

**CLAIRVEST GROUP INC.**  
**NOTICE TO READER**  
**September 30, 2020**  
**(unaudited)**

**NOTICE TO READER PURSUANT TO NATIONAL INSTRUMENT 51-102 – CONTINUOUS DISCLOSURE OBLIGATIONS**

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**CLAIRVEST GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(unaudited)**

<b>\$000's</b>	<b>September 30</b>	<b>March 31</b>
	<b>2020</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents (notes 4 and 13)	\$ 260,833	\$ 272,938
Temporary investments (note 4)	154,193	155,918
Accounts receivable and other assets (note 11(f))	34,820	33,695
Loans receivable (note 11(e))	8,649	20,063
Derivative instrument (note 14)	553	85
Income taxes recoverable	3,454	8,000
Deferred income tax asset	—	417
Carried interest from Clairvest Equity Partners III and IV (note 8)	35,944	44,409
Corporate investments (note 6)	455,357	400,291
Fixed assets (notes 9 and 15(e))	8,555	9,062
	<b>\$ 962,358</b>	<b>\$ 944,878</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 11(h))	\$ 8,442	11,861
Income taxes payable	551	1,998
Accrued compensation expense (notes 12 and 15(b))	6,474	8,317
Share-based compensation (note 12)	40,476	39,039
Management participation from Clairvest Equity Partners III and IV (note 8)	27,191	34,115
Deferred income tax liability	10,679	12,133
	<b>93,813</b>	<b>107,463</b>
Contingencies, commitments and guarantees (notes 11 and 15)		
<b>Shareholders' Equity</b>		
Share capital (note 10)	80,845	80,917
Retained earnings	787,700	756,498
	<b>868,545</b>	<b>837,415</b>
	<b>\$ 962,358</b>	<b>\$ 944,878</b>

(see accompanying notes to interim condensed consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(unaudited)**

\$000's (except per share information)	Quarter ended		Six months ended	
	September 30		September 30	
	2020	2019	2020	2019
<b>REVENUE</b>				
Net investment gain (loss) (note 5)	\$ (24,615)	\$ 14,166	\$ 50,075	\$ 33,650
Distributions and interest income (notes 4, 11(f) and 11(g))	3,969	11,494	11,022	17,236
Carried interest from Clairvest Equity Partners III and IV (notes 6 and 8)	121	1,695	(7,764)	3,939
Dividend income	360	302	680	592
Management fees (note 7)	3,013	292	6,191	590
Advisory and other fees	673	334	1,264	557
	<b>(16,479)</b>	<b>28,283</b>	<b>61,468</b>	<b>56,564</b>
<b>EXPENSES</b>				
Employee compensation and benefits (notes 12 and 15(b))	3,604	3,520	8,281	14,257
Share-based compensation expenses (note 12)	6,632	677	12,613	9,133
Administration and other expenses	1,051	3,653	2,357	4,643
Finance and foreign exchange expenses (notes 3 and 16)	291	240	791	530
Management participation from Clairvest Equity Partners III and IV (notes 6 and 8)	(75)	2,419	(6,252)	5,134
	<b>11,503</b>	<b>10,509</b>	<b>17,790</b>	<b>33,697</b>
Income (loss) before income taxes	(27,982)	17,774	43,678	22,867
Income tax expense (recovery)	(3,748)	2,263	3,560	1,478
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(24,234)</b>	<b>15,511</b>	<b>40,118</b>	<b>21,389</b>
Basic and fully diluted net income (loss) and comprehensive income (loss) per share	<b>\$ (1.61)</b>	<b>\$ 1.03</b>	<b>\$ 2.66</b>	<b>\$ 1.42</b>

(see accompanying notes to interim condensed consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(unaudited)

<b>\$000's</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
<b>As at April 1, 2020</b>	<b>\$ 80,917</b>	<b>\$ 756,498</b>	<b>\$ 837,415</b>
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>40,118</u>	<u>40,118</u>
		<b>796,616</b>	<b>877,533</b>
Dividends declared (\$0.5555 per share)		<b>(8,369)</b>	<b>(8,369)</b>
Purchase and cancellation of shares (note 10)	<b>(72)</b>	<b>(547)</b>	<b>(619)</b>
<b>As at September 30, 2020</b>	<b>\$ 80,845</b>	<b>\$ 787,700</b>	<b>\$ 868,545</b>
<b>As at April 1, 2019</b>	<b>\$ 81,245</b>	<b>\$ 697,447</b>	<b>\$ 778,692</b>
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>21,389</u>	<u>21,389</u>
		<b>718,836</b>	<b>800,081</b>
Dividends declared (\$0.5144 per share)		<b>(7,786)</b>	<b>(7,786)</b>
Purchase and cancellation of shares (note 10)	<b>(210)</b>	<b>(1,789)</b>	<b>(1,999)</b>
<b>As at September 30, 2019</b>	<b>\$ 81,035</b>	<b>\$ 709,261</b>	<b>\$ 790,296</b>

(see accompanying notes to interim condensed consolidated financial statements)

**CLAIRVEST GROUP INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

\$000's	Quarter ended		Six months ended	
	September 30		September 30	
	2020	2019	2020	2019
<b>OPERATING ACTIVITIES</b>				
Net income (loss) and comprehensive income (loss) for the period	\$ (24,234)	\$ 15,511	\$ 40,118	\$ 21,389
Add (deduct) items not involving a current cash outlay:				
Amortization and impairment of fixed assets	313	268	621	604
Share-based compensation	8,129	2,155	14,380	10,909
Deferred income tax expense (recovery)	(2,451)	1,946	(1,037)	(2,629)
Net investment (gain) loss	24,615	(14,166)	(50,075)	(33,650)
Carried interest and management participation from Clairvest Equity	(195)	1,258	1,541	1,729
Non-cash items relating to foreign exchange forward contracts	(1,109)	(80)	(2,926)	(80)
Non-cash items relating to corporate investments	(231)	(72)	(231)	(74)
	<u>4,837</u>	<u>6,820</u>	<u>2,391</u>	<u>(1,802)</u>
Adjustments for:				
Net proceeds on sale of temporary investments	6,586	7,191	8,319	10,821
Net loans repaid by acquisition entities or the CEP Funds	61,199	47,266	11,414	834
Proceeds from (cost of) settlement of realized foreign exchange forward contracts	(61)	48	2,458	48
Investments made in investee companies or acquisition entities	—	(36,982)	(21,081)	(36,982)
Proceeds on sale of investee companies	—	—	—	154
Distribution or return of capital from investee companies or acquisition	9,717	3,877	9,727	3,962
Settlement of share-based compensation liability	(12,943)	(7,260)	(12,943)	(7,260)
	<u>64,498</u>	<u>14,140</u>	<u>(2,106)</u>	<u>(28,423)</u>
Net change in non-cash working capital balances related to operations (Note 13)	<u>(2,295)</u>	<u>(9,814)</u>	<u>(3,288)</u>	<u>(32,724)</u>
<b>Cash provided by (used in) operating activities</b>	<u><b>67,040</b></u>	<u><b>11,146</b></u>	<u><b>(3,003)</b></u>	<u><b>(62,949)</b></u>
<b>INVESTING ACTIVITIES</b>				
Sale (purchase) of fixed assets	(114)	—	(114)	499
<b>Cash provided by (used in) investing activities</b>	<u><b>(114)</b></u>	<u><b>—</b></u>	<u><b>(114)</b></u>	<u><b>499</b></u>
<b>FINANCING ACTIVITIES</b>				
Cash dividends paid	(8,369)	(7,786)	(8,369)	(7,786)
Purchase and cancellation of shares	(216)	(1,999)	(619)	(1,999)
<b>Cash used in financing activities</b>	<u><b>(8,585)</b></u>	<u><b>(9,785)</b></u>	<u><b>(8,988)</b></u>	<u><b>(9,785)</b></u>
<b>Net increase (decrease) in cash during the period</b>	<b>58,341</b>	<b>1,361</b>	<b>(12,105)</b>	<b>(72,235)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>202,492</b>	<b>215,326</b>	<b>272,938</b>	<b>288,922</b>
<b>Cash and cash equivalents, end of period (note 13)</b>	<u><b>\$ 260,833</b></u>	<u><b>\$ 216,687</b></u>	<u><b>\$ 260,833</b></u>	<u><b>\$ 216,687</b></u>
<b>Supplemental cash flow information</b>				
Interest received	\$ 1,300	\$ 2,931	\$ 2,993	\$ 5,967
Distributions received	\$ 12,328	\$ 15,934	\$ 14,957	\$ 17,055
Income taxes paid	\$ 682	\$ 3,021	\$ 804	\$ 27,481
Interest paid	\$ 174	\$ 174	\$ 349	\$ 349

**CLAIRVEST GROUP INC.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*September 30, 2020 (Tabular Dollar Amounts in Thousands)*  
*(unaudited)*

**1. NATURE OF OPERATIONS**

Clairvest Group Inc. (“Clairvest” or the “Company”) is a private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. The company’s shares are traded on the Toronto Stock Exchange (“TSX”) under symbol the CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial businesses.

