Interim Condensed Consolidated Financial Statements of FIERA CAPITAL CORPORATION

For the three and nine-month periods ended September 30, 2017 and 2016
(unaudited)

FIERA CAPITAL

Fiera Capital Corporation
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Fiera Capital Corporation

Interim Condensed Consolidated Statements of Earnings

For the three and nine-month periods ended September 30,
(Unaudited)
(In thousands of Canadian dollars, except per share data)

	Three-month periods		Nine-month periods	
	2017	2016	2017	2016
	$	$	$	$
Revenues				
Base management fees	100,997	80,413	299,706	212,632
Performance fees	1,604	4	3,338	2,694
Other revenues (Notes 8 and 16)	4,526	1,492	14,006	7,850
	107,127	81,909	317,050	223,176
Expenses				
Selling, general and administrative expenses	84,498	57,979	248,996	164,062
External managers	425	788	1,772	2,414
Depreciation of property and equipment	966	852	2,853	2,507
Amortization of intangible assets (Note 7)	10,497	10,348	32,332	26,357
Acquisition costs	378	2,769	3,755	8,531
Restructuring, integration and other costs (Note 6)	2,357	2,739	8,284	7,151
	99,121	75,475	297,992	211,022
Earnings before under-noted items	8,006	6,434	19,058	12,154
Realized (gain) loss on investments	2	(224)	(10)	(210)
Loss on disposal of intangible assets (Note 7)	-	-	371	-
Loss on disposal of property and equipment	480	-	480	-
Interest on long-term debt and other financial charges	2,641	3,337	6,645	7,644
Accretion and change in fair value of purchase price obligations (Note 8)	375	(5,807)	2,972	(4,409)
Gain on acquisition of control of investment in joint venture	-	-	-	(5,827)
Gain on disposal of investment in joint ventures	-	-	-	(15,013)
Loss on disposal of subsidiaries	-	8,307	-	8,307
Revaluation of assets held-for-sale	-	-	-	7,921
Share of earnings of joint ventures	-	-	-	(77)
Earnings (loss) before income taxes	4,508	821	8,600	13,818
Income tax expense (recovery)	(263)	200	(1,028)	982
Net earnings for the periods	4,771	621	9,628	12,836
Net earnings attributable to :				
Company's shareholders	4,603	393	9,908	15,574
Non-controlling interest	168	228	(280)	(2,738)
	4,771	621	9,628	12,836
Net earnings per share (Note 11)				
Basic	0.06	0.01	0.12	0.21
Diluted	0.05	0.01	0.12	0.21

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and nine-month periods ended September 30,
(Unaudited)
(In thousands of Canadian dollars)

	Three-month periods		Nine-month periods	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net earnings for the periods	**4,771**	621	**9,628**	12,836
Other comprehensive income:				
Items that may be reclassified subsequently to earnings:				
Unrealized (loss) gain on available-for-sale financial assets (net of income taxes of ($1) and ($9) for the three and nine-month periods ended September 30, 2017, respectively and income taxes of $19 and $5 for the three and nine-month periods ended September 30, 2016, respectively)	**(15)**	124	**10**	28
Reclassification of loss on disposal of investments (net of income tax of $28 and $27 for the three and nine-month periods ended September 30, 2016, respectively)	**-**	(181)	**-**	(170)
Reclassification of share of other comprehensive income of joint ventures	**-**	-	**-**	(509)
Cash flow hedges (Note 8) (net of income taxes of ($29) for the three and nine-month periods ended September 30, 2017)	**175**	-	**72**	-
Unrealized exchange differences on translating financial statements of foreign operations	**(9,380)**	1,699	**(18,562)**	(6,046)
Other comprehensive income (loss) for the periods	**(9,220)**	1,642	**(18,480)**	(6,697)
Comprehensive income (loss) for the periods	**(4,449)**	2,263	**(8,852)**	6,139
Comprehensive income attributable to:				
Company's shareholders	**(4,617)**	2,035	**(8,572)**	8,877
Non-controlling interest	**168**	228	**(280)**	(2,738)
	(4,449)	2,263	**(8,852)**	6,139

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(In thousands of Canadian dollars)

	As at September 30, 2017	As at December 31, 2016
	$	$
Assets		
Current assets		
Cash and cash equivalents	42,908	40,110
Restricted cash	925	660
Investments	5,810	8,972
Accounts receivable	102,128	116,401
Prepaid expenses and other assets	12,565	6,547
	164, 336	172,690
Non-current assets		
Goodwill (Note 7)	510,339	541,030
Intangible assets (Note 7)	408,115	458,760
Property and equipment	16,954	18,398
Deferred charges	1,297	1,688
Long-term receivable	47	27
Derivative financial instruments (Note 8)	3,236	-
Deferred income taxes	1,078	562
	1,105,402	1,193,155
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	66,712	89,160
Dividends payable	-	249
Purchase price obligations (Note 8)	14,222	13,470
Puttable financial instrument liabilities (Note 8)	-	5,500
Restructuring provisions (Note 6)	1,176	1,879
Derivative financial instruments (Note 8)	225	1,861
Current portion of long-term debt (Note 9)	525	1,283
Amounts due to related companies	809	1,058
Client deposits	155	155
Deferred revenues	250	120
	84,074	114,735
Non-current liabilities		
Long-term debt (Note 9)	436,635	429,140
Purchase price obligations (Note 8)	21,623	21,498
Long-term restructuring provisions (Note 6)	715	715
Cash settled share-based liabilities	5,628	4,243
Other non-current liabilities	3,506	2,694
Deferred lease obligations	4,008	3,479
Lease inducements	3,852	4,612
Deferred income taxes	6,274	15,394
	566,315	596,510
Equity attributable to:		
Company's shareholders	531,220	566,236
Non-controlling interest	7,867	30,409
	539,087	596,645
	1,105,402	1,193,155

