

CLAIRVEST GROUP INC.
NOTICE TO READER
December 31, 2019
(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)

\$000's	December 31	March 31
	2019	2019
ASSETS		
Cash and cash equivalents (Notes 4, 13, and 16)	\$ 201,518	\$ 288,922
Temporary investments (Notes 4 and 16)	153,457	163,403
Accounts receivable and other assets (Notes 11(f) and 16)	22,877	19,869
Loans receivable (Notes 11(e) and 16)	8,356	9,727
Derivative instrument (Note 14)	281	—
Income taxes recoverable	2,327	—
Deferred income tax asset	282	—
Carried interest (Notes 6 and 8)	76,328	56,484
Corporate investments (Notes 6, 8, 16, and 17)	523,040	366,279
Fixed assets (Notes 9 and 11(h))	9,304	6,569
	\$ 997,770	\$ 911,253
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 9,722	10,586
Income taxes payable	—	22,331
Accrued compensation expense	7,916	13,001
Share-based compensation (Note 12)	50,269	40,265
Management participation (Notes 6 and 8)	55,016	42,599
Deferred income tax liability	11,505	3,779
	134,428	132,561
Contingencies, commitments and guarantees (Notes 11 and 15)		
Shareholders' Equity		
Share capital (Note 10)	81,035	81,245
Retained earnings	782,307	697,447
	863,342	778,692
	\$ 997,770	\$ 911,253

(see accompanying notes to interim condensed consolidated financial statements)

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

\$000's (except per share information)	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
REVENUE				
Net investment gain (loss) (Note 5)	\$ 86,848	\$ 24,258	\$ 120,498	\$ (108,661)
Distributions and interest income (Notes 4, 11(f) and 11(g))	4,395	5,239	21,631	226,397
Net carried interest income (Notes 6 and 8)	18,534	4,206	22,473	29,971
Dividend income	306	275	898	808
Management fees (Note 7)	284	303	874	957
Advisory and other fees	403	251	960	1,051
	110,770	34,532	167,334	150,523
EXPENSES				
Employee compensation and benefits (Notes 12 and 15(b))	5,101	2,716	19,358	8,891
Share-based compensation expenses (recovery) (Note 12)	6,307	(2,321)	15,440	7,414
Administration and other expenses	1,816	1,651	6,459	4,554
Finance and foreign exchange expenses (Notes 3 and 16)	277	117	807	586
Management participation (Note 6 and 8)	12,901	3,729	18,035	21,808
	26,402	5,892	60,099	43,253
Income before income taxes	84,368	28,640	107,235	107,270
Income tax expense	11,322	4,608	12,800	15,210
Net income and comprehensive income for the period	73,046	24,032	94,435	92,060
Basic and fully diluted net income and comprehensive income per share	\$ 4.84	\$ 1.59	\$ 6.26	\$ 6.07

(see accompanying notes to interim condensed consolidated financial statements)

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

\$000's	Share capital	Retained earnings	Total shareholders' equity
As at April 1, 2019	\$ 81,245	\$ 697,447	\$ 778,692
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>94,435</u>	<u>94,435</u>
		791,882	873,127
Dividends declared (\$0.5144 per share)		(7,786)	(7,786)
Purchase and cancellation of shares (Note 10)	(210)	(1,789)	(1,999)
As at December 31, 2019	\$ 81,035	\$ 782,307	\$ 863,342
As at April 1, 2018	\$ 81,388	\$ 585,933	\$ 667,321
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>92,060</u>	<u>92,060</u>
		677,993	759,381
Dividends declared (\$0.4401 per share)		(6,671)	(6,671)
Purchase and cancellation of shares (Note 10)	(143)	(1,057)	(1,200)
As at December 31, 2018	\$ 81,245	\$ 670,265	\$ 751,510

(see accompanying notes to interim condensed consolidated financial statements)

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

\$000's	Quarter ended		Nine months ended	
	December 31		December 31	
	2019	2018	2019	2018
OPERATING ACTIVITIES				
Net income and comprehensive income for the period	\$ 73,046	\$ 24,032	\$ 94,435	\$ 92,060
Add (deduct) items not involving a current cash outlay:				
Amortization and impairment of fixed assets	304	291	874	576
Share-based compensation (recovery)	6,355	(2,272)	17,264	9,138
Deferred income tax expense (recovery)	10,073	4,125	7,444	(18,832)
Net investment (gain) loss	(86,848)	(24,258)	(120,498)	108,661
Carried interest and management participation	(9,156)	(392)	(7,427)	16,779
Non-cash items relating to foreign exchange forward contracts	(269)	—	(349)	8
Non-cash items relating to corporate investments	3,640	(278)	3,566	(934)
	<u>(2,855)</u>	1,248	<u>(4,691)</u>	207,456
Adjustments for:				
Net proceeds on sale (cost of acquisition) of temporary investments	(875)	(47,760)	9,946	(86,653)
Net loans repaid by (advanced to) acquisition entities or the CEP Funds	537	5	1,371	(2,106)
Proceeds from (cost of) settlement of realized foreign exchange forward contracts	20	—	68	(8)
Decrease in restricted cash	—	—	—	15,750
Investments made in investee companies or acquisition entities	(7,042)	(10,950)	(44,024)	(14,950)
Proceeds on sale of investee companies	—	—	154	—
Distribution or return of capital from investee companies or acquisition	79	174	4,041	37,733
Settlement of share-based compensation liability	—	—	(7,260)	(4,166)
	<u>(7,281)</u>	(58,531)	<u>(35,704)</u>	(54,400)
Net change in non-cash working capital balances related to operations (Note 13)	<u>(5,032)</u>	(2,074)	<u>(37,756)</u>	35,634
Cash provided by (used in) operating activities	<u>(15,168)</u>	<u>(59,357)</u>	<u>(78,151)</u>	<u>188,690</u>
INVESTING ACTIVITIES				
Sale (purchase) of fixed assets	(1)	—	532	(5,940)
Cash provided by (used in) investing activities	<u>(1)</u>	<u>—</u>	<u>532</u>	<u>(5,940)</u>
FINANCING ACTIVITIES				
Cash dividends paid	—	—	(7,786)	(6,671)
Purchase and cancellation of common shares	—	(933)	(1,999)	(1,200)
Cash used in financing activities	<u>—</u>	<u>(933)</u>	<u>(9,785)</u>	<u>(7,871)</u>
Net increase (decrease) in cash during the period	(15,169)	(60,290)	(87,404)	174,879
Cash and cash equivalents, beginning of period	216,687	330,761	288,922	95,592
Cash and cash equivalents, end of period (Note 13)	<u>\$ 201,518</u>	<u>\$ 270,471</u>	<u>\$ 201,518</u>	<u>\$ 270,471</u>
Supplemental cash flow information				
Interest received	\$ 2,379	\$ 3,156	\$ 8,346	\$ 7,191
Distributions received	\$ 1,428	\$ 2,009	\$ 15,279	\$ 318,887
Income taxes paid	\$ 2,421	\$ 2,898	\$ 29,902	\$ 14,097
Interest paid	\$ 175	\$ 176	\$ 524	\$ 523