As at September 30, 2020, Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership (“CEP III”), Clairvest Equity Partners IV Limited Partnership (“CEP IV”), Clairvest Equity Partners IV-A Limited Partnership (“CEP IV-A”), Clairvest Equity Partners V Limited Partnership (“CEP V”), CEP V HI India Investment Limited Partnership (“CEP V India”), Clairvest Equity Partners V-A Limited Partnership (“CEP V-A”), Clairvest Equity Partners VI Limited Partnership (“CEP VI”), Clairvest Equity Partners VI-A Limited Partnership (“CEP VI-A”), and Clairvest Equity Partners VI-B Limited Partnership (“CEP VI-B”) (together, the “CEP Funds”). CEP III, CEP IV and CEP IV-A are herein referred to as Clairvest Equity Partners III and IV. CEP V, CEP V India, CEP V-A, CEP VI, CEP VI-A and CEP VI-B are herein referred to as Clairvest Equity Partners V and VI.

Clairvest contributes financing and strategic expertise to support the growth and development of its investee companies in order to create realizable value for all shareholders.

Clairvest is incorporated under the laws of the Province of Ontario. The Company’s head office is located at 22 St. Clair Avenue East, Suite 1700, Toronto, Ontario, Canada, M4T 2S3.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The unaudited interim condensed consolidated financial statements (“financial statements”) of Clairvest are prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, “*Interim Financial Reporting*” (“IAS 34”).

The accounting policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee, all issued and effective as at November 12, 2020, the date the Board of Directors authorized the issuance of these unaudited interim condensed consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending March 31, 2021 could result in restatement of these unaudited interim condensed consolidated financial statements.

The disclosures contained in these unaudited interim condensed consolidated financial statements include, in general, only significant changes and transactions occurring since the Company’s last year-end and are not fully inclusive of all disclosure requirements of International Financial Reporting Standards for annual financial statements. As a result, the unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements prepared in accordance with IFRS as at and for the year ended March 31, 2020.

The comparative figures indicated in the notes to the unaudited interim condensed consolidated financial statements are as of September 30, 2019 unless otherwise indicated.

The unaudited interim condensed consolidated financial statements have been presented on a historical cost basis, except for certain financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand dollars (\$000’s), except where otherwise indicated.

## **Basis of consolidation**

These consolidated financial statements have been prepared in accordance with IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), as issued by the IASB and include the accounts of the Company and its consolidated subsidiaries. As discussed under critical accounting estimates and judgments, the Company has determined it meets the definition of an investment entity.

### **(I) Consolidated subsidiaries**

In accordance with IFRS 10, subsidiaries are those entities that 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 from the CEP Funds and carried interest from Clairvest Equity Partners III and IV. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation. The existence and effect of potential voting rights that are currently exercisable and shareholder agreements are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

The following entities, which are significant in nature, do not meet the definition of an investment entity and 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 GP III”)
- Clairvest General Partner IV Limited Partnership (“Clairvest GP IV”)

### **(II) Interests in unconsolidated subsidiaries (“acquisition entities”)**

In accordance with IFRS 10, interests in subsidiaries other than those that provide investment-related services are accounted for at fair value through profit or loss (“FVTPL”) rather than consolidating them. As discussed under critical accounting estimates and judgments, management exercised judgment when determining whether subsidiaries are investment entities.

The following entities, which are significant in nature, are controlled by Clairvest either directly or indirectly and are used as acquisition entities of the Company. These entities' principal place of business is in Canada.

- 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”)
- Clairvest General Partner V Limited Partnership (“Clairvest GP V”)
- MIP V Limited Partnership (“MIP V”)
- CEP VI Co-Investment Limited Partnership (“CEP VI Co-Invest”)
- MIP VI Limited Partnership (“MIP VI”)
- Clairvest SLP VI Limited Partnership (“Clairvest SLP VI”)

The Company may also use intermediate subsidiaries whose sole purpose is to hold investments for the Company and therefore not included in the listing above.

### **(III) Interests in the CEP Funds**

Clairvest manages and invests alongside the CEP Funds, which meet the definition of structured entities under IFRS. Clairvest provides loans to and earns priority distributions or management fees and carried interest from the CEP Funds, which are further described in *notes 7 and 8*. The Company concluded that its ownership interest in the CEP Funds do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds and other funds it manages for certain co-investors are not included in Clairvest's consolidated financial statements.

### **Significant accounting policies, new standards, interpretations and amendments**

The following condensed discussion of significant accounting policies, new standards, interpretations and amendments should be read in conjunction with the disclosures presented in the audited consolidated financial statements for the year ended March 31, 2020. Unless otherwise indicated, the Company has consistently applied the following accounting policies throughout all periods presented in these unaudited interim condensed consolidated financial statements, as if these policies had always been in effect.

#### **(a) Classification and recognition of financial instruments**

In accordance with IFRS 9, *Financial Instruments* ("IFRS 9") financial instruments classified as FVTPL would include cash and cash equivalents, temporary investments, loans receivable, derivative instruments and corporate investments. These financial instruments are classified at initial recognition at FVTPL on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company. The Company does not apply hedge accounting to its derivative instruments. Accounts receivable and other assets would include balances relating to its acquisition entities, indirect investee companies ("investee companies") and the CEP Funds as well as other short-term receivables. These receivable balances are recognized at amortized cost in accordance with IFRS 9. Accounts payable and accrued liabilities are considered to be payable in respect of goods or services received up to the balance sheet date and are recognised at amortised cost in accordance with IFRS 9.

#### **(b) Temporary investments and corporate investments**

The Company carries its temporary investment and its corporate investments at fair value. When a financial instrument 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 closing bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value which takes 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 company 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 the underlying security of which is traded on a recognized securities exchange, 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 of 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.

**(c) Income recognition**

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are included in net investment gain (loss) in the consolidated statements of comprehensive income. Management fees and advisory and other fees are recorded as income on an accrual basis when earned. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Carried interest include amounts receivable from Clairvest Equity Partners III and IV. Each Clairvest Equity Partners III and IV Fund is separately reviewed as at the consolidated statement of financial position date and an accrual for carried interest is made when the performance conditions are achieved in accordance with IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) based on the assumption that the remaining underlying investments are realized at their estimated fair values. The fair value of the underlying investments is determined consistently with the Company’s valuation methodology and is measured at the consolidated statement of financial position date. Carried interest is accrued only in the event that it is highly probable that there will not be a significant reversal in future financial periods.

**(d) Stock-based compensation plans**

The Company's stock option plans allow for cash settlement of stock options. As the economics to choose cash or shares as settlement is the same for all holders, compensation expense is recognized over the applicable vesting period and a corresponding liability is recorded based on the fair value of the outstanding stock options at the consolidated statements of financial position dates. Fair value is measured by use of an appropriate option-pricing model. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to share-based compensation expense.

**(e) Entitlements of partners of a limited partnership**

The Company consolidates subsidiaries which includes various limited partnerships as described in *note 2(I)* and the entitlements of partners of these limited partnerships that are external to the consolidated group of the Company are recorded as a liability and an expense of the Company. Accordingly, that portion of the carried interest from Clairvest Equity Partners III and IV which are ultimately paid to the limited partners of the corresponding MIP partnerships which are external to the consolidated group are recorded as a management participation liability and a management participation expense on the unaudited interim condensed consolidated financial statements. The amounts ultimately paid to the limited partners of the corresponding MIP Partnerships resulting from carried interest from Clairvest Equity Partners V and VI are accounted for at FVTPL.

**(f) Leases**

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate. Each lease payment is allocated between the repayment of the lease liability and finance expenses. Finance expenses are charged to the unaudited interim consolidated statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The associated right-of-use assets were measured at an amount equal to the lease liabilities, adjusted for previously recognized lease accruals, in accordance with the transitional provisions of IFRS 16, and comprised entirely real estate premises. The right-of-use assets are included within fixed assets in the unaudited interim consolidated statement of financial position and amortized on a straight-line basis over the shorter of the asset’s useful life and the lease term. There was no impact to retained earnings on April 1, 2019 resulting from the adoption of IFRS 16.