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Fiera Capital Corporation

Interim Condensed Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30,
(Unaudited)
(In thousands of Canadian dollars)

	Share Capital	Restricted and hold back shares	Contributed surplus	(Deficit) Retained earnings	Accumulated other comprehensive income	Equity attributable to Company's shareholders	Non-Controlling Interest	Total Equity
	$	$	$	$	$	$	$	$
Balance, December 31, 2016	582,134	1,848	16,285	(62,129)	28,098	566,236	30,409	596,645
Net earnings for the period	-	-	-	9,908	-	9,908	(280)	9,628
Other comprehensive income (loss)	-	-	-	-	(18,480)	(18,480)	-	(18,480)
Comprehensive income (loss) for the period	-	-	-	9,908	(18,480)	(8,572)	(280)	(8,852)
Share-based compensation expense	-	-	7,218	-	-	7,218	113	7,331
Conversion of hold back shares (Note 10)	3,566	(3,566)	-	-	-	-	-	-
Performance and restricted share units settled (Note 10)	10,381	-	(6,074)	-	-	4,307	-	4,307
Stock options exercised (Note 10)	3,044	-	(739)	-	-	2,305	-	2,305
Extinguishment of puttable financial instrument liabilities (Note 8)	-	-	2,747	-	-	2,747	-	2,747
Net change in non-controlling interest	-	-	-	-	-	-	(22,771)	(22,771)
Gain on dilution of non-controlling interest	-	-	-	(396)	-	(396)	396	-
Dividends	-	-	-	(42,625)	-	(42,625)	-	(42,625)
Balance, September 30, 2017	599,125	(1,718)	19,437	(95,242)	9,618	531,220	7,867	539,087
Balance, December 31, 2015	467,134	3,662	11,056	(35,528)	28,614	474,938	(4,910)	470,028
Net earnings for the period	-	-	-	15,574	-	15,574	(2,738)	12,836
Other comprehensive income (loss)	-	-	-	-	(6,697)	(6,697)	-	(6,697)
Comprehensive income (loss) for the period	-	-	-	15,574	(6,697)	8,877	(2,738)	6,139
Issuance of shares	2,363	-	-	-	-	2,363	-	2,363
Shares issued as part of a business combination	75,076	-	-	-	-	75,076	-	75,076
Conversion of hold back shares	2,718	(2,718)	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	10,186	10,186
De-recognition of non-controlling interest	-	-	-	-	-	-	8,278	8,278
Call option	-	-	1,419	-	-	1,419	-	1,419
Share-based compensation expense	-	-	5,582	-	-	5,582	17	5,599
Performance share units settled	-	-	(4,237)	-	-	(4,237)	-	(4,237)
Stock options exercised	1,914	-	(380)	-	-	1,534	-	1,534
Shares purchased for cancellation	(1,342)	45	-	(362)	-	(1,659)	-	(1,659)
Dividends	-	-	-	(34,084)	-	(34,084)	(2,127)	(36,211)
Balance, September 30, 2016	547,863	989	13,440	(54,400)	21,917	529,809	8,706	538,515

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30,
(Unaudited)
(In thousands of Canadian dollars)

	2017	2016
	$	$
Operating activities		
Net earnings for the periods	9,628	12,836
Adjustments for:		
Depreciation of property and equipment	2,853	2,507
Amortization of intangible assets	32,332	26,357
Amortization of deferred charges	435	523
Loss on disposal of intangible assets and property and equipment	851	-
Accretion and change in fair value of purchase price obligations	2,972	(4,409)
Lease inducements	(453)	(450)
Deferred lease obligations	(190)	1,981
Share-based compensation expense	7,331	5,599
Cash settled share-based compensation expense	7,085	3,292
Restructuring, integration and other costs	(723)	3,875
Interest on long-term debt and other financial charges	6,645	7,644
Settlement of derivative financial instruments	(74)	-
Income tax expense (recovery)	(1,028)	982
Income tax paid	(12,012)	(15,323)
Share of earnings of joint ventures	-	(77)
Gain on disposal of investment in joint venture	-	(15,013)
Revaluation of assets held-for-sale	-	7,921
Loss on disposal of subsidiaries	-	8,307
Gain on acquisition of control of investment in joint venture	-	(5,827)
Realized and unrealized gain on financial instruments	(1,449)	-
Realized (gain) loss on investments	(10)	(210)
Other non-current liabilities	1,195	671
Changes in non-cash operating working capital items (Note 13)	(10,393)	(9,237)
Net cash generated by operating activities	44,995	31,949
Investing activities		
Business combinations (2016 - less cash acquired of $2,658)	-	(114,179)
Proceeds from disposal of investment in joint venture	-	20,000
Settlement of purchase price adjustments and obligations (Note 5)	(3,431)	(1,321)
Investments, net	4,196	1,686
Purchase of property and equipment	(2,599)	(3,238)
Purchase of intangible assets	(1,907)	(743)
Proceeds from disposal of intangible assets and property and equipment	1,050	-
Settlement of puttable financial instrument liabilities (Note 8)	(2,753)	-
Long-term receivable	(20)	406
Deferred lease obligations	922	331
Deferred charges	(88)	(439)
Restricted cash and clients deposits	(326)	1,956
Net cash used in investing activities	(4,956)	(95,541)
Financing activities		
Settlement of share-based compensation	(894)	(4,601)
Dividends	(42,874)	(36,353)
Issuance of share capital	2,305	3,226
Shares purchased for cancellation	-	(1,659)
Net purchase of non-controlling interest	(4,824)	-
Long-term debt, net	23,576	108,362
Interest paid on long-term debt	(12,212)	(7,961)
Financing charges	(167)	(855)
Net cash (used in) generated by financing activities	(35,090)	60,159
Net increase (decrease) in cash and cash equivalents	4,949	(3,433)
Effect of exchange rate changes on cash denominated in foreign currencies	(2,151)	(1,106)
Cash and cash equivalents – beginning of periods	40,110	25,725
Cash and cash equivalents – end of periods	42,908	21,186

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Description of Business

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 Charlemagne Capital (UK) Limited is registered with the Financial Conduct Authority in the United Kingdom and as an investment advisor with the SEC and 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 is listed on the Toronto Stock Exchange ("TSX") under the symbol "FSZ".