CLAIRVEST GROUP INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 (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 CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. 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.

As at December 31, 2019, 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 (“CEP VI”), Clairvest Equity Partners VI-A (“CEP VI-A”), and Clairvest Equity Partners VI-B (“CEP VI-B”) (together, the “CEP Funds”). CEP III, CEP IV and CEP IV-A are herein referred to as the Legacy CEP Funds. CEP V, CEP V India, CEP V-A, CEP VI, CEP VI-A and CEP VI-B are herein referred to as the Active CEP Funds.

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”).

Effective April 1, 2018, the Company has adopted IFRS 9, *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments* (“IAS 39”). IFRS 9 provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held.

Upon transition to IFRS 9, the Company’s financial assets and financial liabilities were classified as fair value through profit or loss (“FVTPL”). This classification differs from the classification under the previous IAS 39, *Financial Instruments: Recognition and Measurement*, therefore there were changes in categorization of certain financial assets and financial liabilities upon transition to IFRS 9. Effective April 1, 2018, all financial assets that had previously been designated as FVTPL and all financial assets and liabilities that were previously classified as financial assets and financial liabilities at amortized cost were reclassified as FVTPL. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments and were classified as FVTPL remain unchanged upon transition to IFRS 9. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

Effective April 1, 2018, the Company has adopted IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). IFRS 15 replaces prior guidance, including IAS 18 *Revenue*. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. IFRS 15 has presented a change to the accounting policy relating to certain carried interest in that the Company is required to assess, prior to accrual, the extent to which it is highly probable that there will not be a significant reversal in future periods. There were no significant transition adjustments as a result of the adoption of IFRS 15.

Effective April 1, 2019, the Company adopted IFRS 16, *Leases* on a modified retrospective basis and in accordance with transitional provisions, has chosen to not restate its comparative information. Accordingly, the comparative information continues to be presented in accordance with the Company's previous accounting policy. The Company recognized right-of-use assets and their corresponding lease liabilities for all significant lease contracts. In applying IFRS 16, the Company has used the following practical expedients as permitted by the standard: 1) Operating leases with a remaining lease term of less than 12 months as at April 1, 2019 were treated as short-term leases under IFRS 16; and 2) Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in the unaudited interim consolidated statement of earnings.

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 February 11, 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, 2020 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, 2019.

The comparative figures indicated in the notes to the unaudited interim condensed consolidated financial statements are as of December 31, 2018 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 and carried interest from the CEP Funds. 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 FVTPL rather than consolidating them. As discussed under critical accounting estimates and judgments, management exercised judgment when determining whether subsidiaries are investment entities.

On November 22, 2019, the Company determined that Clairvest General Partner V Limited Partnership (“Clairvest GP V”) met the definition of an investment entity, as defined in IFRS 10. This change in status resulted from an amendment to the business purpose of Clairvest GP V for it to invest directly in CEP V Co-Investment Limited Partnership.

As a result of this change in status, the assets and liabilities of Clairvest GP V have been derecognized from the Company’s unaudited interim condensed consolidated statement of financial position and the Company’s investment in Clairvest GP V has been recognized in corporate investments as at November 22, 2019, with an initial fair value of \$0.1 million. There was no material transition gain or loss on the change. Effective November 22, 2019, Clairvest GP V is considered an acquisition entity of Clairvest and investments made by Clairvest GP V in CEP V Co-Investment Limited Partnership are measured at FVTPL. The change in status of Clairvest GP V has been accounted for prospectively from November 22, 2019, in accordance with IFRS 10.

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”)
MIP V Limited Partnership (“MIP V”)
Clairvest GP 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 *note 10*. 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, 2019. 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 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 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 the Legacy CEP Funds, where an accrual for carried interest is made when the performance conditions are achieved in accordance with 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 any

significant reversal during a future period is highly improbable. Carried interest from the Active CEP Funds are accounted for at FVTPL as described in *note 2(II)*.

