

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

The Management's Discussion and Analysis ["MD&A"] of financial condition and results of operations analyzes significant changes in the unaudited interim condensed consolidated financial statements of Clairvest Group Inc. ["Clairvest" or the "Company"]. It should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and notes of Clairvest as at and for the quarter ended September 30, 2016 and the quarterly news release.

The Company's consolidated financial statements include those subsidiaries which provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of these entities. Such entities would include those which earn priority distributions or management fees and carried interest from the CEP Funds. The following entities, which are significant in nature, provide investment-related services on behalf of the Company.

Clairvest GP Manageco Inc.
Clairvest GP [GPLP] Inc.
CEP MIP GP Corporation
Clairvest USA Limited
Clairvest General Partner Limited Partnership
Clairvest General Partner III Limited Partnership
Clairvest General Partner IV Limited Partnership
Clairvest General Partner V Limited Partnership
PGO Aviation LP

The Company employs various acquisition entities in structuring its investments, all of which are controlled by Clairvest. These acquisition entities, which are accounted for at fair value in accordance with International Financial Reporting Standards ["IFRS"] as described in the Critical Accounting Estimates section below, include the following:

2141788 Ontario Corporation ["2141788 Ontario"]
2486303 Ontario Inc. ["2486303 Ontario"]
CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"]
MIP III Limited Partnership ["MIP III"]
CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"]
MIP IV Limited Partnership ["MIP IV"]
CEP V Co-Investment Limited Partnership ["CEP V Co-Invest"]
MIP V Limited Partnership ["MIP V"]

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly-owned acquisition entity of Clairvest. 2486303 Ontario is a wholly-owned acquisition entity of Clairvest which purchased 100% of the limited partner interest and 50% of the general partner interest of Clairvest Equity Partners Limited Partnership ["CEP"] in December 2015. CEP was an investment fund held by third party investors prior to being purchased by 2486303 Ontario. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, and CEP V Co-Invest and MIP V are described in the Transactions with Related Parties and Off-Statement of Financial Position Arrangements sections of the MD&A.

Clairvest is considered an agent of the third-party funds which it manages. Accordingly, the financial positions and operating results of Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"], and Clairvest Equity Partners V Limited Partnership ["CEP V"] and Clairvest Equity Partners V-A Limited Partnership ["CEP V-A"] [together, the "CEP Funds"] are not included in Clairvest's financial position and operating results.

All amounts are in Canadian dollars unless otherwise indicated.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements as at and for the year ended March 31, 2016 contain certain disclosures not included in the unaudited interim condensed consolidated financial statements as at and for the quarter ended September 30, 2016, accordingly, this MD&A should be read in conjunction with the audited consolidated financial statements as at and for the year ended March 31, 2016.

Clairvest prepared its consolidated financial statements in accordance with IFRS 10, "Consolidated Financial Statements", as issued by the International Accounting Standards Board. For a discussion of all significant accounting policies which includes a discussion of the Company's critical accounting estimates, refer to note 2 to the consolidated financial statements. A description of critical accounting estimates are provided below.

Fair value of financial assets or liabilities

When a financial asset or liability is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, the fair value of an investment quoted on an active market is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted on sale or transfer are recorded at amounts at fair values which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants for which the underlying security is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants; interest rate; current market price; expected dividends; and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and net investment gains.

Recognition of carried interest and corresponding expenses

The Company recognizes unrealized carried interest from the CEP Funds on its consolidated statements of financial position which are based on the fair values of the financial instruments held by the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques which by their nature involve the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of carried interest receivable and the resulting accrued liabilities for future payouts relating to these carried interest receivable at the statement of financial position date.

Deferred income taxes

The process of determining deferred income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies, changes in tax laws and rates, and loss carryforwards. Deferred income tax assets are only recognized to the extent that, in the opinion of management, it is probable that the deferred income tax asset will be realized. A change to an accounting estimate with respect to deferred income taxes would impact deferred income tax liability and income tax expense.

FINANCIAL CONDITION AND BOOK VALUE

The following table summarizes the Company's financial position and book value:

Financial Position			
[\$000's] [except share information]			
As at	September 30, 2016	June 30, 2016	March 31, 2016
Cash, cash equivalents and temporary investments ["treasury funds"]	87,131	87,853	87,043
Carried interest receivable from the CEP Funds	73,685	68,725	64,009
Corporate investments, at fair value	379,261	368,355	353,801
Total assets	595,196	592,405	570,191
Management participation	50,868	47,294	43,977
Total liabilities	93,024	100,165	84,670
Book value	502,172	492,240	485,521
Book value per share	33.05	32.35	31.91
Dividend per share declared	—	0.3191	—
Number of common shares outstanding	15,194,095	15,214,095	15,214,095

Clairvest's book value grew by \$0.70 per share during the second quarter of fiscal 2017, or by \$1.14 per share for the six months ended September 30, 2016.

For the quarter ended September 30, 2016, the increase was primarily due to \$10.5 million, or \$0.69 per share, in net income and comprehensive income ["net income"] and the accretive effect of 20,000 shares purchased and cancelled under the Normal Course Issuer Bid ["NCIB"]. During the quarter, the aggregate value of Clairvest's underlying investee companies ["investee companies"] increased by \$14.7 million. The Company also recorded \$5.2 million in net carried interest income, \$0.8 million in share-based compensation expenses and \$3.6 million in management participation.

For the six months ended September 30, 2016, net income was \$22.1 million, or \$1.45 per share.