The Board of Directors (the "Board") approved the interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2017 on November 9, 2017.

2. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("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, 2016, 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, 2016 and December 31, 2015.

The Company has prepared and presented these interim condensed consolidated financial statements in Canadian dollars, its functional and reporting currency.

3. Adoption of new IFRS

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption did not have an impact on the amounts reported or disclosures made in these financial statements.

Amendments to IAS 7 – *Statement of cash flows*

In January 2016, the IASB published amendments to IAS 7 – *Statement of cash flows*. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities. The adoption of these amendments will result in additional disclosures in the annual consolidated financial statements.

Amendments to IAS 12 – *Income taxes*

In January 2016, the IASB published amendments to IAS 12 – *Income taxes*. The amendments are intended to clarify the recognition of deferred tax assets where an asset is measured at fair value and that fair value is below the asset's tax base.

Annual improvements to IFRS (2014-2016) cycle

In December 2016, the IASB published annual improvements on the 2014-2016 cycle. The pronouncement contained amendments to clarify the scope of IFRS 12 – *Disclosure on interests in other entities*.

4. IFRS issued but not yet adopted

IFRS 9 – *Financial Instruments*

In July 2014, the IASB finalized IFRS 9 – *Financial Instruments*, bringing together the financial asset and financial liability classification and measurement, impairment of financial assets and hedge accounting phases of the IASB project. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. IFRS 9 also introduces a new impairment model for financial assets not measured at fair value through profit or loss. This version adds a new expected loss impairment model and limited amendments to classification and measurement of financial assets and liabilities. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and is mandatorily effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments.

4. IFRS issued but not yet adopted (continued)

In April 2016, the IASB issued clarifications to IFRS 15 which provide clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property and provide some transition relief for modified contracts and completed contracts. Adoption of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. Entities have the choice of full retrospective application, or prospective application with additional disclosures. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, 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. Earlier adoption is permitted only for entities also applying IFRS 15 – *Revenue from Contracts with Customers*. The Company is evaluating the impact of this standard on its consolidated financial statements.

Amendments to IFRS 2 – *Share-based payments*

In June 2016, the IASB published amendments to IFRS 2 – *Share-based payments*. The amendments clarify the classification and measurement of share-based payment transactions. The amendments will come into effect for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

5. Business combinations

Charlemagne Capital Limited ("Charlemagne Capital")

On December 14, 2016, the Company acquired all of the issued and outstanding shares of Charlemagne Capital. During the three-month period ended March 31, 2017, the Company adjusted the purchase price allocation by increasing the accounts payable and accrued liabilities by US$275 (CA$361) with a corresponding increase to goodwill.

The revised preliminary purchase price allocation is as follows:

	$
Cash	11,605
Short-term investments	6,880
Other current assets	7,423
Property and equipment	94
Goodwill (nil deductible for tax purposes) (1)	8,884
Intangible assets	45,537
Accounts payable and accrued liabilities	(15,018)
Deferred income taxes	(7,638)
Non-controlling interest	(3,712)
	54,055

(1) During the nine-month period ended September 30, 2017, the Company adjusted the purchase price allocation by decreasing the non-controlling interest by CA$17,813 and recorded a corresponding decrease to goodwill.

Purchase consideration	$
Cash consideration	52,983
Forward foreign exchange contracts	1,072
	54,055

The Company expects to finalize the accounting for this acquisition within twelve months of the acquisition date.

Apex Capital Management Inc. ("Apex")

On March 7, 2017, the Company paid US$1,171 (CA$1,568) related to post-closing purchase price adjustments in connection with the 2016 acquisition of Apex.

Samson Capital Advisors LLC ("Samson")

The purchase price consideration for the 2015 acquisition of Samson included an initial amount of up to US$4,175 payable over three years if certain targets are achieved. On March 13, 2017, the first target was met and the Company paid US$1,391 (CA$1,863).

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

5. Business combinations (continued)

Fiera Properties Limited ("Fiera Properties")

On March 7, 2017, the Company purchased 1,500,000 Fiera Properties' class B shares held by a departing minority management shareholder which increased the Company's ownership interest in Fiera Properties to 50.93%. Concurrently with the transaction, the Company granted Axia Investment Inc. ("Axia"), another shareholder of Fiera Properties, a call right which gave Axia the right to acquire up to 50% of the purchased class B shares from the Company within six months from the date of the transaction based on the same valuation. On September 19, 2017, Axia exercised the call option and acquired 750,000 class B shares.

On May 5, 2017, the Company purchased 1,500,000 Fiera Properties' class B shares held by the sole remaining minority management shareholder at that time, which increased the Company's ownership interest in Fiera Properties from 50.93% to 62.24%. Concurrently with the transaction, the Company granted Axia a call right which gave it the right to acquire up to 50% of the purchased class B shares from the Company within six months from the date of the transaction based on the same valuation. On September 19, 2017, Axia exercised the call option and acquired 137,500 class B shares.