(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 the legacy CEP Funds 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 the Active CEP Funds are accounted for at FVTPL as described in *note 2(II)*.

(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 the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques which by their nature involve the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of unrealized carried interest and the resulting accrued liabilities for future payouts relating to these unrealized carried interests at the 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.

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. No amounts had been drawn on the facility during the quarter and as at December 31, 2019. The amount available under the credit facility as at December 31, 2019 was \$100.0 million.

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 December 31, 2019, the pre-tax weighted average yield was 2.2% (March 2019 – 2.2%) per annum.

Temporary investments comprised guaranteed investment certificates, corporate bonds, 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. Temporary investments have maturities greater than 90 days from the date of acquisition and through to December 2021. The pre-tax weighted average yield was 3.0% (March 2019 – 3.5%) per annum. The composition of Clairvest's temporary investments was as follows:

	December 31, 2019			March 31, 2019
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 127,964	\$ 3,878	\$ 131,842	\$ 126,231
Corporate Bonds	3,023	—	3,023	6,003
Other fixed income securities ⁽¹⁾	18,592	—	18,592	31,169
Total	\$ 149,579	\$ 3,878	\$ 153,457	\$ 163,403

(1) The pre-tax weighted average yield on other fixed income securities was 6.5% (March 2019 – 7.5%) per annum.

Additionally, Clairvest's acquisition entities held \$47.6 million (March 2019 – \$28.3 million) in cash and cash equivalents and \$24.3 million (March 2019 – \$19.7 million) in temporary investments as described in *note 6*.

5. NET INVESTMENT GAIN (LOSS)

Net investment gain (loss) for the quarters and nine months ended December 31 comprised the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
Net changes in unrealized gains (losses) during the period	71,538	24,258	105,188	(108,661)
Carried interest from the Active CEP Funds (Note 8)	30,619	—	30,619	—
Management participation (Note 8)	(15,309)	—	(15,309)	—
	86,848	24,258	120,498	(108,661)

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:

	December 31 2019			March 31, 2019		
	Investee companies	Acquisition entity net assets (liabilities)	Total	Investee companies	Acquisition entity net assets (liabilities)	Total
\$000's						
Held directly by Clairvest Group Inc.	42,417	—	42,417	25,077	—	25,077
Held through the following acquisition entities						
2141788 Ontario	57,715	35,583	93,298	59,664	29,519	89,183
2486303 Ontario	3,496	(3,251)	245	6,263	(8,357)	(2,094)
CEP III Co-Invest	16,737	4,430	21,167	22,929	2,960	25,889
MIP III	670	(10)	660	918	(17)	901
CEP IV Co-Invest	161,329	(466)	160,863	108,563	(1,013)	107,550
MIP IV	2,445	(6)	2,439	1,645	(7)	1,638
CEP V Co-Invest	163,522	13,705	177,227	111,031	3,721	114,752
Clairvest GP V	3,411	15,273	18,684	—	—	—
MIP V	3,966	(80)	3,886	3,458	(75)	3,383
CEP VI Co-Invest	—	(1,188)	(1,188)	—	—	—
MIP VI	—	3,342	3,342	—	—	—
Total	455,708	67,332	523,040	339,548	26,731	366,279

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly owned acquisition entity of Clairvest. 2486303 Ontario is a wholly owned acquisition entity of Clairvest, which together with Clairvest holds a 100% interest in Clairvest Equity Partners Limited Partnership ("CEP"). CEP was an investment fund held by third-party investors until December 2015. 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 third quarter of fiscal 2020, Clairvest, through its acquisition entity Clairvest GP V made an investment of \$2.0 million in CEP V Co-Invest. Also during the third quarter of fiscal 2020, Clairvest made an investment of \$5.0 million in 2486303 Ontario which was used to repay loans payable to Clairvest (see note 11(e)).

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	December 31 2019	March 31 2019
Assets		
Cash and cash equivalents	47,629	28,275
Temporary investments	24,283	19,662
Accounts receivable and other assets	1,359	435
Derivative instruments	1,590	1,619
Income taxes recoverable	469	128
Carried interest from the Active CEP Funds	30,619	—
Deferred income tax asset	1,077	640
	107,026	50,759
Liabilities		
Accounts payable and accrued liabilities	3,793	1,805
Derivative instruments	225	3,240
Income taxes payable	212	648
Management participation	21,457	—
Loans payable	5,829	8,759
Deferred income tax liability	8,178	9,576
	39,694	24,028
Net assets	67,332	26,731

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	December 31, 2019			March 31, 2019		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments made by CEP III Co-Invest alongside CEP III						
Gaming	45,100	28,350	16,750	61,785	27,748	34,037
Investments made by CEP IV Co-Invest alongside CEP IV						
Gaming	20,016	6,444	13,572	18,524	6,444	12,080
Specialty aviation and defence services	81,209	59,985	21,224	56,687	59,100	(2,413)
Waste management	59,282	14,831	44,451	31,743	17,850	13,893
Other investments	3,267	2,196	1,071	3,254	2,196	1,058
Investments made by CEP V Co-Invest alongside CEP V						
Equipment rental	13,479	13,591	(112)	—	—	—
Gaming	141,246	74,157	67,089	88,659	71,754	16,905
Information Technology	6,819	6,732	87	7,016	6,732	284
Marketing Services	6,904	995	5,909	10,055	995	9,060
Renewable energy	13,043	12,148	895	12,463	11,621	842
Residential services	6,375	6,375	—	6,375	6,375	—
Waste management	13,056	10,636	2,420	11,647	10,636	1,011
Investments directly held						
Financial services	26,592	—	26,592	22,634	154	22,480
Gaming	4,661	11,017	(6,356)	8,351	11,017	(2,666)
Renewable energy	14,546	14,882	(336)	—	—	—
Other investments	113	213	(100)	355	455	(100)
	455,708	262,552	193,156	339,548	233,077	106,471

