

# Management's Discussion and Analysis FIERA CAPITAL CORPORATION

For the Three and Six-Month Periods Ended June 30, 2018



**FIERA**CAPITAL



## Table of Contents

Basis of Presentation.....	1
Forward-Looking Statements.....	2
Company Overview .....	3
Significant Events .....	3
Market and Economic Overview.....	4
Summary of Portfolio Performance.....	6
AUM and Revenue Trend Highlights.....	7
Highlights for the Three-month Period Ended June 30, 2018 .....	9
Financial Results .....	11
Results from Operations and Overall Performance .....	14
Summary of Quarterly Results .....	27
Liquidity and Capital Resources.....	28
Control and Procedures.....	37
Financial Instruments .....	38
Capital Management .....	38
Significant Accounting Judgments and Estimation Uncertainties .....	38
New Accounting Standards.....	39
Non-IFRS Measures.....	42
Risk Factors.....	46

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## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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The following management's discussion and analysis ("MD&A") dated August 10, 2018, presents an analysis of the financial condition and results of the consolidated operations of Fiera Capital Corporation (the "Company" or "Fiera Capital" or "Firm") for the three and six-month periods ended June 30, 2018. The following MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements including the notes thereto, as at and for the three-month period ended June 30, 2018.

The unaudited interim condensed consolidated financial statements include the accounts of Fiera Capital Corporation and its subsidiaries. Subsidiaries are those entities which the Company controls. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. All intercompany transactions and balances with and amongst the subsidiaries are eliminated on consolidation.

Non-controlling interest in the earnings (loss) and equity of subsidiaries are disclosed separately in the consolidated statements of financial position, earnings (loss), comprehensive income (loss), and changes in equity.

Where applicable, the subsidiaries' accounting policies are changed prior to the business acquisition by the Company to ensure consistency with the policies adopted by the Company.

Subsequent to the acquisition date, the Company's share of earnings of a joint venture is recognized in the consolidated statements of earnings (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unless otherwise stated, figures are presented in Canadian dollars. Certain totals, subtotals and percentages may not reconcile due to rounding. Certain comparative figures have been reclassified to conform with the current period's presentation.

#### **BASIS OF PRESENTATION**

The Company prepares its interim condensed consolidated financial statements in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board ("IASB") and accordingly, do not include all disclosures required under International Financial Reporting Standards ("IFRS") for annual consolidated financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2017, except for the impact of the adoption of the standards, interpretations and amendment described in Note 3. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and December 31, 2016.

The following MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2017, and December 31, 2016, which contain a description of the accounting policies used in the preparation of these financial statements.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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The Company presents earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted EBITDA per share, adjusted EBITDA margin, adjusted net earnings<sup>(1)</sup> and adjusted net earnings per share<sup>(1)</sup> as non-IFRS performance measures. These non-IFRS measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The definition of these non-IFRS measures and the reconciliation to the most comparable IFRS measures are presented in the "Non-IFRS Measures" section of this MD&A.

#### FORWARD-LOOKING STATEMENTS

Forward-looking statements, by their very nature, involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will prove to be inaccurate. As a result, the Company does not guarantee that any forward-looking statement will materialize and readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors, many of which are beyond Fiera Capital's control, could cause actual events or results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: Fiera Capital's ability to retain its existing clients and to attract new clients, Fiera Capital's investment performance, Fiera Capital's reliance on major customers, Fiera Capital's ability to attract and retain key employees, Fiera Capital's ability to successfully integrate the businesses it acquires, industry competition, Fiera Capital's ability to manage conflicts of interest, adverse economic conditions in Canada or globally, including among other things, declines in financial markets, fluctuations in interest rates and currency values, regulatory sanctions or reputational harm due to employee errors or misconduct, regulatory and litigation risks, Fiera Capital's ability to manage risks, the failure of third parties to comply with their obligations to Fiera Capital and its affiliates, the impact of acts of God or other force majeure events; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws, the impact and consequences of Fiera Capital's indebtedness, potential share ownership dilution and other factors described under "Risk Factors" in this MD&A or discussed in other documents filed by the Company with applicable securities regulatory authorities from time to time. These forward-looking statements are made as at the date of this MD&A and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws.

<sup>(1)</sup> The definition of adjusted net earnings was amended and certain comparative figures have been restated to conform with the current presentation. Refer to the "Non-IFRS Measures" Section on page 42.

# Management's Discussion and Analysis

## For the Three and Six-Month Periods Ended June 30, 2018

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### COMPANY OVERVIEW

Fiera Capital Corporation ("Fiera Capital" or the "Company") was incorporated as Fry & Company (Investment Management) Limited in 1955 and is incorporated under the laws of the Province of Ontario. The Company is a global asset management firm which offers a wide range of traditional and alternative investment solutions, including depth and expertise in asset allocation. The Company provides investment advisory and related services to institutional investors, private wealth clients and retail investors. In the U.S., investment advisory services are provided by two of the Company's U.S. affiliates, Fiera Capital Inc. and Bel Air Management, LLC, that are registered as investment advisors with the U.S. Securities and Exchange Commission ("SEC"). The Company's affiliate Fiera Capital (UK) Limited (formerly Charlemagne Capital (UK) Limited) is registered with the Financial Conduct Authority in the United Kingdom and as an investment advisor with the SEC and Fiera Capital (IOM) Limited (formerly Charlemagne Capital (IOM)) is registered with the Isle of Man Financial Services Authority and is also registered as an investment advisor with the SEC. The Company's head office is located at 1501 McGill College Avenue, Suite 800, Montréal, Quebec, Canada. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "FSZ".

### SIGNIFICANT EVENTS

- **Fiera Capital Acquired Leading High-Net-Worth and Institutional Investment Firm CGOV Asset Management – May 31, 2018.** At time of closing, CGOV, an Ontario-based high-net-worth and institutional investment firm, had \$5.0 billion in assets under management.
- **Fiera Capital has renegotiated the terms and conditions of its existing credit agreement.** The facility was increased to \$600 million and the term was extended to June 2022.
- **City National Rochdale Emerging Markets Fund now offered as the Fiera Capital Emerging Markets Fund.** The investment team continues to be led by Anindya Chatterjee, Senior Vice President and Senior Portfolio Manager. The objective, process and risks of the fund are unchanged.
- **Release of updated outlook [\*Global Financial Forecast 2018-2025: Inflation fears and rising rates pave way for recession\*](#). – June 6, 2018.** Looking ahead seven years, the usual length of an economic cycle, the forecast seeks to provide guidance for investors who are seeking both to structure their portfolios within the current market environment and prepare for future policy developments. Highlights: 2018-19 investment outlook tempered by strong performance in 2017; Central banks expected to adopt a "timid" approach to interest rate rises; and "mild" recession forecast for late 2020 or early 2021.

### SUBSEQUENT EVENTS

- **Fiera Capital Expands Presence in Asia with Acquisition of Clearwater Capital Partners – August 9, 2018.** The Company closed its previously-announced acquisition of Clearwater Capital Partners LLC, an Asia focused credit and special situations investment firm headquartered in Hong Kong. The aggregate consideration paid at closing, subject to various post-closing adjustments, was approximately US\$14.9 million, including approximately US\$5.9 million in cash and US\$9 million in 982,532 newly issued Class A subordinate voting shares of the Company ("Class A Shares"). The Class A Shares were issued at a price equal to \$11.93, being the volume weighted average price of the Class A Shares on the Toronto Stock Exchange for the period of 30 consecutive trading days ending on the second to last full trading day prior to closing. Additional contingent payments of up to US\$44 million will be payable over five years if certain performance conditions are achieved. Contingent payments are payable,

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

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at the Company's discretion, in cash or Class A Shares, or a combination thereof. Any Class A Shares issued for a contingent payment shall be issued at a price equal to the volume weighted average price of the Class A Shares on the Toronto Stock Exchange for the period of five consecutive trading days ending on the second to last full trading day prior to the date on which such contingent payment is made.

### MARKET AND ECONOMIC OVERVIEW

#### *Market Overview*

Investors had plenty to contemplate over the last quarter, including an escalation in President Trump's protectionist policy agenda and some resurfacing political angst in Europe – all of which has come at the inopportune time that central banks are taking further steps towards monetary policy normalization. Notably, the latest ramp-up in protectionist rhetoric from the Trump administration has threatened to derail the strongest global expansion since 2011. And in Europe, the worrisome victory of a populist government in Italy (the Eurozone's third largest economy) has also weighed on sentiment as diverging views on the fiscal rules of the European Union are almost certain to test European financial stability and the viability of the euro in general. Finally, investors are weighing a rise in borrowing costs as central bankers slowly reign-in ultra-accommodative monetary policies after a decade of unprecedented support, with the prospect for higher interest rates to dampen both bond and equity valuations.

In this environment, Global equity markets maintained their composure in what was a tumultuous second quarter, even as escalating global trade tensions and renewed political angst in Europe weighed on sentiment. The MSCI All Country World index ended the quarter only modestly lower – though results diverged somewhat on a regional basis. The Canadian equity market reversed course and led the global performance charge during the first quarter. Despite the persistent stalemate in NAFTA negotiations, the S&P/TSX found a floor and advanced to a new record on the back of an impressive comeback in the energy space. Similarly, the US equity market also posted positive results amid a stellar corporate earnings backdrop, while small capitalization stocks traded at all-time highs owing to their domestic-oriented bias and their insulation from tariffs. Looking abroad, European stocks were plagued with political upheaval in Italy after the rise of a Eurosceptic government, while protectionist threats from the Trump administration also weighed. In contrast, Japanese stocks advanced as the combination of solid global demand and a cheaper yen bolstered export-oriented corporations. Finally, emerging market stocks posted their worst quarterly return since September 2015 on highly contentious trade dispute between the US and China, while higher US interest rates also spurred outflows from developing-nation assets in general.

Meanwhile, Canadian fixed income markets posted positive results during the second quarter of 2018. Bond yields traded in a range-bound fashion owing to some conflicting forces at play. Namely, the US 10 year treasury yield breached a seven-year high of 3.12% in May on the back of tighter labour markets, surging crude prices, and ongoing central bank normalization. However, this came up against an intensified trade dispute that boosted appetite for safe-haven assets and sent the treasury yield back below 3.0% at quarter-end. In the end, US bond yields were higher across the entire curve, resulting in negative performance during the second quarter. And while the Canadian market largely followed suit, increased demand for yield and duration at the long-end of the curve resulted in positive results for the Canadian universe. Finally, corporate spreads widened as appetite for risk soured in the environment of heightened geopolitical and trade anxieties, though high yield outperformed on the back of a recovery in the energy sector.



### *Economic Overview*

Despite escalating trade tensions and political vulnerabilities in Europe, the narrative of a synchronous global expansion remains firmly intact – while the accommodative monetary and fiscal impulse should allow the expansion to continue uninterrupted in the coming year.

The Canadian economy has proven resilient to lingering trade uncertainties and highly-indebted households. The consumer has maintained its vigor amid rock-bottom unemployment and accelerating wages that have helped to blunt the impact of rising borrowing costs, while corporations have been increasing investment amid a stellar global demand backdrop – endorsing the Bank of Canada's increasingly constructive monetary policy stance.

The US economy made an impressive comeback in the second quarter. The consumer continues to thrive in the environment of robust job creation and rising wages, while businesses are also ramping-up spending to meet increased demand. Meanwhile, the double-dose of fiscal stimulus for an already-buoyant economy reinforces the need for the Federal Reserve to continue normalizing monetary policy, albeit very gradually.

Looking abroad, the European economy is reverting back towards more sustainable (albeit above-trend) levels, justifying the ECB decision to cease its asset purchases by December. Meanwhile, the latest string of economic results in Japan are suggestive of a modest rebound in the coming quarters, though the subdued inflation backdrop is sure to keep the Bank of Japan in stimulus-mode for the foreseeable future.

Finally, emerging market economies continue to outpace their developed peers on the growth scale. Indeed, the Chinese economy has proven resilient to global trade tensions stemming from the US and a deleveraging campaign at home. Furthermore, improved financial positions and lower dollar debt burdens leaves EM economies better positioned to weather higher US borrowing costs – reducing the likelihood of a 1997-style emerging market crisis.

# Management's Discussion and Analysis

## For the Three and Six-Month Periods Ended June 30, 2018

### SUMMARY OF PORTFOLIO PERFORMANCE

Annualized Rates of Return as at June 30, 2018

Strategies	AUM (\$Billion)	1 yr			5 yrs or Since Inception (SI)* (SI if inception < 5 yrs)			Inception date	Benchmark name	Notes
		Strategy return	Added value	Quartile	Strategy return	Added value	Quartile			
<b>Fixed Income Investment Strategies</b>	<b>66.8</b>									
Integrated Fixed Income Universe		1.38	0.62	1	4.01	0.52	1	01/01/1993	FTSE TMX Universe	
Tactical Fixed Income Universe		1.97	1.21	1	3.66	0.18	2	01/01/2000	FTSE TMX Universe	
High Yield Bonds		2.92	0.98	2	5.52	0.01	3	01/02/2002	High Yield Blended	1
Preferred Shares Relative Value		6.91	1.67	N/A	3.82	2.06	N/A	01/02/2004	S&P/TSX Preferred Share	
Infrastructure Bonds		2.52	0.33	N/A	6.9	0.69	N/A	01/08/2011	FTSE TMX Provincial Long Term	
Tax Efficient Core Intermediate (Primary Benchmark)		0.20	-0.40	N/A	2.15	-0.16	N/A	31/03/2007	Bloomberg Barclays 1-10 Year Municipal Index	4
Tax Efficient Core Intermediate (Secondary Benchmark)		0.20	0.08	N/A	2.15	0.33	N/A	31/03/2007	Bloomberg Barclays 1-10 Year AA+ Municipal Index	4
Tax Efficient Core Plus		0.82	0.22	N/A	2.91	0.39	N/A	31/12/2012	Bloomberg Barclays 1-10 Year Municipal Index	4
High Grade Core Intermediate (Primary Benchmark)		-0.02	0.30	N/A	2.01	0.17	N/A	31/12/2004	Bloomberg Barclays Intermediate Aggregate Index	4
High Grade Core Intermediate (Secondary Benchmark)		-0.02	0.32	N/A	2.01	0.32	N/A	01/01/2005	Bloomberg Barclays Intermediate Aggregate Ex CMBS/ABS/BBB Index	4
<b>Balanced Investment Strategies</b>	<b>3.7</b>									
Balanced Core		7.78	0.60	2	9.9	1.35	2	01/09/1984	Balanced Core Blended	2
Balanced Integrated		7.97	0.74	2	10.1	1.58	1	01/04/2013	Balanced Integrated Blended	3
<b>Equity Investment Strategies</b>	<b>60.6</b>									
Canadian Equity		9.27	-1.14	3	12.1	2.85	1	01/01/2013	S&P/TSX Composite	
Canadian Equity Core		9.53	-0.87	2	10.24	0.99	3	01/01/1992	S&P/TSX Composite	
Canadian Equity Opportunities		18.94	8.53	1	10.6	1.36	3	01/11/2002	S&P/TSX Composite	
High Income Equity		3.39	-0.61	4	7.5	1.19	4	01/10/2009	S&P/TSX Composite High Dividend	
Canadian Equity Small Cap Core		9.58	4.19	1	11.09	4.64	1	01/01/1989	S&P/TSX Small Cap	
Canadian Equity Small Cap		0.84	-4.55	4	9.82	3.37	3	01/01/1989	S&P/TSX Small Cap	
US Equity		19.50	3.65	2	21.24	2.7	1	01/04/2009	S&P 500 CAD	
International Equity		12.26	4.04	1	13.91	2.67	1	01/01/2010	MSCI EAFE Net CAD	
Global Equity		15.27	2.75	2	17.98	3.08	1	01/10/2009	MSCI World Net CAD	
Apex Large Cap Growth		19.98	-2.53	3	15.72	-0.64	3	01/04/2007	Russell 1000 Growth	4
Apex Mid Cap Growth		33.91	15.40	1	18.60	5.22	1	01/05/2008	Russell MidCap Growth	4
Apex Smid Growth		21.91	0.40	3	13.25	-0.61	3	01/01/1990	Russell 2500 Growth	4
Apex Small Cap Growth		18.69	-3.14	4	9.56	-4.08	4	01/01/2006	Russell 2000 Growth	4
City National Rochdale Emerg Mkts		4.16	-4.04	4	8.53	3.51	1	14/12/2011	MSCI Emerging Markets NR USD	4
Emerging Markets Core Growth		6.73	-1.47	4	7.47	2.46	2	01/07/2003	MSCI Emerging Markets Index	4
Emerging Markets Growth & Income		4.90	-3.31	4	3.64	-1.37	4	01/07/2010	MSCI Emerging Markets Index	4
Frontier Markets		-0.24	-1.93	3	13.83	9.28	1	01/07/2010	MSCI Frontier Markets Index	4
<b>Alternative Investment Strategies</b>	<b>8.3</b>									
North American Market Neutral Fund		2.56	-	N/A	5.67	-	N/A	01/10/2007	Absolute Return	
Long / Short Equity Fund		3.31	-	N/A	12.64	-	N/A	01/08/2010	Absolute Return	
Diversified Lending Fund		6.25	-	N/A	6.23	-	N/A	01/04/2008	Absolute Return	
Multi-Strategy Income Fund		3.11	-	N/A	4.88	-	N/A	01/11/2009	Absolute Return	
Infrastructure Fund		7.85	-	N/A	6.31	-	N/A	01/03/2010	Absolute Return	
Real Estate Fund		N/A	-	N/A	N/A	-	N/A	01/07/2013	Absolute Return	
Fiera Private Lending Construction Financing Fund		6.85	-	N/A	7.16	-	N/A	22/11/2006	Absolute Return	
Fiera Private Lending Mezzanine Financing Fund		10.55	-	N/A	10.47	-	N/A	21/07/2015	Absolute Return	
Fiera Private Lending Business Financing Fund		8.71	-	N/A	8.22	-	N/A	06/11/2013	Absolute Return	
Charlemagne OCCO Eastern European Fund		9.15	-	N/A	8.80	-	N/A	01/01/2002	Absolute Return	4
<b>TOTAL AUM</b>	<b>139.4</b>									

