

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2019**

February 11, 2020

The Management's Discussion and Analysis ("MD&A") of financial condition and results of operations analyzes significant changes in the unaudited interim condensed consolidated financial statements of Clairvest Group Inc. ("Clairvest" or the "Company"). It should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and notes of Clairvest as at and for the quarter ended December 31, 2019, and the quarterly news release.

The Company's condensed consolidated financial statements include those subsidiaries which provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of these entities. The following entities, which are significant in nature, provide investment-related services on behalf of the Company.

Clairvest GP Manageco Inc.
Clairvest GP (GPLP) Inc.
Clairvest Funds GP Inc.
CEP MIP GP Corporation
Clairvest USA Limited
Clairvest General Partner Limited Partnership
Clairvest General Partner III Limited Partnership
Clairvest General Partner IV Limited Partnership

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

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 fair value through profit or loss ("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")

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, directly and indirectly 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-

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Invest and MIP IV, and CEP V Co-Invest and MIP V, and CEP VI Co-Invest and MIP VI are described in *note 11* to the condensed consolidated financial statements.

Clairvest invests its own capital, and that of third parties, through various Clairvest Equity Partnerships (together, the "CEP Funds") in carefully selected companies that have the potential to generate superior returns. These Partnerships include the following:

- 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")

which together, are herein referred to as the Legacy CEP Funds.

- 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")
- Clairvest Equity Partners VI-B Limited Partnership ("CEP VI-B")

which together, are herein referred to as the Active CEP Funds.

The Company concluded that its ownership interests in the CEP Funds, which meet the definition of structured entities under IFRS, do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds are not included in Clairvest's condensed consolidated financial statements.

All amounts are in Canadian dollars unless otherwise indicated.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements as at and for the year ended March 31, 2019, contain certain disclosures not included in the unaudited interim condensed consolidated financial statements as at and for the quarter ended December 31, 2019, accordingly, this MD&A should be read in conjunction with the audited consolidated financial statements as at and for the year ended March 31, 2019.

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

Fair value of financial assets or liabilities

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

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

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

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

Recognition of carried interest and corresponding expenses

The Company recognizes unrealized carried interest from the CEP Funds on its consolidated statements of financial position which is based on the fair values of the financial instruments held by those funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques which by their nature involve the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of carried interest receivable and the resulting accrued liabilities for future payouts relating to these carried interest receivables at the statement of financial position date. In accordance with IFRS 15, the Company would only recognize unrealized carried interest from the Legacy CEP Funds in the event a significant reversal during a future period is highly improbable. The unrealized carried interest from the Active CEP Funds and the amounts ultimately payable to the limited partners of the corresponding MIPs are accounted for at FVTPL in accordance with IFRS 10 and included in Corporate Investments.

Deferred income taxes

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

FINANCIAL CONDITION AND BOOK VALUE

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

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Financial Position

(\$000's) (except share information)

As at	December 31, 2019	September 30, 2019	March 31, 2019
Cash, cash equivalents and temporary investments ("treasury funds")	354,975	369,269	452,325
Carried interest of the Legacy CEP Funds	76,328	57,794	56,484
Corporate investments, at fair value ⁽¹⁾	523,040	432,869	366,279
Total assets	997,770	902,710	911,253
Management participation of the Legacy CEP Funds	55,016	45,638	42,599
Total liabilities	134,428	112,414	132,561
Book value	863,342	790,296	778,692
Book value per share	57.19	52.35	51.44
Number of common shares outstanding	15,097,301	15,097,301	15,136,495

⁽¹⁾ Includes the carried interest and corresponding management participation on the Active CEP Funds.

Clairvest's book value increased by \$4.84 per share during the third quarter of fiscal 2020. The increase was due to \$73.0 million, or \$4.84 per share, in net income and comprehensive income ("net income") for the quarter. The net income was primarily the result of \$72.2 million in net investment gain on the Company's underlying investee companies as described below.

