

Unaudited Financial Statements of
CYMBRIA CORPORATION
Three months ended March 31, 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
May 13, 2021



Norman Tang
Chief Financial Officer
May 13, 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 March 31, 2021 and December 31, 2020

| | March 31, 2021 | December 31, 2020 (Audited) |
|--|---------------------|-----------------------------------|
| Assets | | |
| Investments | \$ 1,103,508 | \$ 950,164 |
| EdgePoint Wealth Management Inc. | 220,523 | 220,523 |
| Foreign exchange forward contracts | 439 | 373 |
| Total financial assets at fair value through profit or loss* (Note 10) | 1,324,470 | 1,171,060 |
| Cash and cash equivalents | 34,782 | 47,609 |
| Receivable for investments sold | 3,682 | 328 |
| Dividends receivable | 1,573 | 947 |
| Interest receivable | 16 | 15 |
| Income tax recovery | 15,081 | 17,047 |
| Total Assets | \$ 1,379,604 | \$ 1,237,006 |
| Liabilities | | |
| Payable for investments purchased | \$ 4,765 | \$ - |
| Foreign exchange forward contracts | 8 | 40 |
| Credit facility (Note 9) | 6,000 | 6,000 |
| Total current liabilities | 10,773 | 6,040 |
| Deferred share unit plan liability (Note 7) | 1,214 | 1,072 |
| Deferred income tax liability (Note 10) | 52,976 | 37,776 |
| Total Liabilities | \$ 64,963 | \$ 44,888 |
| Shareholders' equity | | |
| Share capital (Note 5) | \$ 219,652 | \$ 219,656 |
| Retained earnings (Note 6) | 1,094,989 | 972,462 |
| Total Shareholders' equity | \$ 1,314,641 | \$ 1,192,118 |
| Shareholders' equity | | |
| Common stock | \$ - | \$ - |
| Class A | 912,710 | 803,179 |
| Class J | 401,931 | 388,939 |
| Number of shares outstanding (Note 5) | | |
| Class A | 16,306,769 | 15,820,746 |
| Class J | 6,461,259 | 6,899,137 |
| Total shareholder's equity per share | | |
| Class A | \$ 55.97 | \$ 50.77 |
| Class J | \$ 62.21 | \$ 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 months ended March 31, 2021 and 2020

| | 2021 | 2020 |
|---|-------------------|---------------------|
| Income | | |
| Dividends from EdgePoint Wealth Management Inc. | \$ 5,175 | \$ 5,175 |
| Dividends | 3,691 | 4,167 |
| Interest for distribution purposes | 222 | 444 |
| Foreign currency gain (loss) on cash and other net assets | (799) | (318) |
| 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 | 19,102 | (21,142) |
| Net realized gain (loss) on foreign exchange forward contracts | 1,432 | 971 |
| Change in unrealized gain on investments | 113,744 | (245,497) |
| Change in unrealized gain on foreign exchange forward contracts | 1,110 | (9,392) |
| Total Income (loss) | \$ 143,677 | \$ (265,592) |
| Expenses (Note 8) | | |
| Management fees (Note 8) | \$ 2,221 | \$ 1,918 |
| Operating expenses | 469 | 119 |
| Harmonized Sales Tax | 375 | 298 |
| Net withholding tax | 372 | 443 |
| Transaction costs | 232 | 237 |
| Interest expense (Note 9) | 99 | 122 |
| Investment research and portfolio maintenance | 199 | 259 |
| Total Expenses | \$ 3,967 | \$ 3,396 |
| Profit (loss) for the period before taxes | \$ 139,710 | \$ (268,988) |
| Income taxes (recovery) | | |
| Current | \$ 1,966 | \$ (2,823) |
| Deferred | 15,200 | (33,718) |
| Total Income Taxes | \$ 17,166 | \$ (36,541) |
| Net income (loss) | \$ 122,544 | \$ (232,447) |
| Net income (loss), by class | | |
| Class A | \$ 83,080 | \$ (156,521) |
| Class J | \$ 39,464 | \$ (75,926) |
| Net income (loss), per share | | |
| Class A | \$ 5.17 | \$ (9.92) |
| Class J | \$ 5.92 | \$ (10.89) |