The exercise of call options on September 19, 2017, required the Company to sell 7.24% of its class B shares of Fiera Properties. The Company's ownership interest in Fiera Properties decreased from 62.24% to 55.00%. The transaction was accounted for as an equity transaction and therefore had no impact on profit or loss in the consolidated statement of earnings.

6. Restructuring, integration and other costs

During the three and nine-month periods ended September 30, the Company recorded the following:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2017	2016	**2017**	2016
	$	$	$	$
Restructuring provisions related to severance	**1,070**	2,404	**1,662**	2,516
Other restructuring costs	**63**	22	**239**	3,131
Integration and other costs	**1,224**	313	**6,383**	1,504
	2,357	2,739	**8,284**	7,151

Restructuring

Restructuring charges are mainly composed of severance costs due to corporate reorganizations following business combinations or as a result of the normal evolution of the business.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

6. Restructuring, integration and other costs (continued)

The change in the restructuring provisions for severance-related expenses during the nine-month period ended September 30, 2017 is as follows:

	Severance
	$
Balance, December 31, 2016	2,594
Additions during the period	1,662
Paid during the period	(2,365)
Balance, September 30, 2017	1,891

Provision for severance	As at September 30, 2017	As at December 31, 2016
	$	$
Current portion	1,176	1,879
Non-current portion	715	715
Total	1,891	2,594

Integration

Integration costs are mainly composed of professional fees, relocation and lease related costs and other expenses incurred as a result of the integration of businesses recently acquired.

Other costs

During the three and nine-month periods ended September 30, 2017, one of the Company's subsidiaries recorded an expense of $28 and $3,118 respectively resulting from a trading error.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

7. Goodwill and intangible assets

		Indefinite life	Finite-life			
	Goodwill	Asset management contracts	Asset management contracts	Customer relationships	Other	Total
	$	$	$	$	$	$
For the nine-month period ended September 30, 2017						
Opening carrying amount	541,030	9,125	83,593	348,677	17,365	458,760
Business combinations	(17,227)	-	-	-	-	-
Additions	-	-	-	-	1,298	1,298
Disposals	-	-	-	-	(1,897)	(1,897)
Disposals – accumulated amortization	-	-	-	-	526	526
Amortization for the period	-	-	(9,369)	(19,194)	(3,769)	(32,332)
Foreign exchange difference	(13,464)	(208)	(2,622)	(14,588)	(822)	(18,240)
Carrying amount	510,339	8,917	71,602	314,895	12,701	408,115
Balance, September 30, 2017						
Cost	501,615	8,548	122,988	392,146	24,705	548,430
Accumulated amortization and impairment	(1,918)	-	(49,649)	(85,585)	(12,409)	(147,643)
Foreign exchange difference	10,642	369	(1,737)	8,334	405	7,328
Carrying amount	510,339	8,917	71,602	314,895	12,701	408,115

During the nine-month period ended September 30, 2017, the Company derecognized an other intangible asset with a carrying amount of $1,371 for proceeds of $1,000. The Company recognized a loss on disposal of intangible assets of $371 in the nine-month period ended September 30, 2017.

8. Financial instruments

Fair value

Investments

The cost of investments recorded as available-for-sale is $2,232 as at September 30, 2017 ($1,027 as at December 31, 2016) and the fair value is $2,280 as at September 30, 2017 ($1,060 as at December 31, 2016).

The unrealized gain on investments of $39 (net of income taxes of $9) as at September 30, 2017 ($29 (net of income taxes of $4) as at December 31, 2016), is reflected in accumulated other comprehensive income (loss). The cost of investments recorded at fair value through profit or loss is $3,468 as at September 30, 2017 ($7,946 as at December 31, 2016) and the fair value is $3,530 as at September 30, 2017 ($7,912 as at December 31, 2016). The unrealized gain of $171 and $1,096 was recognized in other revenues during the three and nine-month periods ended September 30, 2017 (gain of $4 and loss of $5 during the three and nine-month periods ended September 30, 2016).

Puttable financial instrument liabilities

On March 7, 2017, an amount of $2,753 was paid to a management shareholder of one of the Company's subsidiaries and an amount of $2,747 was extinguished with an offset to contributed surplus.

Derivative financial instruments

The Company's derivative financial instruments consist of cross currency swap, interest rate swap and foreign exchange forward contracts which are presented at fair value on the statements of financial position.

The fair value of derivatives that are not traded on an active market is determined using valuation techniques which maximize the use of observable market inputs such as interest rate yield curves as well as available information on market transactions involving other instruments that are substantially the same, discounted cash flows analysis or other techniques, where appropriate. To the extent practicable, valuation techniques incorporate all factors that market participants would consider in setting a price and they are consistent with accepted economic methods for valuing financial instruments.

The Company determines the fair value of foreign exchange forward contracts by calculating the difference between the forward exchange rates at the measurement date and the contractual forward price for the residual maturity of the contract. The Company determines the fair value of its cross currency and interest rate swap contracts by applying valuation techniques.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Financial instruments (continued)

Net gains (losses), fair value and the notional amount of derivatives by term to maturity are as follows:

	For the three-month period ended September 30, 2017	For the nine-month period ended September 30, 2017	As at September 30, 2017				
			Fair value		Notional amount: term to maturity		
	Net gain (loss) on derivatives	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	$	$	$	$	$	$	$
Foreign exchange contracts							
a)Forward foreign exchange contracts – held for trading	509	1,391	1,703	(225)	54,240	-	-
b)Cross currency swaps – held for trading	(5,455)	(12,291)	1,064	-	193,000	-	-
Interest rate contracts							
c)Swap contracts – held for trading	1,580	3,333	3,128	-	-	100,000	-
d)Swap contracts – cash flow hedges	-	-	108	-	-	210,912	-