ASSETS

As at December 31, 2019, the Company's treasury funds of \$355.0 million were held in cash, money market savings accounts rated not below R1-High, investment savings accounts, guaranteed investment certificates and corporate bonds either rated not below A or principally protected by the Canada Deposit Insurance Corporation and other securities as permitted by the Company's treasury policy (see *notes 4 and 16* to the condensed consolidated financial statements for a detailed discussion of the Company's treasury funds). 2141788 Ontario also held \$44.0 million in cash, investment savings accounts, guaranteed investment certificates rated comparably, and other fixed income securities. In addition, Clairvest is the beneficial owner of \$27.9 million in cash held in various acquisition entities which are controlled by Clairvest.

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 amount available under the credit facility as at December 31, 2019 was \$100.0 million, which is based on debt covenants and certain restrictions within the banking arrangement. No amounts had been drawn on the facility during the quarter and as at December 31, 2019.

Carried interest from the Legacy CEP Funds is further described in *note 8* to the condensed consolidated financial statements.

As at December 31, 2019, Clairvest had corporate investments with a carrying value of \$523.0 million, an increase of \$90.1 million during the third quarter of fiscal 2020, \$455.7 million of the carrying value represented the fair value of Clairvest's investee companies, \$19.1 million represented the carried interest net of management participation from the Active CEP Funds and the remaining \$58.2 million represented other net assets held by Clairvest's acquisition entities. Certain of these acquisition entities, as further described in *note 11* to the condensed consolidated financial statements, are responsible for investing alongside the CEP Funds.

The aggregate carrying value of Clairvest's investee companies increased by \$53.1 million during the third quarter of fiscal 2020, which comprised primarily the following:

- Net change in unrealized gain on its investee companies of \$65.6 million primarily from investments in Accel Entertainment Inc. ("Accel Entertainment"), Top Aces Inc. ("Top Aces") and County Waste of Virginia, LLC ("County Waste");
- Follow-on investment made in existing investee companies totalling \$2.2 million;
- Net interest on debt investments and dividends accrued totalling \$1.0 million; net of
- The sale of GTA Gaming which had a carrying value of \$9.0 million as at September 30, 2019; and
- Foreign exchange losses on revaluation totalling \$6.7 million.

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Clairvest 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. In order to limit its exposure to changes in the value of these investments denominated in foreign currencies relative to the Canadian dollar, Clairvest and its acquisition entities enter into foreign exchange forward contracts as economic hedging positions against these foreign-denominated currencies. For the quarter ended December 31, 2019, the foreign exchange adjustments made in Clairvest's valuation of its investee companies is primarily offset by the foreign exchange adjustments made in the forward exchange forward contracts used to support its foreign exchange hedging strategy, except for its foreign exchange exposure in its investment in Chilean Gaming Holdings and the equity investment in Head Digital Works which were unhedged as at December 31, 2019. The foreign exchange adjustments made in the forward exchange forward contracts are described in the Derivative Financial Instruments section of the MD&A.

The following table summarizes the carrying value and cost of Clairvest's investee companies, aggregated by industry concentration, as at December 31, 2019 and March 31, 2019:

(\$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

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

Top Aces

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.

Accel Entertainment

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-

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1 Share is publicly listed on the NYSE under symbol ACEL. On a standalone basis, the 4,872,570 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 Entertainment reflected management's estimate of the aggregate value of the various securities.

GTA Gaming

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, compared to the cost and carrying value of \$9.0 million as at September 30, 2019.

LIABILITIES

As at December 31, 2019, Clairvest had \$134.4 million in liabilities, which included \$7.9 million in accrued management and director compensation, \$50.3 million in share-based compensation, \$55.0 million in management participation from the Legacy CEP Funds, and \$11.5 million current and deferred income tax liability. \$72.1 million of these liabilities are payable only upon the cash realization of certain investments of Clairvest or the CEP Funds, and the cash realizations are expected to far exceed the payments required upon these realizations.

The \$50.3 million in share-based compensation included \$14.4 million accrued under the Non-Voting Option Plan, \$5.7 million under the Employee Deferred Share Units ("EDSU") plan, \$11.6 million under the Book Value Appreciation Rights Units plan, and \$18.5 million under the Directors Deferred Share Units and Appreciation Deferred Share Units plan.

