

CLAIRVEST GROUP INC.
NOTICE TO READER
December 31, 2020
(unaudited)

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

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

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

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

\$000's	December 31	March 31
	2020	2020
ASSETS		
Cash and cash equivalents (notes 4 and 13)	\$ 207,533	\$ 272,938
Temporary investments (note 4)	122,739	155,918
Accounts receivable and other assets (note 11(f))	34,620	33,695
Loans receivable (note 11(e))	9,213	20,063
Derivative instrument (note 14)	1,387	85
Income taxes recoverable	807	8,000
Deferred income tax asset	—	417
Carried interest from Clairvest Equity Partners III and IV (note 8)	36,622	44,409
Corporate investments (note 6)	529,279	400,291
Fixed assets (notes 9 and 15(e))	8,240	9,062
	<u>\$ 950,440</u>	<u>\$ 944,878</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities (note 11(h))	\$ 7,902	11,861
Income taxes payable	47	1,998
Accrued compensation expense (notes 12 and 15(b))	8,683	8,317
Share-based compensation (note 12)	48,077	39,039
Management participation from Clairvest Equity Partners III and IV (note 8)	27,774	34,115
Deferred income tax liability	14,934	12,133
	<u>107,417</u>	<u>107,463</u>
Contingencies, commitments and guarantees (notes 11 and 15)		
Shareholders' Equity		
Share capital (note 10)	80,827	80,917
Retained earnings	762,196	756,498
	<u>843,023</u>	<u>837,415</u>
	<u>\$ 950,440</u>	<u>\$ 944,878</u>

(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	
	2020	2019	2020	2019
REVENUE				
Net investment gain (note 5)	\$ 61,561	\$ 86,848	\$ 111,636	\$ 120,498
Distributions and interest income (notes 4, 11(f) and 11(g))	5,199	4,395	16,221	21,631
Carried interest from Clairvest Equity Partners III and IV (notes 6 and 8)	678	18,534	(7,086)	22,473
Dividend income	365	306	1,045	898
Management fees (note 7)	2,990	284	9,181	874
Advisory and other fees	623	403	1,887	960
	71,416	110,770	132,884	167,334
EXPENSES				
Employee compensation and benefits (notes 12 and 15(b))	4,579	5,101	12,860	19,358
Share-based compensation expenses (note 12)	7,546	6,307	20,159	15,440
Administration and other expenses	1,699	1,816	4,056	6,459
Finance and foreign exchange expenses (notes 3 and 16)	1,069	277	1,860	807
Management participation from Clairvest Equity Partners III and IV (notes 6 and 8)	583	12,901	(5,669)	18,035
	15,476	26,402	33,266	60,099
Income before income taxes	55,940	84,368	99,618	107,235
Income tax expense	6,003	11,322	9,563	12,800
Net income and comprehensive income for the period	49,937	73,046	90,055	94,435
Basic and fully diluted net income and comprehensive income per share	\$ 3.32	\$ 4.83	\$ 5.98	\$ 6.25

(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, 2020	\$ 80,917	\$ 756,498	\$ 837,415
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>90,055</u>	<u>90,055</u>
		846,553	927,470
Dividends declared (\$5.5555 per share)		(83,661)	(83,661)
Purchase and cancellation of shares (note 10)	(90)	(696)	(786)
As at December 31, 2020	\$ 80,827	\$ 762,196	\$ 843,023
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

(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	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Net income and comprehensive income for the period	\$ 49,937	\$ 73,046	\$ 90,055	\$ 94,435
Add (deduct) items not involving a current cash outlay:				
Amortization and impairment of fixed assets	315	304	936	908
Share-based compensation	7,601	6,355	21,981	17,264
Deferred income tax expense	4,256	10,073	3,219	7,444
Net investment gain	(61,561)	(86,848)	(111,636)	(120,498)
Carried interest and management participation from Clairvest Equity Partners III and IV	(95)	(9,156)	1,446	(7,427)
Non-cash items relating to foreign exchange forward contracts	(834)	(269)	(3,760)	(349)
Non-cash items relating to corporate investments	15	3,640	(216)	3,566
	<u>(366)</u>	<u>(2,855)</u>	<u>2,025</u>	<u>(4,657)</u>
Adjustments for:				
Net proceeds on sale (cost of acquisition) of temporary investments	33,749	(875)	42,068	9,946
Net loans repaid by (advanced to) acquisition entities or the CEP Funds	(564)	537	10,850	1,371
Proceeds from settlement of realized foreign exchange forward contracts	—	20	2,458	68
Investments made in investee companies or acquisition entities	(14,680)	(7,042)	(35,761)	(44,024)
Proceeds on sale of investee companies	—	—	—	154
Distribution or return of capital from investee companies or acquisition	9	79	9,736	4,041
Settlement of share-based compensation liability	—	—	(12,943)	(7,260)
	<u>18,514</u>	<u>(7,281)</u>	<u>16,408</u>	<u>(35,704)</u>
Net change in non-cash working capital balances related to operations (note 13)	<u>4,012</u>	<u>(5,032)</u>	<u>724</u>	<u>(37,756)</u>
Cash provided by (used in) operating activities	<u>22,160</u>	<u>(15,168)</u>	<u>19,157</u>	<u>(78,117)</u>
INVESTING ACTIVITIES				
Sale (purchase) of fixed assets	—	(1)	(114)	498
Cash provided by (used in) investing activities	<u>—</u>	<u>(1)</u>	<u>(114)</u>	<u>498</u>
FINANCING ACTIVITIES				
Cash dividends paid	(75,292)	—	(83,661)	(7,786)
Purchase and cancellation of shares	(167)	—	(786)	(1,999)
Cash used in financing activities	<u>(75,459)</u>	<u>—</u>	<u>(84,447)</u>	<u>(9,785)</u>
Net decrease in cash during the period	<u>(53,299)</u>	<u>(15,169)</u>	<u>(65,404)</u>	<u>(87,404)</u>
Cash and cash equivalents, beginning of period	<u>260,833</u>	<u>216,687</u>	<u>272,938</u>	<u>288,922</u>
Cash and cash equivalents, end of period (note 13)	<u>\$ 207,534</u>	<u>\$ 201,518</u>	<u>\$ 207,534</u>	<u>\$ 201,518</u>
Supplemental cash flow information				
Interest received	\$ 1,160	\$ 2,379	\$ 4,153	\$ 8,346
Distributions received	\$ 2,258	\$ 1,428	\$ 17,215	\$ 18,483
Income taxes paid	\$ 18	\$ 2,421	\$ 822	\$ 29,902
Interest paid	\$ 243	\$ 175	\$ 592	\$ 524