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

CYMBRIA CORPORATION

Statements of Changes in Equity (Unaudited)
(in '000s)
Three months ended March 31, 2021 and 2020

| | 2021 | 2020 |
|--|-------------|-------------|
| Class A: | | |
| Shareholders' equity, beginning of the period | \$ 803,179 | \$ 806,682 |
| Net income, by class | 83,080 | (156,521) |
| Capital transactions: | | |
| Class J to Class A share exchanges | 4,565 | 971 |
| Cumulative surplus on Class J to Class A share exchanges | (186) | (36) |
| Shares repurchased and cancelled | (4) | - |
| Surplus | 22,076 | 4,441 |
| | 109,531 | (151,145) |
| Shareholders' equity, end of the period | \$ 912,710 | \$ 655,537 |

Class J:

| | | |
|---|------------|------------|
| Shareholders' equity, beginning of the period | \$ 388,939 | \$ 401,054 |
| Net income (loss), by class | 39,464 | (75,926) |
| Capital transactions: | | |
| Class J to Class A share exchanges | (4,379) | (935) |
| Surplus | (22,093) | (4,441) |
| | 12,992 | (81,302) |
| Shareholders' equity, end of the period | \$ 401,931 | \$ 319,752 |

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

CYMBRIA CORPORATION

Statements of Cash Flows (Unaudited)

(in '000s)

Three months ended March 31, 2021 and 2020

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Net income | \$ 122,544 | \$ (232,447) |
| Adjustments for: | | |
| Foreign currency loss on cash and other net assets | 799 | 318 |
| Net realized (gain) loss on investments | (19,102) | 21,142 |
| Net realized (gain) loss on foreign exchange forward contracts | (1,432) | (971) |
| Change in unrealized gain on investments and EdgePoint Wealth Management Inc. | (113,744) | 245,497 |
| Change in unrealized gain on foreign exchange forward contracts | (1,110) | 9,392 |
| (Increase) decrease in dividends receivable | (626) | (1,437) |
| (Increase) decrease in interest receivable | (1) | 8 |
| Increase (decrease) in accrued liabilities and other payables | 2,108 | (5,648) |
| Increase (decrease) in deferred income tax liability | 15,200 | (33,718) |
| Purchase of investments | (130,363) | (152,938) |
| Proceeds from sales of investments | 113,720 | 132,946 |
| Net Cash Generated (Used) by Operating Activities | \$ (12,007) | \$ (17,856) |
| Cash Flows from Financing Activities | | |
| Purchase and cancellation of Class A shares | \$ (21) | \$ – |
| Net Cash Generated (Used) by Financing Activities | \$ (21) | \$ – |
| Net increase (decrease) in cash and cash equivalents | \$ (12,028) | \$ (17,856) |
| Foreign currency gain (loss) on cash and other net assets | (799) | (318) |
| Cash and cash equivalents, beginning of period | 47,609 | 85,283 |
| Cash and cash equivalents, end of the period | \$ 34,782 | \$ 67,109 |
| Cash and cash equivalents comprise: | | |
| Cash at bank | \$ 34,782 | \$ 67,109 |
| | \$ 34,782 | \$ 67,109 |
| Interest received, net of withholding tax | \$ 221 | \$ 451 |
| Dividends received, net of withholding tax | \$ 7,868 | \$ 7,462 |
| Interest paid | \$ (100) | \$ (44) |
| Income taxes paid | \$ – | \$ – |