Management participation is further described in *note 8* to the condensed consolidated financial statements.

EQUITY AND SHARE INFORMATION

Clairvest has a normal course issuer bid ("NCIB") outstanding enabling it to purchase up to 760,747 common shares during the 12-month period ending March 6, 2020. No shares were purchased for cancellation under the NCIB during the third quarter of fiscal 2020.

As at December 31, 2019, Clairvest had 15,097,301 common shares issued and outstanding.

In June 2016, the Board of Directors of the Company authorized the creation of Non-Voting Series 2 Shares ("Non-Voting Shares") which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the new stock option program as described below. No Non-Voting Shares had been issued as at December 31, 2019 and February 11, 2020.

Also 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 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 5-year period. As at December 31, 2019, 518,758 options were outstanding, 193,685 options of which had vested.

In addition, in June 2016 the Board of Directors of the Company approved an Employee Deferred Share Units ("EDSU") Plan. The EDSU Plan provides, among other things, that participants may elect to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. 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 had been issued and were outstanding under the EDSU Plan.

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FINANCIAL RESULTS

Net income for the quarter and for the nine months ended December 31, 2019 was \$73.0 million and \$94.4 million, respectively, compared with \$24.0 million and \$92.1 million for the same period during the last fiscal year. The following table summarizes the composition of net income:

FINANCIAL RESULTS

(\$000's) (except per share information)	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
Net investment gain (loss)				
- Investee companies inclusive of foreign exchange hedging activities	67,987	22,527	95,146	90,893
- Net carried interest less management participation from the Active CEP Funds	13,582	—	10,060	—
- Acquisition entities including distributions, interest, dividends and fees received from investee companies and net of taxes paid or payable by these acquisition entities	5,279	1,731	15,292	(199,554)
	86,848	24,258	120,498	(108,661)
Distributions, interest income, dividends and fees				
- CEP Funds	2,112	2,585	7,049	7,599
- Investee companies	810	623	3,261	2,746
- Treasury funds ⁽¹⁾	2,351	2,599	7,806	5,304
- Acquisition entities and other	115	261	6,247	213,564
	5,388	6,068	24,363	229,213
Net carried interest income from the Legacy CEP Funds	18,534	4,206	22,473	29,971
Total expenses	26,402	5,892	60,099	43,253
Net income before income taxes	84,368	28,640	107,235	107,270
Income taxes	11,322	4,608	12,800	15,210
Net income	73,046	24,032	94,435	92,060
Net income per share	4.84	1.59	6.26	6.07
Net income per share - fully diluted	4.84	1.59	6.26	6.07

⁽¹⁾ Includes realized gains/losses and market value changes to Clairvest's treasury funds.

The Company fair values its acquisition entities which hold Clairvest's interest in its investee companies as well as other assets and liabilities. Distributions, interest, dividends and fees earned from and realized gains or losses and net changes in unrealized gains or losses on the investee companies held by acquisition entities, including foreign exchange fluctuations and the hedging activities related to managing the foreign currency exposure of these investments, net changes in unrealized carried interest the Active CEP Funds and corresponding management participation, and income taxes incurred by these acquisition entities, are reflected in net investment gain (loss) until the net proceeds are distributed out of these acquisition entities, at which point the Company would record a distribution or a dividend from acquisition entities and reverse the net investment gain or loss which had previously been recorded.

The following tables summarize the net investment gain or loss of investee companies, aggregated by industry concentration, for the quarters and nine months ended December 31, 2019 and 2018. This net investment gain or loss is inclusive of the foreign exchange hedging activities related to these investments:

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NET INVESTMENT GAIN (LOSS) ON INVESTEE COMPANIES

Quarter ended December 31 (\$000's)	2019			2018	
	Net realized gain (loss)	Net unrealized gain (loss)	Foreign exchange gain (loss) ⁽¹⁾	Total	Total
CEP III Co-Invest					
Gaming	—	(7,291)	(2,278)	(9,569)	528
CEP IV Co-Invest					
Gaming	—	393	(70)	323	795
Specialty aviation and defence services	173	23,610	—	23,783	11,356
Waste management	(13)	22,829	(50)	22,766	(101)
Other investments	—	—	3	3	(24)
CEP V Co-Invest					
Equipment rental	—	—	(19)	(19)	—
Gaming	6,529	26,212	(1,736)	31,005	6,433
Information Technology	—	—	(12)	(12)	(9)
Marketing Services	—	282	(9)	273	5,241
Renewable energy	—	—	(29)	(29)	(13)
Waste management	—	(335)	(44)	(379)	2,202
Investments directly held					
Financial services	—	522	—	522	(3,889)
Gaming	—	(663)	—	(663)	8
Renewable energy	—	—	(17)	(17)	—
Net investment gain (loss) on investee companies	6,689	65,559	(4,261)	67,987	22,527

⁽¹⁾ Inclusive of foreign exchange hedging activities

NET INVESTMENT GAIN (LOSS) ON INVESTEE COMPANIES

Nine months ended December 31 (\$000's)	2019			2018	
	Net realized gain (loss)	Net unrealized gain (loss)	Foreign exchange gain (loss) ⁽¹⁾	Total	Total
CEP III Co-Invest					
Gaming	—	(10,327)	(5,284)	(15,611)	2,053
CEP IV Co-Invest					
Gaming	283	1,133	(171)	1,245	45,403
Specialty aviation and defence services	173	23,472	—	23,645	31,454
Waste management	2,456	28,381	(242)	30,595	(6,462)
Other investments	—	—	(11)	(11)	(40)
CEP V Co-Invest					
Equipment rental	—	—	(45)	(45)	—
Gaming	6,529	53,895	(3,123)	57,301	18,638
Information Technology	—	—	(41)	(41)	(9)
Marketing Services	—	(2,987)	(9)	(2,996)	6,130
Renewable energy	—	—	(94)	(94)	(35)
Waste management	—	1,769	(106)	1,663	(1,300)
Investments directly held					
Financial services	—	3,214	—	3,214	(3,770)
Gaming	—	(3,691)	—	(3,691)	(1,169)
Renewable energy	—	—	(28)	(28)	—
Net investment gain (loss) on investee companies	9,441	94,859	(9,154)	95,146	90,893

⁽¹⁾ Inclusive of foreign exchange hedging activities

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The Company and its acquisition entities receive distributions, interest, dividends or fees from various investee companies. The following table summarizes the income earned by the Company and its acquisition entities, aggregated by industry concentration, for the quarter and nine months ended December 31:

DISTRIBUTIONS, INTEREST, DIVIDENDS AND FEES FROM INVESTEE COMPANIES (\$000's)

Quarter ended December 31 (\$000's)	2019			2018
	Earned directly by Clairvest	Earned through acquisition entities	Total	Total
Distributions and interest income				
Financial services	112	—	112	—
Gaming	(11)	775	764	1,939
Marketing Services	—	—	—	513
Renewable energy	—	140	140	140
Specialty aviation and defence services	—	—	—	520
Waste management	—	229	229	81
Other investments	—	38	38	33
	101	1,182	1,283	3,226
Dividend Income				
Financial services	306	—	306	—
Gaming	—	4,648	4,648	—
	306	4,648	4,954	—
Advisory and Other Fees	403	—	403	410
Distributions, interest, dividends and fees from investee companies	810	5,830	6,640	3,636

DISTRIBUTIONS, INTEREST, DIVIDENDS AND FEES FROM INVESTEE COMPANIES (\$000's)

Nine months ended December 31 (\$000's)	2019			2018
	Earned directly by Clairvest	Earned through acquisition entities	Total	Total
Distributions and interest income				
Financial services	1,373	—	1,373	—
Gaming	30	2,623	2,653	7,351
Marketing Services	—	3,249	3,249	5,923
Renewable energy	—	421	421	154
Specialty aviation and defence services	—	1,012	1,012	3,571
Waste management	—	655	655	218
Other investments	—	106	106	93
	1,403	8,066	9,469	17,310
Dividend Income				
Financial services	898	—	898	808
Gaming	—	6,400	6,400	1,038
	898	6,400	7,298	1,846
Advisory and Other Fees	960	—	960	1,557
Distributions, interest, dividends and fees from investee companies	3,261	14,466	17,727	20,713