ASSETS

As at September 30, 2016, the Company's treasury funds of \$87.1 million were held in cash, money market savings accounts rated not below R1-High, investment savings accounts and guaranteed investment certificates either rated not below A or principally protected by the Canada Deposit Insurance Corporation [see notes 4 and 15 to the consolidated financial statements for a detailed discussion of the Company's treasury funds]. 2141788 Ontario also held \$40.6 million in cash, investment savings accounts and guaranteed investment certificates rated comparably. Clairvest also is the beneficial owner to \$7.0 million in cash held in various acquisition entities which are controlled by Clairvest.

Clairvest has a \$75.0 million, committed credit facility with a maturity date of April 30, 2020. The credit facility is unsecured and bears interest at the rate of 11.0% per annum on drawn amounts and 1.0% per annum on undrawn amounts. The amount available under the credit facility as at September 30, 2016 was \$75.0 million.

Clairvest also has a \$20.0 million credit facility with a Canadian chartered bank. The credit facility, which is subject to annual renewal, is unsecured and bears interest at the bank prime rate plus 0.5% per annum. The amount available under the credit facility as at September 30, 2016 was \$20.0 million, which is based on debt covenants and certain restrictions within the banking arrangement.

As at September 30, 2016, Clairvest had corporate investments with a carrying value of \$379.3 million, an increase of \$10.9 million during the second quarter of fiscal 2017, \$352.4 million of which represents the fair value of Clairvest's investee

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

companies and the remaining \$26.9 million of which represents other net assets [liabilities] held by Clairvest's acquisition entities.

Excluding net assets [liabilities] held by Clairvest's acquisition entities, the aggregate carrying value of Clairvest's investee companies increased by \$14.7 million during the second quarter of fiscal 2017, which primarily comprised the following:

- Net changes in unrealized gains on its investee companies of \$7.5 million;
- Net investments totaling \$3.5 million;
- Foreign exchange revaluations of \$3.3 million.
- Interest accrued on debt investments of \$0.4 million;

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. In order to limit its exposure to changes in the value of these investments denominated in foreign currencies relative to the Canadian dollar, Clairvest and its acquisition entities enter into hedging positions against these foreign denominated currencies as approved by the Board of Directors. For the quarter ended September 30, 2016, the foreign exchange adjustments made in Clairvest's valuation of its investee companies is primarily offset by the foreign exchange adjustments made in the forward exchange forward contracts used to support its foreign exchange hedging strategy, except for its foreign exchange exposure in the Chilean Pesos ["CLP"] which is unhedged. The foreign exchange adjustments made in the forward exchange forward contracts are described in the Derivative Financial Instruments section of the MD&A.

The following table summarizes Clairvest's investee companies as at September 30, 2016 and March 31, 2016:

[\$000's]	September 30, 2016			March 31, 2016		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments made by CEP III Co-Invest alongside CEP III						
Chilean Gaming Holdings ^[a]	48,789	28,754	20,035	43,674	28,754	14,920
Light Tower Rentals Inc. ["Light Tower Rentals"]	–	–	–	–	2,403	[2,403]
Lyophilization Services of New England Inc. ["LSNE"]	16,009	6,915	9,094	16,017	7,077	8,940
Investments made by CEP IV Co-Invest alongside CEP IV						
Centaur Gaming	77,916	14,644	63,272	68,672	14,644	54,028
Cieslok Media Inc. ["Cieslok Media"]	12,384	4,015	8,369	10,640	4,015	6,625
County Waste of Virginia, LLC ["County Waste"]	17,376	7,533	9,843	11,981	7,308	4,673
CRS Contractors Rental Supply Limited Partnership ["CRS"]	21,511	10,573	10,938	22,009	10,573	11,436
Davenport Land Investments ^[b]	2,925	2,196	729	2,858	2,196	662
Discovery Air Inc. ["Discovery Air"]	30,231	31,770	[1,539]	30,685	32,243	[1,558]
Momentum Aerospace Group ["MAG"]	5,934	3,838	2,096	5,600	3,838	1,762
New Meadowlands Racetrack, LLC [the "Meadowlands"]	10,135	6,444	3,691	8,551	5,580	2,971
Rivers Casino	27,653	7,508	20,145	26,202	7,508	18,694
Winters Bros. Waste Systems of CT, LLC ["Winters Bros. of CT"]	10,006	8,053	1,953	9,907	8,053	1,854
Investments made by CEP V Co-Invest alongside CEP V						
Accel Entertainment Inc. ["Accel Entertainment"]	15,858	15,978	[120]	12,646	12,910	[264]
Digital Media Solutions, LLC ["DMS"]	8,066	8,254	[188]	7,987	8,254	[267]
Winters Bros. Waste Systems of Long Island Holdings, LLC ["Winters Bros. of LI"]	11,037	8,236	2,801	10,927	8,236	2,691
Grey Eagle Casino ["Grey Eagle"]	14,041	11,017	3,024	14,076	11,017	3,059
Wellington Financial ^[c]	21,313	14,631	6,682	20,852	14,631	6,221
	351,184	190,359	160,825	323,284	189,240	134,044
Other investments	1,219	1,308	[89]	1,415	1,486	[71]
	352,403	191,667	160,736	324,699	190,726	133,973

^[a] Comprised Clairvest's indirect investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama

^[b] Comprised two entities which hold real estate surrounding a casino in Davenport, Iowa ["Davenport North" and "Davenport South"].