During the third quarter of fiscal 2020, the aggregate fair value of Clairvest's investee companies increased by \$59.0 million, comprised primarily of \$71.2 million in net changes in unrealized gains in investee companies, \$2.2 million in follow-on investments, \$1.0 million in interest accrued on debt investments and dividends accrued, net of \$6.4 million of losses in foreign exchange revaluation and the sale of GTA Gaming which was carried at \$9.0 million as at September 30, 2019. 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 third quarter of fiscal 2020, Top Aces, a portfolio company of CEP IV Co-Invest, completed an equity financing of \$100.0 million which comprised \$20 million from existing shareholders and \$80 million from a new investor. CEP IV Co-Invest made a \$2.1 million follow-on investment for 17.8 Class A common shares increasing the total number of common shares held to 691.3 shares for an 18.9% ownership interest on a fully diluted basis. As at December 31, 2019, the carrying value of Top Aces reflected the implied value of this equity financing.

Also during the third quarter of fiscal 2020, Accel Entertainment, Inc. ("Accel Entertainment"), a portfolio company of CEP V Co-Invest, completed a business combination with TPG Pace Holdings Corp. In support of the transaction, CEP V Co-Invest rolled 100% of its equity interest in Accel Entertainment into the new combined entity ("Accel") and received 4,872,570 Class A-1 Shares, 367,011 Class A-2 Shares and 299,052 private warrants of Accel. The Class A-1 Shares are publicly listed on the NYSE under symbol ACEL. On a standalone basis, the Class A-1 Shares held by CEP V Co-Invest represents 6.4% of the total Class A-1 Shares outstanding as at December 31, 2019. CEP V Co-Invest is subject to a 6-month hold period on the Class A-1 Shares and have customary registration rights. The Class A-2 Shares vest over a three-year period and the conversion into Class A-1 Shares are subject to certain criteria based on share price or earnings. The private warrants have a strike price of US\$11.50 per share and expire in five years. As at December 31, 2019, the carrying value of Accel reflected management's estimate of the aggregate value of the various securities.

Also during the third quarter of fiscal 2020, CEP V Co-Invest realized on its investment in GTA Gaming and received cash proceeds totalling \$15.5 million against a cost and carrying value of \$9.0 million as at September 30, 2019 for a net investment gain of \$6.5 million on the 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 received by Clairvest are reduced by fees earned by Clairvest from corporate investments of the CEP Funds and other amounts as provided in the respective Limited Partnership Agreements.

During the first quarter of fiscal 2020, Clairvest completed the fundraising of Clairvest Equity Partners VI, a new private equity investment pool which comprised a US\$230.0 million co-investment commitment from Clairvest through CEP VI Co-Invest (see *note 11(d)*), and US\$620.0 million of commitments from third-party investors through CEP VI, CEP VI-A and CEP VI-B. Clairvest Equity Partners VI will be the successor fund to Clairvest Equity Partners V. As at December 31, 2019, the general partner priority distributions or management fees on Clairvest Equity Partners VI have not commenced as Clairvest Equity Partners V has not completed its new investment program.

For the quarter ended December 31, 2019, Clairvest recorded general partner priority distributions and management fees from the CEP Funds as follows:

Priority Distributions \$000's	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
CEP III	96	135	288	405
CEP IV	340	383	1,018	1,370
CEP V	1,210	1,306	3,945	3,937
CEP V India	157	160	473	480
	1,803	1,984	5,724	6,192

Management Fees \$000's	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
CEP IV-A	54	63	163	225
CEP V-A	230	240	711	732
	284	303	874	957

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 CEP VI, CEP VI-A and CEP VI-B, 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 entitlement of the Legacy CEP Funds 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 entitlement of the Active CEP Funds and the corresponding management participation has been included in net investment gain as described in *note 5*.

Carried interest from the Legacy CEP Funds for the quarters ended December 31, 2019 and 2018 comprised the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
Realized carried interest	—	112	2,630	86,879
Net changes in unrealized carried interest	18,534	4,094	19,843	(56,908)
	18,534	4,206	22,473	29,971

The following tables detail the carried interest received from the Legacy CEP Funds and management participation paid for the quarter ended December 31 and the corresponding receivable and payable balances as at the respective balance sheet dates:

\$000's	Realized carried interest		Unrealized carried interest, as at	
	Quarter ended December 31		December 31	March 31
	2019	2018	2019	2019
CEP	—	60	778	1,333
CEP III	—	—	9,330	11,969
CEP IV	—	—	57,120	37,112
CEP IV-A	—	52	9,100	6,070
	—	112	76,328	56,484

\$000's	Management participation paid		Management participation payable, as at	
	Quarter ended December 31		December 31	March 31
	2019	2018	2019	2019
CEP III	—	—	4,665	5,985
CEP IV	—	—	28,560	18,556
CEP IV-A	—	26	4,550	3,035
CEP III Co-Invest	—	—	3,771	4,889
CEP IV Co-Invest	—	—	13,470	9,008
CEP V Co-Invest ⁽¹⁾	—	—	—	1,126
	—	26	55,016	42,599

⁽¹⁾ Effective November 22, 2019, management participation payable were accounted for in accordance with *note 2 (II)*.