**(g) Critical accounting estimates, assumptions and judgments**

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS required management to make estimates, assumptions and judgments that affect the reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that

are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates could materially differ from the related actual results. The following estimates, assumptions and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal quarter:

### **Determination of investment entity**

Judgement is required when making the determination that the Company or its various subsidiaries meet the definition of an investment entity under IFRS. In accordance with IFRS 10, an investment entity is an entity that: “obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.” In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties. The Company has historically invested alongside third-party capital in the CEP Funds that it manages. In determining its status as an investment entity, the Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

### **Fair value of financial instruments**

Certain financial instruments are recorded in the Company’s consolidated statements of financial position at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. The fair values of certain other financial instruments are determined using valuation techniques. By their nature, these valuation techniques require the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect net investment gains reported in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence to revise the fair values of its financial instruments. The assessment of the fair value of a financial instrument requires significant judgment, where management evaluates, among other factors, the financial health and business outlook of their investees. Fair value information is presented in *note 16*.

### **Recognition of carried interest and corresponding expenses**

The determination of the Company’s unrealized carried interest recorded on the consolidated statements of financial position is based on the fair values of the financial instruments held by Clairvest Equity Partners III and IV. In accordance with IFRS 15, the calculated carried interest can only be recognized to the extent to which it is highly probable that there will not be a significant reversal when the relevant uncertainty is resolved. This judgement is made on a fund-by-fund basis, based on its specific circumstances, including consideration of: remaining duration of the fund, position in relation to the cash hurdle, the number of assets remaining in the fund and the potential for clawback. The actual amounts of carried interest received and paid will depend on the cash realizations of Clairvest Equity Partners III and IVs’ portfolio investments and valuations may change significantly in future financial periods. As discussed previously, fair values of certain financial instruments are determined using valuation techniques and by their nature, 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 and the resulting accrued liabilities for future payouts relating to the carried interest as at the consolidated statement of financial position dates.

### **Income taxes**

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statements of financial position. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the deferred income tax asset will be realized. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that differ significantly from estimates recorded in deferred income tax balances.

## Impact on COVID-19 on Significant Estimates

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. A number of the Company's investee companies are located in jurisdictions or are in segments of the economy which have been severely impacted by COVID-19. At this time, there exists a wide range of possible outcomes regarding the duration and the full scope of the economic impact of COVID-19. As a result, the fair value estimates of the Company's corporate investments as at September 30, 2020 required significant judgment given the uncertainty regarding the long-term impact of COVID-19 and the ultimate impact of COVID-19 on the Company's investee companies are unknown. If the duration or the spread of the pandemic, the related advisories and restrictions are significantly longer than the Company's estimate, or the impact on the equity or credit markets or the economy in general is significantly worse than the Company's estimate, the fair value of its corporate investments may be materially adversely affected resulting in a material adverse impact to the Company's financial results.

### 3. CREDIT FACILITIES

Clairvest maintains a \$100.0 million revolving credit facility which is participated in by several Schedule 1 Canadian chartered banks. The credit facility, which has an expiry of December 2024 and is eligible for a one-year extension on each anniversary of the closing date, bears interest at the bank prime rate plus 1.25% per annum on drawn amounts and a standby fee of 0.70% per annum on undrawn amounts. The prime rate as at September 30, 2020 was 2.45% (March 2020 – 2.45%) per annum. The amount available under the credit facility as at September 30, 2020 was \$100.0 million. No amounts had been drawn on the facility during the quarter and as at September 30, 2020.

### 4. CASH, CASH EQUIVALENTS, TEMPORARY INVESTMENTS AND RESTRICTED CASH

Cash equivalents consist of deposits in investment savings accounts which have maturities of less than 90 days from the date of acquisition. As at September 30, 2020, the pre-tax weighted average yield was 0.7% (March 2020 – 0.8%) per annum.

Temporary investments comprised guaranteed investment certificates, corporate bonds, marketable securities, limited recourse capital notes and other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value. Guaranteed investment certificates and corporate bonds have maturities greater than 90 days from the date of acquisition and through to September 2022. The pre-tax weighted average yield was 2.2% (March 2020 – 2.6%) per annum. The composition of Clairvest's temporary investments was as follows:

	September 30, 2020			March 31, 2020
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 113,118	\$ 9,996	\$ 123,114	\$ 127,403
Corporate bonds	—	—	—	3,012
Marketable securities <sup>(1)</sup>	—	24,919	24,919	17,964
Limited recourse capital notes	—	2,009	2,009	—
Other fixed income securities	1,635	2,516	4,151	7,539
Total	\$ 114,753	\$ 39,440	\$ 154,193	\$ 155,918

(1) 246,742 common shares of Canadian Imperial Bank of Commerce ("CIBC", TSX:CM), comprised 218,966 common shares received on the sale of Wellington Financial plus dividends received in the form of 27,776 CIBC common shares to September 30, 2020.

Additionally, Clairvest's acquisition entities held \$34.1 million (March 2020 – \$30.1 million) in cash and cash equivalents and \$26.5 million (March 2020 – \$26.4 million) in temporary investments as described in *note 6*.

### 5. NET INVESTMENT GAIN (LOSS)

Net investment gain (loss) for the quarters and six months ended September 30, 2020 and 2019 comprised the following:

\$000's	Quarter ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Net investment gain (loss) on investee companies	(25,003)	16,561	40,019	27,159
Net investment gain on treasury funds	1,847	—	3,817	—
Net investment gain (loss) on the fair value revaluation of acquisition entities	(834)	1,127	(3,676)	10,013
<b>Net change in unrealized gain (loss) on corporate investments</b> (Note 8)	<b>(23,990)</b>	<b>17,688</b>	<b>40,160</b>	<b>37,172</b>
Carried interest from Clairvest Equity Partners V and VI (Note 8)	(7,378)	—	29,898	—
Management participation from Clairvest Equity Partners V and VI (Note 8)	6,753	(3,522)	(19,983)	(3,522)
	<b>(24,615)</b>	<b>14,166</b>	<b>50,075</b>	<b>33,650</b>

## 6. CORPORATE INVESTMENTS

In accordance with IFRS 10, the fair value of the Company's corporate investments includes the fair value of the net assets of its acquisition entities which are controlled by the Company. Accordingly, Clairvest's direct corporate investments comprise these acquisition entities, which invest directly or indirectly in various investee companies and other investee companies where Clairvest invested directly.

The following table details the fair value of Clairvest's direct investments and acquisition entities which are controlled by Clairvest but which are not part of the consolidated group:

\$000's	September 30 2020			March 31, 2020		
	Investee companies	Acquisition entity net assets (liabilities)	Total	Investee companies	Acquisition entity net assets (liabilities)	Total
Held directly by Clairvest Group Inc.	4,062	—	4,062	3,787	—	3,787
Held through the following acquisition entities						
2141788 Ontario	57,813	51,829	109,642	51,197	38,684	89,881
2486303 Ontario	3,328	(3,459)	(131)	2,186	(3,113)	(927)
CEP III Co-Invest	14,568	606	15,174	13,843	4,531	18,374
MIP III	583	(15)	568	554	(10)	544
CEP IV Co-Invest	78,001	(13)	77,988	107,392	(711)	106,681
MIP IV	1,182	(13)	1,169	1,627	(6)	1,621
CEP V Co-Invest	196,806	(8,640)	188,166	166,954	(10,190)	156,764
Clairvest GP V	16,035	22,134	38,169	12,056	7,190	19,246
MIP V	4,277	(85)	4,192	3,737	(80)	3,657
CEP VI Co-Invest	10,127	(2,310)	7,817	2,839	(7,226)	(4,387)
Clairvest SLP VI	3,344	8	3,352	—	—	—
MIP VI	5,194	(5)	5,189	1,420	3,630	5,050
Total	395,320	60,037	455,357	367,592	32,699	400,291

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. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, CEP V Co-Invest, Clairvest GP V and MIP V, and CEP VI Co-Invest, Clairvest SLP VI, MIP VI are described in *notes 11(a), 11(b), 11(c) and 11(d)*.

During the second quarter of fiscal 2021, Clairvest, 2141788 Ontario, Clairvest GP V and MIP V received return of capital of \$8.7 million, \$1.5 million, \$1.0 million, and \$0.2 million respectively from CEP V Co-Invest.

The following table details the assets and liabilities included in the determination of the fair value of the net assets of acquisition entities excluding the investee companies held by these acquisition entities.

\$000's	September 30 2020	March 31 2020
<b>Assets</b>		
Cash and cash equivalents	34,135	30,070
Temporary investments	26,508	26,362
Accounts receivable and other assets	1,357	1,326
Derivative instruments	512	—
Income taxes recoverable	101	491
Carried interest from Clairvest Equity Partners V and VI	44,351	14,453
Loans receivable	—	540
Deferred income tax asset	1,002	1,286
	<b>107,966</b>	<b>74,528</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,182	5,915
Derivative instruments	—	11,407
Income taxes payable	127	82
Management participation from Clairvest Equity Partners V and VI	30,875	10,893
Loans payable	4,802	8,209
Deferred income tax liability	6,943	5,323
	<b>47,929</b>	<b>41,829</b>
<b>Net assets</b>	<b>60,037</b>	<b>32,699</b>

Excluding the net assets from acquisition entities summarized in the table above, the fair value and the cost of the Company's corporate investment, aggregated by industry concentration, are summarized below.