^[c] Comprised interests in WF Fund III Limited Partnership ["Wellington Fund III"], WF Fund IV Limited Partnership ["Wellington Fund IV"] and WF Fund V Limited Partnership ["Wellington Fund V"] and their respective general partners.

Significant events relating to these investee companies, other than with respect to valuation changes and foreign exchange adjustments, are described below.

Light Tower Rentals

During the second quarter of fiscal 2017, CEP III Co-Invest realized on its investment in Light Tower Rentals, which had a carrying value of nil since December 2015. Over the life of this investment, CEP III Co-Invest received total proceeds of US\$37.9 million against its original investment of US\$8.1 million in Light Tower Rentals.

County Waste

During the second quarter of fiscal 2017, CEP IV Co-Invest invested an additional US\$0.2 million for 174.3 units in Spare Lots, LLC, a company affiliated with County Waste. At September 30, 2016, CEP IV Co-Invest held 6,942.64 Class B units in County Waste and 174.3 units in Spare Lots, LLC which collectively represent a 12.5% ownership interest on a fully diluted basis.

Discovery Air

During the second quarter of fiscal 2017, the maturity date of the \$2.3 million promissory notes issued by Discovery Air to Clairvest was extended to December 15, 2016. Also during the second quarter of fiscal 2017, \$0.5 million of a \$2.2 million secured revolving credit facility advanced by CEP IV Co-Invest to Discovery Air were repaid such that \$1.7 million remained outstanding at September 30, 2016. Subsequent to quarter end, Discovery Air repaid an additional \$0.4 million of the secured revolving credit facility.

The Meadowlands

During the second quarter of fiscal 2017, CEP IV Co-Invest invested an additional US\$0.6 million in the Meadowlands in the form of preferred debt with a stated interest of 3% per annum which is payable-in-kind. At September 30, 2016, CEP IV Co-Invest had advanced US\$0.7 million in preferred debt in addition to US\$5.4 million in debentures with a stated interest of 15% per annum which is payable-in-kind.

Accel Entertainment

During the second quarter of fiscal 2017, CEP V Co-Invest invested an additional US\$2.4 million in Accel Entertainment pursuant to a post-closing purchase price adjustment. At September 30, 2016, CEP V Co-Invest held 283,478 Class D preferred shares in Accel Entertainment representing an 8.1% ownership interest on a fully diluted basis.

LIABILITIES

As at September 30, 2016, Clairvest had \$93.0 million in liabilities, which included \$6.1 million in accrued management and director compensation, \$17.8 million in share-based compensation, \$50.9 million in management participation and \$15.3 million deferred income tax liability. \$54.9 million of these liabilities were payable only upon the cash realization of certain investments of Clairvest or the CEP Funds, and the cash realizations are expected to far exceed the payments required upon these realizations.

EQUITY AND SHARE INFORMATION

Clairvest has a normal course issuer bid outstanding enabling it to purchase up to 760,704 common shares during the 12-month period ending March 6, 2017. During the second quarter of fiscal 2017 and up to November 10, 2016, Clairvest purchased and cancelled 20,000 common shares under this normal course issuer bid for an aggregate cost of \$0.6 million. As at November 10, 2016, Clairvest had repurchased a total of 6,615,049 common and non-voting shares over the last twelve years at a total cost of \$68.9 million.

As at September 30, 2016, Clairvest had 15,194,095 common shares issued and outstanding.

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

In June 2016, the Board of Directors of the Company authorized the creation of Non-Voting Series 2 Shares ["Non-Voting Shares"] which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the new stock option program as described below. No Non-Voting Shares have been issued as at September 30, 2016.

Also in June 2016, Company adopted a new stock option plan [the "Non-Voting Option Plan"]. Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares. Subsequent to the adoption of the Non-Voting Option Plan, Clairvest granted 203,353 options under this plan. The Non-Voting Option Plan has a cash settlement feature. Options granted under this plan vest at a rate of one-fifth of the grant at the end of each year over a 5-year period. As at September 30, 2016, all 203,353 options were outstanding and none have vested. As at September 30, 2016, the Black-Scholes value of these options was \$1.2 million which has been accrued under the Company's Non-Voting Option Plan and included in share-based compensation.

In addition, in June 2016 the Board of Directors of the Company approved an Employee Deferred Share Units ["EDSU"] Plan. The EDSU Plan provides, among other things, that participants may elect to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. The EDSU Plan received shareholder's approval by ordinary resolution during the second quarter of fiscal 2017. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represents approximately 1.3% of the outstanding number of common shares. During the quarter ended September 30, 2016, 18,445 EDSUs were issued based on the terms and conditions of the EDSU Plan. Accordingly, an accrual of \$0.5 million has been included in share-based compensation liability.

FINANCIAL RESULTS

Net income for the quarter and six months ended September 30, 2016 was \$10.5 million and \$22.1 million, compared with \$2.9 million and \$10.8 million for the same period during the last fiscal year. The following table summarizes the composition of net income:

Financial Results [\$000's] [except per share information]	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Net investment gains				
- Investee companies inclusive of foreign exchange hedging activities	8,174	687	21,620	13,129
- Acquisition entities including distributions, interest, dividends and fees received from investee companies and net of taxes payable by these acquisition entities	2,347	3,256	3,139	3,414
	10,521	3,943	24,759	16,543
Distributions, interest income, dividends and fees				
- CEP Funds	3,008	2,724	6,077	4,788
- Investee companies	2,062	1,904	3,908	3,102
- Treasury funds ^[1]	[1,022]	[200]	[239]	768
- Acquisition entities and other	406	15	788	30
	4,454	4,443	10,534	8,688
Net carried interest income – realized and unrealized changes	5,192	[314]	9,908	3,574
Total expenses	8,041	4,652	21,238	16,428
Net income before income taxes	12,126	3,420	23,963	12,377
Income taxes	1,606	538	1,869	1,606
Net income	10,520	2,882	22,094	10,771
Net income per share	0.69	0.19	1.45	0.71
Net income per share - fully diluted	0.69	0.19	1.45	0.71

^[1] Includes realized gains/losses and market value changes to Clairvest's treasury funds.