The Company also receives distributions, fees and interest from the CEP Funds as described in *note 7* to the condensed consolidated financial statements. The following table summarizes the distributions, fees and interest earned from the CEP Funds for the quarter and nine months ended December 31:

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2019**

February 11, 2020

DISTRIBUTIONS, FEES AND INTEREST FROM THE CEP FUNDS

Quarter ended December 31 (\$000's)	2019			2018
	Earned directly by Clairvest	Earned through acquisition entities	Total	Total
Priority distributions	1,803	—	1,803	1,984
Management fees	284	—	284	303
Interest on loans advanced	25	2	27	298
Distributions, fees and interest from the CEP Funds	2,112	2	2,114	2,585

Nine months ended December 31 (\$000's)	2019			2018
	Earned directly by Clairvest	Earned through acquisition entities	Total	Total
Priority distributions	5,724	—	5,724	6,192
Management fees	874	—	874	957
Interest on loans advanced	451	14	465	479
Distributions, fees and interest from the CEP Funds	7,049	14	7,063	7,628

The Company also earns carried interest from the CEP Funds. As described in *note 8* to the condensed financial statements, carried interest from the Legacy CEP Funds is recorded in carried interest in accordance with IFRS 15 and carried interest from the Active CEP Funds is recorded in net investment gain in accordance with IFRS 10.

During the quarter ended December 31, 2019, the Company earned \$2.4 million in income from its treasury funds, compared to \$2.6 million for the same quarter last year.

Total expenses for the third quarter of fiscal 2020 were \$26.4 million, compared with \$5.9 million for the same quarter last year. The following table summarizes expenses incurred by the Company for the quarter and nine months ended December 31:

TOTAL EXPENSES, EXCLUDING INCOME TAXES (\$000's)

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
Employee compensation and benefits	5,101	2,716	19,358	8,891
Share-based compensation expenses (recoveries)	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	277	117	807	586
Management participation from the Legacy CEP Funds	12,901	3,729	18,035	21,808
Total expenses, excluding income taxes	26,402	5,892	60,099	43,253

The following table summarizes share-based compensation expenses incurred by the Company for the quarter and nine months ended December 31:

TOTAL SHARE-BASED COMPENSATION EXPENSES (\$000's)

	Quarter ended December 31		Nine months ended December 31	
	2019	2018	2019	2018
Non-voting options expenses (recovery)	2,751	(1,185)	5,558	1,634
Book value appreciation rights expense	2,541	572	7,478	5,943
Deferred share units and appreciation deferred share units expense (recovery)	671	(1,439)	1,845	(63)
EDSU expense (recovery)	344	(269)	559	(100)
Total share-based compensation expenses	6,307	(2,321)	15,440	7,414

**CLAIRVEST GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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February 11, 2020

Management participation is further described in *note 8* to the condensed consolidated financial statements.

The Company recorded \$12.1 million in income tax expenses, and its acquisition entities recovered \$0.8 million in income tax expenses during the third quarter of fiscal 2020, compared with \$4.6 million in income taxes expenses incurred by the Company and \$1.4 million in income tax expense incurred by the acquisition entity for the same quarter last year. Income tax expense incurred or recovered by the Company's acquisition entities are reflected in net investment gain (loss).

Quarterly results (\$000's except per share information)	Gross		Net income (loss)	Net income (loss)
	revenue ⁽¹⁾	Net income (loss)	per common share	per common share fully diluted ⁽²⁾
	\$	\$	\$	\$
December 31, 2019	110,770	73,046	4.84	4.84
September 30, 2019	28,283	15,511	1.03	1.03
June 30, 2019	28,281	5,878	0.39	0.39
March 31, 2019	53,684	27,182	1.80	1.80
December 31, 2018	34,532	24,032	1.59	1.59
September 30, 2018	26,753	13,373	0.88	0.88
June 30, 2018	89,238	54,655	3.61	3.61
March 31, 2018	26,845	18,626	1.23	1.23

⁽¹⁾ Includes net investment gain (loss)

⁽²⁾ The sum of quarterly net income per common share may not equal the year to date net income per common share due to rounding and the dilutive effect on any quarters which may not be applicable for the full year.

