of Cash Flows (Unaudited)

(in '000s)

Nine months ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Net income (loss)	\$ 202,671	\$ (111,585)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(637)	2,286
Net realized (gain) loss on investments	(52,881)	25,469
Net realized (gain) loss on foreign exchange forward contracts	(2,062)	3,570
Change in unrealized gain on investments and EdgePoint Wealth Management Inc.	(155,812)	113,705
Change in unrealized loss on foreign exchange forward contracts	(1,032)	3,167
(Increase) decrease in dividends receivable	(514)	(676)
(Increase) decrease in interest receivable	15	88
Increase (decrease) in accrued liabilities and other payables	20,306	(8,179)
Increase (decrease) in deferred income tax liability	20,719	(15,471)
Purchase of investments	(363,823)	(367,721)
Proceeds from sales of investments	364,370	320,939
Net Cash Generated (Used) by Operating Activities	\$ 31,320	\$ (34,408)
Cash Flows from Financing Activities		
Purchase and cancellation of Class A shares	\$ (21)	\$ (590)
Repayment of credit facility	(3,450)	–
Net Cash Generated (Used) by Financing Activities	\$ (3,471)	\$ (590)
Net increase (decrease) in cash and cash equivalents	\$ 27,849	\$ (34,998)
Foreign currency gain (loss) on cash and other net assets	637	(2,286)
Cash and cash equivalents, beginning of period	47,609	85,283
Cash and cash equivalents, end of the period	\$ 76,095	\$ 47,999
Cash and cash equivalents comprise:		
Cash at bank	\$ 76,095	\$ 47,999
	\$ 76,095	\$ 47,999
Interest received, net of withholding tax	\$ 1,105	\$ 845
Dividends received, net of withholding tax	\$ 26,531	\$ 22,866
Interest paid	\$ (285)	\$ (333)
Income taxes paid	\$ –	\$ (2,556)

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

CYMBRIA CORPORATION

Schedule of Investment Portfolio (Unaudited)
(in '000s except number of shares/units)
As at September 30, 2021

Number of shares/units	Security	Average cost	Fair value
	Public Equity		
6,749,996	MDA Ltd.	\$ 39,663	\$ 108,743
1,077,040	AutoCanada Inc.	11,195	49,964
608,009	Berry Global Group Inc.	34,793	46,884
240,556	Affiliated Managers Group Inc.	36,417	46,035
452,948	Onex Corp.	28,467	40,557
1,669,022	Mattel Inc.	28,767	39,236
1,003,852	CSX Corp.	25,110	37,814
446,833	Restaurant Brands International Inc.	30,860	34,674
66,316	Anthem Inc.	31,062	31,314
158,322	SAP SE	26,681	27,149
395,968	Brookfield Asset Management Inc.	19,943	26,874
309,841	Shiseido Company Ltd.	13,398	26,577
456,434	Koninklijke Philips NV	29,170	25,675
84,830	Willis Towers Watson PLC	23,312	24,977
	<i>Others</i>	552,649	563,954
		<u>931,487</u>	<u>1,130,427</u>
	Private Equity		
279,585	EdgePoint Wealth Management Inc.	510	244,341
	<i>Others</i>	27,955	27,955
		<u>28,465</u>	<u>272,296</u>
	Total Equities	\$ 959,952	\$ 1,402,723
	Foreign exchange forward contracts		(223)
	Options	2,140	3,124
	<i>Adjustment for transaction costs</i>	(559)	
	Total financial assets and liabilities at fair value through profit or loss	\$ 961,533	\$ 1,405,624

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:

Statement of compliance:

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

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on November 11, 2021.

3. Significant accounting policies:

The accounting policies applied by Cymbria in these condensed interim financial statements are the same as those applied by Cymbria in its financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS. Cymbria has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Critical accounting estimates and judgments:

In the preparation of these condensed interim financial statements, the Manager has made judgments, estimates and assumptions that affect the application of Cymbria’s accounting policies and the reported amounts of assets, liabilities, income and expenses. There have been no changes in the critical accounting estimates and judgments which were set out in detail in Note 4 of Cymbria’s financial statements for the year ended December 31, 2020.

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:

September 30, 2021	Number of shares	Amount ('000s)
Common shares outstanding, September 30, 2021	100	–
Class A shares issued:		
Shares outstanding, January 1, 2021	15,820,746	\$ 150,665
Class A shares issued in exchange for Class J shares	495,053	4,646
Class A shares repurchased for cancellation	(400)	(4)
Contributed Surplus		(190)
Class A shares outstanding, September 30, 2021	16,315,399	\$ 155,117
Class J shares issued:		
Shares outstanding, January 1, 2021	6,899,137	\$ 68,991
Class J shares exchanged for Class A shares	(445,643)	(4,456)
Class J shares outstanding, September 30, 2021	6,453,494	\$ 64,535
Total		\$ 219,652

*Amount of common shares outstanding is \$100.