During the quarter ended December 31, 2019, no carried interest was received from CEP V, CEP V India and CEP V-A and no management participation payments were made by Clairvest related to CEP V, CEP V India, CEP V-A and CEP V Co-Invest. The following table details the carried interest receivable from the Active CEP Funds and management participation payable balances, as at the respective balance sheet dates, which have been included in corporate investments:

Unrealized carried interest \$000's	December 31	March 31
	2019	2019
CEP V and CEP V India	25,652	—
CEP V-A	4,967	—
	30,619	—

Management participation \$000's	December 31	March 31
	2019	2019
CEP V and CEP V India	12,826	—
CEP V-A	2,483	—
CEP V Co-Invest ⁽¹⁾	6,148	—
	21,457	—

⁽¹⁾ 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 ⁽¹⁾	IT equipment	Furniture, fixtures and equipment	Leasehold improvements	Right-of-use asset ⁽²⁾	Total
As at December 31, 2019						
Cost	5,925	16	296	708	4,175	11,120
Accumulated amortization	(741)	(16)	(249)	(502)	(308)	(1,816)
Net book amount	5,184	—	47	206	3,867	9,304
As at March 31, 2019						
Cost	9,528	16	295	708	—	10,547
Accumulated amortization	(3,367)	(15)	(230)	(366)	—	(3,978)
Net book amount	6,161	1	65	342	—	6,569

⁽¹⁾ 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

⁽²⁾ 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 \$1.6 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 760,747 common shares in the 12-month period ending March 6, 2020. No shares were purchased for cancellation under the NCIB during the third quarter of fiscal 2020.

At December 31, 2019, 15,097,301 (March 2019 – 15,136,495) 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 December 31, 2019.

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 2019 – \$15.2 million) of which remained unfunded as at December 31, 2019. 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 December 31, 2019, 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 third quarter of fiscal 2020. As at December 31, 2019, \$2.4 million (March 2019 – \$2.3 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, \$21.2 million (March 2019 – \$21.2 million) of which remained unfunded as at December 31, 2019. 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 December 31, 2019, 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 third quarter of fiscal 2020. As at December 31, 2019, \$5.4 million (March 2019 – \$5.4 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, \$60.5 million (March 2019 – \$85.7 million) of which remained unfunded as at December 31, 2019. 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 December 31, 2019, 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. No distribution was made from MIP V to Clairvest during the third quarter of fiscal 2020. As at December 31, 2019, \$0.1 million (March 2019 – \$9 thousand) 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\$304.6 million), all of which remained unfunded as at December 31, 2019. 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 two limited partners is at their own discretion. As at December 31, 2019, 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 December 31, 2019.

- (e) Changes to loans receivable for the quarter ended December 31, 2019 were as follows:

\$000's	October 1 2019	Net Loans advanced (repaid)	December 31 2019
CEP IV ⁽¹⁾	—	2,527	2,527
CEP V-A ⁽²⁾	134	(134)	—
CEP IV Co-Invest ⁽³⁾	—	2,070	2,070
2486303 Ontario ⁽⁴⁾	8,759	(5,000)	3,759
Loans receivable	8,893	(537)	8,356

(1) Loans advanced to CEP IV bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$19 thousand (2019 – nil) was earned from loans advanced to CEP IV during the third quarter of fiscal 2020

(2) Loans advanced to CEP V-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$2 thousand (2019 – \$46 thousand) was earned from loans advanced to CEP V-A during the third quarter of fiscal 2020.

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

(4) Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$0.1 million (2019 – \$0.2 million) was earned from these loans during the third quarter of fiscal 2020

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

\$000's	December 31	March 31
	2019	2019
Clairvest's investee companies	1,232	1,213
CEP III	180	430
CEP IV	15	86
CEP IV-A	136	39
CEP V	3,353	6,315
CEP V India	1,384	839
CEP V-A	4,243	4,591
CEP VI	1,512	—
CEP VI-A	2,116	—
CEP VI-B	1,345	—
	15,516	13,513
Other accounts receivable and prepaid expenses	4,577	3,052
Share purchase loans	2,784	3,304
	22,877	19,869

Share purchase loans to employees of the Company totalling \$2.8 million (March 2019 – \$3.3 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 \$4.1 million (March 2019 – \$6.4 million). None of these loans were made to key management. Interest of \$19 thousand (2019 – \$17 thousand) was earned on the loans during the third quarter of fiscal 2020.

Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* held receivables from CEP V totalling \$30 thousand (March 2019 – \$25 thousand) and from CEP V-A totalling \$1.2 million (March 2019 – \$5 thousand).

- (g) During the third quarter of fiscal 2020, Clairvest earned \$0.1 million (2019 – \$0.1 million) in distributions and interest income, \$0.3 million in dividends (2019 – \$0.3 million), and \$0.4 million (2019 – \$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 \$1.2 million (2019 – \$3.1 million) in distributions and interest income, and \$4.6 million in dividends (2019 – nil) 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

In June 2016, the Company adopted a new stock option plan (the “Non-Voting Option Plan”). Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares as described in *note 10*. As at December 31, 2019, 528,336 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 December 31, 2019, 518,758 options were outstanding, 193,685 options of which had vested.