CLAIRVEST GROUP INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 (Tabular Dollar Amounts in Thousands)
(unaudited)

1. NATURE OF OPERATIONS

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

As at December 31, 2020, Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership (“CEP III”), Clairvest Equity Partners IV Limited Partnership (“CEP IV”), Clairvest Equity Partners IV-A Limited Partnership (“CEP IV-A”), Clairvest Equity Partners V Limited Partnership (“CEP V”), CEP V HI India Investment Limited Partnership (“CEP V India”), Clairvest Equity Partners V-A Limited Partnership (“CEP V-A”), Clairvest Equity Partners VI Limited Partnership (“CEP VI”), Clairvest Equity Partners VI-A Limited Partnership (“CEP VI-A”), and Clairvest Equity Partners VI-B Limited Partnership (“CEP VI-B”) (together, the “CEP Funds”). CEP III, CEP IV and CEP IV-A are herein referred to as Clairvest Equity Partners III and IV. CEP V, CEP V India, CEP V-A, CEP VI, CEP VI-A and CEP VI-B are herein referred to as Clairvest Equity Partners V and VI.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The accounting policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee, all issued and effective as at February 11, 2021, the date the Board of Directors authorized the issuance of these unaudited interim condensed consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending March 31, 2021 could result in restatement of these unaudited interim condensed consolidated financial statements.

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

The comparative figures indicated in the notes to the unaudited interim condensed consolidated financial statements are as of December 31, 2019 unless otherwise indicated.

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

Basis of consolidation

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

(I) Consolidated subsidiaries

In accordance with IFRS 10, subsidiaries are those entities that provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of these entities. Such entities would include those which earn priority distributions or management fees from the CEP Funds and carried interest from Clairvest Equity Partners III and IV. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation. The existence and effect of potential voting rights that are currently exercisable and shareholder agreements are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

The following entities, which are significant in nature, do not meet the definition of an investment entity and provide investment-related services on behalf of the Company.

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

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

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

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

- 2141788 Ontario Corporation (“2141788 Ontario”)
- 2486303 Ontario Inc. (“2486303 Ontario”)
- CEP III Co-Investment Limited Partnership (“CEP III Co-Invest”)
- MIP III Limited Partnership (“MIP III”)
- CEP IV Co-Investment Limited Partnership (“CEP IV Co-Invest”)
- MIP IV Limited Partnership (“MIP IV”)
- CEP V Co-Investment Limited Partnership (“CEP V Co-Invest”)
- Clairvest General Partner V Limited Partnership (“Clairvest GP V”)
- MIP V Limited Partnership (“MIP V”)
- CEP VI Co-Investment Limited Partnership (“CEP VI Co-Invest”)
- MIP VI Limited Partnership (“MIP VI”)
- Clairvest SLP VI Limited Partnership (“Clairvest SLP VI”)

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

(III) Interests in the CEP Funds

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

Significant accounting policies, new standards, interpretations and amendments

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

(a) Classification and recognition of financial instruments

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

(b) Temporary investments and corporate investments

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

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

In determining the fair value of public company warrants the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants; interest rate; current market price; expected dividends; and volatility of the underlying security, a valuation

technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(c) Income recognition

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

(d) Stock-based compensation plans

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

(e) Entitlements of partners of a limited partnership

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

(f) Leases

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

(g) Critical accounting estimates, assumptions and judgments

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

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

Determination of investment entity

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

Fair value of financial instruments

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

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

Recognition of carried interest and corresponding expenses

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

Income taxes

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

Impact on COVID-19 on Significant Estimates

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. A number of the Company's investee companies are located in jurisdictions or are in segments of the economy which have been severely impacted by COVID-19. At this time, there exists a wide range of possible outcomes regarding the duration and the full scope of the economic impact of COVID-19. As a result, the fair value estimates of the Company's certain corporate investments as at December 31, 2020 required significant judgment given the uncertainty regarding the long-term impact of COVID-19 and the ultimate impact of COVID-19 on the Company's investee companies are unknown. If the duration or the spread of the pandemic, the related advisories and restrictions are significantly longer than the Company's estimate, or the impact on the equity or credit markets or the economy in general is significantly worse than the Company's estimate, the fair value of its corporate investments may be materially adversely affected resulting in a material adverse impact to the Company's financial results.

3. CREDIT FACILITIES

Clairvest maintains a \$100.0 million revolving credit facility which is participated in by several Schedule 1 Canadian chartered banks. The credit facility, which has an expiry of December 2024 and is eligible for a one-year extension on each anniversary of the closing date, bears interest at the bank prime rate plus 1.25% per annum on drawn amounts and a standby rate of 0.70% per annum on undrawn amounts. The prime rate as at December 31, 2020 was 2.45% (March 2020 – 2.45%) per annum. During the third quarter of fiscal 2021, the credit facility was extended to December 2025 under the same terms and conditions. Total fees paid for this facility during the quarter were \$0.1 million. The amount available under the credit facility as at December 31, 2020 was \$100.0 million. No amounts had been drawn on the facility during the quarter and as at December 31, 2020.

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

Cash equivalents consist of deposits in investment savings accounts which have maturities of less than 90 days from the date of acquisition. As at December 31, 2020, the pre-tax weighted average yield was 0.7% (March 2020 – 0.8%) per annum.

Temporary investments comprised guaranteed investment certificates, corporate bonds, marketable securities, limited recourse capital notes and other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value. Guaranteed investment certificates and corporate bonds have maturities greater than 90 days from the date of acquisition and through to November 2023. The pre-tax weighted average yield was 1.6% (March 2020 – 2.6%) per annum. The composition of Clairvest's temporary investments was as follows:

	December 31, 2020			March 31, 2020
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 78,982	\$ 7,129	\$ 86,111	\$ 127,403
Corporate bonds	—	—	—	3,012
Marketable securities ⁽¹⁾	—	27,579	27,579	17,964
Limited recourse capital notes	—	4,128	4,128	—
Other fixed income securities	4,152	769	4,921	7,539
Total	\$ 83,134	\$ 39,605	\$ 122,739	\$ 155,918

(1) 250,310 common shares of Canadian Imperial Bank of Commerce ("CIBC", TSX:CM), comprised 218,966 common shares received on the sale of Wellington Financial plus dividends received in the form of 31,344 CIBC common shares to December 31, 2020.