OUTLOOK & SUBSEQUENT EVENTS

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

As at December 31, 2019, Clairvest had \$1.5 billion of capital available for future investments through treasury funds, credit facilities and access to funds at its acquisition entities and uncalled capital in the CEP Funds. With the available funds, Clairvest has ample liquidity to support its investee companies as appropriate and to continue its active pursuit of new investment opportunities to enhance shareholder value.

Subsequent to quarter end, Clairvest, CEP IV and CEP IV-A completed the sale of 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.

Also subsequent to quarter end, Clairvest, through CEP V Co-Invest, 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. CEP V Co-Invest acquired 8,657,622 Class A preferred shares for a 14.6% ownership interest in DTG Recycle.

TRANSACTIONS WITH RELATED PARTIES

Clairvest is entitled to other various entitlements from its acquisition entities as described in *note 11* to the condensed consolidated financial statements.

As at December 31, 2019, Clairvest had accounts receivable from its investee companies totalling \$1.2 million, CEP III totalling \$0.2 million, CEP IV-A totalling \$0.1 million, CEP V totalling \$3.4 million, CEP V India totalling \$1.4 million, CEP V-A totalling \$4.2 million, CEP VI totalling \$1.5 million, CEP VI-A totalling \$2.1 million, and CEP VI-B totalling \$1.3 million. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS held receivables from CEP V totalling \$30 thousand and from CEP V-A totalling \$1.2 million.

In addition, the Company advances loans to its acquisition entities and the CEP Funds. During the third quarter of fiscal 2020, the Company received net repayment of \$0.5 million on these loans, such that \$8.4 million in loans remained outstanding as at December 31, 2019. Further details are described in *note 11(e)* to the condensed consolidated financial statements.

As at December 31, 2019, Clairvest had share purchase loans receivable from certain officers of Clairvest (the "Officers") totalling \$2.8 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common shares of Clairvest owned by the Officers with a market value of \$4.1 million. None of these loans were made to key management.

Key management at Clairvest includes the Chief Executive Officer ("CEO"), the Vice Chairman, the President and its directors. 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 annual discretionary cash bonuses 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, the stock option plans, the BVAR Plan and the EDSU Plan. Annual salaries and compensation under these plans paid to the CEO, the Vice Chairman, and the President during the third quarter of fiscal 2020 was \$0.4 million. As at December 31, 2019, the total amounts payable to the CEO, the Vice Chairman, and the President under the aforementioned plans were \$16.2 million. During the third quarter of fiscal 2020, no compensation was paid to directors under the BVAR, DSU or ADSU plans. As at December 31, 2019, the total amounts payable to the directors of Clairvest under the DSU, ADSU and Non-Voting Option plans was \$19.8 million.

During the third quarter of fiscal 2020, Clairvest earned \$0.1 million in distributions and interest income, \$0.3 million in dividend income and \$0.4 million in advisory and other fees from its investee companies. Additionally, acquisition entities of Clairvest which were not consolidated earned \$1.2 million in distributions and interest income and \$4.6 million in dividend income from its investee companies.

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 has 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 is included in fixed assets and the liability in accounts payable and accrued liabilities.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

Clairvest has committed a total of \$55.5 million in various Wellington Financial funds, all of which was unfunded at December 31, 2019. As a result of the sale of Wellington Financial to CIBC in January 2018, these Wellington Financial funds are in the process of being wound up and may no longer invest in new investments.

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 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 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.

In conjunction with the sale of Casino New Brunswick, a portfolio company of CEP III Co-Invest, during fiscal 2016, Clairvest agreed to a net guarantee of \$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 December 31, 2019, no claims had been made and no amounts with respect to this guarantee had been funded.