	For the three-month period ended September 30, 2016	For the nine-month period ended September 30, 2016	As at December 31, 2016				
			Fair value		Notional amount: term to maturity		
	Net gain (loss) on derivatives	Net gain (loss) on derivatives	Asset	(Liability)	Less than 1 year	From 1 to 5 years	Over 5 years
	$	$	$	$	$	$	$
Foreign exchange contracts							
a)Forward foreign exchange contracts – held for trading	(542)	422	323	(260)	52,509	-	-
b)Cross currency swaps – held for trading	-	-	-	(1,322)	100,000	-	-
Interest rate contracts							
c)Swap contracts – held for trading	248	867	-	(279)	95,850	-	-
d)Swap contracts – cash flow hedges [(1)]	-	-	-	-	-	-	-

[(1)] There was no gain or loss on this contract for the three and nine-month periods ended September 30, 2016. This contract was entered into on September 30, 2016, matured on October 27, 2016 and had a notional of $25,573.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Financial instruments (continued)

Financial statement presentation:

	As at September 30, 2017	As at December 31,2016
	$	$
Current derivative financial instrument assets [1]	2,767	323
Non-current derivative financial instrument assets	3,236	-
Current derivative financial instrument liabilities	(225)	(1,861)
Non-current derivative financial instrument liabilities	-	-

[1] Included in prepaid expenses and other assets on the interim condensed consolidated statements of financial position.

a) Forward foreign exchange contracts – held for trading

The Company and one of its subsidiaries enter into forward exchange contracts to manage the currency fluctuation risk associated with estimated revenues denominated in US dollars. The gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings in accordance with the nature of the hedged item and therefore, as other revenues.

Company

In August 2017, the Company converted a series of average rate forward foreign exchange contracts which mature one-by-one on a monthly basis until December 29, 2017, to month-end spot rate forward exchange contracts. The Company also entered into month-end spot rate forward exchange contracts which mature on a monthly basis until June 30, 2018. Forward foreign exchange contracts are recognized at fair value at the date the contracts are entered into and are subsequently remeasured to fair value through profit or loss at the end of each reporting period.

The Company recorded a gain of $429 and $1,289 during the three and nine-month periods ended September 30, 2017 (loss of $542 and gain of $422 during the three and nine-month periods ended September 30, 2016).

As at September 30, 2017, the fair value of the derivative financial asset related to these contracts is $1,612 ($323 as at December 31, 2016).

Subsidiaries

One of the Company's subsidiaries recorded a gain of $80 and $102 during the three and nine-month periods ended September 30, 2017.

As at September 30, 2017, the fair value of these contracts is a derivative financial asset of $91 and a derivative financial liability of $225 (asset of nil and liability of $260 as at December 31, 2016). The contracts mature at various dates between October 2017 and June 2018.

8. Financial instruments (continued)

b) Cross currency swaps – held for trading

Under the terms of the Company's revolving facility (Note 9), the Company can borrow either in US dollars based on US base or LIBOR rates plus 2.25% or in Canadian dollars based on CDOR plus 2.25% (the same credit spread). To benefit from interest cost savings, the Company has effectively created, as at September 30, 2017, a synthetic equivalent to a Canadian dollar revolving facility at CDOR plus 2.04% on CA$193,000 (CA$100,000 as at December 31, 2016) by borrowing against the US dollar revolving facility, the equivalent of CA$193,000 (US$155,500) (CA$100,000 (US$73,500) as at December 31, 2016) at Libor plus 2.25%, and swapping it into CDOR plus 2.04% with a one-month cross currency swap. The contract is effective September 29, 2017 and matures October 31, 2017.

The objective of this strategy is to provide cost savings without currency risk since the terms of the US LIBOR financing and the cross currency swap are exactly matched (US dollar notional amount, LIBOR rate, trade and maturity dates). Losses (gains) on cross currency swaps are offset by equivalent gains (losses) on the translation of the US denominated economically hedged portion of the revolving facility since the financing terms are exactly matched.

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings in accordance with the nature of the economically hedged item, the revolving facility, and therefore is presented in interest on long-term debt and other financial charges. The Company recorded a loss of $5,455 and $12,291 during the three and nine-month periods ended September 30, 2017, with no net impact on earnings as described above.

The fair value of the cross currency swap contract is an asset of $1,064 as at September 30, 2017 (liability of $1,322 as at December 31, 2016).

c) Interest rate swap contracts – held for trading

On May 1, 2012, the Company entered into an interest rate swap contract to manage the interest rate fluctuations on its revolving facility denominated in Canadian dollars. The contract consisted of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.835%. Interest was settled on a monthly basis. The interest swap matured on April 3, 2017 and an amount of $74 was paid as settlement for this contract.

On May 31, 2017, the Company entered into an interest rate swap contract to manage the interest rate fluctuations on its revolving facility denominated in Canadian dollars. The interest rate swap contract had an original amortizing notional amount of CA$100,000 at inception and matures on May 31, 2022. As at September 30, 2017, the notional amount was CA$100,000. The contract consists of exchanging the variable interest rate based on a one-month CDOR rate for a fixed rate of 1.335%. Interest is settled on a monthly basis.

8. Financial instruments (continued)

The net gain or loss on these derivative financial instruments is recognized in the consolidated statement of earnings with interest on long-term debt and other financial charges. The Company recorded a gain of $1,580 and $3,333 during the three and nine-month periods ended September 30, 2017 ($248 and $867 during the three and nine-month periods ended September 30, 2016).