Additionally, Clairvest's acquisition entities held \$62.8 million (March 2020 – \$30.1 million) in cash and cash equivalents and \$28.6 million (March 2020 – \$26.4 million) in temporary investments as described in *note 6*.

5. NET INVESTMENT GAIN

Net investment gain for the quarters and nine months ended December 31, 2020 and 2019 comprised the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Net investment gain on investee companies	50,933	67,987	90,952	95,146
Net investment gain on treasury funds	2,295	—	6,112	—
Net investment gain (loss) on the fair value revaluation of acquisition entities	(689)	6,177	(4,365)	16,190
Net change in unrealized gain on corporate investments (note 8)	52,539	74,164	92,699	111,336
Carried interest from Clairvest Equity Partners V and VI (note 8)	26,760	61,238	56,658	61,238
Management participation from Clairvest Equity Partners V and VI (note 8)	(17,738)	(48,554)	(37,721)	(52,076)
	61,561	86,848	111,636	120,498

6. CORPORATE INVESTMENTS

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

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

\$000's	December 31 2020			March 31, 2020		
	Investee companies	Acquisition entity net assets (liabilities)	Total	Investee companies	Acquisition entity net assets (liabilities)	Total
Held directly by Clairvest Group Inc.	3,129	—	3,129	3,787	—	3,787
Held through the following acquisition entities						
2141788 Ontario	60,681	51,611	112,292	51,197	38,684	89,881
2486303 Ontario	2,752	(3,091)	(339)	2,186	(3,113)	(927)
CEP III Co-Invest	15,286	610	15,896	13,843	4,531	18,374
MIP III	612	(15)	597	554	(10)	544
CEP IV Co-Invest	77,955	825	78,780	107,392	(711)	106,681
MIP IV	1,182	(13)	1,169	1,627	(6)	1,621
CEP V Co-Invest	206,638	24,523	231,161	166,954	(10,190)	156,764
Clairvest GP V	16,837	35,511	52,348	12,056	7,190	19,246
MIP V	4,490	(85)	4,405	3,737	(80)	3,657
CEP VI Co-Invest	22,584	(3,234)	19,350	2,839	(7,226)	(4,387)
Clairvest SLP VI	7,110	3	7,113	—	—	—
MIP VI	3,387	(9)	3,378	1,420	3,630	5,050
Total	422,643	106,636	529,279	367,592	32,699	400,291

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly owned acquisition entity of Clairvest. 2486303 Ontario is a wholly owned acquisition entity of Clairvest. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, CEP V Co-Invest, Clairvest GP V and MIP V, and CEP VI Co-Invest, Clairvest SLP VI, MIP VI are described in *notes 11(a), 11(b), 11(c) and 11(d)*.

During the third quarter of fiscal 2021, Clairvest made a direct investment of US\$10.0 million (C\$12.8 million) and an indirect investment, through its acquisition entity Clairvest SLP VI, of US\$1.5 million (C\$1.9 million) in CEP VI Co-Invest, to support CEP VI Co-Invest's investment in F12.Net and Brunswick Bierworks which are further described below.

During the third quarter of fiscal 2021, CEP V Co-Invest received total cash proceeds of \$29.5 million as a result of its realization of Right Time Heating and Air Conditioning ("Right Time") which is further described below. Subsequent to quarter end, CEP V Co-Invest declared distributions totalling \$30.0 million, \$23.5 million of which was received by Clairvest and the remaining \$6.5 million was received by 2141788 Ontario, Clairvest GP V and MIP V.

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 2020	March 31 2020
Assets		
Cash and cash equivalents	62,849	30,070
Temporary investments	28,612	26,362
Accounts receivable and other assets	586	1,326
Derivative instruments	8,247	—
Income taxes recoverable	22	491
Carried interest from Clairvest Equity Partners V and VI	71,111	14,453
Loans receivable	—	540
Deferred income tax asset	1,079	1,286
	172,506	74,528
Liabilities		
Accounts payable and accrued liabilities	4,374	5,915
Derivative instruments	—	11,407
Income taxes payable	562	82
Management participation from Clairvest Equity Partners V and VI	48,613	10,893
Loans payable	5,285	8,209
Deferred income tax liability	7,036	5,323
	65,870	41,829
Net assets	106,636	32,699

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

\$000's	December 31, 2020			March 31, 2020		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Co-packing	9,741	9,741	—	—	—	—
Dental services	15,070	15,902	(832)	16,636	15,902	734
Equipment rental	5,722	13,591	(7,869)	7,102	13,591	(6,489)
Financial services	2,187	—	2,187	3,009	—	3,009
Gaming	169,028	110,587	58,441	186,484	120,688	65,796
Information technology	15,202	11,849	3,353	8,602	6,732	1,870
Marketing services	74,030	995	73,035	7,471	995	6,476
Renewable energy	36,664	33,103	3,561	18,523	16,185	2,338
Residential services	—	—	—	6,375	6,375	—
Specialty aviation and defence services	56,264	64,623	(8,359)	81,016	60,304	20,712
Waste management	34,031	25,618	8,413	27,117	21,951	5,166
Other investments	4,704	2,320	2,384	5,257	2,346	2,911
	422,643	288,329	134,314	367,592	265,069	102,523

During the third quarter of fiscal 2021, the aggregate fair value of Clairvest's investee companies increased by \$27.3 million, comprised primarily of \$33.8 million in net unrealized gain in investee companies, \$15.2 million in new and follow-on investments, net of realization of Right Time which had a carrying value of \$12.9 million as at September 30,

2020 and \$9.2 million of losses in foreign exchange revaluations which were partially offset by gains on the foreign exchange hedging activities. 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 2021, CEP VI Co-Invest made a \$9.7 million investment in F12.NET, a provider of managed IT services for Canadian-based small and medium-sized enterprises, for 283,144 Class A Common Shares representing an ownership interest of 16.5% in F12.NET.

Also during the third quarter of fiscal 2021, CEP VI Co-Invest made a \$5.1 million investment in Brunswick Bierworks, a contract manufacturer of specialty beverages, for 5,116,616 Class A Common Shares representing an ownership interest of 22.2% in Brunswick Bierworks.