\$000's	September 30, 2020			March 31, 2020		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Dental services	15,788	15,902	(114)	16,636	15,902	734
Equipment rental	5,994	13,591	(7,597)	7,102	13,591	(6,489)
Financial services	2,920	—	2,920	3,009	—	3,009
Gaming	188,324	110,587	77,737	186,484	120,688	65,796
Information technology	9,400	6,732	2,668	8,602	6,732	1,870
Marketing services	32,324	995	31,329	7,471	995	6,476
Renewable energy	33,707	32,697	1,010	18,523	16,185	2,338
Residential services	12,884	6,375	6,509	6,375	6,375	—
Specialty aviation and defence services	55,926	64,623	(8,697)	81,016	60,304	20,712
Waste management	33,098	25,618	7,480	27,117	21,951	5,166
Other investments	4,955	2,329	2,626	5,257	2,346	2,911
	<b>395,320</b>	<b>279,449</b>	<b>115,871</b>	<b>367,592</b>	<b>265,069</b>	<b>102,523</b>

During the second quarter of fiscal 2021, the aggregate fair value of Clairvest's investee companies decreased by \$43.9 million, comprised primarily of \$29.0 million in net unrealized losses in investee companies, \$10.8 million reduction from the June 30, 2020 carrying value of Digital Media Solutions resulting from a partial realization as described below, \$3.4 million of losses in foreign exchange revaluations which were partially offset by gains on the foreign exchange hedging activities, cash proceeds of \$3.3 million from Centaur Gaming, net of \$2.7 million in follow-on investments as described below. The cost and fair value of investee companies do not reflect foreign exchange gains or losses on these foreign exchange forward contracts (refer to *note 14*). For those investments which were hedged by acquisition entities, the fair value of these foreign exchange forward contracts was included in the net assets (liabilities) of these acquisition entities. Details of significant events of the investee companies, other than with respect to valuation changes and foreign exchange adjustments, are described below.

During the second quarter of fiscal 2021, Digital Media Solutions, an investee company of CEP V Co-Invest, completed a business combination with Leo Holdings Corp. The new combined entity is publicly-traded on the NYSE under the symbol DMS. At completion of the transaction, CEP V Co-Invest received US\$8.2 million (C\$10.8 million) and 6,058,016 Class A common shares of DMS representing a 10.4% ownership interest on a fully diluted basis. CEP V Co-Invest is subject to a 6-month hold period on the Class A common shares and have customary registration rights. Additionally, Clairvest received 276,653 publicly traded warrants (NYSE: DMS WS) respectively, which are convertible

into Class A common shares at an exercise price of USD\$11.50 per warrant. Subsequent to quarter end, CEP V Co-Invest received an additional 33,361 Class A common shares of DMS as part of this business combination transaction.

Also during the second quarter of fiscal 2021, CEP V Co-Invest made investments totaling £1.6 million (C\$2.7 million) in FSB Technology and received 803,068 Class A common shares and 750,000 convertible preferred shares of FSB Technology. Following these transactions, CEP V Co-Invest's ownership interest in FSB Technology increased to 25.1% on a fully diluted basis.

The following table summarizes, by industry concentration, the net investment gain or loss on investee companies for the quarter and six months ended September 30, 2020 and 2019. The net investment gain or loss is inclusive of the impact on the foreign exchange hedging activities related to these investments.

Quarter ended September 30	2020				2019
	Net realized gains (losses)	Net unrealized gains (losses)	Foreign exchange gains (losses)	Total	Total
(\$000's)					
Dental services	—	—	30	30	—
Equipment rental	850	(732)	1	119	(26)
Financial services	2,456	(43)	—	2,413	2,032
Gaming	37	(33,860)	1,217	(32,606)	8,102
Information technology	—	—	(28)	(28)	(11)
Marketing services	—	—	(191)	(191)	662
Renewable energy	—	—	(29)	(29)	(30)
Residential services	—	4,003	—	4,003	—
Specialty aviation and defence services	116	(164)	—	(48)	(94)
Waste management	(435)	1,858	(40)	1,383	5,934
Other investments	—	(39)	(10)	(49)	(8)
<b>Net investment gain (loss) on investee companies</b>	<b>3,024</b>	<b>(28,977)</b>	<b>950</b>	<b>(25,003)</b>	<b>16,561</b>

Six months ended September 30	2020				2019
	Net realized gains (losses)	Net unrealized gains (losses)	Foreign exchange gains (losses)	Total	Total
(\$000's)					
Dental services	—	—	60	60	—
Equipment rental	850	(732)	(28)	90	(26)
Financial services	2,456	(88)	—	2,368	2,692
Gaming	37	18,433	248	18,718	18,148
Information technology	—	1,263	(25)	1,238	(29)
Marketing services	—	36,573	(190)	36,383	(3,269)
Renewable energy	—	—	(112)	(112)	(76)
Residential services	—	6,509	—	6,509	—
Specialty aviation and defence services	116	(29,410)	—	(29,294)	(138)
Waste management	(435)	4,591	(4)	4,152	9,871
Other investments	—	(39)	(54)	(93)	(14)
<b>Net investment gain (loss) on investee companies</b>	<b>3,024</b>	<b>37,100</b>	<b>(105)</b>	<b>40,019</b>	<b>27,159</b>

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign currency-denominated investments and loans in accordance with its foreign exchange hedging policy as approved by the Board of Directors. During the second quarter of fiscal 2021, the net impact of foreign exchange on the investee companies included a foreign exchange gain of \$0.6 million (2020 – loss of \$2.3 million) on Chilean Pesos denominated investment, a loss of \$0.3 million (2020 – \$0.2 million) on U.S. Dollar denominated investments, a gain of \$0.7 million (2020 – loss of \$0.6 million) on Indian Rupee denominated investment, and a loss of \$0.1 million (2020 – gain of \$27 thousand) on British Pound denominated investment.

## 7. GENERAL PARTNER PRIORITY DISTRIBUTIONS AND MANAGEMENT FEES

Clairvest derives revenue from its investment management services from the CEP Funds in the form of general partner priority distributions or management fees. The priority distributions and management fees are charged as a percentage of committed capital on the most recent CEP Fund and of invested capital less write-downs on the other CEP Funds. The priority distributions and management fees received by Clairvest are reduced proportionately by fees earned by Clairvest from corporate investments of the CEP Funds and other amounts as provided in the respective Limited Partnership Agreements.

Effective February 28, 2020, the General Partner of CEP V delivered a notice to CEP V pursuant to its Limited Partnership Agreement which terminated the Commitment Period of CEP V. Accordingly, the general partner priority distributions and management fees on Clairvest Equity Partners VI commenced March 1, 2020.

For the quarters and six months ended September 30, 2020 and 2019, Clairvest recorded general partner priority distributions and management fees from the CEP Funds as follows:

Priority Distributions \$000's	Quarter ended September 30		Six months ended September 30	
	2020	2019	2020	2019
CEP III	64	96	128	192
CEP IV	247	341	480	678
CEP V	647	1,462	1,209	2,735
CEP V India	154	157	308	316
CEP VI	1,222	—	2,525	—
	<b>2,334</b>	<b>2,056</b>	<b>4,650</b>	<b>3,921</b>

  

Management Fees \$000's	Quarter ended September 30		Six months ended September 30	
	2020	2019	2020	2019
CEP IV-A	36	54	70	109
CEP V-A	180	238	342	481
CEP VI-A	1,710	—	3,533	—
CEP VI-B	1,087	—	2,246	—
	<b>3,013</b>	<b>292</b>	<b>6,191</b>	<b>590</b>

## 8. CARRIED INTEREST AND MANAGEMENT PARTICIPATION

As governed by the respective CEP Fund Limited Partnership Agreements, certain Clairvest consolidated subsidiaries are entitled to participate in distributions equal to 20% of all net gains (“carried interest”), which is subject to the respective investors of each CEP Fund achieving a minimum net return on their investment. On Clairvest Equity Partners VI, the carried interest increases from 20% to 25% once their investors achieve a net return of two times their aggregate capital contributions.

Clairvest is entitled to 50% of the carried interest realized in each CEP Fund and Clairvest management is entitled to the other 50% of the carried interest through their limited partnership interests in the various MIP Partnerships. Clairvest management is also entitled to an 8.25% carried interest from the various CEP Co-Invest Partnerships as governed by their respective Limited Partnership Agreements. Clairvest management is required to purchase limited partnership units of the various MIP Partnerships at fair market value.

As described in *note 2(e)*, Clairvest records the carried interest from Clairvest Equity Partners III and IV and records an expense and a liability on that portion of the carried interest which is payable to Clairvest management. In accordance with IFRS 10, the carried interest from Clairvest Equity Partners V and VI and the corresponding management participation has been included in net investment gain (loss) as described in *note 5*.