The Company fair values its acquisition entities which hold Clairvest's interest in its investee companies as well as other assets and liabilities. Distributions, interest, dividends and fees earned from and realized gains and net changes in unrealized gains in respect of the investee companies held by acquisition entities, including foreign exchange fluctuations and the hedging activities related to managing the foreign currency exposure of these investments, and income taxes incurred by these acquisition entities, are reflected in net investment gains until the net proceeds are distributed out of these acquisition

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

entities, at which point the Company would record a distribution or a dividend from acquisition entities and reverse the net investment gains or losses which had previously been recorded.

The net changes in unrealized gains or losses on investee companies for the quarters and six months ended September 30 are summarized as follows:

	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Casino New Brunswick	—	3,653	—	4,515
Centaur Gaming	4,002	3,382	8,436	5,938
Cieslok Media	1,744	516	1,744	2,185
Chilean Gaming Holdings	[169]	3,246	4,001	8,111
County Waste	2,211	—	5,003	—
CRS	[497]	—	[497]	—
Davenport Land Investments	—	—	—	223
Discovery Air	—	[425]	—	961
Grey Eagle Casino	[595]	1,354	[39]	1,371
Light Tower Rentals	—	[10,530]	—	[10,530]
MAG	140	118	275	213
Rivers Casino	872	[99]	1,183	82
Wellington Financial	[184]	676	461	1,784
	7,524	1,891	20,567	14,853
Other	—	—	[17]	—
Net changes in unrealized gains on investee companies	7,524	1,891	20,550	14,853

The Company and its acquisition entities also receive distributions, interest, dividends or fees from various investee companies. The following table summarizes the income earned by the Company and its acquisition entities for the quarters and six months ended September 30:

	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Distributions and interest income				
Casino New Brunswick	—	1,064	—	1,136
Centaur Gaming	26	11	52	21
Davenport Land Investments	19	—	38	338
Digital Media Solutions	180	—	397	—
Discovery Air	110	64	222	160
Grey Eagle Casino	645	289	1,672	462
LSNE	—	23	—	178
MAG	93	17	138	40
The Meadowlands	312	298	613	574
Rivers Casino	855	986	1,948	2,261
Wellington Financial	1,387	689	2,604	1,189
	3,627	3,441	7,684	6,359
Dividends				
Chilean Gaming Holdings	2,140	334	3,296	391
Advisory and other fees	532	995	1,064	1,489
Distributions, interest, dividends and fees from investee companies	6,299	4,770	12,044	8,239

The Company also receives distributions, fees and interest from the CEP Funds as described in the Transaction with Related Parties section of the MD&A. The following table summarizes the distributions, fees and interest earned from the CEP Funds for the quarters and six months ended September 30:

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

DISTRIBUTIONS, FEES AND INTEREST FROM THE CEP FUNDS [\$000'S]

	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Priority distributions	2,671	1,817	5,335	3,621
Management fees	324	180	650	359
Interest on loans advanced	13	727	92	808
Distributions, fees and interest from the CEP Funds	3,008	2,724	6,077	4,788

The Company also earns carried interest income from the CEP Funds, as described in the Transaction with Related Parties section of the MD&A. The following table summarizes net carried interest income earned by the Company for the quarters and six months ended September 30:

NET CARRIED INTEREST INCOME [\$000's]

	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Realized carried interest from the CEP Funds	232	160	232	160
Net change in unrealized carried interest from the CEP Funds	4,960	[474]	9,676	3,414
Net carried interest income	5,192	[314]	9,908	3,574

For the quarter ended September 30, 2016, the Company incurred a net loss of \$1.0 million from its treasury funds, compared to a net loss from its treasury funds of \$0.2 million for the same quarter last year. The net loss was primarily the result of the \$1.2 million net realized loss from the sale of Light Tower Rentals corporate bonds.

Total expenses for the second quarter of fiscal 2017 were \$8.0 million, compared with \$4.7 million for the same quarter last year. The following table summarizes expenses incurred by the Company for the quarters and six months ended September 30:

TOTAL EXPENSES EXCLUDING INCOME TAXES [\$000's]

Quarters ended September 30	Quarter ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Employee compensation and benefits	2,575	2,541	5,454	4,782
Share-based compensation expenses	849	994	6,611	6,025
Administration and other expenses				
Domain and due diligence expenses	104	170	273	311
Professional fees	145	151	442	414
Office and other expenses	689	1,185	1,630	2,078
	938	1,506	2,345	2,803
Finance and foreign exchange expense [recovery]				
Interest and bank charges	195	195	390	461
Foreign exchange costs [gain]	[90]	[314]	[453]	[339]
	105	[119]	[63]	122
Management participation	3,574	[270]	6,891	2,696
Total expenses, excluding income taxes	8,041	4,652	21,238	16,428

Included in share-based compensation expenses for the second quarter of fiscal 2017 was \$0.1 million on the Non-Voting Options, \$0.3 million on the Deferred Share Units ["DSUs"] and Appreciation Deferred Share Units ["ADSUs"], and \$0.4 million on the Book Value Appreciation Rights ["BVARs"].

