

**Unaudited Financial Statements of**

**CYMBRIA CORPORATION**

**Three months and nine months ended  
September 30, 2022**

**CYMBRIA®**

# CYMBRIA CORPORATION

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## 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 10, 2022



Norman Tang  
Chief Financial Officer  
November 10, 2022

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## 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.

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# CYMBRIA CORPORATION

Statements of Financial Position (Unaudited)  
(in '000s except per share amounts and number of shares)  
As at September 30, 2022 and December 31, 2021

	September 30, 2022	December 31, 2021 (Audited)
<b>Assets</b>		
Investments	\$ 994,808	\$ 1,151,706
EdgePoint Wealth Management Inc.	241,981	265,500
Foreign exchange forward contracts	184	327
Unrealized gain on swap contracts	1,836	–
Total financial assets at fair value through profit or loss* (Note 10)	1,238,809	1,417,533
Cash and cash equivalents	70,556	97,423
Receivable for investments sold	15,420	–
Dividends receivable	1,352	1,453
Interest receivable	22	–
Income tax recovery	7,735	–
<b>Total Assets</b>	<b>\$ 1,333,894</b>	<b>\$ 1,516,409</b>
<b>Liabilities</b>		
Accrued liabilities	\$ 298	\$ 97
Payable for investments purchased	6,559	–
Foreign exchange forward contracts	3,694	244
Credit facility - revolving (Note 9)	5,050	2,550
Income taxes payable	–	9,458
Interest payable on swap contracts	1,098	–
Total current liabilities	16,699	12,349
Credit facility - term (Note 9)	25,000	–
Deferred share unit plan liability (Note 7)	1,353	1,414
Deferred income tax liability	23,122	56,976
<b>Total Liabilities</b>	<b>\$ 66,174</b>	<b>\$ 70,739</b>
<b>Shareholders' equity</b>		
Share capital (Note 5)	\$ 219,652	\$ 219,652
Retained earnings (Note 6)	1,048,068	1,226,018
<b>Total Shareholders' equity</b>	<b>\$ 1,267,720</b>	<b>\$ 1,445,670</b>
<b>Shareholders' equity</b>		
Common stock	\$ –	\$ –
Class A	879,972	1,003,413
Class J	387,748	442,257
<b>Number of shares outstanding (Note 5)</b>		
Class A	16,330,789	16,315,497
Class J	6,439,706	6,453,406
<b>Total shareholder's equity per share</b>		
Class A	\$ 53.88	\$ 61.50
Class J	\$ 60.21	\$ 68.53

\*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 (Loss) (Unaudited)*  
*(in '000s except per share amounts)*  
*Three and nine months ended September 30, 2022 and 2021*

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Income</b>				
Dividends from EdgePoint Wealth Management Inc.	\$ 5,175	5,175	\$ 15,525	\$ 15,525
Dividends	3,177	6,030	13,334	13,079
Interest for distribution purposes	397	7	578	1,090
Foreign currency gain (loss) on cash and other net assets	674	836	602	637
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	(11,616)	24,181	29,179	52,881
Net realized gain (loss) on foreign exchange forward contracts	750	(300)	1,740	2,062
Increase (decrease) in net unrealized gain on investments	(71)	(49,223)	(253,371)	155,812
Increase (decrease) in net unrealized gain on foreign exchange forward contracts	(2,430)	(366)	(3,943)	1,032
Increase (decrease) in net unrealized gain on swap contracts	144	–	1,836	–
<b>Total Income (loss)</b>	<b>\$ (3,800)</b>	<b>(13,660)</b>	<b>\$ (194,520)</b>	<b>\$ 242,118</b>
<b>Expenses (Note 8)</b>				
Management fees (Note 8)	\$ 2,302	\$ 2,636	\$ 7,157	\$ 7,389
Net withholding tax	185	788	1,339	1,559
Operating expenses	272	563	549	1,604
Interest expense (Note 9)	280	98	1,167	296
Harmonized Sales Tax	386	433	1,155	1,231
Transaction costs	156	104	561	469
Investment research and portfolio maintenance	393	139	1,179	479
<b>Total Expenses</b>	<b>\$ 3,974</b>	<b>\$ 4,761</b>	<b>\$ 13,107</b>	<b>\$ 13,027</b>
<b>Profit (loss) for the period before taxes</b>	<b>\$ (7,774)</b>	<b>\$ (18,421)</b>	<b>\$ (207,627)</b>	<b>\$ 229,091</b>
<b>Income taxes (recovery)</b>				
Current	\$ (1,782)	\$ 2,913	\$ 4,177	\$ 5,701
Deferred	(321)	(6,541)	(33,854)	20,719
<b>Total Income taxes (recovery)</b>	<b>\$ (2,103)</b>	<b>\$ (3,628)</b>	<b>\$ (29,677)</b>	<b>\$ 26,420</b>
<b>Net income (loss)</b>	<b>\$ (5,671)</b>	<b>\$ (14,793)</b>	<b>\$ (177,950)</b>	<b>\$ 202,671</b>
<b>Net income (loss), by class</b>				
Class A	\$ (4,171)	\$ (10,531)	\$ (124,316)	\$ 138,184
Class J	\$ (1,506)	\$ (4,262)	\$ (53,634)	\$ 64,487
<b>Net income (loss), per share</b>				
Class A	\$ (0.26)	\$ (0.67)	\$ (7.62)	\$ 8.51
Class J	\$ (0.24)	\$ (0.59)	\$ (8.32)	\$ 9.89