Carried interest from Clairvest Equity Partners III and IV for the quarters and six months ended September 30, 2020 and 2019 comprised the following:

\$000's	Quarter ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Realized carried interest	—	2,630	700	2,630
Net changes in unrealized carried interest	121	(935)	(8,464)	1,309
	121	1,695	(7,764)	3,939

The following tables detail the carried interest received from Clairvest Equity Partners III and IV and management participation paid for the quarter ended September 30 and the corresponding receivable and payable balances as at the respective balance sheet dates:

\$000's	Realized carried interest received during		Unrealized carried interest, as at	
	Quarter ended September 30		September 30	March 31
	2020	2019	2020	2020
CEP	—	24	746	515
CEP III	—	960	7,612	7,971
CEP IV	—	1,350	23,812	30,927
CEP IV-A	—	296	3,774	4,996
	—	2,630	35,944	44,409

\$000's	Management participation paid during		Management participation payable, as at	
	Quarter ended September 30		September 30	March 31
	2020	2019	2020	2020
CEP III	—	480	3,806	3,986
CEP IV	—	675	11,906	15,463
CEP IV-A	—	148	1,887	2,498
CEP III Co-Invest	—	470	3,061	3,233
CEP IV Co-Invest	—	322	6,531	8,935
	—	2,095	27,191	34,115

During the quarter ended September 30, 2020, no carried interest was received from Clairvest Equity Partners V and VI and no management participation payments were made by Clairvest related to Clairvest Equity Partners V and VI. The following table details the carried interest receivable from Clairvest Equity Partners V and VI and management participation payable balances, as at the respective balance sheet dates, which have been included in corporate investments:

Unrealized carried interest \$000's	September 30	March 31
	2020	2020
CEP V and CEP V India	36,757	11,090
CEP V-A	7,594	3,363
	44,351	14,453

  

Management participation \$000's	September 30	March 31
	2020	2020
CEP V and CEP V India	18,378	5,546
CEP V-A	3,797	1,681
CEP V Co-Invest <sup>(1)</sup>	8,700	3,666
	30,875	10,893

<sup>(1)</sup> Prior to November 22, 2019, management participation payable were accounted for in accordance with *note 2(e)*.

## 9. FIXED ASSETS

The composition of Clairvest's fixed assets was as follows:

\$000's	Aircraft <sup>(1)</sup>	IT equipment	Furniture, fixtures and equipment	Leasehold improvements	Right-of-use asset <sup>(2)</sup>	Total
<b>As at September 30, 2020</b>						
Cost	6,105	16	296	708	4,175	11,300
Accumulated amortization	(1,194)	(16)	(267)	(640)	(628)	(2,745)
<b>Net book amount</b>	<b>4,911</b>	<b>—</b>	<b>29</b>	<b>68</b>	<b>3,547</b>	<b>8,555</b>
<b>As at March 31, 2020</b>						
Cost	5,991	16	296	708	4,175	11,186
Accumulated amortization	(891)	(16)	(255)	(548)	(414)	(2,124)
<b>Net book amount</b>	<b>5,100</b>	<b>—</b>	<b>41</b>	<b>160</b>	<b>3,761</b>	<b>9,062</b>

<sup>(1)</sup> A corresponding payable equal to 50% of the net book value of the aircrafts had been recorded to reflect the ownership interest of the related parties

<sup>(2)</sup> As a result of adopting *IFRS 16: Leases*, Clairvest included an accrued liability resulting from future minimum annual lease payments for the use of office space. \$0.6 million is due within one year, \$2.5 million due after one year but no more than five years, and \$1.1 million due after five years. Refer to *note 15(e)* for further details.

## 10. SHARE CAPITAL

The Company has a normal course issuer bid (“NCIB”) outstanding enabling it to make purchases of up to 759,984 common shares in the 12-month period ending March 6, 2021. During the second quarter of fiscal 2021, the Company purchased and cancelled 4,500 common shares under the current NCIB for a cost of \$0.2 million.

At September 30, 2020, 15,061,801 (March 2020 – 15,075,301) common shares were outstanding.

The Board of Directors of the Company had 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 stock option program as described in *note 12*. No Non-Voting Shares had been issued as at September 30, 2020.

## 11. RELATED PARTY TRANSACTIONS

- (a) CEP III Co-Invest, an investment vehicle established in fiscal 2007, has committed to co-invest alongside CEP III in all investments undertaken by CEP III. 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 III Co-Invest’s co-investment commitment is \$75.0 million, \$15.2 million (March 2020 – \$15.2 million) of which remained unfunded as at September 30, 2020. CEP III Co-Invest is capitalized by three limited partners, Clairvest, 2141788 Ontario and MIP III. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at September 30, 2020, MIP III had invested \$1.1 million in CEP III Co-Invest. Clairvest, as the general partner of MIP III, is entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. No distribution was made from MIP III to Clairvest during the second quarter of fiscal 2021. As at September 30, 2020, \$2.5 million (March 2020 – \$2.4 million) had been received by Clairvest.

- (b) CEP IV Co-Invest, an investment vehicle established in fiscal 2010, 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 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 IV Co-Invest’s co-investment commitment is \$125.0 million, \$9.4 million (March 2020 – \$11.7 million) of which remained unfunded as at September 30, 2020. CEP IV Co-Invest is capitalized by two limited partners, Clairvest and MIP IV. In accordance with the co-investment agreement, the proportion of the commitment amongst its two limited partners is at their own discretion. As at September 30, 2020, MIP IV had invested \$1.6 million in CEP IV Co-Invest. Clairvest, as the general partner of MIP IV, is 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 distribution was made from MIP IV to Clairvest during the second quarter of fiscal 2021. As at September 30, 2020, \$6.2 million (March 2020 – \$6.2 million) had been received by Clairvest.

- (c) CEP V Co-Invest, an investment vehicle established in fiscal 2015, has committed to co-invest alongside CEP V, CEP V India and CEP V-A in all investments undertaken by CEP V, CEP V India and CEP V-A. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V, CEP V India and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V, CEP V India and CEP V-A.

CEP V Co-Invest's co-investment commitment is \$180.0 million, \$35.6 million (March 2020 – \$45.0 million) of which remained unfunded as at September 30, 2020. CEP V Co-Invest is capitalized by four limited partners, Clairvest, 2141788 Ontario, Clairvest GP V LP and MIP V. In accordance with the co-investment agreement, the proportion of the commitment amongst its four limited partners is at their own discretion. As at September 30, 2020, MIP V had invested \$2.4 million in CEP V Co-Invest. Clairvest, as the general partner of MIP V, is entitled to participate in distributions equal to the realizable value on the \$2.4 million invested by MIP V in CEP V Co-Invest. Distributions totalling \$0.2 million was made from MIP V to Clairvest during the second quarter of fiscal 2021. As at September 30, 2020, \$0.3 million (March 2020 – \$0.1 million) had been received by Clairvest.

- (d) CEP VI Co-Invest, an investment vehicle established in April 2019, has committed to co-invest alongside CEP VI, CEP VI-A and CEP VI-B in all investments undertaken by CEP VI, CEP VI-A and CEP VI-B. CEP VI Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP VI, CEP VI-A and CEP VI-B if it concurrently sells a proportionate number of securities of that corporate investment held by CEP VI, CEP VI-A, and CEP VI-B.

CEP VI Co-Invest's co-investment commitment is US\$230.0 million (C\$306.8 million), US\$215.6 million (C\$287.6 million) of which remained unfunded as at September 30, 2020. CEP VI Co-Invest is capitalized by three limited partners, Clairvest, Clairvest SLP VI and MIP VI. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at September 30, 2020, MIP VI has committed to invested US\$2.6 million in CEP VI Co-Invest. Clairvest, as the general partner of MIP VI, is entitled to participate in distributions equal to the realizable value on the US\$2.6 million to be invested by MIP VI in CEP VI Co-Invest. No distributions had been made by MIP VI to Clairvest as at September 30, 2020.

- (e) Changes to loans receivable for the quarter ended September 30, 2020 were as follows:

\$000's	July 1 2020	Net Loans advanced (repaid)	September 30 2020
CEP IV <sup>(1)</sup>	5,272	(3,046)	2,226
CEP IV-A <sup>(2)</sup>	840	(485)	355
CEP V <sup>(3)</sup>	9,525	(8,525)	1,000
CEP V-A <sup>(4)</sup>	1,808	(1,808)	—
CEP VI <sup>(5)</sup>	14,077	(14,077)	—
CEP VI-A <sup>(6)</sup>	17,689	(17,689)	—
CEP VI-B <sup>(7)</sup>	12,559	(12,559)	—
CEP IV Co-Invest <sup>(8)</sup>	4,319	(3,376)	943
CEP V Co-Invest <sup>(8)</sup>	—	100	100
2486303 Ontario <sup>(9)</sup>	3,759	—	3,759
	<b>69,848</b>	<b>(61,465)</b>	<b>8,383</b>
Other	—	266	266
<b>Loans receivable</b>	<b>69,848</b>	<b>(61,199)</b>	<b>8,649</b>

(1) Loans advanced to CEP IV bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$51 thousand (2020 – \$3 thousand) was earned from loans advanced to CEP IV during the second quarter of fiscal 2021.