Notes:

- The High Yield Blended Index is composed of 85% Merrill Lynch US High Yield Cash Pay BB-B Hedged in CAD, 15% Merrill Lynch US High Yield Cash Pay C Hedged in CAD.
- Balanced Core Blended Benchmark is composed of 5% FTSE TMX T-Bill 91 Day / 35% FTSE TMX Universe / 32.5% S&P TSX Composite / 27.5% MSCI World Ex-Canada Net.
- Balanced Integrated Blended Benchmark is composed of 2% FTSE TMX T-Bill 91 Day / 36% FTSE TMX Universe / 35% S&P/TSX Composite / 27% MSCI ACWI Net.
- US Dollar returns

**Important Disclosures:**

- All returns are expressed in Canadian dollars, unless indicated otherwise.
- All performance returns presented above are annualized.
- All returns, except alternative strategies and Balanced Fund are presented gross of management and custodial fees and withholding taxes but net of all trading expenses.
- Alternative Investment Strategies and Balanced Fund are presented net of management fees, custodial fees, performance fees and withholding taxes.
- The performance returns above assume reinvestment of all dividends.
- Besides for the alternative strategies, the returns presented for any one line above represent the returns of a composite of discretionary portfolios.
- Each strategy listed above represents a single discretionary portfolio or group of discretionary portfolios that collectively represent a unique investment strategy or composite.
- The since inception date represents the earliest date at which a discretionary portfolio was in operation within the strategy.
- The above composites and pooled funds were selected from the Firm's major investment strategies while the AUM represent the total amounts managed by asset class.
- Quartile rankings are provided by eVestment.

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

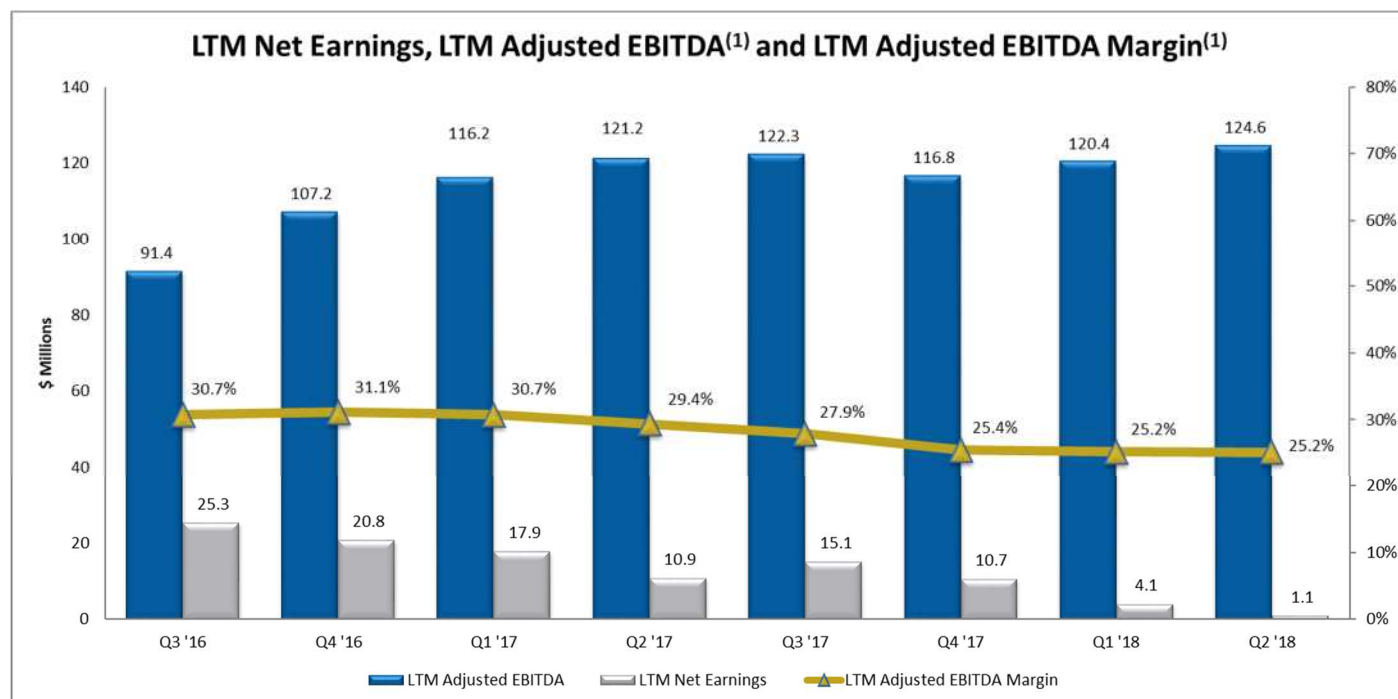
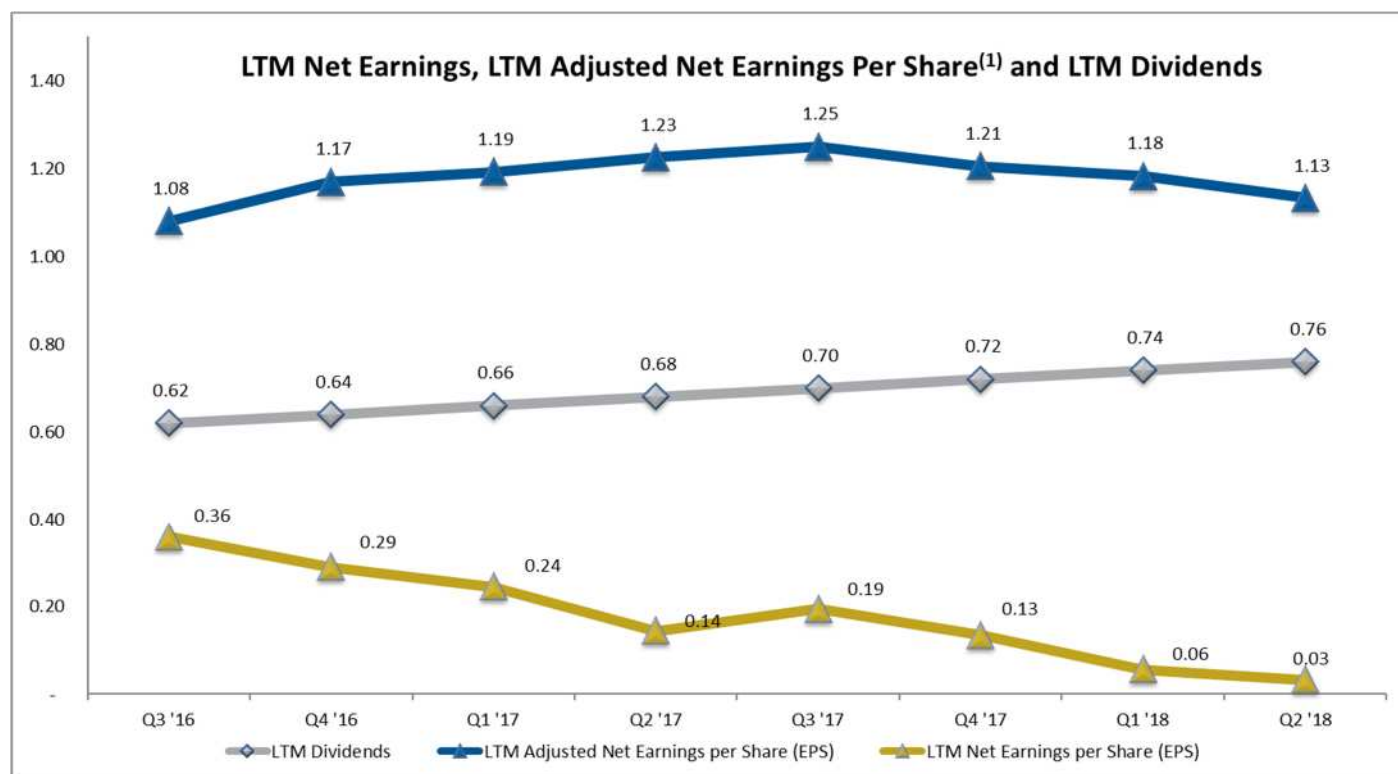
### AUM AND REVENUE TREND

The following illustrates the Company's trends regarding Assets under Management ("AUM"), quarterly and last twelve months ("LTM") revenues, LTM Adjusted EBITDA<sup>(1)</sup>, LTM Adjusted EBITDA Margin<sup>(1)</sup>, LTM Net Earnings per share, LTM Adjusted Earnings per share<sup>(1)</sup>, as well as the LTM dividend payout.



<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section on page 42.

# Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018



<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section on page 42.

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

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### HIGHLIGHTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018

#### Current Quarter Compared to Prior-Year Quarter

- › Total AUM were \$139.4 billion as at June 30, 2018, representing an increase of \$13.7 billion, or 11%, compared to AUM of \$125.7 billion as at June 30, 2017.
- › Base management fees and other revenues for the second quarter ended June 30, 2018, were \$123.6 million, representing an increase of \$15.5 million, or 14%, compared to \$108.1 million for the same period last year.
- › Performance fees were \$2.6 million for the second quarter ended June 30, 2018, compared to \$1.2 million for the same period last year.
- › Selling, general and administrative ("SG&A") expenses and external managers' expenses were \$99.6 million for the second quarter ended June 30, 2018, representing an increase of \$11.8 million, or 13%, compared to \$87.8 million for the same period last year.
- › Adjusted EBITDA<sup>(1)</sup> was \$32.7 million for the second quarter ended June 30, 2018, representing an increase of \$4.2 million, or 15%, compared to \$28.5 million for the same period last year. Adjusted EBITDA per share was \$0.35 (basic and diluted)<sup>(1)</sup> for the second quarter of 2018, compared to \$0.35 per share (basic) and \$0.34 (diluted) for the same period last year.
- › For the second quarter ended June 30, 2018, the Firm recorded net loss attributable to the Company's shareholders of \$(2.1) million, or \$(0.02) per share (basic and diluted), a decrease of \$3.0 million, or over 100%, compared to the second quarter ended June 30, 2017, during which the Firm recorded net earnings attributable to the Company's shareholders of \$0.9 million, or \$0.01 per share (basic and diluted).
- › Adjusted net earnings<sup>(1)</sup> attributable to the Company's shareholders for the second quarter ended June 30, 2018, amounted to \$23.8 million, or \$0.26 per share (basic and diluted)<sup>(1)</sup>, compared to \$25.1 million, or \$0.31 per share (basic) and \$0.30 (diluted), for the second quarter ended June 30, 2017.

#### Current Quarter Compared to Previous Quarter

- › Total AUM were \$139.4 billion as at June 30, 2018, representing an increase of \$8.0 billion, or 6%, compared to \$131.4 billion as at March 31, 2018.
- › Base management fees and other revenues for the second quarter ended June 30, 2018, were \$123.6 million, representing an increase of \$5.1 million, or 4%, compared to \$118.5 million for the previous quarter ended March 31, 2018.
- › Performance fees were \$2.7 million for the second quarter ended June 30, 2018, compared to \$1.5 million for the previous quarter ended March 31, 2018.

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section on page 42.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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- › SG&A expenses and external managers' expenses were \$99.6 million for the second quarter ended June 30, 2018, representing an increase of \$1.7 million, or 2%, compared to \$97.9 million for the previous quarter ended March 31, 2018.
- › Adjusted EBITDA<sup>(1)</sup> was \$32.7 million for the second quarter ended June 30, 2018, representing an increase of \$3.9 million, or 13%, compared to \$28.8 million for the previous quarter ended March 31, 2018. Adjusted EBITDA per share<sup>(1)</sup> was \$0.35 (basic and diluted) for the second quarter ended June 30, 2018, compared to \$0.32 (basic and diluted) for the previous quarter ended March 31, 2018.
- › For the second quarter ended June 30, 2018, the Firm recorded net loss attributable to the Company's shareholders of \$(2.1) million, or \$(0.02) per share (basic and diluted), an increase of \$0.1 million, or 4%, compared to the previous quarter ended March 31, 2018, during which the Firm recorded net loss attributable to the Company's shareholders of \$(2.2) million, or \$(0.02) per share (basic and diluted).
- › Adjusted net earnings<sup>(1)</sup> attributable to the Company's shareholders for the second quarter ended June 30, 2018, amounted to \$23.8 million, or \$0.26 per share (basic and diluted), compared to \$21.3 million, or \$0.24 per share (basic and diluted), for the previous quarter ended March 31, 2018.