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, 2022 and 2021*

	<b>2022</b>	<b>2021</b>
<b>Class A:</b>		
Shareholders' equity, beginning of the period	\$ 1,003,413	\$ 803,179
Net income (loss), by class	(124,316)	138,184
Capital transactions:		
Class J to Class A share exchanges	144	4,646
Cumulative surplus on Class J to Class A share exchanges	(7)	(190)
Shares repurchased and cancelled	-	(4)
Surplus	738	22,520
	(123,441)	165,156
Shareholders' equity, end of the period	\$ 879,972	\$ 968,335
<b>Class J:</b>		
Shareholders' equity, beginning of the period	\$ 442,257	\$ 388,939
Net income (loss), by class	(53,634)	64,487
Capital transactions:		
Class J to Class A share exchanges	(137)	(4,456)
Surplus	(738)	(22,537)
	(54,509)	37,494
Shareholders' equity, end of the period	\$ 387,748	\$ 426,433

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ (177,950)	\$ 217,464
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(602)	(637)
Net realized (gain) loss on investments	(29,179)	(52,881)
Net realized (gain) loss on foreign exchange forward contracts	(1,740)	(2,062)
(Increase) decrease in net unrealized gain on investments and EdgePoint Wealth Management Inc.	253,371	(155,812)
(Increase) decrease in net unrealized gain on foreign exchange forward contracts	3,943	(1,032)
(Increase) decrease in net unrealized gain on swap contracts	(1,836)	–
(Increase) decrease in dividends receivable	101	(514)
(Increase) decrease in interest receivable	(22)	15
Increase (decrease) in interest payable on swaps	1,098	–
Increase (decrease) in accrued liabilities and other payables	(17,053)	20,306
Increase (decrease) in deferred income tax liability	(33,854)	20,719
Purchase of investments	(379,139)	(363,823)
Proceeds from sales of investments	327,893	364,370
<b>Net Cash Generated (Used) by Operating Activities</b>	<b>\$ (54,969)</b>	<b>\$ 31,320</b>
<b>Cash Flows from Financing Activities</b>		
Purchase and cancellation of Class A shares	\$ –	\$ (21)
Net draw on credit facility	27,500	(3,450)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>\$ 27,500</b>	<b>\$ (3,471)</b>
Net increase (decrease) in cash and cash equivalents	\$ (27,469)	\$ 27,849
Foreign currency gain (loss) on cash and other net assets	602	637
Cash and cash equivalents, beginning of period	97,423	47,609
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 70,556</b>	<b>\$ 76,095</b>
Cash and cash equivalents comprise:		
Cash at bank	\$ 70,556	\$ 76,095
	\$ 70,556	\$ 76,095
Interest received	\$ 556	\$ 1,105
Dividends received, net of withholding tax	\$ 27,621	\$ 26,531
Interest paid	\$ (927)	\$ (285)
Income taxes paid	\$ (11,912)	\$ –

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, 2022

Number of shares/units	Security	Average cost	Fair value
	<b>Public Equity</b>		
700,840	Berry Global Group Inc.	\$ 42,533	\$ 45,047
1,632,982	Mattel Inc.	29,579	42,723
222,627	Dollar Tree Inc.	38,244	41,854
549,868	Restaurant Brands International Inc.	38,231	40,404
60,804	Elevance Health Inc.	28,500	38,152
329,650	SAP SE	51,226	37,541
104,434	Willis Towers Watson PLC	29,314	28,988
178,369	TE Connectivity Ltd.	19,521	27,192
771,456	Alfa Laval AB	31,930	26,733
5,109,808	Computer Modelling Group Ltd.	26,744	25,958
1,394,429	PrairieSky Royalty Ltd.	35,187	24,835
380,083	Apollo Global Management Inc	32,250	24,414
1,077,040	AutoCanada Inc.	11,195	24,384
	<i>Others</i>	587,249	494,813
		<u>1,001,703</u>	<u>923,038</u>
	<b>Private Equity</b>		
279,585	EdgePoint Wealth Management Inc.	510	241,981
	Private financial technology company	29,122	32,909
	Private pest control company	1,816	4,560
		<u>31,448</u>	<u>279,450</u>
	<b>Total Equities</b>	\$ 1,033,151	\$ 1,202,488
	<b>Pounds Physical Commodities</b>		
335,000	Uranium (U308)	21,377	28,993
		<u>\$ 21,377</u>	<u>\$ 28,993</u>
	Foreign exchange forward contracts	–	(3,510)
	Options	4,237	5,308
	Swap contracts	–	1,836
	Adjustment for transaction costs	(561)	–
	<b>Total financial assets and liabilities at fair value through profit or loss</b>	\$ 1,058,204	\$ 1,235,115

**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. 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 10, 2022.

**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, 2021, 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, 2021.