(2) Loans advanced to CEP IV-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$8 thousand (2020 – nil) was earned from loans advanced to CEP IV-A during the second quarter of fiscal 2021.

(3) Loans advanced to CEP V bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$48 thousand (2020 – \$0.3 million) was earned from loans advanced to CEP V during the second quarter of fiscal 2021.

(4) Loans advanced to CEP V-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$16 thousand (2020 – \$0.1 million) was earned from loans advanced to CEP V-A during the second quarter of fiscal 2021.

(5) Loans advanced to CEP VI bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$16 thousand (2020 – nil) was earned from loans advanced to CEP VI during the second quarter of fiscal 2021.

(6) Loans advanced to CEP VI-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$17 thousand (2020 – nil) was earned from loans advanced to CEP VI-A during the second quarter of fiscal 2021.

(7) Loans advanced to CEP VI-B bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$13 thousand (2020 – nil) was earned from loans advanced to CEP VI-B during the second quarter of fiscal 2021.

(8) Loans advanced to these acquisition entities are non-interest bearing.

(9) Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$0.1 million (2020 – \$0.2 million) was earned from these loans during the second quarter of fiscal 2021.

(f) Accounts receivable and other assets comprised the following:

\$000's	September 30 2020	March 31 2020
Clairvest's investee companies	3,651	2,948
CEP III	—	275
CEP IV	6	37
CEP IV-A	32	27
CEP V	406	3,680
CEP V India	1,928	1,563
CEP V-A	3,107	4,574
CEP VI	5,583	3,509
CEP VI-A	7,293	4,832
CEP VI-B	4,629	3,073
	<u>26,635</u>	<u>24,518</u>
Other accounts receivable and prepaid expenses	6,469	6,494
Share purchase loans	1,716	2,683
	<u>34,820</u>	<u>33,695</u>

Share purchase loans to employees of the Company totalling \$1.7 million (March 2020 – \$2.7 million) bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by employees with a market value of \$3.1 million (March 2020 – \$3.3 million). None of these loans were made to key management. Interest of \$12 thousand (2020 – \$11 thousand) was earned on the loans during the second quarter of fiscal 2021.

Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* held receivables from CEP V-A totalling \$1.3 million (March 2020 – \$1.3 million).

(g) During the second quarter of fiscal 2021, Clairvest earned \$0.7 million (2020 – \$0.3 million) in advisory and other fees from its investee companies. Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* earned \$0.2 million (2020 – \$1.9 million) in distributions and interest income from its investee companies.

(h) Clairvest and a related party of Clairvest, through a limited partnership, owns an aircraft that is available for use by both parties. Clairvest and the related party each hold a 50% limited partnership interest. As Clairvest, through a wholly-owned subsidiary, is the general partner of the limited partnership, Clairvest had recognized 100% of the net book value of the aircraft and a liability for the 50% ownership held by the related party. The cost of the aircraft had been included in fixed assets and the liability in accounts payable and accrued liabilities.

## 12. SHARE-BASED COMPENSATION AND OTHER COMPENSATION PLANS

Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares as described in *note 10*. As at September 30, 2020, 606,736 options had been granted under this plan since its inception. 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 five-year period. As at September 30, 2020, 597,158 options were outstanding, 297,428 options of which had vested.

Clairvest recognizes stock-based compensation expense based upon the fair value of the outstanding stock options as at September 30, 2020 using the Black-Scholes option pricing model with the following assumptions:

As at September 30, 2020

Year of grant	2020	2019	2018	2017	2016
# of options granted	78,400	106,667	49,487	168,829	203,353
# of options exercised	—	—	—	—	1,916
# of options forfeited	—	—	—	—	7,662
# of options vested	—	21,327	19,792	101,293	155,016
Option price <sup>(1)</sup>	89.69	95.04	91.60	69.48	54.06
<b>Black-Scholes assumptions used</b>					
Expected volatility	10 %	10 %	10 %	10 %	10 %
Expected forfeiture rate	5 %	5 %	5 %	5 %	5 %
Expected dividend yield	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
Risk-free interest rate	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
Expected life (years)	4.75	3.75	2.75	1.75	0.75
<b>Liability using Black-Scholes (\$'000s)<sup>(2)</sup></b>	<b>113</b>	<b>503</b>	<b>366</b>	<b>4,195</b>	<b>8,080</b>

<sup>(1)</sup> Based on two times the 5-day weighted average closing price of Clairvest common shares at date of grant and is adjusted for special dividends paid by the Company.

<sup>(2)</sup> Share price for a Clairvest common share as at September 30, 2020 was \$50.00 (TSX: CVG).

As at September 30, 2020, \$13.3 million (March 2020 – \$8.0 million) had been accrued under the Company’s Non-Voting Option Plan. During the second quarter of fiscal 2021, Clairvest recognized an expense on stock-based compensation of \$3.9 million (2020 – \$0.7 million).

The Company has an Employee Deferred Share Units (“EDSU”) plan which provides, among other things, that participants may elect annually 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. 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 represented approximately 1.3% of the outstanding number of common shares as at September 30, 2020. As at September 30, 2020, 141,932 EDSUs (March 2020 – 107,496 EDSUs) had been issued under the EDSU Plan. Accordingly, an accrual of \$7.1 million (March 2020 – \$4.5 million) had been included in share-based compensation liability. During the second quarter of fiscal 2021, Clairvest recognized an expense of \$0.6 million (2020 – \$0.1 million) with respect to EDSUs.

As at September 30, 2020, a total of 216,284 (March 2020 – 422,584) Book Value Appreciation Rights Units (“BVARs”) were held by an employee of Clairvest, the accrual in respect of which was \$4.4 million (March 2020 – \$11.5 million) and had been included in share-based compensation liability, and a further \$2.7 million (March 2020 – \$5.6 million) not accrued as those BVARs had not vested. During the second quarter of fiscal 2021, Clairvest recognized an expense of \$0.7 million (2020 – \$0.1 million) with respect to BVARs.

### Compensation paid and payable to key management

In addition to the directors, key management at Clairvest are the Chief Executive Officer (“CEO”), the Vice Chairman and the President. The CEO and the President are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. The Vice Chairman is entitled to an annual discretionary cash bonus of up to 100% of annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest’s Incentive Bonus Program as described in *note 15(b)*, the Non-Voting Option Plan, the BVAR plan and the EDSU plan. Aggregate compensation paid to the CEO, the Vice Chairman, and the President for the quarters and six months ended September 30, 2020 and 2019 were as follows:

\$000’s	Quarter ended September 30		Six months ended September 30	
	2020	2019	2020	2019 <sup>(1)</sup>
<b>Paid:</b>				
Salaries	228	228	456	456
Annual incentive plans	1,252	3,894	1,428	4,070
Book value appreciation rights	6,205	2,923	6,205	2,923
	<b>7,685</b>	<b>7,045</b>	<b>8,089</b>	<b>7,449</b>

Compensation payable to the CEO, the Vice-Chairman, and the President at the statement of financial position dates were as follows:

<b>\$000's</b>	<b>September 30</b>	March 31
	<b>2020</b>	2020
<b>Payable:</b>		
Annual incentive plans	<b>2,018</b>	2,464
Stock options	<b>4,461</b>	2,621
Book value appreciation rights	<b>4,359</b>	7,957
Employee deferred share units	<b>1,878</b>	1,204
	<b>12,716</b>	14,246

During the second quarter of fiscal 2021, 40,656 DSUs were redeemed by a retired director of the Company for \$2.0 million. As at September 30, 2020, a total of 273,441 (March 2020 – 266,673) DSUs were held by directors of the Company, the accrual in respect of which was \$12.2 million (March 2020 – \$12.0 million) and had been included in share-based compensation liability. For the quarter ended September 30, 2020, Clairvest recognized an expense of \$1.0 million (2020 – \$0.1 million) with respect to DSUs.

Also during the second quarter of fiscal 2021, 15,000 ADSUs were redeemed by a retired director of the Company for \$0.5 million. As at September 30, 2020, a total of 120,000 (March 2020 – 120,000) ADSUs were held by directors of the Company, the accrual in respect of which was \$3.6 million (March 2020 – \$3.1 million) and had been included in share-based compensation liability. For the quarter ended September 30, 2020, Clairvest recognized an expense of \$0.4 million (2020 – \$0.0 million) with respect to ADSUs.

As at September 30, 2020, compensation payable to the directors of Clairvest included \$1.2 million (March 2020 – \$0.8 million) under the Non-Voting Option Plan.