Also during the third quarter of fiscal 2021, CEP VI Co-Invest made follow-on investments totalling US\$0.3 million (C\$0.4 million) in SunSystem Technology (“SST”). Subsequently, NovaSource Power Services (“NovaSource”), an investee company of CEP VI Co-Invest completed its acquisition of SST. As part of this transaction, CEP VI Co-Invest received an additional 334,5653 common shares in NovaSource. As at December 31, 2020, CEP VI Co-Invest held 1,160,3819 common shares of NovaSource representing an ownership interest of 24.3%

Also during the third quarter of fiscal 2021, CEP V Co-Invest realized on its investment in Right Time for cash proceeds of \$29.5 million against a cost of \$6.4 million and a carrying value of \$12.9 million as at September 30, 2020. CEP V Co-Invest is entitled to receive additional proceeds of up to \$0.9 million as stipulated in the purchase and sale agreement.

The following table summarizes, by industry concentration, the net investment gain or loss on investee companies for the quarters and nine months ended December 31, 2020 and 2019. The net investment gain or loss is inclusive of the impact on the foreign exchange hedging activities related to these investments.

Quarter ended December 31	2020				2019
	Net realized gains (losses)	Net unrealized gains (losses)	Foreign exchange gains (losses) ⁽¹⁾	Total	Total
(\$000's)					
Dental services	—	—	14	14	—
Equipment rental	—	—	41	41	(19)
Financial services	—	(733)	—	(733)	522
Gaming	—	(16,499)	606	(15,893)	21,096
Information technology	—	1,113	(11)	1,102	(12)
Marketing services	89	43,177	(15)	43,251	273
Renewable energy	—	3,933	(69)	3,864	(46)
Residential services	16,605	—	—	16,605	—
Specialty aviation and defence services	—	339	—	339	23,783
Waste management	(13)	2,438	1	2,426	22,387
Other investments	—	—	(83)	(83)	3
Net investment gain (loss) on investee companies	16,681	33,768	484	50,933	67,987

⁽¹⁾ Inclusive of foreign exchange hedging activities

Nine months ended December 31	2020				2019
	Net realized gains (losses)	Net unrealized gains (losses)	Foreign exchange gains (losses) ⁽¹⁾	Total	Total
(\$000's)					
Dental services	—	—	74	74	—
Equipment rental	850	(732)	13	131	(45)
Financial services	2,456	(821)	—	1,635	3,214
Gaming	37	1,934	854	2,825	39,244
Information technology	—	2,376	(36)	2,340	(41)
Marketing services	89	79,750	(205)	79,634	(2,996)
Renewable energy	—	3,933	(181)	3,752	(122)
Residential services	16,605	6,509	—	23,114	—
Specialty aviation and defence services	116	(29,071)	—	(28,955)	23,645
Waste management	(448)	7,029	(3)	6,578	32,258
Other investments	—	(39)	(137)	(176)	(11)
Net investment gain (loss) on investee companies	19,705	70,868	379	90,952	95,146

(1) Inclusive of foreign exchange hedging activities

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign currency-denominated investments and loans in accordance with its foreign exchange hedging policy. During the third quarter of fiscal 2021, the net impact of foreign exchange on the investee companies after consideration of foreign exchange hedging activities included a foreign exchange gain of \$2.1 million (2020 – loss of \$2.3 million) on Chilean Pesos denominated investment, a loss of \$0.4 million (2020 – \$0.3 million) on U.S. Dollar denominated investments, a loss of \$1.2 million (2020 – \$1.4 million) on Indian Rupee denominated investment, and a loss of \$12 thousand (2020 – gain of \$31 thousand) on British Pound denominated investment.

7. GENERAL PARTNER PRIORITY DISTRIBUTIONS AND MANAGEMENT FEES

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

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

For the quarters and nine months ended December 31, 2020 and 2019, Clairvest recorded general partner priority distributions and management fees from the CEP Funds as follows:

Priority Distributions	Quarter ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
\$000's				
CEP III	64	96	192	288
CEP IV	360	340	840	1,018
CEP V	897	1,210	2,106	3,945
CEP V India	154	157	462	473
CEP VI	1,210	—	3,735	—
	2,685	1,803	7,335	5,724
Management Fees				
\$000's				
CEP IV-A	36	54	106	163
CEP V-A	183	230	525	711
CEP VI-A	1,694	—	5,227	—
CEP VI-B	1,077	—	3,323	—
	2,990	284	9,181	874

8. CARRIED INTEREST AND MANAGEMENT PARTICIPATION

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

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

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

Carried interest from Clairvest Equity Partners III and IV for the quarters and nine months ended December 31, 2020 and 2019 comprised the following:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2020	2019	2020	2019
Realized carried interest	—	—	700	2,630
Net changes in unrealized carried interest	678	18,534	(7,786)	19,843
	678	18,534	(7,086)	22,473

The following tables detail the carried interest received from Clairvest Equity Partners III and IV 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 received during		Unrealized carried interest, as at	
	Quarter ended December 31		December 31	March 31
	2020	2019	2020	2020
CEP	—	—	730	515
CEP III	—	—	8,012	7,971
CEP IV	—	—	24,113	30,927
CEP IV-A	—	—	3,767	4,996
	—	—	36,622	44,409

\$000's	Management participation paid during		Management participation payable, as at	
	Quarter ended December 31		December 31	March 31
	2020	2019	2020	2020
CEP III	—	—	4,006	3,986
CEP IV	—	—	12,057	15,463
CEP IV-A	—	—	1,883	2,498
CEP III Co-Invest	—	—	3,231	3,233
CEP IV Co-Invest	—	—	6,597	8,935
	—	—	27,774	34,115

During the quarter ended December 31, 2020, no carried interest was received from Clairvest Equity Partners V and VI and no management participation payments were made by Clairvest related to Clairvest Equity Partners V and VI. The following table details the carried interest receivable from Clairvest Equity Partners V and VI and management participation payable balances, as at the respective balance sheet dates, which have been included in corporate investments:

\$000's	Realized carried interest received during		Unrealized carried interest, as at	
	Quarter ended December 31		December 31	March 31
	2020	2019	2020	2020
CEP V and CEP V India	—	—	60,133	11,090
CEP V-A	—	—	10,978	3,363
	—	—	71,111	14,453

\$000's	Management participation paid during		Management participation payable, as at	
	Quarter ended December 31		December 31	March 31
	2020	2019	2020	2020
CEP V and CEP V India	—	—	30,066	5,546
CEP V-A	—	—	5,489	1,681
CEP V Co-Invest ⁽¹⁾	—	—	13,058	3,666
	—	—	48,613	10,893

⁽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, 2020						
Cost	6,105	16	296	708	4,175	11,300
Accumulated amortization	(1,347)	(16)	(273)	(686)	(738)	(3,060)
Net book amount	4,758	—	23	22	3,437	8,240
As at March 31, 2020						
Cost	5,991	16	296	708	4,175	11,186
Accumulated amortization	(891)	(16)	(255)	(548)	(414)	(2,124)
Net book amount	5,100	—	41	160	3,761	9,062

⁽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 \$1.0 million due after five years. Refer to *note 15(e)* for further details.