As at December 31, 2019, the Company had an accrued liability resulting from future minimum annual lease payments for the use of office space totalling \$4.7 million, of which \$0.6 million is due within one year, \$2.5 million is due after one year but not more than five years and \$1.6 million is due after 5 years.

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

DERIVATIVE FINANCIAL INSTRUMENTS

Clairvest and its acquisition entities 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 third quarter of fiscal 2020, Clairvest received proceeds of \$20 thousand from settlement of a realized foreign exchange forward contract. In addition, acquisition entities of Clairvest received proceeds totalling \$0.4 million from settlement realized foreign exchange forward contracts during the quarter.

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

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

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

Foreign exchange forward contracts to sell US\$123.9 million and to buy US\$1.5 million at an average rate of Canadian \$1.3144 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.

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

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

Foreign exchange forward contract 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.

RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of risk factors. These factors, categorized as market risk, investing process risk and other risks, are described below. Additional risks not currently known to us or that we currently believe to be immaterial may also have a material adverse effect on future business of the Company.

Market risk

Fair value risk

Fair value risk includes exposure to fluctuations in the fair market value of the Company's investments. Included in corporate investments are investee companies for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") used for each individual investee company. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii)

multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. 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. 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 of up to 12 months. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions and discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at December 31, 2019.

The Company's corporate investment portfolio was diversified across 17 investee companies in 9 industries and 5 countries as at December 31, 2019. 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 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%, 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.

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. 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 and the INR totalling \$49.4 million. For the quarter ended December 31, 2019, the Company's acquisition entities had foreign exchange losses of \$2.3 million on the CLP and \$1.4 million on the INR, the amounts of which had been included as a decrease 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 carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Commodity price risk

Certain of Clairvest's investee companies are subject to price fluctuations in commodities. Clairvest understands the risk of investing in cyclical industries which are largely tied to commodity prices and takes such risk into account in making these investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Investing process risk

Competition risk

Clairvest and the CEP Funds compete for acquisition of investments with many other investors, some of which may have greater depth of investment experience in particular industries or segment or greater financial resources. There may be intense competition for investments in which Clairvest intends to invest, and such competition may result in less favorable investment terms than would otherwise be the case. There can, therefore, be no assurance that the investments ultimately acquired by Clairvest will meet all the investment objectives of Clairvest, or that Clairvest will be able to invest all of the capital it has committed to invest alongside the CEP Funds. The Company manages this risk through a disciplined approach to investing its capital and that of the CEP Funds, and has strict investment policies where investments above a certain threshold require the approval of the Board of Directors.

Uncompleted and unspecified investment risk

The due diligence of each specific investment opportunity that Clairvest looks at and the negotiation, drafting and execution of the relevant agreements require substantial management time and attention and may incur substantial third-party costs. In the event that Clairvest elects not to complete a specific investment, the costs incurred up to that point for the proposed transaction are often not recoverable by Clairvest and the CEP Funds. Furthermore, in the event that Clairvest reaches an agreement relating to a specific investment, it may fail to complete such an investment for any number of reasons, including those beyond Clairvest's control. Any such occurrence could similarly result in a financial loss to Clairvest and the CEP Funds due to the inability to recoup any of the related costs incurred to complete a transaction. A shareholder must rely upon the ability of Clairvest's management in making investment decisions consistent with its investment objectives and policies. Shareholders will not have the opportunity to evaluate personally the relevant economic, financial and other information which is utilized by Clairvest in its selection of investments.

Minority investment risk

Clairvest and the CEP Funds may make minority equity investments in entities in which they do not legally control all aspects of the business or affairs of such entities. As at December 31, 2019, 12 of the 17 investments made by Clairvest and the CEP Funds were minority equity investments. In all investments, Clairvest monitors the performance of each investment, maintains an ongoing dialogue with each investee's management team and seeks board representation and negative controls as conditions of each investment.