### 13. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations for the quarters ended September 30 are detailed as follows:

<b>\$000's</b>	<b>2020</b>	<b>2019</b>
Accounts receivable and other assets	<b>5,022</b>	5,408
Income taxes recoverable	<b>(1,298)</b>	(631)
Accounts payable and accrued liabilities, excludes lease liability recognized, see note 15(e)	<b>(1,249)</b>	(3,281)
Income taxes payable	<b>(639)</b>	(2,506)
Accrued compensation expense	<b>(4,131)</b>	(8,804)
	<b>(2,295)</b>	(9,814)

Cash and cash equivalents at the statement of financial position dates comprised the following:

<b>\$000's</b>	<b>September 30</b>	March 31
	<b>2020</b>	2020
Cash	<b>236,166</b>	246,621
Cash equivalents	<b>24,667</b>	26,317
	<b>260,833</b>	272,938

### 14. DERIVATIVE INSTRUMENTS

The Company and its acquisition entities enter into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans in accordance with its foreign exchange hedging policy. During the quarter ended September 30, 2020, Clairvest paid costs totalling \$61 thousand (2019 – received proceeds totalling \$48 thousand) from settlement of realized foreign exchange forward contracts.

As at September 30, 2020, Clairvest had entered into foreign exchange forward contracts as hedges against its foreign-denominated investments and loans as follows:

Foreign exchange forward contracts to sell US\$13.5 million (March 2020 – \$11.2 million) at an average rate of Canadian \$1.3777 per U.S. Dollar (March 2020 – average rate of 1.4141 per U.S. Dollar) through to May 2023. The fair value of the forward contract as at September 30, 2020 was a gain of \$0.6 million (March 2020 – \$0.1 million).

The fair value of foreign exchange forward contracts entered into by the Company's acquisition entities to hedge against foreign-denominated investee companies had been included in the fair value of Clairvest's investment in these acquisition entities on the consolidated statements of financial position. The net impact of foreign exchange on the investee companies are described in *note 6 and 16* under *Currency Risk*.

No collateral was funded to the counterparties for Clairvest's foreign exchange forward contracts and those of its acquisition entities as at September 30, 2020 and March 31, 2020.

## 15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In addition to the co-investment commitments described in *note 11*, the Company had the following contingencies, commitments, and guarantees:

- (a) Clairvest has committed a total of \$55.5 million (March 2020 – \$55.5 million) in the Wellington Funds, all of which was unfunded as at September 30, 2020 and March 31, 2020. As a result of the sale of Wellington Financial to CIBC in January 2018, the Wellington Funds are in the process of being wound up and may no longer invest in new investments.
- (b) 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, 2020, the Realized Amount under the Incentive Bonus Program was \$0.3 million (March 2020 – \$2.3 million) and had 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 \$4.0 million (March 2020 – \$2.3 million) accrued compensation expense liability which would only be payable to management when the corresponding realization events have occurred. The Incentive Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest, CEP V Co-Invest and CEP VI Co-Invest.
- (c) In conjunction with the sale of Casino New Brunswick, an investee company of CEP III Co-Invest, during fiscal 2016, Clairvest has agreed to a net guarantee of \$1.6 million (March 2020 – \$1.6 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, 2020 and March 31, 2020, no claims had been made and no amounts with respect to this guarantee had been funded.
- (d) NovaSource Power Services, an investee company of CEP VI Co-Invest, has entered into definitive agreements with First Solar, Inc. to acquire its operations and maintenance division, First Solar Energy Services. The transaction will be funded through a combination of third-party term debt and equity from CEP VI Co-Invest and Clairvest Equity Partners VI. The proposed transaction is subject to customary closing conditions and is anticipated to close during fiscal 2021. There can be no assurance that the transaction will be consummated.
- (e) As at September 30, 2020, the Company had an accrued liability resulting from future minimum annual lease payments for the use of office space. The detail of the lease liability recognized from April 1, 2019 is as follows:

<b>\$000's</b>	
Operating lease commitment disclosed as at March 31, 2019	5,144
Discount of future lease payments <sup>(1)</sup>	(969)
Lease liability recognized as at April 1, 2019	4,175
Payments applied from April 1, 2019 to September 30, 2020	(628)
Lease liability as at September 30, 2020	3,547

<sup>(1)</sup> As at September 30, 2020, the incremental borrowing rate was prime plus 1.25% per annum

- (f) In connection with its normal business operations, the Company 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, the Company does not believe that it will incur any material loss in connection with such actions.

## 16. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return and is therefore affected by a number of risk factors.

### ***Fair Value Risk***

Fair value risk includes exposure to fluctuations in the fair market value of the Company's investments as described in *note 17*.

The Company's corporate investment portfolio was diversified across 19 investee companies in 10 industries and 5 countries as at September 30, 2020. Concentration risk by industry and by jurisdiction, was as follows:

(\$'000s)	September 30, 2020				March 31, 2020			
	Canada	United States	International <sup>(1)</sup>	Total	Canada	United States	International <sup>(1)</sup>	Total
Dental services	—	15,788	—	15,788	—	16,636	—	16,636
Equipment rental	—	5,994	—	5,994	—	7,102	—	7,102
Financial services	2,920	—	—	2,920	3,009	—	—	3,009
Gaming	4,437	90,761	93,126	188,324	2,914	72,594	110,976	186,484
Information technology	—	9,400	—	9,400	—	8,602	—	8,602
Marketing services	—	32,324	—	32,324	—	7,471	—	7,471
Renewable Energy	—	33,707	—	33,707	—	18,523	—	18,523
Residential services	12,884	—	—	12,884	6,375	—	—	6,375
Specialty aviation and defence services	55,926	—	—	55,926	81,016	—	—	81,016
Waste management	—	33,098	—	33,098	—	27,117	—	27,117
Other investments	33	4,922	—	4,955	50	5,207	—	5,257
<b>Total</b>	<b>76,200</b>	<b>225,994</b>	<b>93,126</b>	<b>395,320</b>	<b>93,364</b>	<b>163,252</b>	<b>110,976</b>	<b>367,592</b>

<sup>(1)</sup> Includes investment in India, Chile and the UK

The Company has considered current economic events and indicators in the valuation of its investee companies.

### ***Interest Rate Risk***

Fluctuations in interest rates affect the Company's income derived from its cash, cash equivalents, temporary investments and restricted cash ("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.

As at September 30, 2020, \$260.9 million (March 2020 – \$270.9 million) of the Company's treasury funds are held in accounts which pay interest commensurate with prime rate changes, and \$123.1 million (March 2020 – \$127.4 million) of the Company's treasury funds are in guaranteed investment certificates with an average remaining duration of 0.5 years (March 2020 – 0.6 years). If interest rates were higher or lower by 0.25% per annum, and assuming the renewal rates of these guaranteed investment certificates commensurate with prime rate changes, the potential effect would have been an increase or a decrease of \$0.2 million per annum to distributions and interest income on a pre-tax basis.

Certain of the Company's corporate investments are also held in the form of debentures and loans. Significant fluctuations in market interest rates can have a significant impact on the carrying value of these investments as described in *note 17*.

### ***Currency Risk***

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States, India, Chile and the United Kingdom. The Company may also advance 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, subject to certain exceptions, entered into hedging positions against these foreign-denominated currencies. As at September 30, 2020, the Company foreign exchange exposure with respect to the Chilean Peso and Indian Rupee are unhedged. Significant depreciation in value in these currencies could result in a material impact to the performance of Clairvest's investment portfolio and potentially the carried interest it could earn from the CEP Funds.

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 fair 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.

### **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, 2020, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure as at September 30 and March 31, 2020, net of any allowances for losses, were as follows:

	September 30, 2020			March 31, 2020		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
<b>Financial Assets</b>						
Cash and cash equivalents	\$ 260,833	34,135	294,968	\$ 272,938	30,070	303,008
Temporary investments	129,274	26,508	155,782	137,954	26,362	164,316
Accounts receivable <sup>(1)</sup>	29,720	1,357	31,077	27,863	1,326	29,189
Loans receivable <sup>(2)</sup>	3,847	—	3,847	11,855	540	12,395
Derivative instruments	553	512	1,065	85	—	85
Corporate investments <sup>(3)</sup>	—	21,046	21,046	—	32,803	32,803
	<b>\$ 424,227</b>	<b>83,558</b>	<b>507,785</b>	<b>\$ 450,695</b>	<b>91,101</b>	<b>541,796</b>

<sup>(1)</sup> Excludes prepaid expenses and receivables from acquisition entities

<sup>(2)</sup> Excludes loans receivable from acquisition entities

<sup>(3)</sup> Excludes net assets (liabilities) from acquisition entities

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 investee companies regularly.