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 March 31, 2021

| Number of shares/units | Security | Average cost | Fair value |
|----------------------------|--|----------------|----------------|
| | Public Equity | | |
| 267,033 | Affiliated Managers Group Inc. | \$ 40,426 | \$ 50,012 |
| 599,279 | Berry Global Group Inc. | 32,945 | 46,241 |
| 379,626 | CSX Corp. | 28,487 | 46,000 |
| 1,690,070 | Mattel Inc. | 29,130 | 42,308 |
| 452,948 | Onex Corp. | 28,467 | 35,402 |
| 194,224 | International Flavors & Fragrances Inc. | 29,793 | 34,076 |
| 1,077,040 | AutoCanada Inc. | 11,195 | 32,957 |
| 382,248 | Restaurant Brands International Inc. | 25,713 | 31,241 |
| 143,607 | The Middleby Corp. | 21,064 | 29,913 |
| 5,109,808 | Computer Modelling Group Ltd. | 26,744 | 29,381 |
| 346,041 | Shiseido Co., Ltd. | 14,964 | 29,150 |
| 580,584 | Bank of America Corp. | 18,846 | 28,227 |
| 161,533 | TE Connectivity Ltd. | 13,801 | 26,209 |
| 525,920 | Flowserve Corp. | 29,930 | 25,651 |
| 86,829 | Aon PLC | 22,884 | 25,109 |
| | <i>Others</i> | 472,303 | 469,655 |
| | | <u>846,692</u> | <u>981,532</u> |
| | Private Equity | | |
| 279,585 | EdgePoint Wealth Management Inc. | 509 | 220,523 |
| 40,500,000 | Neptune Acquisition LP (MDA Ltd.) | 39,663 | 85,050 |
| | <i>Others</i> | 27,955 | 27,955 |
| | | <u>68,127</u> | <u>333,528</u> |
| | Total Equities | \$ 914,819 | \$ 1,315,060 |
| Face Value (\$'000) | Fixed Income | | |
| 6,000,000 | Pulse Seismic Inc., subordinated private loan, 10%, due 2023/12/31 | 6,000 | 6,415 |
| | Total Fixed Income | \$ 6,000 | \$ 6,415 |
| | Foreign exchange forward contracts | | 431 |
| | Options | 2,140 | 2,556 |
| | <i>Adjustment for transaction costs</i> | (596) | |
| | Total financial assets and liabilities at fair value through profit or loss | \$ 922,363 | \$ 1,324,462 |

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 May 13, 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 common shares, an unlimited number of Class A non-voting, non-redeemable shares and an unlimited number of Class J non-voting, non-redeemable shares. Share capital consists of the following:

| March 31, 2021 | Number of shares | Amount ('000s) |
|--|------------------|-------------------|
| Common shares outstanding, March 31, 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 | 486,423 | 4,565 |
| Class A shares repurchased for cancellation | (400) | (4) |
| Contributed Surplus | | (186) |
| Class A shares outstanding, March 31, 2021 | 16,306,769 | \$ 155,040 |
| Class J shares issued: | | |
| Shares outstanding, January 1, 2021 | 6,899,137 | \$ 68,991 |
| Class J shares exchanged for Class A shares | (437,878) | (4,379) |
| Class J shares outstanding, March 31, 2021 | 6,461,259 | \$ 64,612 |
| Total | | \$ 219,652 |

*Amount of common shares outstanding is \$100.

| March 31, 2020 | Number of shares | Amount ('000s) |
|--|------------------|-------------------|
| Common shares outstanding, March 31, 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 | 103,496 | 971 |
| Contributed Surplus | | (36) |
| Class A shares outstanding, March 31, 2020 | 15,797,497 | \$ 150,469 |
| Class J shares issued: | | |
| Shares outstanding, January 1, 2020 | 7,049,982 | \$ 70,500 |
| Class J shares exchanged for Class A shares | (93,500) | (935) |
| Class J shares outstanding, March 31, 2020 | 6,956,482 | \$ 69,565 |
| Total | | \$ 220,034 |

*Amount of common shares outstanding is \$100.