#### Year-to-Date June 30, 2018, Compared to Year-to-Date June 30, 2017

- › Base management fees and other revenues for the six-month period ended June 30, 2018, were \$242.1 million, representing an increase of \$33.9 million, or 16%, compared to \$208.2 million for the same period last year.
- › Performance fees were \$4.1 million for the six-month period ended June 30, 2018, compared to \$1.7 million for the same period last year.
- › SG&A expenses and external managers' expenses were \$197.5 million for the six-month period ended June 30, 2018, representing an increase of \$31.7 million, or 19%, compared to \$165.8 million for the six-month period ended June 30, 2017.
- › Adjusted EBITDA were \$61.5 million for the six-month period ended June 30, 2018, representing an increase of \$7.8 million, or 15%, compared to \$53.7 million for the same period last year. Adjusted EBITDA per share was \$0.67 (basic and diluted) for the six-month period ended June 30, 2018, compared to \$0.66 per share (basic) and \$0.64 (diluted) for the same period last year.
- › For the six-month period ended June 30, 2018, the Firm recorded a net loss attributable to the Company's shareholders of \$(4.3) million, or \$(0.05) per share (basic and diluted), a decrease of \$9.6 million, or over 100%, compared to the same period last year, during which the Firm recorded net earnings attributable to the Company's shareholders of \$5.3 million, or \$0.07 per share (basic) and \$0.06 (diluted).
- › Adjusted net earnings attributable to the Company's shareholders for the six-month period ended June 30, 2018, were \$45.2 million, or \$0.49 per share (basic and diluted), compared to \$47.0 million, or \$0.58 per share (basic) and \$0.56 (diluted), for the same period last year.

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section on page 42.

# Management's Discussion and Analysis

## For the Three and Six-Month Periods Ended June 30, 2018

### FINANCIAL RESULTS

Table 1 – Consolidated Statements of Earnings (Loss) and Assets under Management

ASSETS UNDER MANAGEMENT (in \$ millions)	AS AT			VARIANCE	
	JUNE 30, 2018	MARCH 31, 2018	JUNE 30, 2017	QUARTER OVER QUARTER FAV/(UNF) <sup>(2)</sup>	YEAR OVER YEAR FAV/(UNF) <sup>(2)</sup>
Assets under Management	139,389	131,360	125,658	8,029	13,731

STATEMENTS OF EARNINGS (LOSS) (in \$ thousands except per share data)	FOR THE THREE-MONTH PERIODS ENDED			VARIANCE	
	JUNE 30, 2018	MARCH 31, 2018	JUNE 30, 2017	QUARTER OVER QUARTER FAV/(UNF) <sup>(2)</sup>	YEAR OVER YEAR FAV/(UNF) <sup>(2)</sup>
Revenues					
Base management fees	117,947	112,181	102,401	5,766	15,546
Performance fees - Traditional Assets	2,664	1,573	1,209	1,091	1,455
Performance fees - Alternative Assets	(14)	(103)	(7)	89	(7)
Other revenues	5,635	6,330	5,746	(695)	(111)
	126,232	119,981	109,349	6,251	16,883
Expenses					
Selling, general and administrative expenses	99,254	97,520	87,346	(1,734)	(11,908)
External managers	373	367	451	(6)	78
Depreciation of property and equipment	1,018	947	956	(71)	(62)
Amortization of intangible assets	10,488	10,022	10,900	(466)	412
Interest on long-term debt and other financial charges	5,054	4,761	1,827	(293)	(3,227)
Accretion and change in fair value of purchase price obligations	5,720	4,467	1,289	(1,253)	(4,431)
Restructuring, integration and other costs	2,389	928	4,851	(1,461)	2,462
Acquisition costs	2,508	3,018	1,659	510	(849)
Loss on disposal of intangible assets and property and equipment	-	-	371	-	371
Other (income) expenses <sup>(3)</sup>	2	27	(8)	25	(10)
Total expenses	126,806	122,057	109,642	(4,749)	(17,164)
Earnings (loss) before income taxes	(574)	(2,076)	(293)	1,502	(281)
Income taxes	1,641	17	(797)	(1,624)	(2,438)
Net earnings (loss)	(2,215)	(2,093)	504	(122)	(2,719)
Attributable to:					
Company's shareholders	(2,106)	(2,193)	877	87	(2,983)
Non-controlling interest	(109)	100	(373)	(209)	264
Net earnings (loss)	(2,215)	(2,093)	504	(122)	(2,719)
BASIC PER SHARE					
Adjusted EBITDA <sup>(1)</sup>	0.35	0.32	0.35	0.03	-
Net earnings (loss)	(0.02)	(0.02)	0.01	-	(0.03)
Adjusted net earnings <sup>(1)</sup>	0.26	0.24	0.31	0.02	(0.05)
DILUTED PER SHARE					
Adjusted EBITDA <sup>(1)</sup>	0.35	0.32	0.34	0.03	0.01
Net earnings (loss)	(0.02)	(0.02)	0.01	-	(0.03)
Adjusted net earnings <sup>(1)</sup>	0.26	0.24	0.30	0.02	(0.04)

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section and the related reconciliation table on page 42.

<sup>(2)</sup> FAV: Favorable - UNF: Unfavorable

<sup>(3)</sup> Other expenses (income) include "Realized loss (gain) on investments".

Certain totals, subtotals and percentages may not reconcile due to rounding.



# Management's Discussion and Analysis

## For the Three and Six-Month Periods Ended June 30, 2018

Table 1 – Consolidated Statements of Earnings and Assets under Management (Continued)

STATEMENTS OF EARNINGS (in \$ thousands except per share data)	FOR THE SIX-MONTH PERIODS ENDED		VARIANCE
	JUNE 30, 2018	JUNE 30, 2017	YEAR OVER YEAR FAV/(UNF) <sup>(2)</sup>
<b>Revenues</b>			
Base management fees	230,128	198,709	31,419
Performance fees - Traditional Assets	4,237	1,736	2,501
Performance fees - Alternative Assets	(117)	(2)	(115)
Other revenues	11,965	9,480	2,485
	<b>246,213</b>	<b>209,923</b>	<b>36,290</b>
<b>Expenses</b>			
Selling, general and administrative expenses	196,774	164,498	(32,276)
External managers	740	1,347	607
Depreciation of property and equipment	1,965	1,887	(78)
Amortization of intangible assets	20,510	21,835	1,325
Interest on long-term debt and other financial charges	9,815	4,004	(5,811)
Accretion and change in fair value of purchase price obligations	10,187	2,597	(7,590)
Restructuring, integration and other costs	3,317	5,927	2,610
Acquisition costs	5,526	3,377	(2,149)
Loss on disposal of intangible assets	-	371	371
Other (income) expenses <sup>(3)</sup>	29	(12)	(41)
	<b>248,863</b>	<b>205,831</b>	<b>(43,032)</b>
<b>Earnings before income taxes</b>	<b>(2,650)</b>	<b>4,092</b>	<b>(6,742)</b>
Income taxes	1,658	(765)	(2,423)
<b>Net earnings</b>	<b>(4,308)</b>	<b>4,857</b>	<b>(9,165)</b>
<b>Attributable to:</b>			
Company's shareholders	(4,299)	5,305	(9,604)
Non-controlling interest	(9)	(448)	439
<b>Net earnings</b>	<b>(4,308)</b>	<b>4,857</b>	<b>(9,165)</b>
<b>BASIC PER SHARE</b>			
Adjusted EBITDA <sup>(1)</sup>	0.67	0.66	0.01
Net earnings	(0.05)	0.07	(0.12)
Adjusted net earnings <sup>(1)</sup>	0.49	0.58	(0.09)
<b>DILUTED PER SHARE</b>			
Adjusted EBITDA <sup>(1)</sup>	0.67	0.64	0.03
Net earnings	(0.05)	0.06	(0.11)
Adjusted net earnings <sup>(1)</sup>	0.49	0.56	(0.07)

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section and the related reconciliation table on page 42.

<sup>(2)</sup> FAV: Favorable - UNF: Unfavorable

<sup>(3)</sup> Other expenses (income) include "Realized loss (gain) on investments".  
Certain totals, subtotals and percentages may not reconcile due to rounding.



## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Table 2 - Selected Consolidated Statements of Financial Position Information (in \$ thousands)

	AS AT JUNE 30, 2018	AS AT DECEMBER 31, 2017
Cash and cash equivalents, restricted cash, investments	43,801	47,417
Accounts receivable	131,741	128,398
Other current assets	13,870	10,082
<b>Total current assets</b>	<b>189,412</b>	<b>185,897</b>
Goodwill	579,657	523,885
Intangible assets	529,449	462,281
Other non-current assets	42,997	32,852
<b>Total assets</b>	<b>1,341,515</b>	<b>1,204,915</b>
Accounts payable and accrued liabilities	83,328	114,008
Other current liabilities	45,939	39,419
<b>Total current liabilities</b>	<b>129,267</b>	<b>153,427</b>
Long-term debt	387,335	292,417
Convertible debentures	78,218	77,461
Purchase price obligations	59,558	58,086
Deferred income taxes	19,930	16,014
Other non-current liabilities	21,838	15,499
<b>Total liabilities</b>	<b>696,146</b>	<b>612,904</b>
<b>Equity</b>		
Attributable to Company's shareholders	644,869	592,545
Attributable to Non-controlling interest	500	(534)
	<b>645,369</b>	<b>592,011</b>
<b>Total liabilities and equity</b>	<b>1,341,515</b>	<b>1,204,915</b>

Certain totals, subtotals and percentages may not reconcile due to rounding.

# Management's Discussion and Analysis

## For the Three and Six-Month Periods Ended June 30, 2018

### RESULTS FROM OPERATIONS AND OVERALL PERFORMANCE

#### Assets under Management

AUM are the main driver of Fiera Capital's revenues. Fiera Capital's revenues, for the most part, are calculated as a percentage of the Firm's AUM. The change in the Firm's AUM is determined by i) the amount of new mandates ("New"); ii) the amount of redemptions ("Lost"); iii) the amount of inflows and outflows from existing customers ("Net Contributions"); iv) the increase or decrease in the market value of the assets held in the portfolio of investments ("Market"); and v) business acquisitions ("Acquisitions") and/or business disposal ("Disposal"). For simplicity, the "Net variance" is the sum of the New mandates, Lost mandates and Net contributions, the change in Market value and the impact of foreign exchange rate changes. Also, the average assets under management ("Average AUM") for a given period is the average of the ending value of AUM of the months for this period.

As complementary information, Note 4 of the audited consolidated financial statements for the years ended December 31, 2017, and 2016 presents the Firm's business combinations, and is to be read in conjunction with the following discussions. Also, refer to the Company's evolution diagram on page 28 for the details and timing of the acquisitions and other business transactions.

The following tables (Tables 3, 4 and 5) provide a summary of changes in the Firm's assets under management.

**Table 3 – Assets under Management <sup>(1)</sup> (in \$ millions)**

	FOR THE THREE-MONTH PERIODS ENDED		
	JUNE 30, 2018	MARCH 31, 2018	JUNE 30, 2017
AUM - beginning of period	131,360	128,901	122,063
Net variance	2,999	2,459	3,595
Acquisitions	5,030	-	-
AUM - end of period	139,389	131,360	125,658
Average AUM	134,350	130,512	125,886

<sup>(1)</sup> AUM include foreign exchange impact.

Certain totals, subtotals and percentages may not reconcile due to rounding.

**Table 4 – Assets under Management by Clientele Type – Quarterly Activity Continuity Schedule (in \$ millions)**

	MARCH 31, 2018	NEW	LOST	NET CONTRIBUTIONS	MARKET	FOREIGN EXCHANGE IMPACT	ACQUISITION (DISPOSAL) /ADJUSTMENT	JUNE 30, 2018
Institutional	68,565	848	(970)	102	1,103	412	3,082	73,142
Private Wealth	27,516	503	(102)	23	195	477	1,948	30,560
Retail	35,279	454	(196)	100	(163)	213	-	35,687
AUM - end of period	131,360	1,805	(1,268)	225	1,135	1,102	5,030	139,389

Certain totals, subtotals and percentages may not reconcile due to rounding.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

#### Quarterly Activities

Total AUM were \$139.4 billion as at June 30, 2018, representing an increase of \$8.0 billion, or 6%, compared to \$131.4 billion as at March 31, 2018. The higher AUM is due primarily to the CGOV acquisition amounting to \$5.0 billion, combined with \$1.8 billion in new mandates and the positive impact of fluctuations in foreign exchange rates on the US dollar of \$1.1 billion, as well as \$1.1 billion from the market appreciation and positive net contributions of \$0.2 billion during the period. These increases in AUM were partially offset by lost mandates of \$1.3 billion during the second quarter of 2018.

The AUM related to the Institutional clientele were \$73.1 billion as at June 30, 2018, representing an increase of \$4.5 billion or 7%, compared to \$68.6 billion from the previous quarter ended March 31, 2018. The increase in AUM was significantly driven by the CGOV acquisition adding \$3.0 billion, combined with new mandates won during the quarter mostly in Balanced, Global and International Equity and Fixed Income as well as Alternative mandates, totaling \$0.9 billion, as well as a market appreciation of \$1.1 billion during the second quarter of 2018. These increases were partially offset by \$1.0 billion in client losses, which were driven primarily by clients that either consolidated investment service providers or that pursued other asset classes. Finally, the US dollar exchange rate fluctuation positively impacted AUM during the three-month period ended June 30, 2018, by approximately \$0.4 billion.

The AUM related to the Private Wealth clientele were \$30.6 billion as at June 30, 2018, representing an increase of \$3.1 billion, or 11%, compared to \$27.5 billion from the previous quarter ended March 31, 2018. The increase is primarily driven by the CGOV acquisition adding \$1.9 billion, combined with net new mandates in the US as well as the positive impact of the fluctuations in foreign exchange rates on the US dollar during the second quarter of 2018.

The AUM related to the Retail clientele were at \$35.7 billion as at June 30, 2018, representing an increase of \$0.4 billion, or 1%, compared to \$35.3 billion from the previous quarter ended March 31, 2018. The increase is primarily driven by net new mandates of \$0.4 billion in Europe and the US, combined with \$0.2 billion from the positive impact of the fluctuations in foreign exchange rates on the US dollar and positive net contributions of \$0.1 billion during the second quarter of 2018, partially offset by lost mandates of \$0.3 billion mostly due to client rebalancing activities.

**Table 5 – Assets under Management by Clientele Type – Year-to-Date Activity Continuity Schedule**  
(in \$ millions)

	DECEMBER 31, 2017	NEW	LOST	NET CONTRIBUTIONS	MARKET	FOREIGN EXCHANGE IMPACT	ACQUISITION (DISPOSAL) /ADJUSTMENT	JUNE 30, 2018
Institutional	68,038	1,666	(2,099)	38	1,393	1,024	3,082	73,142
Private Wealth	26,319	1,329	(506)	164	166	1,140	1,948	30,560
Retail	34,544	820	(422)	361	(129)	513	-	35,687
AUM - end of period	128,901	3,815	(3,027)	563	1,430	2,677	5,030	139,389

Certain totals, subtotals and percentages may not reconcile due to rounding.