The fair value of the interest rate swap contract is an asset of $3,128 as at September 30, 2017 (liability of $279 as at December 31, 2016).

d) Interest rate swap contracts – Cash flow hedges

On May 31, 2017, the Company entered into two US dollar interest rate swap contracts to manage the interest rate fluctuations on the Company's term and revolving facilities (Note 9) denominated in US dollars. The interest rate swap contracts have an original notional amount of US$125,000 and US$44,000 respectively at inception and mature on May 31, 2022. The contracts consist of exchanging the variable interest rate based on a one-month LIBOR rate for a fixed rate of 1.84%. Interest is settled on a monthly basis.

These contracts are designated as cash flows hedges and satisfy the requirements for hedge accounting. The effective portion of changes in the fair value of these contracts are recognized in other comprehensive income and accumulated in a hedging reserve. The Company recorded a gain of $211 and $108 in other comprehensive income during the three and nine-month periods ended September 30, 2017.

The ineffective portion of changes in fair value is recognized immediately in profit or loss in the consolidated statement of earnings. There is no ineffective portion on these contracts for the three and nine-month periods ended September 30, 2017.

The fair value of the interest rate swap contracts designated as cash flow hedges is an asset of $108 as at September 30, 2017.

The Company remains exposed to fluctuations in the US base or Libor rates on the difference between the US dollar revolving facility and the notional amount of the US dollar interest rate swap contract. The drawings in US dollars on the term and revolving facilities are US$125,000 and US$219,560 respectively as at September 30, 2017 (US$125,000 and US$65,781 respectively as at December 31, 2016).

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Financial instruments (continued)

Financial instruments by category:

				As at September 30, 2017	
	Loans and receivables	FVOCI [(1)]	FVTPL [(2)]	Financial liabilities at amortized cost	Total
	$	$	$	$	$
Assets					
Cash and cash equivalents	42,908	-	-	-	42,908
Restricted cash	925	-	-	-	925
Investments					
Investment funds under the Company's management	-	2,280	3,530	-	5,810
Accounts receivable	102,128	-	-	-	102,128
Long-term receivable	47	-	-	-	47
Derivative financial instruments [(3)]	-	108	5,895	-	6,003
Total	146,008	2,388	9,425	-	157,821
Liabilities					
Accounts payable and accrued liabilities	-	-	-	66,712	66,712
Purchase price obligations	-	-	35,845	-	35,845
Derivative financial instruments	-	-	225	-	225
Amounts due to related companies	-	-	-	809	809
Client deposits	-	-	-	155	155
Long-term debt	-	-	-	437,160	437,160
Total	-	-	36,070	504,836	540,906

(1) Fair value through other comprehensive income ("FVOCI").

(2) Fair value through profit or loss ("FVTPL").

(3) Includes $2,767 presented in prepaid expenses and other assets on the interim condensed consolidated statements of financial position.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Financial instruments (continued)

					As at December 31, 2016
	Loans and receivables	FVOCI	FVTPL	Financial liabilities at amortized cost	Total
	$	$	$	$	$
Assets					
Cash and cash equivalents	40,110	-	-	-	40,110
Restricted cash	660	-	-	-	660
Investments					
Investment funds under the Company's management	-	1,060	7,514	-	8,574
Other securities and investments	-	-	398	-	398
Accounts receivable	116,401	-	-	-	116,401
Long-term receivable	27	-	-	-	27
Derivative financial instruments [(1)]	-	-	323	-	323
Total	157,198	1,060	8,235	-	166,493
Liabilities					
Accounts payable and accrued liabilities	-	-	-	89,160	89,160
Purchase price obligations	-	-	34,968	-	34,968
Puttable financial instrument liabilities	-	-	5,500	-	5,500
Derivative financial instruments	-	-	1,861	-	1,861
Amounts due to related companies	-	-	-	1,058	1,058
Client deposits	-	-	-	155	155
Long-term debt	-	-	-	430,423	430,423
Total	-	-	42,329	520,796	563,125

[(1)] Included in prepaid expenses and other assets on the interim condensed consolidated statements of financial position.

Fair value hierarchy

The financial assets and liabilities that are recognized on the consolidated statements of financial position at fair value are classified using a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Financial instruments (continued)

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy:

				As at September 30, 2017
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Investments				
Investment funds under the Company's management	-	5,799	11	5,810
Derivative financial instruments	-	6,003	-	6,003
Total financial assets	-	11,802	11	11,813
Financial liabilities				
Purchase price obligations	-	-	35,845	35,845
Derivative financial instruments	-	225	-	225
Total financial liabilities	-	225	35,845	36,070

				As at December 31, 2016
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Investments				
Investment funds under the Company's management	-	8,574	-	8,574
Other securities and investments	-	389	9	398
Derivative financial instruments	-	323	-	323
Total financial assets	-	9,286	9	9,295
Financial liabilities				
Purchase price obligations		-	34,968	34,968
Puttable financial instrument liabilities	-	5,500	-	5,500
Derivative financial instruments	-	1,861	-	1,861
Total financial liabilities	-	7,361	34,968	42,329

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

8. Financial instruments (continued)

Level 3

The fair value of purchase price obligations is determined using a discounted cash flow analysis which makes use of unobservable inputs such as expected cash flows and risk adjusted discount rates. Expected cash flows are estimated based on the terms of the contractual arrangements and the Company's knowledge of the business and how the current economic environment is likely to impact it.