6. Retained earnings:

The changes in retained earnings for the three months ended March 31, 2021 and 2020 are as follows:

| | March 31, 2021 (‘000s) | | March 31, 2020 (‘000s) |
|---|------------------------------|----|------------------------------|
| Opening retained earnings | 972,462 | \$ | 987,702 |
| Net income (loss) | 122,544 | | (232,447) |
| Class A shares repurchased for cancellation | (17) | | – |
| Closing retained earnings | 1,094,989 | \$ | 755,255 |

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 three months ended March 31, 2021 and the year ended December 31, 2020:

| March 31, 2021 | Units | Amount (‘000s) |
|---|--------|-------------------|
| Opening Deferred Share Units, January 1, 2021 | 20,466 | \$ 1,072 |
| Granted during 2021 (Fair value on grant date) | 462 | 27 |
| Cumulative fair value adjustments during the period | | 115 |
| Balance, March 31, 2021 | 20,928 | \$ 1,214 |
| 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 three months ended March 31, 2021, the effective management fee charged on Class A shares was approximately 0.8% 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 three months ended March 31, 2021, the effective management fee charged on Class J shares was approximately 0.4% per annum.

The total management fee for the three months ended March 31, 2021 amounted to \$2.2 million (March 31, 2020: \$1.9 million), with nil in outstanding accrued fees due to the Manager at March 31, 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 three months ended March 31, 2021, allocated expenses totaled \$0.1 million (March 31, 2020: \$0.1 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

9. Credit facility (continued):

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, the credit facility is secured by a selection of eligible securities in Cymbria's investment portfolio. As at March 31, 2021, the outstanding balance of the credit facility was \$6.0 million (December 31, 2020: \$6.0 million). For the three months ended March 31, 2021, Cymbria accrued \$0.1 million in interest and standby fees on the credit facility (March 31, 2020: \$0.1 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 March 31, 2021 ('000s) | | | | |
|---|------------------|----------------|------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities | \$981,532 | \$ – | \$333,528 | \$1,315,060 |
| Fixed income | – | – | 6,415 | 6,415 |
| Options | – | 2,556 | – | 2,556 |
| Foreign exchange forward contracts | – | 439 | – | 439 |
| Foreign exchange forward contracts | – | (8) | – | (8) |
| Total | \$981,532 | \$2,987 | \$339,943 | \$1,324,462 |

| 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 | \$1,171,020 |

For the three months ended March 31, 2021, the net change in value for financial instruments classified as at FVTPL is a \$135.4 million gain (December 31, 2020: \$52.1 million loss).

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

| March 31, 2021 ('000s) | Equities | Fixed Income |
|---|-------------------|-----------------|
| Balance at beginning of period | \$ 288,140 | \$ 6,415 |
| Change in unrealized gain in value of investments | 45,388 | – |
| Balance at end of period | \$ 333,528 | \$ 6,415 |

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

During the three months ended March 31, 2021 and 2020, 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

10. Fair value measurement (continued):

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 March 31, 2021, Cymbria had four Level 3 equity investments; EdgePoint, Neptune Acquisition LP, a private financial technology company 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 the market growth rate, redemption rate, and portfolio management cost. 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 March 31, 2021 and December 31, 2020, in measuring EdgePoint.

EdgePoint Wealth Management Inc.

Fair Value at March 31, 2021 and 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 13%–19% 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 value measurement of EdgePoint, changing a combination of the significant assumptions noted above to reasonably possible alternative assumptions would increase

10. Fair value measurement (continued):

or decrease the value of EdgePoint. Taking a pessimistic view by changing the annual market rate to 5%, redemption rate to 19%, 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 \$61.4 million. Conversely, taking an optimistic view by changing the annual market rate to 7%, redemption rate to 13%, 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 \$87.0 million.

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 which closed in April. As at March 31, 2021, Neptune was valued using the anticipated offering price for MDA’s initial public offering with an unobservable discount applied to account for lock-up restrictions associated with our ownership of MDA through Neptune. 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.

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.

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 March 31, 2021 and December 31, 2020, Cymbria had one Level 3 fixed income investment in Pulse Seismic Inc. The value of the bond was determined using a discounted cash flow model. The unobservable input is the discount rate, however changing this input by 1% would not significantly impact its value to Cymbria.

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 the borrower.

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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