10. SHARE CAPITAL

The Company has a normal course issuer bid ("NCIB") outstanding enabling it to make purchases of up to 759,984 common shares in the 12-month period ending March 6, 2021. During the third quarter of fiscal 2021, the Company purchased and cancelled 3,400 common shares under the current NCIB for a cost of \$0.2 million.

At December 31, 2020, 15,058,401 (March 2020 – 15,075,301) common shares were outstanding.

The Board of Directors of the Company had authorized the creation of Non-Voting Series 2 Shares ("Non-Voting Shares") which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the stock option program as described in *note 12*. No Non-Voting Shares had been issued as at December 31, 2020.

11. RELATED PARTY TRANSACTIONS

- (a) CEP III Co-Invest, an investment vehicle established in fiscal 2007, has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million (March 2020 – \$15.2 million) of which remained unfunded as at December 31, 2020. CEP III Co-Invest is capitalized by three limited partners, Clairvest, 2141788 Ontario and MIP III. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at December 31, 2020, MIP III had

invested \$1.1 million in CEP III Co-Invest. Clairvest, as the general partner of MIP III, is entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. No distribution was made from MIP III to Clairvest during the third quarter of fiscal 2021. As at December 31, 2020, \$2.5 million (March 2020 – \$2.4 million) had been received by Clairvest.

- (b) CEP IV Co-Invest, an investment vehicle established in fiscal 2010, has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

CEP IV Co-Invest's co-investment commitment is \$125.0 million, \$9.4 million (March 2020 – \$11.7 million) of which remained unfunded as at December 31, 2020. CEP IV Co-Invest is capitalized by two limited partners, Clairvest and MIP IV. In accordance with the co-investment agreement, the proportion of the commitment amongst its two limited partners is at their own discretion. As at December 31, 2020, MIP IV had invested \$1.6 million in CEP IV Co-Invest. Clairvest, as the general partner of MIP IV, is entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by MIP IV in CEP IV Co-Invest. No distribution was made from MIP IV to Clairvest during the third quarter of fiscal 2021. As at December 31, 2020, \$6.2 million (March 2020 – \$6.2 million) had been received by Clairvest.

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

CEP V Co-Invest's co-investment commitment is \$180.0 million, \$35.6 million (March 2020 – \$45.0 million) of which remained unfunded as at December 31, 2020. CEP V Co-Invest is capitalized by four limited partners, Clairvest, 2141788 Ontario, Clairvest GP V LP and MIP V. In accordance with the co-investment agreement, the proportion of the commitment amongst its four limited partners is at their own discretion. As at December 31, 2020, MIP V had invested \$2.4 million in CEP V Co-Invest. Clairvest, as the general partner of MIP V, is entitled to participate in distributions equal to the realizable value on the \$2.4 million invested by MIP V in CEP V Co-Invest. No distributions was made by MIP V to Clairvest during the third quarter of fiscal 2021. As at December 31, 2020, \$0.3 million (March 2020 – \$0.1 million) had been received by Clairvest.

- (d) CEP VI Co-Invest, an investment vehicle established in fiscal 2020, 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\$292.8 million), US\$204.1 million (C\$259.9 million) of which remained unfunded as at December 31, 2020. CEP VI Co-Invest is capitalized by three limited partners, Clairvest, Clairvest SLP VI and MIP VI. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at December 31, 2020, MIP VI has committed to invested US\$2.6 million in CEP VI Co-Invest. Clairvest, as the general partner of MIP VI, is entitled to participate in distributions equal to the realizable value on the US\$2.6 million to be invested by MIP VI in CEP VI Co-Invest. No distributions had been made by MIP VI to Clairvest as at December 31, 2020.

(e) Changes to loans receivable for the quarter ended December 31, 2020 were as follows:

\$000's	October 1 2020	Net Loans advanced (repaid)	December 31 2020
CEP IV ⁽¹⁾	2,226	—	2,226
CEP IV-A ⁽²⁾	355	—	355
CEP V ⁽³⁾	1,000	(1,000)	—
CEP VI ⁽⁴⁾	—	263	263
CEP VI-A ⁽⁵⁾	—	465	465
CEP VI-B ⁽⁶⁾	—	365	365
CEP IV Co-Invest ⁽⁷⁾	943	—	943
CEP V Co-Invest ⁽⁷⁾	100	(100)	—
CEP VI Co-Invest ⁽⁷⁾	—	583	583
2486303 Ontario ⁽⁸⁾	3,759	—	3,759
	8,383	576	8,959
Other	266	(12)	254
Loans receivable	8,649	564	9,213

- (1) Loans advanced to CEP IV bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$14 thousand (2020 – \$19 thousand) was earned from loans advanced to CEP IV during the third quarter of fiscal 2021.
- (2) Loans advanced to CEP IV-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$2 thousand (2020 – nil) was earned from loans advanced to CEP IV-A during the third quarter of fiscal 2021.
- (3) Loans advanced to CEP V bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$11 thousand (2020 – nil) was earned from loans advanced to CEP V during the third quarter of fiscal 2021.
- (4) Loans advanced to CEP VI bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$0.1 million (2020 – nil) was earned from loans advanced to CEP VI during the third quarter of fiscal 2021.
- (5) Loans advanced to CEP VI-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$0.1 million (2020 – nil) was earned from loans advanced to CEP VI-A during the third quarter of fiscal 2021.
- (6) Loans advanced to CEP VI-B bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$0.1 million (2020 – nil) was earned from loans advanced to CEP VI-B during the third quarter of fiscal 2021.
- (7) Loans advanced to these acquisition entities are non-interest bearing.
- (8) Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$0.1 million (2020 – \$0.1 million) was earned from these loans during the third quarter of fiscal 2021.