**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, 2022	Number of shares		Amount ('000s)
Common shares outstanding, September 30, 2022	100		–*
Class A shares issued:			
Shares outstanding, January 1, 2022	16,315,497	\$	155,118
Class A shares issued in exchange for Class J shares	15,292		144
Contributed Surplus			(7)
Class A shares outstanding, September 30, 2022	16,330,789	\$	155,255
Class J shares issued:			
Shares outstanding, January 1, 2022	6,453,406	\$	64,534
Class J shares exchanged for Class A shares	(13,700)		(137)
Class J shares outstanding, September 30, 2022	6,439,706	\$	64,397
<b>Total</b>		<b>\$</b>	<b>219,652</b>

\*Amount of common shares outstanding is \$100.

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
<b>Total</b>		<b>\$</b>	<b>219,652</b>

\*Amount of common shares outstanding is \$100.

**6. Retained earnings:**

The changes in retained earnings for the nine months ended September 30, 2022 and 2021 are as follows:

	September 30, 2022 ('000s)	September 30, 2021 ('000s)
Opening retained earnings	\$ 1,226,018	\$ 972,462
Net income (loss)	(177,950)	202,671
Class A shares repurchased for cancellation	–	(17)
Closing retained earnings	\$ 1,048,068	\$ 1,175,116

**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, 2022 and the year ended December 31, 2021:

September 30, 2022	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2022	22,572	\$ 1,414
Granted during 2022 (Fair value on grant date)	2,447	141
Cumulative fair value adjustments during the period		(202)
Balance, September 30, 2022	24,153	\$ 1,353
December 31, 2021	Units	Amount ('000s)
Opening Deferred Share Units, January 1, 2021	20,466	\$ 1,072
Granted during 2021 (Fair value on grant date)	2,106	130
Cumulative fair value adjustments during the period		212
Balance, December 31, 2021	22,572	\$ 1,414

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, 2022, the effective management fee charged on Class A shares was approximately 0.81% 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, 2022, the effective management fee charged on Class J shares was approximately 0.41% per annum.

The total management fee for the nine months ended September 30, 2022 amounted to \$7.2 million (September 30, 2021: \$7.4 million), with nil in outstanding accrued fees due to the Manager at September 30, 2022 and December 31, 2021.

(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, 2022, allocated expenses totaled \$0.3 million (September 30, 2021: \$0.2 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 allowed Cymbria to borrow up to \$100 million. On March 10, 2022, Cymbria amended the credit agreement to allow the \$100 million facility to be the aggregate of a renewable

**9. Credit facility (continued):**

\$75 million revolving commitment that will mature on March 10, 2027 and a \$25 million prime rate term loan that will mature on March 10, 2029.

Interest on the term commitment is charged at 3-month CDOR plus 1.40%, however, Cymbria has entered into a interest rate swap contract that will fix the interest on this portion of the term commitment at 3.8% per annum until maturity. Interest on the revolving commitment is charged on the outstanding balance based on whether the facility is drawn as bankers acceptance or prime loan. When drawn upon, the credit facility is secured by a selection of eligible securities in Cymbria's investment portfolio. As at September 30, 2022, the outstanding balance of the term credit facility was \$25.0 million and revolving credit facility was \$5.1 million (December 31, 2021: nil and \$2.6 million). For the nine months ended September 30, 2022, Cymbria accrued \$1.2 million in interest and standby fees on the credit facility (September 30, 2021: \$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, derivative financial instruments and physical commodities 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 and physical commodities 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, 2022 ('000s)				
	Level 1	Level 2	Level 3	Total
Equities	\$ 923,038	\$ –	\$ 279,450	\$ 1,202,488
Physical commodities	–	28,993	–	28,993
Options	–	5,308	–	5,308
Interest rate swap	–	1,836	–	1,836
Foreign exchange forward contracts	–	184	–	95
Foreign exchange forward contracts	–	(3,694)	–	(3,612)
<b>Total</b>	<b>\$ 923,038</b>	<b>\$ 32,627</b>	<b>\$ 279,450</b>	<b>\$ 1,235,108</b>

  

Assets (liabilities) at fair value as at December 31, 2021 ('000s)				
	Level 1	Level 2	Level 3	Total
Equities	\$1,093,726	\$ –	\$ 298,640	\$ 1,392,366
Physical commodities	–	21,251	–	21,251
Options	–	3,589	–	3,589
Foreign exchange forward contracts	–	327	–	327
Foreign exchange forward contracts	–	(244)	–	(244)
<b>Total</b>	<b>\$1,093,726</b>	<b>\$ 24,923</b>	<b>\$ 298,640</b>	<b>\$ 1,417,289</b>

For the nine months ended September 30, 2022, the net change in value for financial instruments classified as at FVTPL is a \$224.6 million loss (September 30, 2021: \$211.8 million gain).