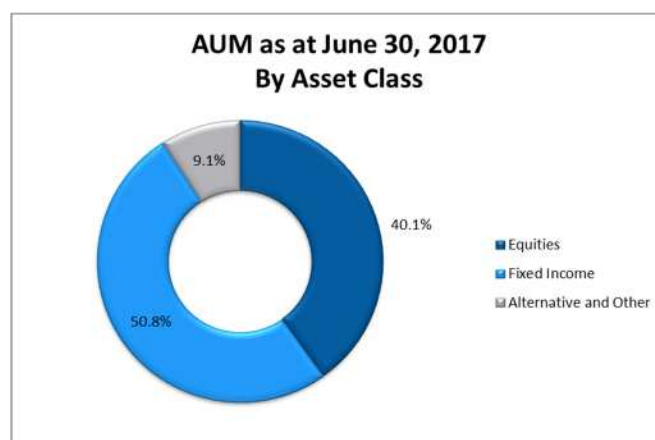
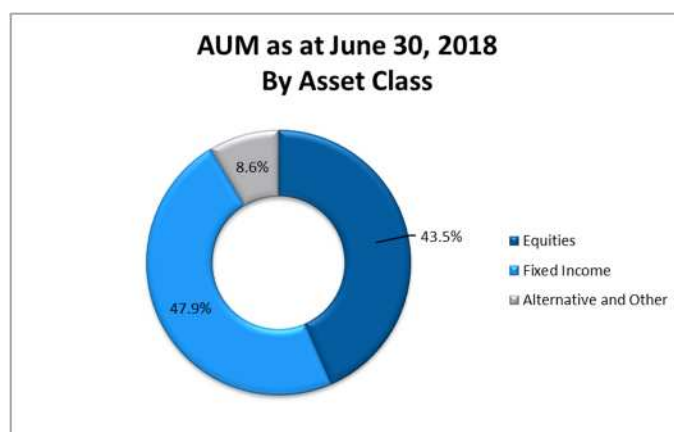
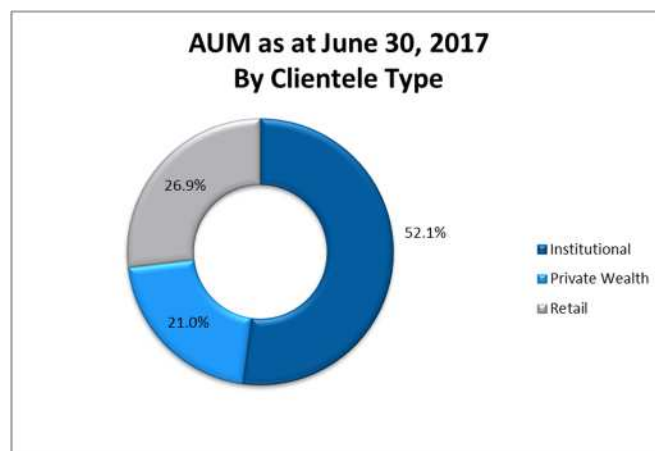
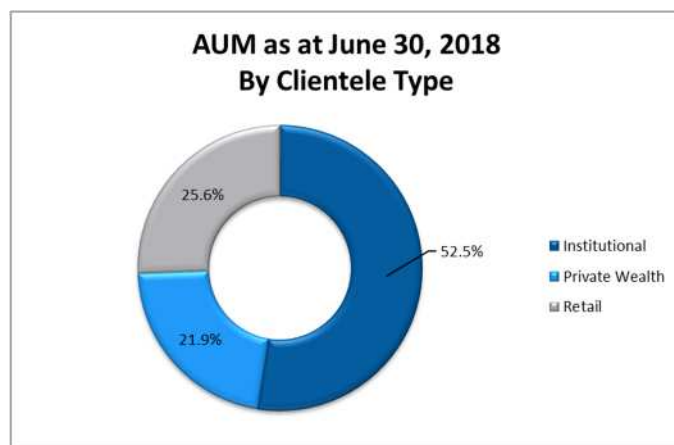
#### Year-to-Date Activity

Total AUM were \$139.4 billion as at June 30, 2018, representing an increase of \$10.5 billion, or 8%, compared to \$128.9 billion as at December 31, 2017. The increase is due primarily to the CGOV acquisition adding \$5.0 billion, combined with new mandates of \$3.8 billion, mostly from the Institutional and Private Wealth clientele, as well as a market appreciation of \$1.4 billion and positive net contributions of \$0.6 billion, partially offset by lost mandates of \$3.0 billion. Finally, the

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

US dollar exchange rate fluctuation positively impacted AUM during the six-month period ended June 30, 2018, by approximately \$2.7 billion.

The following graphs illustrate the breakdown of the Firm's AUM by clientele type and by asset class as at June 30, 2018, and June 30, 2017, respectively.



### Revenues

The Firm's revenues consist of (i) management fees, (ii) performance fees, and (iii) other revenues. Management fees are AUM-based and, for each clientele type, revenues are primarily earned on the AUM average closing value at the end of each day, month or calendar quarter in accordance with contractual agreements. For certain mandates, the Firm is also entitled to performance fees. The Firm categorizes performance fees in two groups: those associated with traditional asset classes or strategies and those associated with alternative asset classes or strategies. Other revenues are comprised mainly of brokerage and consulting fees which are not AUM-driven, as well as gains or losses on the foreign exchange hedge contracts.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Table 6 – Revenues: Quarterly Activity (in \$ thousands)

	FOR THE THREE-MONTH PERIODS ENDED			VARIANCE	
	JUNE 30, 2018	MARCH 31, 2018	JUNE 30, 2017	QUARTER OVER QUARTER	YEAR OVER YEAR
Institutional	54,683	50,867	46,615	3,816	8,068
Private Wealth	29,249	27,348	27,189	1,901	2,060
Retail	34,015	33,966	28,597	49	5,418
<b>Total management fees</b>	<b>117,947</b>	<b>112,181</b>	<b>102,401</b>	<b>5,766</b>	<b>15,546</b>
Performance fees –					
Traditional asset class	2,664	1,573	1,209	1,091	1,455
Performance fees –					
Alternative asset class	(14)	(103)	(7)	89	(7)
<b>Total performance fees</b>	<b>2,650</b>	<b>1,470</b>	<b>1,202</b>	<b>1,180</b>	<b>1,448</b>
<b>Other revenues</b>	<b>5,635</b>	<b>6,330</b>	<b>5,746</b>	<b>(695)</b>	<b>(111)</b>
<b>Total revenues</b>	<b>126,232</b>	<b>119,981</b>	<b>109,349</b>	<b>6,251</b>	<b>16,883</b>

Certain totals, subtotals and percentages may not reconcile due to rounding.

#### *Current Quarter versus Prior-Year Quarter*

Revenues for the second quarter ended June 30, 2018, were \$126.2 million, representing an increase of \$16.9 million, or 15%, compared to \$109.3 million for the same period last year. The year-over-year increase in revenues is mainly due to organic growth, combined with market appreciation, mostly from the institutional and private wealth sectors as well as growth in the Private Alternative Investment strategies, along with additional revenues from the Fiera Capital Emerging Markets fund newly created following the acquisition of the City National Rochdale ("CNR") Emerging Markets Fund, and from the recent acquisition of CGOV Asset Management ("CGOV") in June 2018.

#### *Management Fees*

Management fees were \$117.9 million for the second quarter ended June 30, 2018, representing an increase of \$15.5 million, or 15%, compared to \$102.4 million for the same period last year. The overall increase in management fees and by clientele type are as follows:

- › Management fees from the Institutional clientele were \$54.7 million for the second quarter ended June 30, 2018, representing an increase of \$8.1 million, or 17%, compared to \$46.6 million for the same quarter last year. The increase in base management fees is primarily due to additional revenues resulting from the higher net AUM from new mandates namely from the US and Canada in Global Equity, as well as from the growth in Private Alternative Investment Strategies, combined with one month of revenues from the CGOV acquisition.
- › Management fees from the Private Wealth clientele were \$29.2 million for the second quarter ended June 30, 2018, representing an increase of \$2.0 million, or 8%, compared to \$27.2 million for the same period last year. The increase is mainly due to the acquisition of CGOV, combined with a higher AUM base from new mandates in the US.

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

- Management fees from the Retail clientele were \$34.0 million for the second quarter ended June 30, 2018, representing an increase of \$5.4 million, or 19%, compared to \$28.6 million for the same quarter last year. The increase is mainly attributable to additional revenues from the Fiera Capital Emerging Markets fund newly created following the acquisition of the CNR Emerging Markets Fund, combined with higher revenues from the European activities.

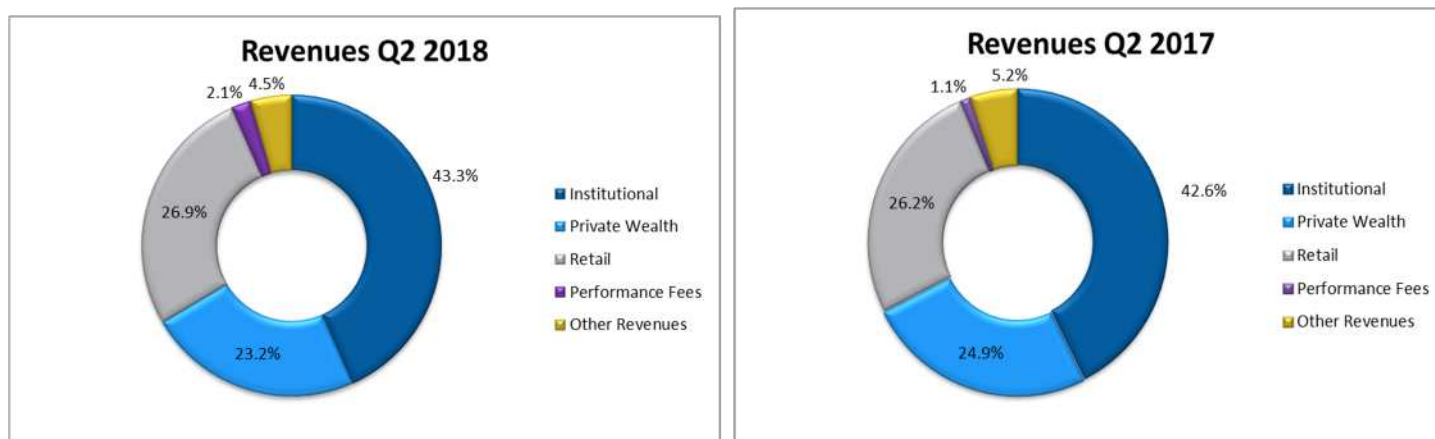
### Performance Fees

Performance fees were at \$2.7 million for the second quarter ended June 30, 2018, compared to \$1.2 million for the same period last year.

### Other Revenues

Other revenues were \$5.6 million for the second quarter ended June 30, 2018, representing a decrease of \$0.1 million, or 2%, compared to \$5.7 million for the same period last year. The decrease is mainly due to a contingent payment recorded in the second quarter of 2017 (the contingent payment of 2018 was recorded in the first quarter of 2018), partially offset by additional other revenue from the Private Alternative Investment strategies. Beginning with the fourth quarter of 2017, the Company commenced a strategy of hedging estimated twelve months revenues denominated in US dollars. This hedging strategy resulted in a loss of \$1.3 million in the second quarter of 2018.

The following graphs illustrate the breakdown of the Firm's revenues for the three-month periods ended June 30, 2018, and June 30, 2017, respectively.



### Current Quarter versus Previous Quarter

Revenues for the second quarter ended June 30, 2018, were \$126.2 million, representing an increase of \$6.2 million, or 5%, compared to \$120.0 million for the previous quarter ended March 31, 2018. The increase in revenues is mainly due to higher base management fees, namely in the Institutional and Private wealth sectors as well as growth in Private Alternative Investment strategies, combined with additional revenues from the CGOV acquisition.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

#### Management Fees

Management fees were \$117.9 million for the second quarter ended June 30, 2018, representing an increase of \$5.7 million, or 5%, compared to \$112.2 million for the previous quarter ended March 31, 2018. The following is the breakdown of the management fees by clientele type:

- › Management fees from the Institutional clientele were \$54.7 million for the second quarter ended June 30, 2018, representing an increase of \$3.8 million, or 8%, compared to \$50.9 million for the previous quarter ended March 31, 2018. The sequential increase is primarily due to organic growth from the Private Alternative Investment strategies, combined with new mandates in the US and additional revenues from the CGOV acquisition.
- › Management fees from the Private Wealth clientele were \$29.2 million for the second quarter ended June 30, 2018, representing an increase of \$1.9 million, or 7%, compared to \$27.3 million for the previous quarter ended March 31, 2018. The increase is mainly due to additional revenues from the CGOV acquisition, combined with organic growth in the US.
- › Management fees from the Retail clientele remained stable at \$34.0 million for the second quarter ended June 30, 2018.

#### Performance Fees

Performance fees were \$2.7 million for the second quarter ended June 30, 2018, compared to \$1.5 million for the previous quarter ended March 31, 2018.

#### Other Revenues

Other revenues were \$5.6 million for the second quarter ended June 30, 2018, representing a decrease of \$0.7 million, or 11%, compared to \$6.3 million for the previous quarter ended March 31, 2018. The decrease is mainly due to a contingent payment recorded in the previous quarter, partially offset by additional other revenue from the Private Alternative Investment strategies.

**Table 7 – Revenues: Year-to-Date Activity (in \$ thousands)**

	FOR THE SIX-MONTH PERIODS ENDED		VARIANCE
	JUNE 30, 2018	JUNE 30, 2017	YEAR OVER YEAR
Institutional	105,551	89,144	16,407
Private Wealth	56,596	53,963	2,633
Retail	67,981	55,602	12,379
Total management fees	230,128	198,709	31,419
Performance fees – Traditional asset class	4,237	1,736	2,501
Performance fees – Alternative asset class	(117)	(2)	(115)
Total performance fees	4,120	1,734	2,386
Other revenues	11,965	9,480	2,485
Total revenues	246,213	209,923	36,290

Certain totals, subtotals and percentages may not reconcile due to rounding.



## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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#### *Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017*

Revenues for the six-month period ended June 30, 2018, were \$246.2 million, representing an increase of \$36.3 million, or 17%, compared to \$209.9 million for the same period last year. The year-over-year increase in revenues is mainly due to organic growth, mostly from the institutional sector as well as growth in the Private Alternative Investment strategies combined with additional revenues from the Fiera Capital Emerging Markets fund newly created following the acquisition of the CNR Emerging Markets Fund, and the recent acquisition of CGOV.

#### *Management Fees*

Management fees for the six-month period ended June 30, 2018, were \$230.1 million, representing an increase of \$31.4 million, or 16%, compared to \$198.7 million for the same period last year. The overall increase in management fees and the increase by clientele type are as follows:

- › Revenues from the Institutional clientele for the six-month period ended June 30, 2018, were \$105.5 million, representing an increase of \$16.4 million, or 18%, compared to \$89.1 million for the same period last year. The increase in base management fees is mainly due to higher net AUM from new mandates in Global Equity strategies and Private Alternative Investment strategies.
- › Revenues from the Private Wealth clientele for the six-month period ended June 30, 2018, were \$56.6 million, representing an increase of \$2.6 million, or 5%, compared to \$54.0 million for the same period last year. The increase was primarily due to new mandates and strong market appreciation in the last six months, combined with additional revenues from the CGOV acquisition.
- › Revenues from the Retail clientele for the six-month period ended June 30, 2018, were \$68.0 million, representing an increase of \$12.4 million, or 22%, compared to \$55.6 million for the same period last year. The increase is mainly attributable to the additional revenues from the Fiera Capital Emerging Markets fund newly created following the acquisition of the CNR Emerging Markets Fund and higher revenues from Fiera Capital (Europe).