September 30, 2020	Number of shares	Amount ('000s)
Common shares outstanding, September 30, 2020	100	–
Class A shares issued:		
Shares outstanding, January 1, 2020	15,694,001	\$ 149,534
Class A shares issued in exchange for Class J shares	161,495	1,516
Class A shares repurchased for cancellation	(13,200)	(124)
Contributed Surplus		(57)
Class A shares outstanding, September 30, 2020	15,842,296	\$ 150,869
Class J shares issued:		
Shares outstanding, January 1, 2020	7,049,982	\$ 70,500
Class J shares exchanged for Class A shares	(145,845)	(1,458)
Class J shares outstanding, September 30, 2020	6,904,137	\$ 69,042
Total		\$ 219,911

*Amount of common shares outstanding is \$100.

6. Retained earnings:

The changes in retained earnings for the nine months ended September 30, 2021 and 2020 are as follows:

	September 30, 2021 ('000s)	September 30, 2020 ('000s)
Opening retained earnings	\$ 972,462	\$ 987,702
Net income (loss)	202,671	(111,585)
Class A shares repurchased for cancellation	(17)	(467)
Closing retained earnings	\$ 1,175,116	\$ 875,650

7. Deferred share unit plan:

Cymbria's Deferred Share Unit ("DSU") plan 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 nine months ended September 30, 2021 and the year ended December 31, 2020:

September 30, 2021	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2021	20,466	\$ 1,072
Granted during 2021 (Fair value on grant date)	1,540	95
Cumulative fair value adjustments during the period		144
Balance, September 30, 2021	22,006	\$ 1,311
<hr/>		
December 31, 2020	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2020	18,223	\$ 1,018
Granted during 2020 (Fair value on grant date)	2,243	103
Cumulative fair value adjustments during the period		(49)
Balance, December 31, 2020	20,466	\$ 1,072

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:

a) 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 nine months ended September 30, 2021, the effective management fee charged on Class A shares was approximately 0.84% 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 nine months ended September 30, 2021, the effective management fee charged on Class J shares was approximately 0.42% per annum.

The total management fee for the nine months ended September 30, 2021 amounted to \$7.4 million (September 30, 2020: \$5.5 million), with nil in outstanding accrued fees due to the Manager at September 30, 2021 and December 31, 2020.

b) Operating expenses

Cymbria is also responsible for various expenses relating to its operations. These expenses may include, but are not limited to: taxes (including income, capital and harmonized sales taxes), accounting, legal and audit fees, Board of Directors' fees and expenses, custodial fees, portfolio transaction costs, registrar and transfer agency fees, regulatory costs, shareholder reporting, investment advisor expenses incurred in connection with its duties as Investment Advisor and all administration expenses incurred by the Manager for its duties as Manager, excluding any salaries to the Manager's 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 nine months ended September 30, 2021, allocated expenses totaled \$0.2 million (September 30, 2020: \$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. This agreement was renewed to mature on September 22, 2025. 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 or 100 basis points, depending on the amount drawn. 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,

9. Credit facility (continued):

the credit facility is secured by a selection of eligible securities in Cymbria's investment portfolio. As at September 30, 2021, the outstanding balance of the credit facility was \$2.6 million (December 31, 2020: \$6.0 million). For the nine months ended September 30, 2021, Cymbria accrued \$0.3 million in interest and standby fees on the credit facility (September 30, 2020: \$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. Fair value measurement:

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

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

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

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

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

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

Assets (liabilities) at fair value as at September 30, 2021 ('000s)				
	Level 1	Level 2	Level 3	Total
Equities	\$ 999,518	\$ 130,909	\$ 272,296	\$ 1,402,723
Options	–	3,124	–	3,124
Foreign exchange forward contracts	–	55	–	55
Foreign exchange forward contracts	–	(278)	–	(278)
Total	\$ 999,518	\$ 133,810	\$ 272,296	\$ 1,405,624

Assets (liabilities) at fair value as at December 31, 2020 ('000s)				
	Level 1	Level 2	Level 3	Total
Equities	\$ 874,478	\$ –	\$ 288,140	\$ 1,162,618
Fixed income	–	–	6,415	6,415
Options	–	1,654	–	1,654
Foreign exchange forward contracts	–	373	–	373
Foreign exchange forward contracts	–	(40)	–	(40)
Total	\$ 874,478	\$ 1,987	\$ 294,555	\$ 1,170,020

For the nine months ended September 30, 2021, the net change in value for financial instruments classified as at FVTPL is a \$211.8 million gain (December 31, 2020: \$52.1 million loss).

The following tables reconcile Cymbria's Level 3 fair value measurements for the nine months ended September 30, 2021 and the year ended December 31, 2020.