Reconciliation of Level 3 fair value measurements:

			As at September 30, 2017
	Investment funds under the Company's management	Purchase price obligations	Total
	$	$	$
Fair value as at December 31, 2016	9	(34,968)	(34,959)
Settlement of purchase price obligations	-	1,863	1,863
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	-	800	800
Total realized and unrealized gains included in other revenues	2	-	2
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(3,772)	(3,772)
Total realized and unrealized gains included in other comprehensive income	-	232	232
Fair value as at September 30, 2017	11	(35,845)	(35,834)

			As at September 30, 2016
	Investment funds under the Company's management	Purchase price obligations	Total
	$	$	$
Fair value as at December 31, 2015	-	(42,235)	(42,235)
Settlement of purchase price obligations	-	1,321	1,321
Adjustment to purchase price obligations recorded in goodwill	-	35	35
Revaluation of a purchase price obligation included in accretion and change in fair value of purchase price obligations	-	6,408	6,408
Total realized and unrealized (losses) included in accretion and change in fair value of purchase price obligations	-	(1,999)	(1,999)
Total realized and unrealized gains included in other comprehensive income	-	289	289
Fair value as at September 30, 2016	-	(36,181)	(36,181)

A reasonable change in unobservable inputs would not result in a significant change in the fair value of purchase price obligations.

There were no transfers between levels during the three and nine-month periods ended September 30, 2017.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

9. Long-term debt

	As at September 30, 2017	As at December 31, 2016
	$	$
Credit facility		
Term facility	**156,000**	167,838
Revolving facility	**281,367**	262,323
Other facilities	**1,271**	2,039
Deferred financing charges	**(1,478)**	(1,777)
	437,160	430,423
Less current portion	**(525)**	(1,283)
Non-current portion	**436,635**	429,140

Credit Facility

On May 31, 2016, the Company entered into the Fourth Amended and Restated Credit Agreement ("Credit Agreement") which includes a term facility and a revolving facility (together, the "Credit Facility").

Term facility

The Credit Agreement includes a US$125,000 term (non-revolving) facility for which there are no minimum repayments until May 31, 2019, the date at which the full amount drawn on the term facility is repayable.

The total amount drawn on the term facility as at September 30, 2017 is US$125,000 (CA$156,000) (US$125,000 (CA$167,838) as at December 31, 2016).

Revolving facility

During the three-month period ended September 30, 2017, an increase in the Revolving facility of CA $50,000 was approved by the board of directors of the Company, Fiera Capital Inc. and Fiera US Holding Inc. and the syndicate of lenders. The increase will be used to finance the general corporate purposes of the Company. The Credit Facility includes a CA$350,000 senior unsecured revolving facility that can be drawn on in Canadian or US dollars at the discretion of the Company. Under the terms of the Credit Agreement, there are no minimum repayments on the revolving facility, until March 25, 2020, the date at which the full amount drawn on the revolving facility is repayable in full.

As at September 30, 2017, the total amount drawn on the revolving facility was comprised of CA$7,356 and US$219,560 (CA$274,011) (CA$174,000 and US$65,781 (CA$88,323) as at December 31, 2016).

9. Long-term debt (continued)

Under the terms of the Credit Agreement, the Company must satisfy certain restrictive covenants on the Credit Facility including minimum financial ratios. These restrictions include maintaining a maximum ratio of Funded Debt to EBITDA and a minimum interest coverage ratio. EBITDA, a non IFRS financial measure, is defined in the Credit Agreement as consolidated earnings before interest, income taxes, depreciation, amortization, non-recurring and one-time expenses related to acquisitions and other non-cash items. As at September 30, 2017 and December 31, 2016, all restrictive covenants under the Credit Agreement were met.

Other Facilities

As at September 30, 2017, one of the Company's subsidiaries has an outstanding bank loan in the amount of $888 of which quarterly payments of CA$131 are required (respectively $1,281 and CA$131 as at December 31, 2016). The loan bears interest at prime plus 0.25% to 0.50% 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 September 30, 2017 and December 31, 2016.

In March 2017, this subsidiary amended its credit agreement to include a leasing facility. As at September 30, 2017, an amount of CA$383 was drawn on a lease-back loan with the bank.

This subsidiary also has a line of credit with a dollar limit of CA$750. It bears interest at prime plus up to 0.25% which is also based on the ratio of senior debt EBITDA and has no fixed maturity date. As at September 30, 2017, the amount drawn by the subsidiary on the line of credit is nil (nil as at December 31, 2016).

Another subsidiary of the Company has a line of credit with a dollar limit of CA$800. It bears interest at prime plus 2.75% and has no fixed maturity date. As at September 30, 2017, the amount drawn by the subsidiary on the line of credit is nil ($758 as at December 31, 2016).

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

10. Share capital and accumulated other comprehensive income

	Class A subordinate voting shares ("Class A Shares")		Class B special voting shares ("Class B Shares")		Total	
	Number	$	Number	$	Number	$
As at December 31, 2016	60,800,655	550,609	19,810,903	31,525	80,611,558	582,134
Conversion of hold back shares	353,928	3,566	-	-	353,928	3,566
Stock options exercised	284,758	3,044	-	-	284,758	3,044
Transfer from Class B Shares to Class A Shares	62,400	99	(62,400)	(99)	-	-
Issuance of shares	1,085,232	10,381	-	-	1,085,232	10,381
As at September 30, 2017 [(1)]	62,586,973	567,699	19,748,503	31,426	82,335,476	599,125
As at December 31, 2015	51,536,848	435,551	19,847,577	31,583	71,384,425	467,134
Conversion of hold back shares	277,578	2,718	-	-	277,578	2,718
Issuance of shares	203,053	2,363	-	-	203,053	2,363
Shares issued as part of a business combination	5,775,075	75,076	-	-	5,775,075	75,076
Stock options exercised	298,744	1,914	-	-	298,744	1,914
Shares purchased for cancellation	(158,648)	(1,342)	-	-	(158,648)	(1,342)
As at September 30, 2016	57,932,650	516,280	19,847,577	31,583	77,780,227	547,863

(1) Includes 4,950,066 (5,775,075 as at December 31, 2016) Class A Shares held in escrow in relation with the Apex acquisition, 338,124 (338,124 as at December 31, 2016) Class A Shares held in escrow in relation with the Fiera Private Lending (formerly "Centria Commerce") acquisition, and 158,477 (154,111 as at December 31, 2016) restricted shares held in escrow in relation to the restricted share plan.