#### *Performance Fees*

Total performance fees were \$4.2 million for the six-month period ended June 30, 2018, compared to \$1.7 million for the same period last year. The increase in performance fees was attributable to the traditional asset class during the first six months of 2018 compared to the same period last year.

#### *Other Revenues*

Other revenues were \$12.0 million for the six-month period ended June 30, 2018, representing an increase of \$2.5 million, or 26%, compared to \$9.5 million for the same period last year mostly from Private Alternative Investment strategies, partially offset by a loss on the forward foreign exchange contracts on revenues denominated in US dollars. Beginning with the fourth quarter of 2017, the Company commenced a strategy of hedging estimated twelve months revenues denominated in US dollars. This hedging strategy resulted in a loss of \$2.7 million in the first half of 2018.



## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

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### ***Selling, General and Administrative ("SG&A") and Managers' Expenses***

#### ***Current Quarter versus Prior-Year Quarter***

SG&A and external managers' expenses were \$99.6 million for the three-month period ended June 30, 2018, representing an increase of \$11.8 million, or 14%, compared to \$87.8 million for the same period last year. The higher costs are mainly due to an increase in variable compensation related to long-term cash compensation agreements with key investment professionals which aim to secure and contribute to the continued growth in revenues and in investment strategies, combined with higher volume resulting from the Firm's growth and expansion.

#### ***Current Quarter versus Previous Quarter***

SG&A and external managers' expenses were \$99.6 million for the three-month period ended June 30, 2018, representing an increase of \$1.7 million, or 2%, compared to \$97.9 million for the previous quarter ended March 31, 2018. The increase is mainly attributable to higher volume resulting from the Firm's growth and expansion.

#### ***Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017***

SG&A expenses were \$197.5 million for the six-month period ended June 30, 2018, representing an increase of \$31.7 million, or 19%, compared to \$165.8 million for the same period last year. The increase in costs is attributable to higher volume of operations following the Firm's global growth and expansion, and increases in variable compensation related to long-term cash and share-based compensation agreements with key investment professionals which aim to secure and contribute to the continued growth in revenues and investment strategies.

### ***Depreciation and Amortization***

#### ***Current Quarter versus Prior-Year Quarter***

Depreciation of property and equipment was stable at \$1.0 million for the second quarter ended June 30, 2018, compared to \$1.0 million from the corresponding quarter last year.

Amortization of intangible assets remained stable at \$10.5 million for the second quarter ended June 30, 2018, compared to \$10.9 million for the same period last year.

#### ***Current Quarter versus Previous Quarter***

Depreciation of property and equipment remained stable at \$1.0 million for the second quarter ended June 30, 2018, when compared to the previous quarter ended March 31, 2018.

Amortization of intangible assets was \$10.5 million for the second quarter ended June 30, 2018, representing an increase of \$0.5 million, or 5%, compared to \$10.0 million for the previous quarter ended March 31, 2018. The increase is mainly attributable to the CGOV acquisition.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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#### *Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017*

Depreciation of property and equipment was \$2.0 million for the six-month period ended June 30, 2018, representing an increase of \$0.1 million, or 4%, compared to \$1.9 million for the same period last year.

Amortization of intangible assets was \$20.5 million for the six-month period ended June 30, 2018, representing a decrease of \$1.3 million, or 6%, compared to \$21.8 million for the same period last year. The decrease is mainly attributable to the finalization of the accounting of the intangible assets related to the Fiera Capital (Europe) acquisition.

As complementary information, Note 4 of the audited consolidated financial statements for the years ended December 31, 2017, and 2016, presents the details on the acquisition of intangible assets from business acquisitions.

#### ***Interest on Long-Term Debt and Other Financial Charges***

##### *Current Quarter versus Prior-Year Quarter*

Interest on long-term debt and other financial charges was \$5.1 million for the second quarter ended June 30, 2018, representing an increase of \$3.3 million, or over 100%, compared to \$1.8 million for the same quarter last year. The increase is mainly due to increased interest expense on the convertible debentures, combined with a lower gain related to the Company's strategy of swapping the variable interest rate on a portion of its debt to a fixed interest rate.

##### *Current Quarter versus Previous Quarter*

Interest on long-term debt and other financial charges was \$5.1 million for the second quarter ended June 30, 2018, representing an increase of \$0.3 million, or 6%, compared to \$4.8 million for the previous quarter ended March 31, 2018. The increase is mainly due to increased debt to finance the recent acquisitions.

#### *Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017*

Interest on long-term debt and other financial charges was \$9.8 million for the six-month period ended June 30, 2018, representing an increase of \$5.8 million, or over 100%, compared to \$2.6 million for the same period last year. The increase is mainly due to increased interest expense on the convertible debentures, combined with a lower gain related to the Company's strategy of swapping the variable interest rate on a portion of its debt to a fixed rate.

#### ***Accretion and Change in Fair Value of Purchase Price Obligations***

##### *Current Quarter versus Prior-Year Quarter*

The accretion and change in fair value of purchase price obligations represented a charge of \$5.7 million for the second quarter ended June 30, 2018, compared to a charge of \$1.3 million for the same quarter last year. The increase is mainly due to the CNR acquisition of the management of the Emerging Markets Fund.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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#### ***Current Quarter versus Previous Quarter***

The accretion and change in fair value of purchase price obligations represented a charge of \$5.7 million for the second quarter ended June 30, 2018, compared to a charge of \$4.5 million for the previous quarter ended March 31, 2018. The increase is mainly due to a one-time charge related to the acquisition of Centria.

#### ***Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017***

The accretion and change in fair value of purchase price obligations represented a charge of \$10.2 million for the six-month period ended June 30, 2018, compared to a charge of \$2.6 million for the same period last year. The increase is mainly due to the CNR acquisition of the management of the Emerging Markets Fund which occurred in December 2017.

#### ***Acquisition and Restructuring, Integration and Other Costs***

##### ***Current Quarter versus Prior-Year Quarter***

Acquisition and restructuring, integration and other costs were \$4.9 million for the second quarter ended June 30, 2018, representing a decrease of \$1.6 million, or 25%, compared to \$6.5 million for the same period last year. The decrease is mainly due to lower restructuring costs, partially offset by higher acquisition activity related costs in the second quarter of 2018 compared to the second quarter of 2017, namely related to the acquisition of Clearwater Capital Partners and CGOV Asset Management.

##### ***Current Quarter versus Previous Quarter***

Acquisition and restructuring, integration and other costs were \$4.9 million for the second quarter ended June 30, 2018, representing an increase of \$1.0 million, or 24%, compared to \$3.9 million for the previous quarter ended March 31, 2018. The decrease is mainly due to higher restructuring costs in the second quarter of 2018, partially offset by lower acquisition costs, compared to the previous quarter ended March 31, 2018.

##### ***Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017***

Acquisition and restructuring, integration and other costs were \$8.8 million for the six-month period ended June 30, 2018, representing a decrease of \$0.5 million, or 5%, compared to \$9.3 million for the same period last year. The decrease in acquisition and restructuring, integration and other costs is mainly due to lower restructuring and integration costs, partially offset by higher acquisition related costs in 2018.

#### ***Adjusted EBITDA***

The following table presents the Firm's adjusted EBITDA<sup>(1)</sup> and adjusted EBITDA per share<sup>(1)</sup> for the three-month periods ended June 30, 2018, and 2017, respectively, as well as for the three-month period ended March 31, 2018.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

**Table 8 - Adjusted EBITDA <sup>(1)</sup> (in \$ thousands except per share data)**

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
	JUNE 30, 2018	MARCH 31, 2018	JUNE 30, 2017	JUNE 30, 2018	JUNE 30, 2017
Net earnings (Loss)	(2,215)	(2,093)	504	(4,308)	4,857
EBITDA <sup>(1)</sup>	15,986	13,654	13,390	29,640	31,818
Adjusted EBITDA <sup>(1)</sup>	32,703	28,839	28,480	61,542	53,679
Per share basic <sup>(1)</sup>	0.35	0.32	0.35	0.67	0.66
Per share diluted <sup>(1)</sup>	0.35	0.32	0.34	0.67	0.64

<sup>1)</sup> Please refer to the "Non-IFRS Measures" Section and the related reconciliation table on page 42. Certain totals, subtotals and percentages may not reconcile due to rounding.

#### *Current Quarter versus Prior-Year Quarter*

For the second quarter ended June 30, 2018, adjusted EBITDA was \$32.7 million or \$0.35 per share (basic and diluted), representing an increase of \$4.2 million, or 15%, compared to \$28.5 million, or \$0.35 per share (basic) and \$0.34 (diluted), for the same period last year.

Adjusted EBITDA for the second quarter ended June 30, 2018, was higher primarily due to higher base management fees driven by market and organic growth, the deployment of the Private Alternative Investment strategies and additional revenues from the Fiera Capital Emerging Markets fund newly created following the acquisition of the CNR Emerging Markets Fund, as well as the recent acquisition of CGOV. This increase in revenues was partially offset by an overall operating expenses increase to support the Firm's growth and expansion.

#### *Current Quarter versus Previous Quarter*

For the second quarter ended June 30, 2018, adjusted EBITDA was \$32.7 million or \$0.35 per share (basic and diluted), representing an increase of \$3.9 million, or 13%, compared to \$28.8 million or \$0.32 per share (basic and diluted), from the previous quarter ended March 31, 2018. The sequential increase in adjusted EBITDA is mainly due to higher base management fees resulting from organic growth and the CGOV acquisition, partially offset by additional SG&A expenses to support the Firm's growth.

#### *Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017*

For the six-month period ended June 30, 2018, adjusted EBITDA was \$61.5 million, or \$0.67 per share (basic and diluted), representing an increase of \$7.8 million, or 15%, compared to \$53.7 million, or \$0.66 per share (basic) and \$0.64 (diluted), for the same period last year.

The increase in adjusted EBITDA for the six-month period ended June 30, 2018, is mainly attributable to an AUM driven increase in revenues resulting from organic and market growth, as well as various acquisitions compared to the same period last year. This was partially offset by increases in variable compensation related to long-term cash and share-based compensation agreements with key investment professionals which aim to secure and contribute to the continued growth in revenues and in investment strategies, combined with higher operating expenses to support the Firm's growth and expansion.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

#### Net Earnings (Loss)

The following table presents the Firm's net earnings (loss) and adjusted net earnings for the three and six-month periods ended June 30, 2018, and 2017, respectively, as well as for the three-month period ended March 31, 2018.

**Table 9 - Net Earnings (Loss) and Adjusted Net Earnings <sup>(1)</sup> (in \$ thousands except per share data)**

	FOR THE THREE-MONTH PERIODS ENDED			FOR THE SIX-MONTH PERIODS ENDED	
	JUNE 30, 2018	MARCH 31, 2018	JUNE 30, 2017	JUNE 30, 2018	JUNE 30, 2017
Net earnings (loss) attributable to the Company's shareholders	(2,106)	(2,193)	877	(4,299)	5,305
Depreciation of property and equipment	1,018	947	956	1,965	1,887
Amortization of intangible assets	10,488	10,022	10,900	20,510	21,835
Share-based compensation(*)	6,098	6,745	6,928	12,843	9,601
Restructuring, integration and other costs(*)	2,389	928	4,851	3,317	5,927
Acquisition costs(*)	2,508	3,018	1,659	5,526	3,377
Accretion and change in fair value of purchase price obligations and effective interest on convertible bonds(*)	6,058	4,467	1,289	10,525	2,597
Income taxes on above-mentioned items (*)	2,661	2,590	2,340	5,251	3,571
Adjusted net earnings attributable to the Company's shareholders	23,792	21,344	25,120	45,136	46,958
Per share – basic					
Net earnings (loss)	(0.02)	(0.02)	0.01	(0.05)	0.07
Adjusted net earnings <sup>(1)</sup>	0.26	0.24	0.31	0.49	0.58
Per share – diluted					
Net earnings (loss)	(0.02)	(0.02)	0.01	(0.05)	0.06
Adjusted net earnings <sup>(1)</sup>	0.26	0.24	0.30	0.49	0.56

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section and the related reconciliation table on page 42.

Certain totals, subtotals and percentages may not reconcile due to rounding.

#### Current Quarter versus Prior-Year Quarter

For the second quarter ended June 30, 2018, the Firm reported net loss attributable to the Company's shareholders of \$(2.1) million, or \$(0.02) per share (basic and diluted), compared to \$0.9 million, or \$0.01 per share (basic and diluted), for the same quarter last year. The decrease in net earnings is attributable to a foreign exchange hedging loss (\$1.3 million) related to the Company's strategy of hedging twelve months of US dollar revenues, as well as a higher charge related to the accretion and change in fair value of the purchase price obligations recorded in the second quarter of 2018 compared to the same period of the previous year. The improvement in operating margin translating into higher adjusted EBITDA during the quarter was offset by higher debt interest, accretion and change in fair value of purchase price obligation related to the CNR acquisition of the management of Emerging Markets fund and higher income taxes expenses.

#### Current Quarter versus Previous Quarter

For the second quarter ended June 30, 2018, the Firm reported net loss attributable to the Company's shareholders of \$(2.1) million, or \$(0.02) per share (basic and diluted), compared to \$(2.2) million, or \$(0.02) per share (basic and diluted), for the previous quarter ended March 31, 2018. The quarter net loss resulted mainly from an improvement in operating margin, offset by the increase in charges related to the accretion and change in fair value of purchase price obligations related to the CNR acquisition of the management of the Emerging Markets Fund, combined with the rise in debt interest and income taxes.

#### ***Adjusted Net Earnings <sup>(1)</sup>***

The Firm selects adjusted net earnings as one of the key non-IFRS performance measures as it is a good indicator of the Firm's ability to generate cash flows from its core operations. Please refer to the "Non-IFRS Measures" Section for the definition of adjusted net earnings.

#### ***Current Quarter versus Prior-Year Quarter***

Adjusted net earnings attributable to the Company's shareholders amounted to \$23.8 million, or \$0.26 per share (basic and diluted) for the second quarter ended June 30, 2018, compared to \$25.1 million, or \$0.31 per share (basic) and \$0.30 (diluted) for the second quarter ended June 30, 2017. The current quarter was negatively impacted by a \$1.3 million foreign exchange hedging loss related to the Company's strategy of hedging twelve months of US dollar revenues. Adjusted net earnings for the quarter ended June 30, 2018, includes the net loss, adjusted for \$17.6 million, or \$0.19 per share (basic and diluted), of depreciation of property and equipment, amortization of intangible assets and share-based compensation, as well as \$8.3 million, or \$0.09 per share (basic and diluted) of acquisition and restructuring, integration and other costs (net of income taxes) and a charge related to the accretion and change in fair value of purchase price obligations and the accretion on effective interest on convertible bonds.

#### ***Current Quarter versus Previous Quarter***

For the second quarter ended June 30, 2018, the Firm recorded adjusted net earnings of \$23.8 million, or \$0.26 per share (basic and diluted) representing an increase of \$2.5 million compared to \$21.3 million, or \$0.24 (basic and diluted) from the previous quarter ended March 31, 2018. The increase in adjusted net earnings is mainly attributable to higher revenues resulting from higher base management fees, partially offset by higher operating expenses.