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

\$000's	December 31 2020	March 31 2020
Clairvest's investee companies	3,014	2,948
CEP III	22	275
CEP IV	—	37
CEP IV-A	9	27
CEP V	35	3,680
CEP V India	2,102	1,563
CEP V-A	7	4,574
CEP VI	7,080	3,509
CEP VI-A	9,223	4,832
CEP VI-B	5,858	3,073
	27,350	24,518
Other accounts receivable and prepaid expenses	5,544	6,494
Share purchase loans	1,726	2,683
	34,620	33,695

Share purchase loans to employees of the Company totalling \$1.7 million (March 2020 – \$2.7 million) bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by employees with a market value of \$3.2 million (March 2020 – \$3.3 million). None of these loans were made to key management. Interest of \$10 thousand (2020 – \$11 thousand) was earned on the loans during the third quarter of fiscal 2021.

(g) During the third quarter of fiscal 2021, Clairvest earned \$0.9 million (2020 – \$0.1 million) in distributions and interest income and \$0.6 million (2020 – \$0.4 million) in advisory and other fees from its investee companies. Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* earned \$0.9 million (2020 – \$1.2 million) in distributions and interest income from its investee companies.

(h) Clairvest and a related party of Clairvest, through a limited partnership, owns an aircraft that is available for use by both parties. Clairvest and the related party each hold a 50% limited partnership interest. As Clairvest, through a wholly-owned subsidiary, is the general partner of the limited partnership, Clairvest had recognized 100% of the

net book value of the aircraft and a liability for the 50% ownership held by the related party. The cost of the aircraft had been included in fixed assets and the liability in accounts payable and accrued liabilities.

12. SHARE-BASED COMPENSATION AND OTHER COMPENSATION PLANS

Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares as described in note 10. As at December 31, 2020, 606,736 options had been granted under this plan since its inception. The Non-Voting Option Plan has a cash settlement feature. Options granted under this plan vest at a rate of one-fifth of the grant at the end of each year over a five-year period. As at December 31, 2020, 596,408 options were outstanding, 322,408 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, 2020 using the Black-Scholes option pricing model with the following assumptions:

As at December 31, 2020

Year of grant	2020	2019	2018	2017	2016
# of options granted	78,400	106,667	49,487	168,829	203,353
# of options exercised	—	—	—	—	1,916
# of options forfeited	750	—	—	—	7,662
# of options vested	—	21,327	19,792	121,452	159,837
Option price ⁽¹⁾	79.69	85.04	81.60	59.48	44.06
Black-Scholes assumptions used					
Expected volatility	10 %	10 %	10 %	10 %	10 %
Expected forfeiture rate	5 %	5 %	5 %	5 %	5 %
Expected dividend yield	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
Risk-free interest rate	2.00 %	2.00 %	2.00 %	2.00 %	2.00 %
Expected life (years)	4.50	3.50	2.50	1.50	0.50
Liability using Black-Scholes (\$'000s)⁽²⁾	494	1,042	782	5,852	10,003

⁽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, 2020 was \$51.00 (TSX: CVG).

As at December 31, 2020, \$18.2 million (March 2020 – \$8.0 million) had been accrued under the Company's Non-Voting Option Plan. During the third quarter of fiscal 2021, Clairvest recognized an expense on stock-based compensation of \$4.9 million (2020 – \$2.8 million).

The Company has an Employee Deferred Share Units (“EDSU”) plan which provides, among other things, that participants may elect annually to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represented approximately 1.3% of the outstanding number of common shares as at December 31, 2020. 14,554 EDSUs were issued during the third quarter of fiscal 2021 such that 156,486 EDSUs (March 2020 – 107,496 EDSUs) were outstanding as at December 31, 2020. Accordingly, an accrual of \$7.7 million (March 2020 – \$4.5 million) had been included in share-based compensation liability. During the third quarter of fiscal 2021, Clairvest recognized an expense of \$0.7 million (2020 – \$0.3 million) with respect to EDSUs.

As at December 31, 2020, a total of 216,284 (March 2020 – 422,584) Book Value Appreciation Rights Units (“BVARs”) were held by an employee of Clairvest, the accrual in respect of which was \$4.1 million (March 2020 – \$11.5 million) and had been included in share-based compensation liability, and a further \$2.4 million (March 2020 – \$5.6 million) not accrued as those BVARs had not vested. During the third quarter of fiscal 2021, Clairvest recognized an expense recovery of \$0.3 million (2020 – expense of \$2.5 million) with respect to BVARs.

Compensation paid and payable to key management

In addition to the directors, key management at Clairvest are the Chief Executive Officer (“CEO”), the Vice Chairman and the President. The CEO and the President are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. The Vice Chairman is entitled to an annual discretionary cash bonus of up to 100% of annual salary based on individual performance. There is also an annual objective cash bonus

which is based on Clairvest's Incentive Bonus Program as described in *note 15(b)*, the Non-Voting Option Plan, the BVAR plan and the EDSU plan. Aggregate compensation paid to the CEO, the Vice Chairman, and the President for the quarters and nine months ended December 31, 2020 and 2019 were as follows:

\$000's	Quarter ended December 31		Nine months ended December 31	
	2020	2019	2020	2019 ⁽¹⁾
Paid:				
Salaries	228	228	684	684
Annual incentive plans	176	176	1,604	4,246
Book value appreciation rights	—	—	6,205	2,923
	<u>404</u>	<u>404</u>	<u>8,493</u>	<u>7,853</u>

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
	2020	2020
Payable:		
Annual incentive plans	2,595	2,464
Stock options	6,611	2,621
Book value appreciation rights	4,081	7,957
Employee deferred share units	2,053	1,204
	<u>15,340</u>	<u>14,246</u>

During the third quarter of fiscal 2021, the Company granted 1,120 DSUs such that as at December 31, 2020, a total of 274,561 (March 2020 – 266,673) DSUs were held by directors of the Company, the accrual in respect of which was \$13.6 million (March 2020 – \$12.0 million) and had been included in share-based compensation liability. For the quarter ended December 31, 2020, Clairvest recognized an expense of \$1.4 million (2020 – \$0.5 million) with respect to DSUs.