Gaming investment risk

As at December 31, 2019, Clairvest's exposure to gaming investments represented 24.4% of its net book value. These investments are subject to the risks of any other investment but have heightened exposure to political and regulatory risk whereby a change in the political or regulatory regime governing the gaming industry in a particular jurisdiction where Clairvest's gaming assets are located, including those internationally, could have an impact on the ultimate returns of that investment. In addition, many of these investments involve the construction of a gaming facility whereby not only is Clairvest underwriting the risk of completing the facility on budget, but it is also relying on forecasted gaming revenue, versus historical results, which is only a best estimate. While a project is in construction and for a specified period thereafter, the owners of a newly constructed gaming facility may have to guarantee some or all of the bank facility or agree to fund any operating shortfall. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly. Historically, Clairvest has been able to manage all of these risks but past performance of Clairvest provides no assurance of future success.

Risks upon sale of investments

In connection with the disposition of an investee company, Clairvest and the CEP Funds may be required to make representations about the business and financial affairs of the business. Clairvest and the CEP Funds may also be required

to indemnify the purchasers of such investee companies to the extent that any such representation turns out to be incorrect, inaccurate or misleading.

Investment structure and taxation risks

Clairvest structures its investments in a manner that is intended to achieve its investment objectives. There can be no assurance that the structure of any investment will be as tax efficient as designed or that any particular tax result will be achieved, due to unanticipated tax law changes or unforeseen circumstances during the planning phase of the tax structuring. Furthermore, Clairvest's returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which Clairvest's investee companies are organized.

Other risks

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 Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of its investee companies regularly.

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

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. As at December 31, 2019, the Company's acquisition entities held derivative instruments which had net mark-to-market gain of \$1.2 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 its 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-statement of financial position arrangements have been previously discussed. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described were \$395.5 million as at December 31, 2019. 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 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 of \$355.0 million and access to \$100.0 million in credit to support its obligations and current and anticipated corporate investments. Clairvest also had access to \$71.9 million in treasury funds

held by its acquisition entities and \$1.0 billion in uncalled committed third-party capital through the CEP Funds as at December 31, 2019 to invest along with Clairvest's capital.

Conflicts of interest risk

Clairvest's primary business is that of a private equity investor investing its own capital but it also manages third-party capital through the CEP Funds. In accordance with the various fund agreements for the CEP Funds, Clairvest is required to invest alongside the CEP Funds unless the relevant CEP Fund investor committee approves such an investment to be invested by Clairvest without the CEP Funds' participation. Accordingly, Clairvest shareholders may not realize the full benefit of Clairvest investment opportunities as such opportunities are required to be shared with the CEP Funds.

Risk of CEP Fund Limited Partners' failure to meet capital calls

The general partner of the CEP Funds is responsible to manage the affairs of the CEP Funds, which includes calling capital for investments made by the CEP Funds. If a limited partner of the CEP Funds fails to make the required capital contribution when due, Clairvest could be required to increase its investment under certain conditions. The general partner of the CEP Funds manages this risk through designing the terms of the CEP Funds appropriately and due diligence of potential limited partners of the CEP Funds prior to admitting them to the partnership.

Minority shareholder risks

As at December 31, 2019, Clairvest's Board of Directors and employees owned approximately 90% of Clairvest's common shares and Kenneth B. Rotman owned or controlled over 50% of the common shares of Clairvest. Accordingly, Mr. Rotman and other insider shareholders have the ability to exercise substantial influence with respect to Clairvest's affairs and can usually dictate the outcome of shareholder votes and may have the ability to prevent certain fundamental transactions.

Accordingly, Clairvest shares may be less liquid and trade at a relative discount compared to circumstances where such large shareholders did not have the ability to significantly influence or determine matters affecting Clairvest.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as at December 31, 2019 and concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed by Clairvest in its corporate filings is recorded, processed, summarized and reported within the required time period for the quarter then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management has evaluated Clairvest's design effectiveness of internal controls over financial reporting for the quarter ended December 31, 2019. Management has concluded that the design effectiveness of internal controls over financial reporting are effective as at December 31, 2019 based on this evaluation. No changes were made to internal controls over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

USE OF NON-IFRS MEASURES

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

FORWARD-LOOKING STATEMENTS

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

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

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