#### ***Year-to-Date June 30, 2018, versus Year-to-Date June 30, 2017***

For the six-month period ended June 30, 2018, adjusted net earnings attributable to the Company's shareholders amounted to \$45.1 million, or \$0.49 per share (basic and diluted), compared to \$47.0 million, or \$0.58 per share (basic) and \$0.56 (diluted) for the same period last year. The first half of the year was negatively impacted by a \$2.7 million foreign exchange hedging loss related to the Company's strategy of hedging twelve months of US dollar revenues. Adjusted net earnings for the six-month period ended June 30, 2018, includes the net loss, adjusted for \$35.3 million, or \$0.39 per share (basic and diluted), of depreciation of property and equipment, amortization of intangible assets and share-based compensation, as well as \$14.1 million, or \$0.15 per share (basic and diluted), of acquisition and restructuring, integration and other costs, net of income taxes, as well as a charge related to the accretion and change in fair value of purchase price obligations and the accretion on effective interest on convertible bonds.

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section on page 42.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

#### SUMMARY OF QUARTERLY RESULTS

The Firm's AUM, total revenues, adjusted EBITDA <sup>(1)</sup>, adjusted EBITDA margin <sup>(1)</sup> and net earnings (loss), on a consolidated basis including per share amounts, for each of the Firm's most recently completed eight quarterly periods and the last twelve months are as follows:

Table 10 – Quarterly Results (in \$ thousands except AUM in \$ millions and per share data)

	Last Twelve Months <sup>(2)</sup>	Q2 Jun. 30	Q1 Mar. 31	Q4 Dec. 31	Q3 Sep. 30	Q2 Jun. 30	Q1 Mar. 31	Q4 Dec. 31	Q3 Sep. 30
		2018	2018	2017	2017	2017	2017	2016	2016
AUM	130,663	139,389	131,360	128,901	123,003	125,658	122,063	116,925	112,465
Total revenues	495,386	126,232	119,981	142,046	107,127	109,349	100,574	120,968	81,909
Adjusted EBITDA <sup>(1)</sup>	124,618	32,703	28,839	36,056	27,020	28,480	25,199	41,599	25,931
Adjusted EBITDA margin <sup>(1)</sup>	25.2%	25.9%	24.0%	25.4%	25.2%	26.0%	25.1%	34.4%	31.7%
Net earnings (loss) attributable to Company's shareholders	1,067	(2,106)	(2,193)	763	4,603	877	4,428	5,203	393
<b>PER SHARE – BASIC</b>									
Adjusted EBITDA <sup>(1)</sup>	1.43	0.35	0.32	0.43	0.33	0.35	0.31	0.52	0.33
Net earnings (loss) attributable to the Company's shareholders	0.03	(0.02)	(0.02)	0.01	0.06	0.01	0.05	0.07	0.01
Adjusted net earnings attributable to the Company's shareholders <sup>(1)</sup>	1.13	0.26	0.24	0.35	0.28	0.31	0.27	0.39	0.26
<b>PER SHARE – DILUTED</b>									
Adjusted EBITDA (1)	1.42	0.35	0.32	0.43	0.32	0.34	0.30	0.51	0.33
Net earnings (loss) attributable to the Company's shareholders	0.02	(0.02)	(0.02)	0.01	0.05	0.01	0.05	0.06	0.01
Adjusted net earnings attributable to the Company's shareholders <sup>(1)</sup>	1.12	0.26	0.24	0.35	0.27	0.30	0.26	0.38	0.25

<sup>(1)</sup> Please refer to the "Non-IFRS Measures" Section on page 42.

<sup>(2)</sup> AUM Last Twelve Months ("LTM") represents the average of the last four quarters.

Certain totals, subtotals and percentages may not reconcile due to rounding.

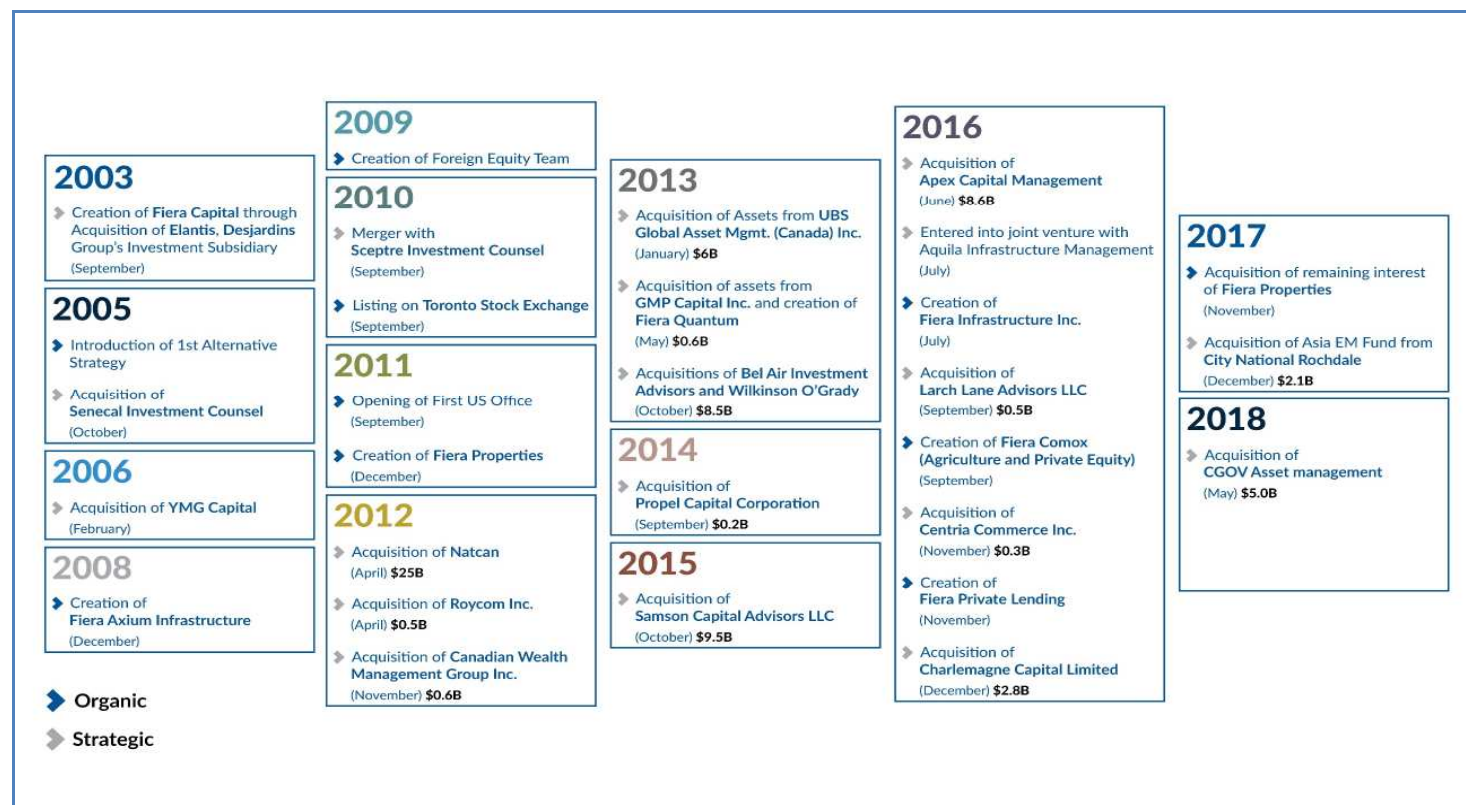


# Management's Discussion and Analysis

## For the Three and Six-Month Periods Ended June 30, 2018

### Company Evolution

The following diagram shows key initiatives, including organic growth and business acquisitions in terms of AUM in the evolution of the Company since its creation.



### LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flows

The ability to consistently generate cash flows from operations in excess of dividend payments, share repurchases, capital expenditures, and ongoing operating expenses remains one of the Company's fundamental financial goals. The Firm's principal uses of cash, other than for operating expenses, include (but are not limited to) dividend payments, debt repayments, capital expenditures, business acquisitions and stock buy-backs.

The following table provides additional cash flows information for Fiera Capital.



## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Table 11 – Summary of Consolidated Statements of Cash Flows (in \$ thousands)

	FOR THE SIX-MONTH PERIODS ENDED	
	JUNE 30, 2018	JUNE 30, 2017
Cash generated by (used in) operating activities	14,986	26,077
Cash (used in) investing activities	(60,185)	(4,082)
Cash generated by (used in) financing activities	40,244	(28,898)
Net decrease in cash	(4,955)	(6,903)
Effect of exchange rate changes on cash denominated in foreign currencies	1,971	(995)
Cash and cash equivalents, beginning of period	41,079	40,110
Cash and cash equivalents, end of period	38,095	32,212

#### Year-to-Date Activities

Cash generated in operating activities amounted to \$15.0 million for the six-month period ended June 30, 2018. This amount resulted mainly from \$44.7 million cash generated from net earnings (loss) adjusted for depreciation and amortization, share-based compensation, accretion of purchase price obligations, interest on long-term debt and other financial charges, income tax expenses and income tax paid, partially offset by the negative changes in non-cash operating working capital of \$31.3 million (refer to Note 14 of the unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2018).

Cash used in investing activities was \$60.2 million for the six-month period ended June 30, 2018, resulting mainly from \$54.4 million cash used for the acquisition of CGOV, combined with \$5.5 million cash used for the settlement of purchase price adjustments and obligations, \$0.8 million cash used for the purchase of property and equipment during the period, partially offset by \$0.6 million of cash generated from investments.

Cash generated by financing activities was \$40.2 million for the six-month period ended June 30, 2018, resulting mainly from \$83.0 million increase in long-term debt, combined with \$2.7 million share issuance, partially offset by 34.5 million of dividend payments, \$12.1 million of long-term debt interest payments and financing charges during the period.

Finally, the positive impact of exchange rate changes on cash denominated in foreign currencies was \$2.0 million during the six-month period ended June 30, 2018.

#### Year-to-Date June 30, 2018 versus Year-to-Date June 30, 2017

Cash generated by operating activities was \$15.0 million for the six-month period ended June 30, 2018, compared to \$26.1 million cash generated by operating activities for the same period last year. The variation is mainly attributable to the negative impact in non-cash operating working capital of \$24.4 million, partially offset by higher adjusted EBITDA year-over-year of \$7.9 million as described in the "Adjusted EBITDA" section.

Cash used in investing activities was \$60.2 million for the six-month period ended June 30, 2018, compared to \$4.1 million cash used in investing activities for the same period last year. The variation in cash used in investing activities is mainly attributable to higher cash used in acquisition activities (\$53.4 million), combined with higher cash used for the settlement of purchase price adjustment and obligations of \$2.1 million and lower cash generated from investments of \$4.2 million.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Cash generated from financing activities was \$40.2 million for the six-month period ended June 30, 2018, compared to \$28.9 million cash used in financing activities for the same period last year. The year-over-year variation is mainly attributable to \$82.9 million increase in long-term debt in 2018, compared to \$7.4 million for the same period of last year, combined with \$2.7 million of issuance of share capital in the six-month period ended June 30, 2018, compared to \$1.4 million in the same period last year. These increases in cash generated from financing activities were partially offset by higher dividend payments of \$6.5 million and higher financing charges of \$2.2 million for the six-month period ended June 30, 2018, compared to the same period last year.

Finally, the exchange rate changes on cash denominated in foreign currencies positively impacted the cash flow of the Firm by \$2.0 million during the six-month period ended June 30, 2018, compared to a \$1.0 million negative impact for the same period last year.

### Long-Term Debt

Table 12 – Credit Facility (in \$ thousands)

	AS AT JUNE 30, 2018	AS AT MARCH 31, 2018
Credit Facility		
Term facility	389,216	156,813
Revolving facility	-	136,725
Other facility	1,257	1,585
Deferred financing charges	(2,491)	(1,352)
	387,982	293,771
Less current portion	647	1,354
Non- current portion	387,335	292,417

### Credit Facility

On May 28, 2018, the Company entered into the Fifth Amended and Restated Credit Agreement ("Credit Agreement") with a Canadian banking syndicate of lenders. The Facility is used for general corporate purposes. It is comprised of a CA\$600 million senior unsecured revolving facility ("Facility") which can be drawn in Canadian or US dollars at the discretion of the Company.

Under the terms of the Credit Agreement, there are no minimum repayments until June 30, 2022, the date at which the amount drawn is repayable in full. At any time, subject to certain terms and conditions, the Company may request an increase in the available Facility by an amount of up to CA\$200 million subject to the acceptance of the individual lenders in the banking syndicate. The Credit Agreement allows for extensions of the Facility's maturity date, in one-year increments, at the request of the Company and subject to the acceptance of a group of lenders within the banking syndicate whose commitments amount in the aggregate, to more than 66 2/3%, subject to certain terms and conditions.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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The Facility bears interest, payable monthly, at variable rates based on the currency in which an amount is drawn and on the quarterly Funded Debt to EBITDA ratio as defined in the Credit Agreement. The interest rate is based on the Canadian prime rate plus a spread which varies from 0.0% to 1.5% or, at the discretion of the Company for amounts drawn in US Dollars, based either on the US base rate plus a spread varying from 0.0% to 1.5% or the LIBOR rate plus a spread varying from 1.0% to 2.5%.

Prior to May 28, 2018, the Fourth Amended and Restated Credit Agreement (the "Previous Credit Agreement") included a US\$125 million term (non-revolving) facility and a CA\$350 million senior unsecured revolving facility which could be drawn in Canadian or US dollars at the discretion of the Company.

Under the terms of the Previous Credit Agreement, there were no minimum repayments on the term facility until May 31, 2019, and until March 25, 2020, for the revolving facility, at which dates the amounts drawn were repayable in full. On May 28, 2018, the term facility was terminated and balances drawn on that date were converted to the Facility.

There were no changes to the interest rates applicable on the Previous Credit Facility. As at June 30, 2018, the total amount drawn on the Facility was CA\$71.360 million and US\$241.385 million (CA\$317.856 million) (CA\$74 million and US\$50 million (CA\$62.725 million) on the revolving facility, and US\$125 million (CA\$156.813 million) on the term facility under the Previous Credit Agreement at December 31, 2017.

The renegotiation of the Credit Agreement was treated as a modification under IFRS 9 – *Financial Instruments* and transaction fees of \$1.466 million associated with the Facility and \$1.034 million associated with the Previous Credit Agreement were capitalized to the Facility as long-term debt in the consolidated statements of financial position.

Under the terms of the Credit Agreement and the Previous Credit Agreement, the Company must satisfy certain restrictive covenants including minimum financial ratios. These restrictions include maintaining a maximum ratio of Funded Debt to EBITDA and a minimum Interest Coverage Ratio as defined in the Credit Agreement and the Previous Credit Agreement. EBITDA, a non-IFRS financial measure, includes consolidated earnings (losses) before interest, income taxes, depreciation, amortization and other non-cash items, and excludes extraordinary and unusual items including non-recurring items and certain purchase price obligations as well as certain other adjustments outlined in the Credit Agreement. As at June 30, 2018, all restrictive covenants under the Credit Agreement were met. The Credit Agreement also includes covenants that limit the ability of the Company and certain of its subsidiaries that are specifically included in the Credit Agreement as borrowing parties and therefore are guarantors to the Facility, to engage in specified types of transactions and thus imposes certain operating and financing restrictions on these entities. The financial ratios under the terms of the Previous Credit Agreement were met at December 31, 2017.