Clairvest recognizes stock-based compensation expense based upon the fair value of the outstanding stock options as at December 31, 2019 using the Black-Scholes option pricing model with the following assumptions:

As at December 31, 2019

Year of grant	2019	2018	2017	2016
# of options granted	106,667	49,487	168,829	203,353
# of options exercised	—	—	—	1,916
# of options forfeited	—	—	—	7,662
# of options vested	—	9,895	67,528	116,262
Option price ⁽¹⁾	95.95	92.51	70.39	54.97
Black-Scholes assumptions used				
Expected volatility	10 %	10 %	10 %	10 %
Expected forfeiture rate	5 %	5 %	5 %	5 %
Expected dividend yield	1.00 %	1.00 %	1.00 %	1.00 %
Risk-free interest rate	2.00 %	2.00 %	2.00 %	2.00 %
Expected life (years)	4.50	3.50	2.50	1.50
Liability using Black-Scholes (\$'000s)⁽²⁾	470	510	4,727	8,728

⁽¹⁾ 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.

⁽²⁾ Share price for a Clairvest common share as at December 31, 2019 was \$52.30 (TSX: CVG).

As at December 31, 2019, \$14.4 million (March 2019 – \$8.9 million) had been accrued under the Company’s Non-Voting Option Plan. During the third quarter of fiscal 2020, Clairvest recognized an expense on stock-based compensation of \$2.8 million (2019 – expense recovery of \$1.2 million).

In June 2016, the Board of Directors of the Company approved an Employee Deferred Share Units (“EDSU”) Plan. The EDSU Plan provides, among other things, that participants may elect to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. 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 December 31, 2019. As at December 31, 2019, 107,496 EDSUs (March 2019 – 78,449 EDSUs) had been issued under the EDSU Plan. Accordingly, an accrual of \$5.7 million (March 2019 – \$3.7 million) had been included in share-based compensation liability. During the third quarter of fiscal 2020, Clairvest recognized an expense of \$0.3 million (2019 – expense recovery of \$0.3 million) with respect to EDSUs.

As at December 31, 2019, a total of 422,584 (March 2019 – 595,948) Book Value Appreciation Rights Units (“BVARs”) were held by employees of Clairvest, the accrual in respect of which was \$11.6 million (March 2019 – \$11.4 million) and had been included in share-based compensation liability, and a further \$5.7 million (March 2019 – \$7.2 million) not accrued as those BVARs had not vested. During the third quarter of fiscal 2020, Clairvest recognized an expense of \$2.5 million (2019 – \$0.6 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 ended December 31 were as follows:

\$000’s	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018 ⁽¹⁾
Paid:				
Salaries	228	209	684	627
Annual incentive plans	176	164	4,246	1,253
Book value appreciation rights	—	—	2,923	1,821
	404	373	7,853	3,701

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

\$000's	December 31	March 31
	2019	2019
Payable:		
Annual incentive plans	1,792	5,095
Stock options	4,899	3,028
Book value appreciation rights	8,005	6,193
Employee deferred share units	1,524	1,069
	16,220	15,385

As at December 31, 2019, a total of 265,585 (March 2019 – 257,573) DSUs were held by directors of the Company, the accrual in respect of which was \$14.4 million (March 2019 – \$12.7 million) and had been included in share-based compensation liability. For the quarter ended December 31, 2019, Clairvest recognized an expense of \$0.5 million (2019 – expense recovery of \$1.0 million) with respect to DSUs.

As at December 31, 2019, a total of 120,000 (March 2019 – 120,000) ADSUs were held by directors of the Company, the accrual in respect of which was \$4.1 million (March 2019 – \$3.6 million) and had been included in share-based compensation liability. For the quarter ended December 31, 2019, Clairvest recognized an expense of \$0.2 million (2019 – expense recovery of \$0.4 million) with respect to ADSUs.

As at December 31, 2019, compensation payable to the directors of Clairvest included \$1.3 million (March 2019 – \$0.9 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 December 31 are detailed as follows:

\$000's	2019	2018
Accounts receivable and other assets	(3,718)	(702)
Income taxes recoverable	(210)	—
Accounts payable and accrued liabilities, excludes lease liability recognized, see <i>note 15(e)</i>	(3,228)	60
Income taxes payable	(567)	(2,225)
Accrued compensation expense	2,691	793
	(5,032)	(2,074)

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

\$000's	December 31	March 31
	2019	2019
Cash	173,814	262,286
Cash equivalents	27,704	26,636
	201,518	288,922

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 December 31, 2019, Clairvest received proceeds totalling \$20 thousand (2018 – nil) from settlement of a realized foreign exchange forward contract. In addition, acquisition entities of Clairvest received proceeds totalling \$0.4 million (2018 – paid costs totalling \$1.0 million) from settlement of realized foreign exchange forward contracts.

As at December 31, 2019, Clairvest had entered into foreign exchange forward contracts as hedges against its foreign-denominated investment as follows:

Foreign exchange forward contracts to sell US\$11.2 million (March 2019 – nil) at an average rate of Canadian \$1.3237 per U.S. dollar (March 2019 – nil) through to February 2020. The fair value of the forward contract as at December 31, 2019 was a gain of \$0.3 million (March 2019 – nil).

As at December 31, 2019, acquisition entities of Clairvest had entered into foreign exchange forward contracts as hedges against its foreign-denominated investments as follows:

Foreign exchange forward contracts to sell US\$123.9 million (March 2019 – US\$83.7 million) and to buy US\$1.5 million (March 2019 – nil) at an average rate of Canadian \$1.3144 per U.S. dollar (March 2019 – \$1.3005 per U.S. dollar) through to December 2021. The fair value of the forward contracts as at December 31, 2019 was a gain of \$1.9 million (March 2019 – \$2.6 million).