Management participation is further described in the Transaction with Related Parties section of the MD&A.

The Company incurred \$1.6 million in income tax expense, and its acquisition entities incurred \$1.0 million in income tax expense during the second quarter of fiscal 2017, compared with \$0.5 million expense and \$0.4 million in expense recovery respectively for the same quarter last year. Income tax expense incurred by the Company's acquisition entities are reflected in net investment gains.

SUMMARY OF QUARTERLY RESULTS

Quarterly results [\$000's except per share information]	Gross Revenue \$	Net income [loss] \$	Net income [loss] per common share \$	Net income [loss] per common share fully diluted* \$
September 30, 2016	20,167	10,520	0.69	0.69
June 30, 2016	25,034	11,574	0.76	0.76
March 31, 2016	27,878	17,265	1.14	1.14
December 31, 2015	18,279	11,930	0.78	0.78
September 30, 2015	8,072	2,882	0.19	0.19
June 30, 2015	20,733	7,889	0.52	0.52
March 31, 2015	32,524	19,009	1.25	1.25
December 31, 2014	4,330	[2,907]	[0.19]	[0.19]

* The sum of quarterly net income [loss] per common share may not equal the year to date net income per common share due to rounding and the dilutive effect on any quarters which may not be applicable for the full year.

OUTLOOK & SUBSEQUENT EVENTS

As a long term investor, Clairvest is focused on building value in its investee companies by contributing strategic expertise, guiding management through volatile times and helping its investee companies capitalize on new opportunities that arise.

As at September 30, 2016, Clairvest had \$684.9 million of capital available for future acquisitions through treasury funds, credit facilities and access to funds at its acquisition entities and uncalled capital in the CEP Funds. With the available funds, Clairvest has ample liquidity to support its investee companies as appropriate and to continue its active pursuit of new investment opportunities to enhance shareholder value.

TRANSACTIONS WITH RELATED PARTIES

The general partner of CEP, an entity which is controlled by Clairvest, is entitled to participate in distributions made by CEP equal to 20% of all net gains [a "20% carried interest"] of CEP as governed by its limited partnership agreement. Effective December 21, 2015, 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to 2486303 Ontario. During the second quarter of fiscal 2017, the general partner of CEP earned \$0.2 million in carried interest from CEP, 50% of which or \$0.1 million was ultimately paid to Clairvest, and the other 50% or \$0.1 million was ultimately paid to 2486303 Ontario.

As at September 30, 2016, if CEP were to sell all of its corporate investments at their current fair values, CEP GP would receive up to \$2.4 million in carried interest from CEP. In accordance with IFRS, Clairvest has recorded the \$2.4 million as carried interest receivable on the consolidated statements of financial position, with a \$1.2 million payable owed to 2486303 Ontario.

As the general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of fees earned by Clairvest from corporate investments of CEP III. During the second quarter of fiscal 2017, CEP III declared to Clairvest priority distributions of \$0.2 million. As per the Limited Partnership Agreement, fees of \$41 thousand from corporate investments of CEP III were netted against the priority distributions.

The general partners of CEP III ["CEP III GPs"] are entitled to a 20% carried interest in respect of CEP III as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP III, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP III have purchased, at fair market value, units of the MIP III. From time to time, additional units in MIP III may be purchased by the limited partners of MIP III. As at September 30, 2016, CEP III had declared and paid distributions to CEP III GPs totaling \$38.7 million, 50% of which, or \$19.4 million, was ultimately paid to Clairvest and the other 50% or \$19.4 million, was ultimately paid to the limited partners of MIP III. No amounts were declared by CEP III to the CEP III GPs during the quarter ended September 30, 2016.

As at September 30, 2016, if CEP III were to sell all of its corporate investments at their current fair values, CEP III GPs would receive up to \$19.2 million in carried interest from CEP III. In accordance with IFRS, Clairvest has recorded the \$19.2 million as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP III, or \$9.6 million, recorded as a management participation liability on the consolidated statements of financial position.

Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP III. MIP III has invested \$1.1 million in CEP III Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP III Co-Invest via the general partner of CEP III Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.2 million in carried interest received by MIP III, and the remaining carried interest is the entitlement of the limited partners of MIP III.

As at September 30, 2016, CEP III Co-Invest had paid distributions totaling \$4.8 million to MIP III with respect to this carried interest entitlement. As at September 30, 2016, if CEP III Co-Invest were to sell its corporate investments at their current fair values, the limited partners of MIP III would receive up to \$5.0 million in carried interest from CEP III Co-Invest based on the terms described above, the amount of which has been recorded as management participation liability on the consolidated statements of financial position.

Clairvest, as the general partner of MIP III, is also entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. As at September 30, 2016, \$1.9 million has been received by Clairvest. No amounts were received by Clairvest during the quarter ended September 30, 2016.

As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2016, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During the second quarter of fiscal 2017, CEP IV declared to Clairvest priority distributions of \$0.7 million. As per the Limited Partnership Agreement, fees of \$0.2 million from corporate investments of CEP IV were netted against the priority distributions.