#### Other Facilities

As at June 30, 2018 one of the Company's subsidiaries has an outstanding bank loan in the amount of \$0.493 million of which quarterly payments of CA\$0.131 million are required (respectively \$0.756 million and CA\$0.131 million as at December 31, 2017). The loan bears interest at prime plus 0.25% to 1.25% which is based on the ratio of senior debt to EBITDA (a non-IFRS financial measure defined in the loan agreement), and matures on June 30, 2019. All debt covenant requirements were met as at June 30, 2018, and December 31, 2017. In March 2017, this subsidiary amended its credit agreement to include a leasing facility. As at June 30, 2018, the outstanding balance of this loan is CA\$0.764 million, of which monthly payments of CA\$0.015 million are required. As at June 30, 2018, the current and non-current portions of the loan are \$0.153 million and \$0.610 million respectively. This subsidiary also has a line of credit with a limit of CA\$0.750 million. It bears interest at prime plus up to 0.25% to 1.25% which is also based on the ratio of senior debt EBITDA and has no fixed maturity date. As at June 30, 2018, the subsidiary had not drawn on the line of credit (nil as at December 31, 2017).

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Another subsidiary of the Company has a line of credit with a dollar limit of CA\$0.950 million. It bears interest at prime plus 1.50% and has no fixed maturity date. As at June 30, 2018, the subsidiary had not drawn on the line of credit (nil as at December 31, 2017).

#### **Convertible Debentures**

Table 13 – Convertible Debentures (in \$ thousands)

	As at June 30, 2018	As at December 31, 2017
	\$	\$
<b>Face value</b>	<b>86,250</b>	86,250
<b>Less:</b>		
Issuance costs <sup>(1)</sup>	(4,168)	(4,269)
Equity component (net of issuance costs of \$237)	(4,555)	(4,555)
Cumulative accretion expense on equity component	691	35
<b>Balance, end of year</b>	<b>78,218</b>	77,461

<sup>(1)</sup> During the three-month period ended June 30, 2018, the Company revised the issuance costs and effective interest rate in order to reflect differences between issuance costs estimated at the date of issuance of the unsecured convertible debentures and the invoices subsequently received.

On December 21, 2017, the Company issued 86,250 unsecured convertible debentures at 5% maturing on June 23, 2023, with interest payable semi-annually in arrears on June 30 and December 31 of each year starting June 30, 2018, for gross proceeds of CA\$86.250 million. The convertible debentures are convertible at the option of the holder at a conversion price of \$18.85 per Class A subordinate shares ("Class A Shares"). The convertible debentures are not redeemable by the Company before June 30, 2021. The convertible debentures are redeemable by the Company at a price of \$0.001 million per convertible debenture, plus accrued and unpaid interest, on or after June 30, 2021, and prior to June 30, 2022, (provided that the weighted average trading price of the Class A Shares on the TSX for the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given, is not less than 125% of the conversion price of \$18.85 per share). On or after June 30, 2022, but prior to the maturity date, the Company may redeem on not more than 60 days and not less than 30 days prior notice, at a price of \$0.001 million per convertible debenture, plus accrued and unpaid interest.

During the three-month period ended June 30, 2018, an amount of \$2.274 million was paid representing the accrued interest from the issuance date of the unsecured convertible debentures to June 30, 2018.

#### **Contractual Obligations and Contingent Liabilities**

##### **Contractual Obligations**

As at June 30, 2018, the Company had no material contractual obligation other than those described in the Company's 2017 Annual MD&A in the section entitled "Contractual Obligations".

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

#### **Contingent Liabilities**

In the normal course of business, the Company and its subsidiaries may be party to business and employee-related claims. The potential outcomes related to existing matters faced by the Company are not determinable at this time. The Company intends to defend these actions, and management believes that the resolution of these matters will not have a material adverse effect on the Company's financial condition.

#### **Off-Balance Sheet Arrangements**

At June 30, 2018, Fiera Capital was not party to any off-balance sheet arrangements, including guarantees, derivatives, except variable-interest entities. We do not expect to enter into such agreements.

#### **Share Capital**

As at June 30, 2018, the Company had 76,200,754 Class A shares and 19,412,401 Class B special voting shares for a total of 95,613,155 outstanding shares compared to 62,440,214 Class A subordinate voting shares and 19,790,625 Class B special voting shares for a total of 82,230,839 outstanding shares as at June 30, 2017.

#### **Share-Based Payments**

##### **Stock Option Plan**

A summary of the changes that occurred in the Company's stock option plans during the six-month periods ended June 30, 2018, and 2017, is presented below:

**Table 14 – Options Transactions**

	2018		2017	
	Number of Class A Share Options	Weighted-Average Exercise Price (\$)	Number of Class A Share Options	Weighted-Average Exercise Price (\$)
Outstanding – beginning of period	4,183,852	11.86	2,799,345	10.25
Granted	20,000	11.23	347,000	13.64
Exercised	(336,606)	8.06	(180,121)	7.96
Forfeited	(110,252)	13.63	(20,645)	13.44
Outstanding – end of period	3,756,994	12.15	2,945,579	10.76
Options exercisable – end of period	598,615	8.15	989,901	7.73

#### **Deferred Share Unit Plan ("DSU")**

DSU units are equivalent to one Class A Share of the Company. The Company recorded an expense (recovery) of \$0.018 million and (\$0.013) million for this plan during the three and six-month periods ended June 30, 2018, respectively (\$0.006 million and \$0.021 million during the three and six-month periods ended June 30, 2017, respectively). As at June 30, 2018, the Company had a liability for an amount of \$0.192 million for the 16,277 units outstanding under the DSU plan (\$0.205 million for 15,767 units as at December 31, 2017).

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

### *Restricted Share Unit ("RSU") Plan*

The following table presents transactions that occurred in the Company's RSU Plan during the six-month periods ended June 30, 2018 and 2017.

**Table 15 – RSU Transactions**

	2018	2017
Outstanding – beginning of period	608,635	456,303
Reinvestments in lieu of dividends	14,111	10,311
Vested	(248,694)	(70,996)
Outstanding – end of period	374,052	395,618

RSU units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$1.039 million and \$2.041 million for these grants during the three and six-month periods ended June 30, 2018, respectively (\$3.873 million and \$4.633 million during the three and six-month periods ended June 30, 2017, respectively). 201,442 Class A Shares were issued during the six-month period ended June 30, 2018 as settlement of RSU vested and \$0.585 million was paid in cash. As at June 30, 2018, the Company had a liability in the amount of \$2.201 million for the 374,052 units outstanding under the RSU Plan (\$3.075 million for 608,635 units as at December 31, 2017).

### *Restricted Share Unit Plan – Cash ("RSU Cash")*

The following table presents transactions that occurred in the Company's cash-settled RSU Plan during the six-month periods ended June 30, 2018, and 2017.

**Table 16 – RSU Cash Transactions**

	2018	2017
Outstanding – beginning of period	504,380	316,133
Granted	76,873	128,521
Reinvestments in lieu of dividends	17,165	9,350
Vested	(9,917)	-
Outstanding – end of period	588,501	454,004

RSU cash units are equivalent to one Class A Share of the Company. The Company recorded an expense of \$0.630 million and \$0.817 million for these grants during the three and six-month periods ended June 30, 2018, respectively (\$0.490 million and \$0.934 million during the three and six-month periods ended June 30, 2017, respectively). During the six-month period ended June 30, 2018, 9,917 units vested (2017 – nil) and an amount of \$0.391 million was paid as settlement of these units. As at June 30, 2018, the Company had a liability in the amount of \$2.864 million for the 588,501 units outstanding under this RSU Plan (\$2.435 million for 504,380 units as at December 31, 2017).

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

#### *Restricted Share Plan ("RSP")*

The Company recorded an expense of \$0.088 million and \$0.172 million for the restricted share plan during the three and six-month periods ended June 30, 2018, respectively (\$0.184 million and \$0.362 million during the three and six-month periods ended June 30, 2017, respectively).

#### *Performance Share Unit Plan ("PSU")*

##### **PSU plan applicable to business units ("PSU plan applicable to BU")**

The Company recorded the following expense relating to PSU plans applicable to BU during the three and six-month periods ended June 30, 2018, and 2017:

**Table 17 – PSU Plan Applicable to BU Transactions (in \$ thousands)**

	FOR THE THREE-MONTH PERIODS ENDED		FOR THE SIX-MONTH PERIODS ENDED	
	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2018	JUNE 30, 2017
Equity-settled grants	854	1,782	3,690	2,605
Cash-settled grants	1,595	-	3,692	-
Total expenses	2,449	1,782	7,382	2,605

During the six-month periods ended June 30, 2018, the total award value granted under the Company's PSU plans applicable to BU was \$6.575 million and no PSU applicable to BU vested during the period. 407,978 Class A Shares were issued during the six-month period ended June 30, 2018 as settlement of PSU applicable to BU vested in 2017.

During the six-month periods ended June 30, 2017, the total award value granted under the Company's PSU plans applicable to BU was \$6.566 million and no PSU applicable to BU vested during the period. 730,285 Class A Shares were issued during the six-month period ended June 30, 2017 as settlement of PSU applicable to BU vested in 2016.

#### **PSU Plan**

PSU units are equivalent to one Class A Share of the Company. The Company recorded the following expense relating to PSU plans during the three and six-month periods ended June 30, 2018, and 2017:



## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

Table 18 – PSU Transactions (in \$ thousands)

	FOR THE THREE-MONTH PERIODS ENDED		FOR THE SIX-MONTH PERIODS ENDED	
	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2018	JUNE 30, 2017
Equity-settled grants	646	-	658	-
Cash-settled grants	577	324	642	732
Total expenses	1,223	324	1,300	732

During the six-month periods ended June 30, 2018, the total award value granted under the Company's PSU plans was \$4.398 million and no PSU vested during the period. 19,819 Class A Shares were issued during the six-month period ended June 30, 2018 as settlement of PSU vested in 2017.

During the six-month periods ended June 30, 2017, the total award value granted under the Company's PSU plans was \$1.2 million and no PSU vested during the period. 73,030 Class A Shares were issued during the six-month period ended June 30, 2017 as settlement of PSU vested in 2016 and \$0.475 million was paid in cash.

### *Unit Appreciation Right Plan Applicable to Business Units (UAR plan applicable to BU)*

In 2018, the Company amended the PSU BU plan to include a UAR plan applicable to BU. Under this plan, eligible employees are entitled to receive Class A Shares of the Company for an amount equivalent to the difference between the business value per unit on the vesting date and the exercise price determined on the grant date. The Company recorded an expense of \$0.123 million during the three and six-month periods ended June 30, 2018.

### *Stock Option Plans in the Company's Subsidiaries*

One of the Company's subsidiaries has a stock option plan which is based on the shares of the respective subsidiary entity. This plan is accounted for as a cash-settled plan. During the year ended December 31, 2017, another subsidiary's stock option plan was discontinued. The Company's subsidiaries stock option expense in the consolidated statements of earnings (loss) for the three and six-month periods ended June 30, 2018 was \$0.765 million and \$1.006 million, respectively (\$0.406 million and \$0.575 million for the three and six-month periods ended June 30, 2017). The cash settled share-based liability is \$3.045 million in the statements of financial position as at June 30, 2018 (\$2.039 million as at December 31, 2017).

### *Related Party Transactions*

In the normal course of business, the Company carries out transactions with related parties which include two related shareholders or with entities under the same common control as these related shareholders.

One of the related shareholders has significant influence over the Company. Under an agreement, this related shareholder is entitled to appoint two of the four directors of the Company that the holders of Class A Shares are entitled to elect, as long as it holds, directly or indirectly, at least 20% of the outstanding Class A Shares and Class B Shares, together, on a non-diluted basis. Following the closing of the Company's bought deal financing comprised of unsecured convertible debentures (Note 10) and of a Class A Share issuance on December 21, 2017, and subsequent shareholder transactions, the related party's beneficial ownership is approximately 19.4% of the Company's issued and outstanding shares (21.0% as at June 30, 2017) and as a result, the related party no longer has the right to designate two appointees



## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

to the Company's Board. This related shareholder is the lead arranger to the Company's Credit Facility and is the counterparty to the derivative financial instruments presented as being with a related entity in the table below.

At June 30, 2018, the other related shareholder has significant influence over the Company since it indirectly owns Class B Special Voting Shares representing approximately 8.0% of the Company's issued and outstanding shares (8.9% as at June 30, 2017) and pursuant to the terms of a shareholders' agreement between this related shareholder and an entity related to the Company, the related shareholder is entitled to appoint two of the eight directors of the Company that the holders of Class B Shares are entitled to elect. In order to maintain the rights described above, the related shareholder is required to maintain a minimum ownership level in the Company and a specified minimum level of assets under management.

The following table presents transactions either directly with the two related shareholders or with entities under the same common control as these related shareholders:

**Table 19 – Related Party Transactions (in \$ thousands)**

	FOR THE THREE-MONTH PERIODS ENDED		FOR THE SIX-MONTH PERIODS ENDED	
	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2018	JUNE 30, 2017
Base management, performance and other revenues	10,694	14,256	23,548	25,602
Selling, general & administrative expenses				
Reference fees	409	410	883	819
Other	137	93	349	215
Interest on long-term debt	3,523	3,932	7,153	7,624
Acquisition costs	-	252	-	252
Net (gain) loss in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	(660)	4,494	(1,138)	6,404

The transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Fees are at prevailing market prices and are settled on normal trade terms.

### CONTROL AND PROCEDURES

The Chairman of the Board, President & Chief Executive Officer ("CEO") and the Executive Vice President, Global Chief Financial Officer & President of the Private Alternative Investment strategies ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109.

Fiera Capital Corporation's ("Corporation") internal control framework is based on the criteria published in the *Internal Control-Integrated Framework (COSO framework 2013)* report issued by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

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The CEO and CFO, supported by Management, evaluated the design of the Corporation's DC&P and ICFR as at June 30, 2018, and have concluded that it was effective. Furthermore, no significant changes to the ICFR occurred during the quarter ended June 30, 2018.

It should be noted that in 2019, the implementation of a new accounting system will take place and changes to ICFR are expected. Furthermore, the CEO and CFO are in the process of assessing the impact on the ICFR of other ongoing major projects related to key processes (specifically for Billing, Assets under Management, Operational Transactions and Information Technology).

The CEO and CFO, supported by Management, will ensure that these major changes are reflected in ICFR.

### FINANCIAL INSTRUMENTS

The Company, through its financial assets and financial liabilities, has exposure to the following risks from its use of financial instruments: market risk, equity market fluctuation risk, credit risk, interest rate risk, currency risk and liquidity risk. These risks and the management of these risks are described in the Company's 2017 Annual MD&A in the section entitled "*Financial Instruments*". The Company has not identified any material changes to the risk factors affecting its business or in the management of these risks.

### CAPITAL MANAGEMENT

The Company's capital comprises share capital, retained earnings (deficit), long-term debt and convertible debentures, less cash and cash equivalents. The Company manages its capital to ensure adequate capital resources while maximizing return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive debt covenants required by the lender of the debt. As at June 30, 2018, the Company and one of its subsidiaries subject to calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions*, calculated on a non-consolidated basis, have complied with their respective calculations. The Company and its subsidiaries complied with their restrictive debt covenants under the various credit facilities.

In order to maintain or adjust its capital structure, the Company may issue shares, proceed to the issuance or repayment of debt or redeem convertible debentures.

### SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

This MD&A is prepared with reference to the interim condensed consolidated financial statements for the three-month period ended June 30, 2018. A summary of the Company's significant accounting judgments and estimation uncertainties are presented in Note 3 to the Company's audited consolidated financial statements for the years ended December 31, 2017, and December 31, 2016. Some of the Company's accounting policies, as required under IFRS, require Management to make subjective, complex judgments and estimates to matters that are inherent to uncertainties.

## **NEW ACCOUNTING STANDARDS**

### ***Adoption of New IFRS***

On January 1, 2018, the Company adopted the following new IFRS standards.

#### ***IFRS 9 – Financial Instruments***

IFRS 9 replaced IAS 39 – *Financial Instruments: Recognition and Measurement* and was mandatorily effective for annual periods beginning on or after January 1, 2018. As permitted by IFRS 9, the Company has taken the exemption not to restate the comparative information in the consolidated financial statements with respect to classification and measurement requirements. The retrospective impact of applying IFRS 9 was accounted for through adjustments to the opening balance of retained earnings (deficit) and accumulated other comprehensive income as at January 1, 2018.

The adoption of IFRS 9 did not have a significant impact on the Company's interim condensed consolidated financial statements.

#### ***Classification and measurement***

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available-for-sale.

Under IFRS 9, all equity instrument financial assets must be classified as at fair value through profit or loss. However, the Company may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as at fair value through other comprehensive income with no subsequent reclassification of gains and losses to net earnings. This election is made on an investment-by-investment basis. Dividends will continue to be recognized in net earnings (loss). This designation is also available for existing non-trading equity instruments at the date of IFRS 9 adoption. Derivative financial instruments continue to be measured at fair value through profit or loss.

As a result of the application of the classification and measurement requirements of IFRS 9, on January 1, 2018, the Company reclassified its equity securities classified as available-for-sale under IAS 39 to fair value through profit or loss and therefore reclassified an unrealized gain of \$0.161 million from accumulated other comprehensive income to retained earnings (deficit).

#### ***Impairment***

IFRS 9 replaces the "incurred loss" model in IAS 39 with an 'expected credit loss' ("ECL") model. The new ECL impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company's financial assets subject to the new impairment model are cash and cash equivalents, accounts receivable and long-term receivable. The new impairment guidance using an expected credit loss model did not have a significant impact on the carrying amounts of the Company's accounts receivable or long-term receivable as the Company has had negligible credit losses.

The following table presents the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents and restricted cash	Loans and receivables	Amortized cost
Investments	Available-for-sale / Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Long-term receivable <sup>(1)</sup>	Loans and receivables	Amortized cost
Derivative financial instruments	Fair value through profit or loss	Fair value through profit or loss

<sup>(1)</sup> Presented in deferred charges and other on the consolidated statements of financial position.

Financial assets will not be reclassified subsequent to their initial recognition, unless the Company identifies changes in the business model in managing financial assets.

There were no changes to the measurement categories under IFRS 9 for the Company's financial liabilities as at January 1, 2018, and therefore the Company's financial liabilities are not presented in the table above.

#### *Hedge accounting*

The hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. As permitted, the Company elected not to adopt the general hedge accounting requirements of IFRS 9 and instead chose to continue to apply the requirements in IAS 39 – *Financial instruments: recognition and measurement*.

The Company also adopted amendments to the revised hedge accounting disclosures required by IFRS 7 – *Financial Instruments: Disclosures*. This will result in the Company adding disclosure relating to its risk management strategies, where hedge accounting is applied, in its consolidated financial statements for the year ending December 31, 2018.

#### *IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 replaced IAS 18 – *Revenue* and was mandatorily effective for annual periods beginning on or after January 1, 2018. The new standard specifies a five-step approach to determine how and when to recognize revenue and requires additional disclosures. The Company completed an impact assessment for all major revenue streams, reviewed contracts and analyzed revenue recognized by the Company.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flow arising from a contract with a customer.

The Company elected to adopt IFRS 15 using the modified retrospective approach with the effect of initially applying this standard at the date of initial application (January 1, 2018). However, the adoption of IFRS 15 did not have a significant impact on the ongoing recognition of the Company's revenues or net earnings (loss) and therefore there were no opening retained earnings (deficit) adjustments required as at January 1, 2018.

#### **Revised IFRS, interpretations and amendments**

The following revised standards are effective for annual periods beginning on January 1, 2018. Their adoption did not have a significant impact on the amounts reported or disclosures made in these financial statements.

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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#### ***Amendments to IFRS 2 – Share-based payments***

In June 2016, the IASB published amendments to IFRS 2 – *Share-based payments*. The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

#### ***IFRIC 22 – Foreign Currency Transactions and Advance Consideration***

In December 2016, the IASB published IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* to clarify the exchange rate that should be used for transactions that include the receipt or payment of advance consideration in a foreign currency.

#### ***IFRS Issued but Not Yet Adopted***

The Company has not applied the following new and revised IFRS and interpretations that have been issued but are not mandatory for the reporting period ending June 30, 2018.

#### ***IFRS 16 – Leases***

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17 – *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. This new standard will come into effect for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

#### ***IFRIC 23 – Uncertainty over Income Tax Treatments***

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments*. The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatment under IAS 12. It specifically considers whether tax treatments should be considered collectively, assumptions for taxation authorities' examinations, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and the effect of changes in facts and circumstances. This new interpretation is applicable to annual reporting periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

#### ***Annual Improvements to IFRS (2015-2017) Cycle***

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle. The pronouncement contains amendments to four International Financial Reporting Standards (IFRS) as result of the IASB's annual improvements project. The amendments to IFRS 3 – Business combinations clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 – Joint arrangements clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments to IAS 12 – Income taxes clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 – *Borrowing costs* clarify that if any specific borrowing remains outstanding after the related asset is ready for

## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are effective for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of these amendments on its consolidated financial statements.

#### NON-IFRS MEASURES

We have included non-IFRS measures to provide investors with supplemental measures of our operating and financial performance. We believe non-IFRS measures are important supplemental metrics of operating and financial performance because they highlight trends in our core business that may not otherwise be apparent when one relies solely on IFRS measures. Securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers, many of which present non-IFRS measures when reporting their results. Management also uses non-IFRS measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

Non-IFRS measures are not recognized measures under IFRS. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. For example, some or all of the non-IFRS measures do not reflect: (a) our cash expenditures, or future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt; and (d) income tax payments that represent a reduction in cash available to us. These non-IFRS measures have important limitations as analytical tools, and the reader should not consider them in isolation, or as substitutes in the analysis of our results as reported under IFRS. Because of these limitations, we rely primarily on our results as reported in accordance with IFRS and use non-IFRS measures only as a supplement.

We define **EBITDA** as net earnings (loss) before interest, income taxes, depreciation and amortization (EBITDA). **Adjusted EBITDA** is calculated as EBITDA, adjusted for acquisitions, restructuring, integration and other costs, accretion and change in fair value of purchase price obligations, realized loss (gain) on investments, loss on disposal of investment in subsidiaries, gain on disposal of investment in joint venture, revaluation of assets held-for-sale, share of (earnings) loss of joint ventures and share-based compensation expenses.

We believe that EBITDA and adjusted EBITDA are meaningful measures as they allow for the evaluation of our core operating performance from one period to the next without the variations caused by the impact of the items described above. The Company considers its core operating activities to be asset management, investment advisory and related services. Costs related to strategic initiatives such as business acquisitions, integration of newly acquired businesses and restructuring are considered non-core. The Company excludes these items because they affect the comparability of its financial results among periods and could potentially distort the analysis of trends in its core business performance. Excluding these items does not imply they are necessarily non-recurring.

We define the **adjusted EBITDA margin** as the ratio of adjusted EBITDA to revenues. It is an important measure of overall operating performance because it measures Company profitability from operations.

The following table provides a reconciliation between EBITDA, adjusted EBITDA, adjusted EBITDA per share and adjusted EBITDA margin to the most comparable IFRS measures earnings for each of the Firm's last eight quarters.

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

Table 20 – EBITDA and Adjusted EBITDA Reconciliation (in \$ thousands except per share data)

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net earnings (loss)	(2,215)	(2,093)	1,084	4,771	504	4,353	5,245	621
Income taxes	1,641	17	5,185	(263)	(797)	32	3,142	200
Depreciation of property and equipment	1,018	947	964	976	956	931	894	852
Amortization of intangible assets	10,488	10,022	8,778	10,487	10,900	10,935	16,366	10,348
Interest on long-term debt and other financial charges	5,054	4,761	4,835	2,641	1,827	2,177	5,253	3,337
<b>EBITDA</b>	<b>15,986</b>	<b>13,654</b>	<b>20,846</b>	<b>18,612</b>	<b>13,390</b>	<b>18,428</b>	<b>30,900</b>	<b>15,358</b>
Restructuring, integration and other costs	2,389	928	6,866	2,357	4,851	1,076	805	2,739
Acquisition costs	2,508	3,018	1,679	378	1,659	1,718	3,160	2,769
Accretion and change in fair value of purchase price obligation	5,720	4,467	2,879	375	1,289	1,308	1,072	(5,807)
Realized loss (gain) on investments	2	27	(128)	2	(8)	(4)	(548)	(224)
Loss on disposal of intangible assets and property and equipment	-	-	42	480	371	-	-	-
Loss on disposal of subsidiaries	-	-	-	-	-	-	-	8,307
Share-based compensation	6,098	6,745	3,871	4,816	6,928	2,673	6,210	2,789
<b>Adjusted EBITDA</b>	<b>32,703</b>	<b>28,839</b>	<b>36,055</b>	<b>27,020</b>	<b>28,480</b>	<b>25,199</b>	<b>41,599</b>	<b>25,931</b>
<b>REVENUES</b>	<b>126,232</b>	<b>119,981</b>	<b>142,046</b>	<b>107,127</b>	<b>109,349</b>	<b>100,574</b>	<b>120,968</b>	<b>81,909</b>
Adjusted EBITDA Margin	25.9%	24.0%	25.4%	25.2%	26.0%	25.1%	34.4%	31.7%
Adjusted EBITDA Per Share								
Basic	0.35	0.32	0.43	0.33	0.35	0.31	0.52	0.33
Diluted	0.35	0.32	0.43	0.32	0.34	0.30	0.51	0.33

Certain totals, subtotals and percentages may not reconcile due to rounding.



## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

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We define **adjusted net earnings** as net earnings (loss) attributable to the Company's shareholders, adjusted for depreciation of property and equipment, amortization of intangible assets and share-based compensation, as well as after-tax acquisition, restructuring, integration and other costs, accretion and change in fair value of purchase price obligations, accretion on effective interest on convertible bonds, after-tax gain on disposal of investment in joint venture and after-tax revaluation of assets held-for-sale, after-tax loss on disposal of investment in subsidiaries, after-tax gain on revaluation of a purchase price obligation and after-tax gain on acquisition of control of investment in joint venture, as well as the impact of US Tax Cuts and Jobs Act.

Effective December 31, 2017, the Company amended the definition of adjusted net earnings to no longer adjust for after-tax changes in fair value of derivative financial instruments that are used to hedge the Company's interest rate or foreign currency exposure. This change was made to recognize the gain or loss from these derivative financial instruments in net earnings in accordance with the nature of the hedged item. Comparative figures for adjusted net earnings and adjusted net earnings per share (basic and diluted) have been restated to be consistent with the current presentation.

Effective March 31, 2018, the Company amended the definition of adjusted net earnings to adjust for the accretion and change in fair value of purchase price obligations. Also, effective June 30, 2018, the Company amended the definition of adjusted net earnings to adjust for the accretion on effective interest on convertible bonds. Accretion expense and the gains or losses recognized on the change in fair value of purchase price obligations arise from contingent consideration arrangements, generally in business combinations which are considered non-core operations. The fair value of contingent consideration is remeasured at each reporting date and it is determined using valuation techniques which make use of forecasted net cash flows discounted to present value. Accretion expense (i.e. non-cash interest expense) brings the present value of the purchase price obligation up to its future value over time. Adjusting accretion expense and change in fair value of purchase price obligations from adjusted net earnings provides for better comparability of the financial results between periods where valuation assumptions used by management may introduce volatility in earnings. Comparative figures for adjusted net earnings and adjusted net earnings per share (basic and diluted) have been restated to be consistent with the current presentation.

We believe that adjusted net earnings is a meaningful measure as it allows for the evaluation of the Firm's overall performance from one period to the next without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its financial results among periods and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring.

The following table provides a reconciliation between adjusted net earnings and adjusted net earnings per share to the most comparable IFRS measures earnings for each of the Firm's last eight quarters:



## Management's Discussion and Analysis

### For the Three and Six-Month Periods Ended June 30, 2018

Table 21 – Adjusted Net Earnings Reconciliation (in \$ thousands except per share data)

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net earnings (loss) attributable to the Company's shareholders	(2,106)	(2,193)	763	4,603	877	4,428	5,203	393
Depreciation of property and equipment	1,018	947	964	976	956	931	894	852
Amortization of intangible assets	10,488	10,022	8,778	10,487	10,900	10,935	16,366	10,348
Share-based compensation(*)	6,098	6,745	3,871	4,816	6,928	2,673	6,210	2,789
Restructuring, integration and other costs(*)	2,389	928	6,866	2,357	4,851	1,076	805	2,739
Acquisition costs(*)	2,508	3,018	1,679	378	1,659	1,718	3,160	2,769
Loss on disposal of subsidiaries(*)	-	-	-	-	-	-	-	8,307
Accretion and change in fair value(*) of purchase price obligations and effective interest on convertible bonds(*)	6,058	4,467	2,880	375	1,289	1,308	1,072	(5,807)
Impact of US Tax Cuts and Jobs Act on future income taxes	-	-	6,017	-	-	-	-	-
Income taxes on above-mentioned items (*)	2,661	2,590	2,580	933	2,340	1,231	2,231	2,402
Adjusted net earnings attributable to the Company's shareholders	<b>23,792</b>	<b>21,344</b>	<b>29,238</b>	<b>23,059</b>	<b>25,120</b>	<b>21,838</b>	<b>31,479</b>	<b>19,988</b>
Per share – basic								
Net earnings (loss) attributable to the Company's shareholders	(0.02)	(0.02)	0.01	0.06	0.01	0.05	0.07	0.01
Adjusted net earnings attributable to the Company's shareholders	<b>0.26</b>	<b>0.24</b>	<b>0.35</b>	<b>0.28</b>	<b>0.31</b>	<b>0.27</b>	<b>0.39</b>	<b>0.26</b>
Per share – diluted								
Net earnings (loss) attributable to the Company's shareholders	(0.02)	(0.02)	0.01	0.06	0.01	0.05	0.06	0.01
Adjusted net earnings attributable to the Company's shareholders	<b>0.26</b>	<b>0.24</b>	<b>0.35</b>	<b>0.27</b>	<b>0.30</b>	<b>0.26</b>	<b>0.38</b>	<b>0.25</b>

Certain totals, subtotals and percentages may not reconcile due to rounding.

## Management's Discussion and Analysis For the Three and Six-Month Periods Ended June 30, 2018

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### RISK FACTORS

Fiera Capital's business is subject to a number of risk factors that may impact the Company's operating and financial performance. These risks and the management of these risks are detailed in the Company's 2017 Annual MD&A in the section entitled "*Risks Factors*". The Company has not identified any material changes to the risk factors affecting its business or in the management of these risks.





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