Foreign exchange forward contracts to sell CLP\$1.2 billion (March 2019 – CLP\$15.5 billion) at an average rate of Canadian \$0.001751 per Chilean Peso (March 2019 – C\$0.002075) through to January 2020. The fair value of the forward contract as at December 31, 2019 was a loss of \$0.1 million (March 2019 – gain of \$1.6 million).

Foreign exchange forward contract to sell INR₹652.3 million (March 2019 – ₹652.3 million) at an average rate of Canadian \$0.01843 per Indian Rupee (March 2019 – C\$0.01803) through to January 2020. The fair value of the forward contract as at December 31, 2019 was a gain of \$0.2 million (March 2019 – loss of \$0.7 million).

Foreign exchange forward contracts to sell GBP£6.9 million at an average rate of Canadian \$1.6572 per Pound Sterling through to July 2020. The fair value of the forward contract as at December 31, 2019 was a loss of \$0.5 million.

The fair value of these foreign exchange forward contracts held by acquisition entities has been included in the fair value of these acquisition entities on the consolidated statements of financial position.

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 2019 – \$55.5 million) in the Wellington Funds, all of which was unfunded as at December 31, 2019 and March 31, 2019. 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 December 31, 2019, the Realized Amount under the Incentive Bonus Program was \$0.2 million (March 2019 – \$7.0 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 \$5.2 million (March 2019 – \$2.8 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, a portfolio company of CEP III Co-Invest, during fiscal 2016, Clairvest has agreed to a net guarantee of \$1.6 million (March 2019 – \$1.8 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 December 31, 2019 and March 31, 2019, no claims had been made and no amounts with respect to this guarantee had been funded.
- (d) As at December 31, 2019, 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:

\$000's

Operating lease commitment disclosed as at March 31, 2019	5,144
Discount of future lease payments ⁽¹⁾	(969)
Lease liability recognized as at April 1, 2019	4,175
Payments applied from April 1, 2019 to December 31, 2019	(308)
Lease liability as at December 31, 2019	<u>3,867</u>

⁽¹⁾ As at December 31, 2019, the incremental borrowing rate was prime plus 1.25% per annum (April 1, 2019 - prime plus 1.25%)

- (e) 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 16*.

The Company's corporate investment portfolio was diversified across 17 investee companies in 9 industries and 5 countries as at December 31, 2019. Concentration risk by industry and by jurisdiction, was as follows:

(\$'000s)	December 31, 2019				March 31, 2019			
	Canada	United States	International ⁽¹⁾	Total	Canada	United States	International ⁽¹⁾	Total
Equipment rental	—	13,479	—	13,479	—	—	—	—
Financial services	26,592	—	—	26,592	22,634	—	—	22,634
Gaming	4,661	94,041	112,321	211,023	17,323	54,591	105,405	177,319
Information technology	—	6,819	—	6,819	—	7,016	—	7,016
Marketing services	—	6,904	—	6,904	—	10,055	—	10,055
Renewable Energy	—	27,589	—	27,589	—	12,463	—	12,463
Residential services	6,375	—	—	6,375	6,375	—	—	6,375
Specialty aviation and defence services	81,209	—	—	81,209	56,687	—	—	56,687
Waste management	—	72,338	—	72,338	—	43,390	—	43,390
Other investments	113	3,267	—	3,380	355	3,254	—	3,609
Total	118,950	224,437	112,321	455,708	103,374	130,769	105,405	339,548

⁽¹⁾ Includes investment in Chile, India 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 December 31, 2019, \$355.0 million of its treasury funds were held in cash or fixed income securities which generated a floating yield. If interest rates were higher or lower by 1% per annum, the potential effect would have been an increase of \$0.9 million or a decrease of \$0.8 million to distributions and interest income on a pre-tax basis for the quarter ended December 31, 2019.

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, Chile, India, and the United Kingdom. The Company also advances loans to investee companies which may be 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 enter hedging positions against these foreign-denominated currencies. As at December 31, 2019, the Company had net foreign exchange exposure to the CLP totalling \$45.1 million (March 2019 – \$20.9 million) and the INR totalling \$49.4 million (March 2019 – \$31.0 million). For the quarter ended December 31, 2019, the Company's acquisition entity had foreign exchange losses of \$2.3 million on the CLP and \$1.4 million on the INR, the amount of which have been included as a reduction to net investment gain for the quarter.

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 December 31, 2019, 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 December 31 and March 31, 2019, net of any allowances for losses, were as follows:

	December 31, 2019			March 31, 2019		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Financial Assets						
Cash and cash equivalents	\$ 201,518	47,629	249,147	\$ 288,922	28,275	317,197
Temporary investments	153,457	24,283	177,740	163,403	19,662	183,065
Accounts receivable ⁽¹⁾	19,122	1,359	20,481	18,264	435	18,699
Loans receivable ⁽²⁾	2,527	—	2,527	968	—	968
Derivative instruments	281	1,590	1,871	—	1,619	1,619
Corporate investments ⁽³⁾	—	39,804	39,804	—	38,380	38,380
	\$ 376,905	114,665	491,570	\$ 471,557	88,371	559,928