During the third quarter of fiscal 2021, the Company granted 15,000 ADSUs to a director of the Company. As at December 31, 2020, a total of 135,000 (March 2020 – 120,000) ADSUs were held by directors of the Company, the accrual in respect of which was \$4.5 million (March 2020 – \$3.1 million) and had been included in share-based compensation liability. For the quarter ended December 31, 2020, Clairvest recognized an expense of \$0.8 million (2020 – \$0.2 million) with respect to ADSUs.

As at December 31, 2020, compensation payable to the directors of Clairvest included \$1.5 million (March 2020 – \$0.8 million) under the Non-Voting Option Plan.

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations for the quarters ended December 31 are detailed as follows:

\$000's	2020	2019
Accounts receivable and other assets	200	(3,718)
Income taxes recoverable	2,647	(210)
Accounts payable and accrued liabilities, excludes lease liability recognized, see <i>note 15(e)</i>	(540)	(3,228)
Income taxes payable	(504)	(567)
Accrued compensation expense	2,209	2,691
	<u>4,012</u>	<u>(5,032)</u>

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

\$000's	December 31 2020	March 31 2020
Cash	193,927	246,621
Cash equivalents	13,606	26,317
	<u>207,533</u>	<u>272,938</u>

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.

As at December 31, 2020, Clairvest had entered into foreign exchange forward contracts as hedges against its foreign-denominated investments and loans as follows:

Foreign exchange forward contracts to sell US\$13.5 million (March 2020 – \$11.2 million) at an average rate of Canadian \$1.3777 per U.S. Dollar (March 2020 – average rate of 1.4141 per U.S. Dollar) through to May 2023. The fair value of the forward contract as at December 31, 2020 was a gain of \$1.4 million (March 2020 – \$0.1 million).

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

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

15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

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

- (a) Clairvest has committed a total of \$55.5 million (March 2020 – \$55.5 million) in the Wellington Funds, all of which was unfunded as at December 31, 2020 and March 31, 2020. As a result of the sale of Wellington Financial to CIBC in January 2018, the Wellington Funds are in the process of being wound up and may no longer invest in new investments.
- (b) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable (the "Realized Amount"). As at December 31, 2020, the Realized Amount under the Incentive Bonus Program was \$0.4 million (March 2020 – \$2.3 million) and had been accrued under accrued compensation expense liability. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable but which have yet to be realized. Accordingly, Clairvest also recorded a \$5.3 million (March 2020 – \$2.3 million) accrued compensation expense liability which would only be payable to management when the corresponding realization events have occurred. The Incentive Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest, CEP V Co-Invest and CEP VI Co-Invest.
- (c) In conjunction with the sale of Casino New Brunswick, an investee company of CEP III Co-Invest, during fiscal 2016, Clairvest has agreed to a net guarantee of \$1.4 million (March 2020 – \$1.6 million) to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at December 31, 2020 and March 31, 2020, no claims had been made and no amounts with respect to this guarantee had been funded. Subsequent to quarter end, the guarantee was extinguished as the indemnity provision expired.
- (d) NovaSource has entered into definitive agreements with First Solar, Inc. to acquire its operations and maintenance division, First Solar Energy Services. The transaction will be funded through a combination of third-party term debt and equity from CEP VI Co-Invest and Clairvest Equity Partners VI. The proposed transaction is subject to

customary closing conditions and is anticipated to close during fiscal 2021. There can be no assurance that the transaction will be consummated.

- (e) Clairvest has agreed to guarantee up to US\$2.5 million to support a credit facility provided to SunSystem Technology, a subsidiary of NovaSource, by its bank. The guarantee is callable by the lender under certain circumstances and should it be called, Clairvest will assume the lender's security position that supports the loans provided by the lender. Clairvest intends to allocate any amounts called under this guarantee to CEP VI Co-Invest, CEP VI, CEP VI-A and CEP VI-B on a pro-rata basis in accordance with their respective capital commitments in the CEP VI Fund. As at December 31, 2020, the total contingent exposure under this guarantee is US\$2.0 million, US\$0.5 million of which would be assumed by CEP VI Co-Invest if called. Any additional guarantee is subject to Clairvest's consent at its sole discretion.
- (f) As at December 31, 2020, the Company had an accrued liability resulting from future minimum annual lease payments for the use of office space. The detail of the lease liability recognized from April 1, 2019 is as follows:

\$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, 2020	(738)
Lease liability as at December 31, 2020	<u>3,437</u>

⁽¹⁾ As at December 31, 2020, the incremental borrowing rate was prime plus 1.25% per annum

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

16. RISK MANAGEMENT

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

Fair Value Risk

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

The Company's corporate investment portfolio was diversified across 19 investee companies in 10 industries and 5 countries as at December 31, 2020. Concentration risk by industry and by jurisdiction, was as follows:

(\$'000s)	December 31, 2020				March 31, 2020			
	Canada	United States	International ⁽¹⁾	Total	Canada	United States	International ⁽¹⁾	Total
Co-packing	9,741	—	—	9,741	—	—	—	—
Dental services	—	15,070	—	15,070	—	16,636	—	16,636
Equipment rental	—	5,722	—	5,722	—	7,102	—	7,102
Financial services	2,187	—	—	2,187	3,009	—	—	3,009
Gaming	3,670	82,942	82,416	169,028	2,914	72,594	110,976	186,484
Information technology	5,117	10,085	—	15,202	—	8,602	—	8,602
Marketing services	—	74,030	—	74,030	—	7,471	—	7,471
Renewable energy	—	36,664	—	36,664	—	18,523	—	18,523
Residential services	—	—	—	—	6,375	—	—	6,375
Specialty aviation and defence services	56,264	—	—	56,264	81,016	—	—	81,016
Waste management	—	34,031	—	34,031	—	27,117	—	27,117
Other investments	24	4,680	—	4,704	50	5,207	—	5,257
Total	77,003	263,224	82,416	422,643	93,364	163,252	110,976	367,592

⁽¹⁾ Includes investment in India, Chile and the UK

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

Interest Rate Risk

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

As at December 31, 2020, \$206.7 million (March 2020 – \$270.9 million) of the Company's treasury funds are held in accounts which pay interest commensurate with prime rate changes, and \$86.1 million (March 2020 – \$127.4 million) of the Company's treasury funds are in guaranteed investment certificates with an average remaining duration of 0.4 years (March 2020 – 0.6 years). If interest rates were higher or lower by 0.25% per annum, and assuming the renewal rates of these guaranteed investment certificates commensurate with prime rate changes, the potential effect would have been an increase or a decrease of \$0.2 million per annum to distributions and interest income on a pre-tax basis.