The Company is also subject to credit risk on its accounts receivables and loan receivables, 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 the financial condition of investee companies 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. As at September 30, 2020, the Company and the Company's acquisition entities held derivative instruments which had net mark-to-market gain of \$1.1 million (March 2020 – loss of \$11.4 million). The Company believes the counterparty risk with respect to its and its acquisition entities' derivative instruments is minimal.

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.

The credit ratings of the Company's treasury funds, including those of its acquisition entities, based on the Dominion Bond Rating Services rating scale, with the exception of corporate bonds and loans which are based on the Standard and Poor's rating scale, were as follows:

(\$'000s)	September 30, 2020			March 31, 2020		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
<b>Cash</b>	252,124	34,115	286,239	270,984	29,769	300,753
<b>Money market savings accounts</b>						
R1-High	—	—	—	389	279	668
R1-Low	238	—	238	235	—	235
<b>Guaranteed investment certificates and investment savings accounts</b>						
AA	130,625	16,362	146,987	122,093	16,195	138,288
A	860	—	860	5,909	—	5,909
A <sup>(1)</sup>	—	—	—	311	—	311
BB <sup>(1)</sup>	—	—	—	105	—	105
BBB <sup>(1)</sup>	100	—	100	210	102	312
Not rated <sup>(1)</sup>	—	401	401	105	306	411
<b>Corporate bonds</b>						
A+	—	—	—	3,012	—	3,012
<b>Limited recourse capital notes</b>						
BBB+	2,009	—	2,009	—	—	—
<b>Other fixed income securities</b>						
Not rated <sup>(2)</sup>	4,151	9,766	13,917	7,539	9,781	17,320
<b>Total cash, cash equivalents and fixed income securities</b>	<b>390,107</b>	<b>60,644</b>	<b>450,751</b>	<b>410,892</b>	<b>56,432</b>	<b>467,324</b>

<sup>(1)</sup> Principal protected by the Canada Deposit Insurance Corporation.

<sup>(2)</sup> Comprised other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value.

### **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 are described in *note 14*. 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 Incentive 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 in *note 15* were \$351.5 million as at September 30, 2020 (March 2020 – \$404.6 million). 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.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a \$100.0 million credit facility which was undrawn as at September 30, 2020.

As at September 30, 2020, Clairvest had treasury funds, inclusive of those held at acquisition entities, of \$475.7 million (March 2020 – \$485.3 million) and access to \$100.0 million (March 2020 – \$100.0 million) in credit to support its current and anticipated corporate investments. Clairvest also had access to \$0.9 billion (March 2020 – \$1.0 billion) in uncalled committed third-party capital through the CEP Funds as at September 30, 2020 to invest along with Clairvest's capital.

## **17. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Cash, cash equivalents, temporary investments, corporate investments, and derivative instruments are carried at fair value in accordance with the Company's accounting policy as described in *note 2*. All other financial instruments, including receivables and payables, were short-term in nature.

### **(a) Fair value hierarchy**

The Company classifies financial instruments measured at FVTPL according to the following hierarchy, based on the lowest level of significant input used in measuring fair value.

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments Quoted corporate bonds Money market and investment savings accounts
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Quoted equity instruments which are not actively traded (i.e. significant ownership positions) Guaranteed investment certificates Quoted corporate bonds or loans which are not actively traded
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments or partnership units Corporate bonds, debentures or loans not traded

The following table details the financial instruments measured at fair value classified by the fair value hierarchy:

(\$'000s)	September 30, 2020				March 31, 2020
	Fair value measurements using			Assets / liabilities at fair value	Assets / liabilities at fair value
	Level 1	Level 2	Level 3		
<b>Financial assets</b>					
Cash equivalents					
Money market savings accounts	—	—	—	—	423
Investment savings accounts	24,667	—	—	24,667	25,894
	<b>24,667</b>	<b>—</b>	<b>—</b>	<b>24,667</b>	<b>26,317</b>
Temporary investments					
Guaranteed investment certificates	—	123,114	—	123,114	127,403
Corporate bonds	—	—	—	—	3,012
Marketable securities	24,919	—	—	24,919	17,964
Limited recourse capital notes	—	2,009	—	2,009	—
Other fixed income securities	—	—	4,151	4,151	7,539
	<b>24,919</b>	<b>125,123</b>	<b>4,151</b>	<b>154,193</b>	<b>155,918</b>
Derivative instruments	—	553	—	553	85
Corporate investments	72,426	32,324	350,607	455,357	400,291
	<b>122,012</b>	<b>158,000</b>	<b>354,758</b>	<b>634,770</b>	<b>582,611</b>

For financial instruments which are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event.

During the second quarter of fiscal 2021, the Company transferred the fair value pertaining to its investment in Accel Entertainment to level 1 from level 2 of the fair value hierarchy upon the expiry of the hold period. Also during the second quarter of fiscal 2021, the Company transferred the fair value pertaining to its investment in Digital Media Solutions to level 2 from level 3 of the fair value hierarchy upon completion of the business combination described in *note 6*.

**(b) Level 3: Reconciliation between opening and closing balances**

The following table details the changes in fair value measurements for instruments included in level 3 of the fair value hierarchy set out in IFRS 13:

For the quarter ended September 30, 2020

(\$'000s)	Fair value July 1, 2020	Transfers to (from) level 3	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value September 30, 2020
<b>Financial assets</b>						
Other fixed income securities	—	—	26	4,125	—	4,151
Corporate investments	427,256	(33,023)	(33,909)	—	(9,717)	350,607
	427,256	(33,023)	(33,883)	4,125	(9,717)	354,758

For the six months ended September 30, 2020

(\$'000s)	Fair value April 1, 2020	Transfers to (from) level 3	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value September 30, 2020
<b>Financial assets</b>						
Other fixed income securities	7,539	—	26	4,125	(7,539)	4,151
Corporate investments	349,672	(33,023)	22,604	21,081	(9,727)	350,607
	357,211	(33,023)	22,630	25,206	(17,266)	354,758

**(c) Level 3: Fair value measurement based on reasonably possible alternative assumptions**

While Clairvest considers its fair value measurements to be appropriate, the use of reasonable alternative assumptions could result in different fair values. On a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments. Included in corporate investments are investee companies (as described in *note 6*) for which the fair values have been estimated based on assumptions that are not supported by observable inputs. The following tables details quantitative information on the primary valuation techniques and unobservable inputs based on the form of investment:

September 30, 2020	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments (including warrants) or partnership units	<b>Public company comparables</b>	<b>EBITDA and earnings multiples</b>	<b>4.0x to 9.2x</b>
	<b>Recent transactions</b>	<b>n/a</b>	<b>n/a</b>
Limited recourse capital notes, debentures or loans not traded or other finite set of cash flows	<b>Discounted cash flows</b>	<b>Discount rates</b>	<b>4.4% to 20.0%</b>

The most significant unobservable input for fair value measurement are earnings before interest, taxes, depreciation and amortization (“EBITDA”) and the earnings multiple which is applied to the EBITDA in valuing 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, including an estimate of the potential impact of COVID-19. As at September 30, 2020, 11 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 \$19.7 million or a decrease of \$20.1 million to the carrying value of corporate investments and net investment gain, on a pre-tax basis, for the quarter ended September 30, 2020 (March 2020 – an increase of \$18.0 million or a decrease of \$16.3 million). Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies. Earnings are based on the last twelve-month EBITDA and if necessary, adjusted for any non-recurring items such as, restructuring expenses and annualized pro-forma adjustments from recently completed

acquisitions. Adjustments to EBITDA may also consider forecasted impacts arising from the current economic environment or recent developments of the investee company.

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 or discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at September 30, 2020 and March 31, 2020.

## **18. CAPITAL DISCLOSURES**

Clairvest considers the capital it manages to be shareholders' equity. Clairvest also manages capital held in acquisition entities, the third-party capital committed or invested in the CEP Funds and co-investments made by other investors.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing investee companies;
- Achieve an appropriate risk adjusted return on capital;
- Build long-term value in its investee companies to generate superior returns; and
- Have appropriate levels of committed third-party capital available to invest alongside Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by offsetting a portion of its operating costs and by earning a carried interest.

As at September 30, 2020, Clairvest had no external capital requirements, other than as disclosed in *note 15*.

## **19. SUBSEQUENT EVENTS**

Subsequent to quarter end, Clairvest announced a one-time special dividend of \$5.00 per common share, or \$75.3 million in aggregate. The dividend is an eligible dividend for Canadian income tax purposes. The dividend will be paid on November 23, 2020 to common shareholders of record as at November 9, 2020.

Subsequent to quarter end, CEP VI Co-Invest invested \$9.7 million in F12.NET, a managed IT services company servicing the Canadian small and medium business sector. CEP VI Co-Invest acquired 283,144 Class A common shares for a 16.5% ownership interest in F12.NET.

## **20. COMPARATIVE FINANCIAL STATEMENTS**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the unaudited interim condensed consolidated financial statements.