The general partners of CEP IV ["CEP IV GPs"] are entitled to a 20% carried interest in respect of CEP IV as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP IV have purchased, at fair market value, units of the MIP IV. From time to time, additional units in MIP IV may be purchased by the limited partners of MIP IV. No carried interest has been declared and paid by CEP IV to the CEP IV GPs as at September 30, 2016.

As at September 30, 2016, if CEP IV were to sell all of its corporate investments at their current fair values, CEP IV GPs would receive up to \$43.3 million in carried interest from CEP IV. In accordance with IFRS, Clairvest has recorded the \$43.3 million as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$21.7 million, recorded as a management participation liability on the consolidated statements of financial position.

As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2016, the management fee is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During the second quarter of fiscal 2017, Clairvest earned management fees of \$0.1 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, \$39 thousand was netted against the management fees.

The general partner of CEP IV-A ["CEP IV-A GP"], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP IV-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV. No carried interest has been declared and paid by CEP IV-A to CEP IV-A GP as at September 30, 2016.

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

As at September 30, 2016, if CEP IV-A were to sell all of its corporate investments at their current fair values, CEP IV-A GP would receive up to \$8.8 million in carried interest from CEP IV-A. In accordance with IFRS, Clairvest has recorded the \$8.8 million as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$4.4 million, recorded as a management participation liability on the consolidated statements of financial position.

Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partners, Clairvest and MIP IV. MIP IV has invested \$1.6 million in CEP IV Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest via the general partner of CEP IV Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.4 million in carried interest received by MIP IV, and the remaining carried interest is the entitlement of the limited partners of MIP IV.

As at September 30, 2016, if CEP IV Co-Invest were to sell all of its corporate investments at their current fair values, MIP IV would receive up to \$10.2 million in carried interest from CEP IV Co-Invest based on the terms described above, the amount of which has been recorded as a management participation liability on the statements of financial position. To date, CEP IV Co-Invest has not made any carried interest payments to MIP IV.

Clairvest, as general partner of MIP IV, is also entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by MIP IV in CEP IV Co-Invest. No amounts have been received by Clairvest as at September 30, 2016.

As general partner of CEP V, Clairvest is entitled to a priority distribution from CEP V. The priority distribution is calculated monthly as follows: from January 14, 2016 through January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 58.8% of any fees earned by Clairvest from corporate investments of CEP V. During the second quarter of fiscal 2017, CEP V declared to Clairvest priority distributions of \$1.7 million. As per the Limited Partnership Agreement, fees of \$38 thousand from corporate investments of CEP V were netted against the priority distributions.

The general partners of CEP V ["CEP V GPs"] are entitled to a 20% carried interest in respect of CEP V as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP V have purchased, at fair market value, units of the MIP V. From time to time, additional units in MIP V may be purchased by the limited partners of MIP V. No carried interest has been declared and paid by CEP V to the CEP V GPs as at September 30, 2016.

As manager of CEP V-A, Clairvest is entitled to a management fee from CEP V-A. The management fee is calculated monthly as follows: from January 14, 2016 through January 13, 2021, 0.1667% of committed capital, and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 11.2% of fees earned by Clairvest from corporate investments of CEP V-A and other amounts as provided in the Limited Partnership Agreement. During the second quarter of fiscal 2017, Clairvest earned management fees of \$0.2 million as compensation for its services in the administration of the portfolio of CEP V-A. As per the Limited Partnership Agreement, \$0.1 million was netted against the management fees.

The general partner of CEP V-A ["CEP V-A GP"], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP V-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V. No carried interest has been declared and paid by CEP V-A to CEP V-A GP as at September 30, 2016.

Clairvest is required to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest was established in fiscal 2015 as an investment vehicle for this purpose. CEP V Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP V. MIP V has invested \$2.4 million in CEP V Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP V Co-Invest via the general partner of CEP V Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$1.4 million in carried interest received by MIP V, and the remaining carried interest is the entitlement of the limited partners of MIP V.

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

November 10, 2016

Clairvest, as the general partner of MIP V, is also entitled to participate in distributions equal to the realizable value on the \$2.4 million invested by MIP V in CEP V Co-Invest. No amounts have been received by Clairvest as at September 30, 2016.

As at June 30, 2016, the Company had advanced loans totaling \$3.2 million to CEP IV bearing interest at the Reference Rate in accordance with CEP IV's Limited Partnership Agreement. Additional loans totaling \$0.3 million were made by the Company to CEP IV during the second quarter of fiscal 2017. These loans were repaid in full during the quarter. Interest of \$5 thousand was earned from loans to CEP IV during the second quarter of fiscal 2017.

During the second quarter for fiscal 2017, the Company advanced loans totaling \$6.0 million to CEP V bearing interest at the Reference Rate in accordance with CEP V's Limited Partnership agreement, which were repaid in full during the quarter. Interest of \$8 thousand was earned from loans to CEP V during the second quarter of fiscal 2017.

During the second quarter for fiscal 2017, the Company advanced loans totaling \$1.1 million to CEP V-A bearing interest at the Reference Rate in accordance with CEP V's Limited Partnership agreement, which were repaid in full during the quarter. Interest of \$2 thousand was earned from loans to CEP V-A during the second quarter of fiscal 2017.

As at June 30, 2016, the Company had advanced non-interest bearing loans totaling \$9.4 million to CEP IV Co-Invest. Additional loans totaling \$9.7 million were made by the Company to CEP IV Co-Invest during the second quarter of fiscal 2017. Also during the second quarter of fiscal 2017, CEP IV Co-Invest repaid \$13.9 million such that \$5.2 million were outstanding at September 30, 2016.