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

Currency Risk

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States, India, Chile and the United Kingdom. The Company may also advance loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities, subject to certain exceptions, entered into hedging positions against these foreign-denominated currencies. As at December 31, 2020, the Company foreign exchange exposure with respect to the Chilean Peso and Indian Rupee are unhedged. Significant depreciation in value in these currencies could result in a material impact to the performance of Clairvest's investment portfolio and potentially the carried interest it could earn from the CEP Funds.

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

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the quarter ended December 31, 2020, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure as at December 31 and March 31, 2020, net of any allowances for losses, were as follows:

	December 31, 2020			March 31, 2020		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Financial Assets						
Cash and cash equivalents	\$ 207,533	62,849	270,382	\$ 272,938	30,070	303,008
Temporary investments	95,160	28,612	123,772	137,954	26,362	164,316
Accounts receivable ⁽¹⁾	30,366	586	30,952	27,863	1,326	29,189
Loans receivable ⁽²⁾	3,928	—	3,928	11,855	540	12,395
Derivative instruments	1,387	8,247	9,634	85	—	85
Corporate investments ⁽³⁾	—	19,988	19,988	—	32,803	32,803
	\$ 338,374	120,282	458,656	\$ 450,695	91,101	541,796

⁽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, 2020, the Company and the Company's acquisition entities held derivative instruments which had net mark-to-market gain of \$9.6 million (March 2020 – loss of \$11.4 million). The Company believes the counterparty risk with respect to its and its acquisition entities' derivative instruments is minimal.

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

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

(\$'000s)	December 31, 2020			March 31, 2020		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Cash	195,709	62,829	258,538	270,984	29,769	300,753
Money market savings accounts						
R1-High	—	—	—	389	279	668
R1-Low	240	—	240	235	—	235
Guaranteed investment certificates and investment savings accounts						
AA	95,580	16,375	111,955	122,093	16,195	138,288
A	865	—	865	5,909	—	5,909
A- ⁽¹⁾	300	60	360	311	—	311
BB- ⁽¹⁾	100	—	100	105	—	105
BBB- ⁽¹⁾	200	—	200	210	102	312
Not rated ⁽¹⁾	651	403	1,054	105	306	411
Corporate bonds						
A+	—	—	—	3,012	—	3,012
Limited recourse capital notes						
A-	2,046	—	2,046	—	—	—
BBB+	2,082	—	2,082	—	—	—
Other fixed income securities						
Not rated ⁽²⁾	4,920	11,793	16,713	7,539	9,781	17,320
Total cash, cash equivalents and fixed income securities	302,693	91,460	394,153	410,892	56,432	467,324

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off statement of financial position arrangements are described in *note 14*. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Incentive Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described in *note 15* were \$323.8 million as at December 31, 2020 (March 2020 – \$404.6 million). The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a \$100.0 million credit facility which was undrawn as at December 31, 2020.

As at December 31, 2020, Clairvest had treasury funds, inclusive of those held at acquisition entities, of \$421.8 million (March 2020 – \$485.3 million) and access to \$100.0 million (March 2020 – \$100.0 million) in credit to support its current and anticipated corporate investments. Clairvest also had access to \$0.9 billion (March 2020 – \$1.0 billion) in uncalled committed third-party capital through the CEP Funds as at December 31, 2020 to invest along with Clairvest’s capital.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Fair value hierarchy

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

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

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

(\$'000s)	December 31, 2020				March 31, 2020
	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	—	—	—	—	423
Investment savings accounts	13,306	—	—	13,306	25,894
	13,306	—	—	13,306	26,317
Temporary investments					
Guaranteed investment certificates	—	86,111	—	86,111	127,403
Corporate bonds	—	—	—	—	3,012
Marketable securities	27,579	—	—	27,579	17,964
Limited recourse capital notes	—	4,128	—	4,128	—
Other fixed income securities	—	—	4,921	4,921	7,539
	27,579	90,239	4,921	122,739	155,918
Derivative instruments	—	1,387	—	1,387	85
Corporate investments	65,193	74,030	390,056	529,279	400,291
	106,078	165,656	394,977	666,711	582,611

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.

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

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

For the quarter ended December 31, 2020						
(\$'000s)	Fair value October 1, 2021	Transfers to (from) level 3	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value December 31, 2021
Financial assets						
Other fixed income securities	4,151	—	10	760	—	4,921
Corporate investments	350,607	—	24,778	14,680	(9)	390,056
	354,758	—	24,788	15,440	(9)	394,977

For the nine months ended December 31, 2020						
(\$'000s)	Fair value April 1, 2020	Transfers to (from) level 3	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value December 31, 2020
Financial assets						
Other fixed income securities	7,539	—	36	4,885	(7,539)	4,921
Corporate investments	349,672	(33,023)	47,382	35,761	(9,736)	390,056
	357,211	(33,023)	47,418	40,646	(17,275)	394,977

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

The most significant unobservable input for fair value measurement are earnings before interest, taxes, depreciation and amortization (“EBITDA”) and the earnings multiple which is applied to the EBITDA in valuing each individual investee company. In determining the appropriate multiple, Clairvest considers (i) public company multiples for companies in the same or similar businesses; (ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and (iii) multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company’s earnings and current economic environment, including an estimate of the potential impact of COVID-19. As at December 31, 2020, 10 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 \$11.6 million or a decrease of \$12.8 million to the carrying value of corporate investments and net investment gain, on a pre-tax basis, for the quarter ended December 31, 2020 (March 2020 – an increase of \$18.0 million or a decrease of \$16.3 million). Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies. Earnings are based on the last twelve-month EBITDA and if necessary, adjusted for any non-recurring items such as, restructuring expenses and annualized pro-forma adjustments from recently completed acquisitions. Adjustments to EBITDA may also consider forecasted impacts arising from the current economic environment or recent developments of the investee company.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions or discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at December 31, 2020 and March 31, 2020.

18. CAPITAL DISCLOSURES

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

Clairvest's objectives in managing capital are to:

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

As at December 31, 2020, Clairvest had no external capital requirements, other than as disclosed in *note 15*.

19. COMPARATIVE FINANCIAL STATEMENTS

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