The following tables reconcile Cymbria's Level 3 fair value measurements for the nine months ended September 30, 2022 and the year ended December 31, 2021.

**10. Fair value measurement (continued):**

September 30, 2022 (‘000s)		
	Equities	
Balance at beginning of period	\$ 298,640	
Investment purchases during the period	2,983	
Increase (decrease) in net unrealized gain on investments	(22,173)	
Balance at end of period	\$ 279,450	

  

December 31, 2021 (‘000s)		
	Equities	Fixed Income
Balance at beginning of year	\$ 288,140	6,415
Investments sold during the year	–	(6,000)
Investments transferred during the year	(39,662)	–
Increase (decrease) in net unrealized gain on investments	50,162	(415)
Balance at end of year	\$ 298,640	–

During the nine months ended September 30, 2022, there were no transfers between levels (September 30, 2021: one).

(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, 2022, Cymbria had three Level 3 equity investments: EdgePoint, 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 a 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, 2022 in measuring EdgePoint.

EdgePoint Wealth Management Inc.

Fair Value at September 30, 2022: \$242.0 million

Unobservable Input	Input used	Range of reasonable alternatives	Sensitivity to changes in significant unobservable inputs
Annual market growth	6%	5%–7%	(\$10.0M)–\$10.3M
Redemption rate	13%	10%–16%	\$26.4M–(\$22.6M)
Discount rate	12.5%	11%–14%	\$17.0M–(\$15.1M)
Portfolio management cost	0.15%	0.1%–0.2%	\$20.2M–(\$20.2M)
Terminal growth rate	0.7%	0%–2%	(\$9.4M)–\$8.1M

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 10%–16% 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 11%–14% 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.

**10. Fair value measurement (continued):**

- (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 growth rate: represents the growth rate of EdgePoint's earnings in perpetuity. The valuation model uses the Gordon growth model to ascribe a terminal value. The range of terminal growth rates was determined using management's estimate of growth prospects for the business beyond the end of the term of the forecasted cash flows.

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 5%, redemption rate to 16%, discount rate to 14%, portfolio management cost to 0.2%, and terminal growth rate to 0% would result in a decrease in the value of EdgePoint by \$65.1 million or 27%. Conversely, taking an optimistic view by changing the annual market rate to 7%, redemption rate to 10%, discount rate to 11%, portfolio management cost to 0.1%, and terminal growth rate to 2% would result in an increase in the value of EdgePoint by \$98.7 million or 41%.

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 the financial technology company was determined using the most recent price that equity was raised at during the quarter. The fair value of the pest control company was determined using a financial model with inputs for valuation multiples that are consistent with industry comparatives.

**(b) Derivative assets and liabilities**

Derivative assets and liabilities consists of foreign exchange forward contracts, equity call option contracts and an interest rate swap contract. 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. The interest rate swap contract is valued using a model with an observable input for the floating interest rate. Counterparty credit risk is managed through the use of collateral and a Credit Support Annex, when available.

**(c) Physical commodities**

Physical commodities is comprised of Uranium owned and stored at a third party storage facility. The value is determined using a spot price from a third party pricing vendor and is classified as Level 2. For the nine months ended September 30, 2022, the change in unrealized gain was an increase of \$4.4 million of which \$1.5 million represents an unrealized foreign currency gain (December 31, 2021: \$3.2 million and \$0.1 million foreign currency gain).

## **OFFICERS**

**Tye Bousada, CFA**

*Co-Chief Executive Officer*

**Geoff MacDonald, CFA**

*Co-Chief Executive Officer*

**Diane Rossi**

*Corporate Secretary*

**Norman Tang, CPA, CA**

*Chief Financial Officer*

## **DIRECTORS**

**Ugo Bizzarri, CFA**

*Director and member of the Audit Committee*

**Reena Carter, CA, CPA, CBV, C.Dir**

*Director and Chair of the Audit Committee*

**Patrick Farmer, CFA**

*Chairman*

**James MacDonald**

*Director and member of the Audit Committee*

**Edward Waitzer**

*Director and member of the Audit Committee*

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## **TORONTO STOCK EXCHANGE LISTING**

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