As at June 30, 2016, the Company had advanced non-interest bearing loans totaling \$0.3 million to CEP V Co-Invest. Additional loans totaling \$3.1 million were made by the Company to CEP V Co-Invest during the second quarter of fiscal 2017. The loans were repaid in full during the quarter.

As at June 30, 2016, the Company had advanced \$10.9 million in loans to 2486303 Ontario bearing interest at 10% per annum. During the second quarter of fiscal 2017, 2486303 Ontario repaid \$0.4 million such that \$10.5 million were outstanding at September 30, 2016. Interest of \$0.3 million was earned from loans to CEP IV during the second quarter of fiscal 2017.

Key management at Clairvest are the Co-Chief Executive Officers ["Co-CEOs"] and its directors. The Co-CEOs are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest's Incentive Bonus Program, the Non-Voting Option Plan, the BVAR plan and the EDSU plan. Compensation paid to the Co-CEOs during the second quarter of fiscal 2017 was \$1.1 million. As at September 30, 2016, the total amounts payable to key management under the aforementioned plans were \$3.9 million. During the second quarter of fiscal 2017, compensation paid to directors under the BVAR, DSU and ADSU plans were \$2.2 million. As at September 30, 2016, the total amounts payable to the directors of Clairvest under the Non-Voting Option Plan, BVAR, DSU and ADSU plans were \$9.4 million.

As at September 30, 2016, Clairvest had loans receivable from certain employees of Clairvest [the "Officers"] totaling \$2.7 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest purchased by the employees with a market value of \$3.9 million. None of these loans were made to key management. As at September 30, 2016, Clairvest also had loans receivable from certain employees of a company affiliated with Clairvest totaling \$0.7 million. The loans are interest bearing and have full recourse to the individual. Interest of \$16 thousand was earned on these loans during the second quarter of fiscal 2017.

During the second quarter of fiscal 2017, Clairvest earned \$1.7 million in distributions and interest income and \$0.4 million in advisory and other fees from its investee companies. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS earned \$1.9 million in distributions and interest income, \$2.1 million in dividend income and \$0.1 million in advisory and other fees from Clairvest's investee companies.

As at September 30, 2016, Clairvest had accounts receivable from its investee companies totaling \$1.8 million, from CEP III totaling \$0.2 million, from CEP IV totaling \$11.1 million, from CEP IV-A totaling \$0.2 million, from CEP V totaling \$7.0 million and from CEP V-A totaling \$1.4 million. Additionally, acquisition entities of Clairvest which were not

consolidated in accordance with IFRS held receivables from CEP III totaling \$14 thousand and Clairvest's investee companies totaling \$0.7 million.

Clairvest has a 50% ownership in an aircraft where the other 50% ownership is held by a related party of Clairvest. Clairvest receives 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses. The related party has the right to sell its portion of the ownership of the aircraft to Clairvest at the fair market value determined at the time of sale. Accordingly, Clairvest has recognized 100% of the net book value of the aircraft and a liability for the 50% ownership the Company does not own.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

CEP III Co-Invest has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million of which remains unfunded as at September 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

CEP IV Co-Invest has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$28.4 million of which remained unfunded as at September 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

CEP V Co-Invest has committed to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180.0 million, \$142.2 million of which remained unfunded as at September 30, 2016. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP V is at their own discretion. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V and CEP V-A.

Clairvest has committed \$25.2 million to Wellington Fund IV, all of which was unfunded at September 30, 2016. As specified in the Limited Partnership Agreement, upon the closing of Wellington Fund V, Wellington Fund IV may no longer invest in new investments.

Clairvest has also committed \$30.3 million to Wellington Fund V, \$15.7 million of which remained unfunded at September 30, 2016.

As at September 30, 2016, Clairvest has received profit distributions totaling \$0.1 million through its ownership interest in the General Partner of Wellington Fund V. Clairvest has agreed to return up to the amounts received in the event the limited partners of Wellington Fund V do not meet their return threshold as specified in the respective Limited Partnership Agreements.

Clairvest has guaranteed up to US\$10.0 million of CEP III's obligations to a Schedule 1 Canadian Chartered Bank under CEP III's foreign exchange forward contracts with this bank.

Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable [the "Realized Amount"]. As at September 30, 2016, the Realized Amount under the Bonus Program was \$0.2 million and has been accrued under accrued compensation expense liability. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable but which have yet to be realized. Accordingly, Clairvest also recorded a \$4.1 million accrued compensation expense liability which would only be payable to management when the corresponding realization events have occurred. The Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest.

In conjunction with the sale of Casino New Brunswick, Clairvest agreed to a net guarantee of \$13.5 million to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at September 30, 2016, no amounts with respect to this guarantee has been funded.

As part of the holding structure of Chilean Gaming Holdings, an acquisition entity of CEP III Co-Invest had loans totaling \$41.9 million as at September 30, 2016 from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totaling \$41.9 million as at September 30, 2016 with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% as at September 30, 2016.

Clairvest has agreed to guarantee up to \$10.0 million to support Discovery Air's credit facility with its bank. The guarantee is callable by the lender under certain circumstances and should it be called, Clairvest will assume the lender's security position that supports the loans provided by the lender. Clairvest intends to allocate any amounts called under this guarantee to CEP IV Co-Invest, CEP IV and CEP IV-A on a pro-rata basis in accordance with their respective capital commitments in the CEP IV fund pool. As at September 30, 2016, the total contingent exposure under this guarantee was \$7.4 million, \$2.0 million of which would be assumed by CEP IV Co-Invest if called. Any additional guarantee is subject to Clairvest's consent at its sole discretion.