September 30, 2021 ('000s)	Equities	Fixed Income
Balance at beginning of period	\$ 288,140	\$ 6,415
Investments sold during the period	–	(6,000)
Investments transferred during the period	(39,662)	–
Change in unrealized appreciation (depreciation) in value of investments	23,818	(415)
Balance at end of period	\$ 272,296	\$ –

December 31, 2020 ('000s)	Equities	Fixed Income
Balance at beginning of period	\$ 255,764	\$ 6,000
Investment purchases during the year	66,285	–
Change in unrealized appreciation (depreciation) in value of investments	(33,909)	415
Balance at end of period	\$ 288,140	\$ 6,415

During the nine months ended September 30, 2021 there was one transfer between levels (September 30, 2020: none). MDA Ltd. was transferred from Level 3 to Level 2 in April 2021 after its public offering of shares on the Toronto Stock Exchange.

a) Equities

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

As at September 30, 2021, Cymbria had three Level 3 equity investments; EdgePoint, a private financial technology company and a private pest control company.

10. Fair value measurement (continued):

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 the market growth rate, redemption rate, and portfolio management costs. 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. 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 significant 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 September 30, 2021 and December 31, 2020, in measuring EdgePoint.

EdgePoint Wealth Management Inc.

Fair Value at September 30, 2021: \$244.3 million

Unobservable Input	Input used	Range of reasonable alternatives	Sensitivity to changes in significant unobservable inputs
Annual market growth	6%	5%–7%	(\$8.7M)–\$9.2M
Redemption rate	15%	12%–18%	\$32.3M–(\$26.9M)
Discount rate	10.8%	10%–11.5%	\$9.3M–(\$8.7M)
Portfolio management cost	0.15%	0.1%–0.2%	\$21.0M–(\$21.0M)
Terminal value	7x	6x–8x	(\$10.6M)–\$10.6M

Fair value at December 31, 2020: \$220.5 million

Unobservable Input	Input used	Range of reasonable alternatives	Sensitivity to changes in significant unobservable inputs
Annual market growth	6%	5%–7%	(\$8.5M)–\$9.0M
Redemption rate	16%	13%–19%	\$26.9M–(\$22.5M)
Discount rate	10.8%	10%–11.5%	\$14.5M–(\$12.5M)
Portfolio management cost	0.15%	0.1%–0.2%	\$19.5M–(\$19.5M)
Terminal value	7x	6x–8x	(\$11.3M)–\$8.0M

Significant unobservable inputs are developed as follows:

- (i) Annual market growth: represents the future weighted average investment returns of the funds managed by EdgePoint. EdgePoint's management fee revenue is calculated as a percentage of assets under management ("AUM"), therefore higher investment returns of the funds will increase EdgePoint's expected annual cash flow. The range of 5%–7% 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 12%–18% is an average over the term of the model and 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%–11.5% was determined based on a combination of EdgePoint's assumed weighted-average cost of capital, the risk- free rate, market risk factors and other adjustments.
- (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 0.1%–0.2% was determined based on sub-advisory fees of comparable investment managers.
- (v) Terminal value: represents the value of all future cash flows beyond the cash flows forecast in the model. It is presented as a multiple of cash flow. For the purposes of valuing EdgePoint, the terminal value is applied to the forecast earnings before taxes, interest and depreciation in the tenth and final year of the model and discounted to present value. The range of terminal value multiples of 6x–8x was determined using an average of comparable companies.

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

10. Fair value measurement (continued):

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 5%, redemption rate to 18%, discount rate to 11.5%, portfolio management cost to 0.2%, and terminal value to 6x would result in a decrease in the value of EdgePoint by approximately \$65 million. Conversely, taking an optimistic view by changing the annual market rate to 7%, redemption rate to 12%, discount rate to 9.5%, portfolio management cost to 0.1%, and terminal value to 8x would result in an increase in the value of EdgePoint by approximately \$98 million.

Cymbria's other Level 3 equities are a private financial technology company and a private pest control company. Both are not traded on any public exchange and are considered a Level 3 asset because there is no market in which their value can be readily observed. The fair value of both companies was determined using the cost of acquiring securities of the companies and evaluated for impairment in the interim. The use of a different valuation methodology would not lead to a significantly different fair value.

During the year ended December 31, 2020, Cymbria purchased a Level 3 asset in Neptune Acquisition LP ("Neptune"), which owns MDA Ltd. In March of 2021, MDA filed a prospectus for an initial public offering and on April 7, 2021, shares of MDA began trading on the Toronto Stock Exchange and the classification of Cymbria's ownership was transferred to Level 2. MDA is valued using the closing price of the public common shares with an unobservable discount applied to account for lock-up restrictions associated with our ownership of MDA.

In determining the fair value of these Level 3 assets, we have considered the potential impact of the COVID-19 pandemic

in our assumptions; however, we have not assumed a long-term impact of the COVID-19 pandemic. The duration and full economic impact of the COVID-19 pandemic is unknown at this time, and accordingly, there is a degree of uncertainty surrounding the potential impact it may have on the business, operations, and/or financial condition of these Level 3 assets.

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, 2020, Cymbria had one Level 3 fixed income investment in Pulse Seismic Inc. On June 27, 2021, the bond was fully repaid and Cymbria earned an early payment fee of \$0.5 million.

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.

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