⁽¹⁾ Excludes prepaid expenses and receivables from acquisition entities

⁽²⁾ Excludes loans receivable from acquisition entities

⁽³⁾ 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 December 31, 2019, the Company and the Company's acquisition entities held derivative instruments which had net mark-to-market gain of \$1.2 million (March 2019 – loss of \$1.6 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)	December 31, 2019			March 31, 2019		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Cash and restricted cash	199,578	47,317	246,895	287,610	28,115	315,725
Money market savings accounts						
R1-High	387	283	670	283	154	437
Guaranteed investment certificates and investment savings accounts						
AA	126,593	10,801	137,394	107,618	10,465	118,083
A+(⁽¹⁾)	—	—	—	102	—	102
A	5,868	5,306	11,174	18,110	5,790	23,900
A- ⁽¹⁾	310	—	310	513	406	919
BB+ ⁽¹⁾	—	—	—	102	—	102
BB- ⁽¹⁾	105	—	105	102	—	102
BBB- ⁽¹⁾	312	101	413	306	—	306
Not rated ⁽¹⁾	207	304	511	407	—	407
Corporate Bonds						
A+	3,023	—	3,023	2,997	—	2,997
A	—	—	—	3,006	—	3,006
Other fixed income securities						
Not rated	18,592	7,800	26,392	31,169	3,007	34,176
Total cash, cash equivalents and temporary investments	354,975	71,912	426,887	452,325	47,937	500,262

⁽¹⁾ Principal protected by the Canada Deposit Insurance Corporation.

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 \$395.5 million as at December 31, 2019 (March 2019 – \$122.0 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 December 31, 2019.

As at December 31, 2019, Clairvest had treasury funds, inclusive of those held at acquisition entities, of \$426.8 million (March 2019 – \$500.3 million) and access to \$100.0 million (March 2019 – \$100.0 million) in credit to support its current and anticipated corporate investments. Clairvest also had access to \$1.0 billion (March 2019 – \$286.2 million) in uncalled committed third-party capital through the CEP Funds as at December 31, 2019 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 fair value through profit or loss 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)	December 31, 2019				March 31, 2019
	Fair value measurements using			Assets / liabilities at fair value	Assets / liabilities at fair value
	Level 1	Level 2	Level 3		
Financial assets					
Cash equivalents					
Money market savings accounts	387	—	—	387	283
Investment savings accounts	27,317	—	—	27,317	26,354
	27,704	—	—	27,704	26,637
Temporary investments					
Guaranteed investment certificates	—	131,842	—	131,842	126,231
Corporate Bonds	—	3,023	—	3,023	6,003
Other fixed income securities	—	—	18,592	18,592	31,169
	—	134,865	18,592	153,457	163,403
Derivative instruments	—	281	—	281	—
Corporate investments	23,240	—	499,800	523,040	366,279
	50,944	135,146	518,392	704,482	556,319

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 quarter ended December 31, 2019, the Company transferred the fair value pertaining to its holdings in CIBC common shares to level 1 from level 2 of the fair value hierarchy.

(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:

(\$'000s)	For the quarter ended December 31, 2019				
	Fair value	Net investment	Purchases of	Sales of assets /	Fair value
	October 1, 2020	gain (loss) included in earnings	assets / issuances of liabilities	settlements of liabilities	December 31, 2020
Financial assets					
Other fixed income securities	18,592	—	—	—	18,592
Corporate investments	410,245	82,592	7,042	(79)	499,800
	428,837	82,592	7,042	(79)	518,392

For the nine months ended December 31, 2019

(\$'000s)	Fair value April 1, 2019	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value December 31, 2019
Financial assets					
Other fixed income securities	31,169	(2)	—	(12,575)	18,592
Corporate investments	346,600	113,371	44,024	(4,195)	499,800
	377,769	113,369	44,024	(16,770)	518,392

(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:

December 31, 2019	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments (including warrants) or partnership units	Public company comparables	EBITDA multiples	3.9x to 8.5x
	Recent transactions	n/a	n/a
Corporate bonds, debentures or loans not traded or other finite set of cash flows	Discounted cash flows	Discount rates	6.0% to 20.0%

The most significant unobservable input for fair value measurement is the multiple of earnings before interest, tax, depreciation and amortization (“EBITDA”) used for each individual investee company. In determining the appropriate multiple, Clairvest considers (i) public company multiples for companies in the same or similar businesses; (ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and (iii) multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company’s earnings and current economic environment. As at December 31, 2019, seven 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 \$13.6 million or a decrease of \$13.4 million to the carrying value of corporate investments and net investment gain, on a pre-tax basis, for the quarter ended December 31, 2019 (2019 – an increase of \$16.9 million or a decrease of \$16.9 million). Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions or discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at December 31, 2019 and March 31, 2019.

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 December 31, 2019, Clairvest had no external capital requirements, other than as disclosed in *note 15*.

19. SUBSEQUENT EVENTS

Subsequent to quarter end, Clairvest, CEP IV and CEP IV-A completed the sale of County Waste of Virginia, LLC ("County Waste"). Clairvest held its investment in County Waste through CEP IV Co-Invest which received proceeds of US\$45.6 million (C\$59.3 million) at closing, compared to a cost of \$14.8 million. CEP IV Co-Invest is also entitled to a deferred contingent payment which is based on achieving certain corporate milestones, the probability of which is currently unknown. As at December 31, 2019, Clairvest's investment in County Waste was carried at a value which approximated the sale proceeds received at closing.

Also subsequent to quarter end, Clairvest invested US\$8.7 million (C\$11.3 million) in DTG Recycle, a waste hauling and recycling company with operations concentrated in the great Seattle-Tacoma area of Washington State. Clairvest, through CEP V Co-Invest, acquired 8,657,622 Class A preferred shares for a 14.6% ownership interest in DTG Recycle.