CEP IV Co-Invest has committed to advance up to \$3.8 million to Discovery Air in the form of a secured revolving credit facility, \$3.2 million of which may be drawn upon request and the remaining \$0.6 million is subject to CEP IV Co-Invest's consent. As at September 30, 2016, \$1.7 million of this facility has been drawn. Subsequent to quarter end, Discovery Air repaid \$0.4 million of the secured revolving credit facility provided by CEP IV Co-Invest which reduced the facility drawn to \$1.3 million.

As at September 30, 2016, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.4 million due within one year and \$1.2 million due after one year but not more than five years.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans unless specific exemption is approved by the Board of Directors. During the second quarter of fiscal 2017, the Company received net proceeds of \$0.5 million on the settlement of realized foreign exchange forward contracts. Additionally, acquisition entities of Clairvest received net proceeds of \$3.5 million on the settlement of realized foreign exchange forward contracts during the quarter.

As at September 30, 2016, Clairvest had entered a foreign exchange forward contract to sell US\$2.8 million at a rate of Canadian \$1.30775 per U.S. dollar through to October 2016. The fair value of the U.S. dollar contracts at September 30, 2016 was a loss of \$11 thousand.

Additionally, acquisition entities of Clairvest had entered foreign exchange forward contracts to sell US\$149.7 million at an average rate of Canadian \$1.3028 per U.S. dollar through to August 2017. The fair value of the forward contracts held by these acquisition entities as at September 30, 2016 was a loss of \$1.1 million.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and how the Company manages these risk factors are described below.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the quarter ended September 30, 2016, there were no material income effects on changes of credit risk on financial assets. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of its investee companies regularly.

The Company is also subject to credit risk on its accounts receivable and loans receivable, a significant portion of which are with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing their financial conditions regularly, and through its fiduciary duty as manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

The Company manages credit risk on treasury funds by conducting activities in accordance with the fixed income securities policy which is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

Market risk

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

Fluctuations in interest rates affect the Company's income derived from its treasury funds. For financial instruments which yield a floating interest rate, the income received is directly impacted by the prevailing interest rate. The fair value of financial instruments which yield a fixed interest rate would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on its treasury funds by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would have been an increase or decrease of \$0.2 million to distributions and interest income on a pre-tax basis for the quarter ended September 30, 2016.

Included in corporate investments are investee companies for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings before interest, taxes, depreciation and amortization ["EBITDA"] used for each individual investee company. In determining the appropriate multiple, Clairvest considers i] public company multiples for companies in the same or similar businesses; ii] where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii] multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. At September 30, 2016, nine investee companies were valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would have been an increase of \$22.4 million or a decrease of \$21.4 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis, for the quarter ended September 30, 2016. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions and discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at September 30, 2016.

The Company's corporate investment portfolio is diversified across 17 investee companies in 8 industries and 3 countries as at September 30, 2016. The Company has considered current economic events and indicators in the valuation of its investee companies.

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. The Company has also advanced loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities entered into hedging positions against these foreign denominated currencies as approved by the Board of Directors. In June 2016, the Company adopted a new foreign exchange policy to not hedge the Chilean Pesos ["CLP"] as approved by the Board of Directors. As a result, at September 30, 2016, the Company had foreign exchange exposure to the CLP totaling \$48.8 million.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact on the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Certain of the Company's corporate investments are also held in the form of debentures. Significant fluctuations in market interest rates can have a significant impact in the carrying value of these investments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-statement of financial position arrangements have been previously discussed. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described were \$185.8 million as at September 30, 2016. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company. In addition to its commitments to co-invest alongside the CEP Funds, the Company has unfunded commitments of \$25.2 million and \$15.7 million to Wellington Fund IV and Wellington Fund V respectively as described in notes 14[d] and 14[e] to the consolidated financial statements.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains various credit facilities.

As at September 30, 2016, Clairvest had treasury funds of \$87.1 million and access to \$95.0 million through its credit facilities to support its obligations and current and anticipated corporate investments. Clairvest also had access to \$47.6 million in treasury funds held by its acquisition entities and \$455.2 million in uncalled committed third-party capital through the CEP Funds at September 30, 2016 to invest along with Clairvest's capital.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ["CSA"], Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as at September 30, 2016 and concluded that the disclosure controls and procedures are effective in

ensuring that information required to be disclosed by Clairvest in its corporate filings is recorded, processed, summarized and reported within the required time period for the quarter then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management has evaluated Clairvest's design effectiveness of internal controls over financial reporting for the quarter ended September 30, 2016. Management has concluded that the design effectiveness of internal controls over financial reporting are effective as at September 30, 2016 based on this evaluation. No changes were made to internal controls over financial reporting during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

USE OF NON-IFRS MEASURES

This MD&A contains references to various non-IFRS financial measures, including "book value" and "book value per share". Book value is calculated as the value of total assets less the value of total liabilities. Book value per share is calculated as book value divided by the total number of common shares of the Company outstanding as at a specific date. The terms book value and book value per share do not have any standardized meaning according to IFRS. There is no comparable IFRS financial measure presented in the Company's consolidated financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial measure. The Company believes that the measure provides information useful to its shareholders in understanding our performance, and may assist in the evaluation of the Company's business relative to that of its peers.

FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.