Conversion of hold back shares

As part of the acquisition of Samson, the Company committed to issue 353,928 Class A Shares eighteen months following the closing of the acquisition on October 30, 2015. The commitment was considered an equity component and was recorded in Restricted and Hold back shares at a discounted value of CA$3,566. On May 1, 2017, 353,928 Class A Shares were issued and an amount of CA$3,566 was transferred from Restricted and Hold back shares to Share Capital in the statements of changes in equity.

In October 2013, as part of the acquisition of Bel Air Investment Advisors LLC and its affiliate Bel Air Securities LLC (collectively "Bel Air"), the Company committed to issue in three tranches over a 32-month period following closing, 832,755 Class A Shares worth US$9,760. During the second quarter of 2016, the third tranche amounting to 277,578 Class A Shares were issued and a value of CA$2,718 was transferred from Restricted and Hold back shares to Share Capital in the statements of changes in equity.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

10. Share capital and accumulated other comprehensive income (continued)

Transfers

During the nine-month period ended September 30, 2017, 62,400 Class B Shares were converted into 62,400 Class A Shares on a one-for-one basis (2016 – nil) .

Issuance of shares

During the nine-month period ended September 30, 2017, 1,085,232 Class A Shares were issued following the vesting of restricted share units and performance share units.

During the nine-month period ended September 30, 2016, on the same day as the conversion of the third tranche of the hold back shares into share capital in connection with a related agreement, the Company issued 149,469 Class A Shares to National Bank of Canada ("National Bank") for cash proceeds of $1,830 less issuance costs of $138. These shares were issued upon the exercise by National Bank of its anti-dilution rights, as defined in the Investor Rights Agreement. In addition, the Company issued 53,584 Class A Shares from treasury at a cost of $671 for performance share units that vested during the nine-month period ended September 30, 2016.

Dividends

During the nine-month period ended September 30, 2017, the Company declared dividends on Class A shares and Class B shares totalling $42,507 ($0.52 per share) ($33,838 for the nine-month period ended September 30, 2016 ($0.46 per share)) and $118 on hold back shares ($246 for the nine-month period ended September 30, 2016).

Accumulated other comprehensive income (loss)

The components of accumulated other comprehensive income (loss) include:

	As at September 30, 2017	As at December 31, 2016
	$	$
Unrealized gain on available-for-sale financial assets	39	29
Cash flow hedges	72	-
Unrealized exchange differences on translating financial statements of foreign operations	9,507	28,069
	9,618	28,098

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

11. Earnings per share

Basic and diluted earnings per share and the reconciliation of the number of shares used to calculate basic and diluted earnings per share are as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2017	2016	**2017**	2016
	$	$	$	$
Net earnings attributable to the Company's shareholders for the periods	**4,603**	393	**9,908**	15,574
Weighted average shares outstanding – basic	**82,255,338**	78,083,057	**81,796,369**	74,670,745
Effect of dilutive share-based awards and contingent consideration payable in shares	**2,913,714**	584,997	**2,914,275**	617,253
Weighted average shares outstanding – diluted	**85,169,052**	78,668,054	**84,710,644**	75,287,998
Basic earnings per share	**0.06**	0.01	**0.12**	0.21
Diluted earnings per share	**0.05**	0.01	**0.12**	0.21

For the three and nine-month periods ended September 30, 2017, the calculation of hypothetical conversions does not include 1,294,259 and 1,524,379 stock options, respectively, (1,210,989 for the three and nine-month periods ended September 30, 2016) with an anti-dilutive effect.

12. Share-based payments

a) Stock option plans:

A summary of the changes that occurred in the Company's stock option plans during the nine-month periods ended September 30, 2017 and 2016, is presented below:

		2017		2016
	Number of Class A Share options	**Weighted-average exercise price**	Number of Class A Share options	Weighted average exercise price
		$		$
Outstanding – beginning of periods	**2,799,345**	**10.25**	3,040,225	9.58
Granted	**387,000**	**13.74**	41,259	13.33
Exercised	**(284,758)**	**8.09**	(298,744)	5.13
Forfeited	**(20,645)**	**13.44**	(53,068)	12.82
Outstanding – end of periods	**2,880,942**	**10.90**	2,729,672	10.06
Options exercisable – end of periods	**885,264**	**7.66**	1,076,829	7.73

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

12. Share-based payments (continued)

The following table presents the weighted average assumptions used during the three and nine-month periods ended September 30, to determine the fair value of options granted using the Black-Scholes option pricing model:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2017	2016	**2017**	2016
Dividend yield (%)	**4.88**	-	**5.03**	4.63
Risk-free interest rate (%)	**1.81**	-	**1.37**	1.08
Expected life (years)	**7.38**	-	**7.22**	7.50
Expected volatility for the share price (%)	**29.42**	-	**30.02**	40.87
Weighted-average fair values ($)	**2.41**	-	**2.18**	3.12
Share-based compensation expense ($)	**366**	472	**1,039**	1,144

The expected volatility is based on the historical volatility of the Company's share price. The risk-free interest rate used is equal to the yield available on government of Canada bonds at the date of grant with a term that approximates the expected life of options.

b) Deferred share unit ("DSU") plan

The Company recorded an expense of $12 and $33 during the three and nine-month periods ended September 30, 2017 for the DSU Plan (($6) and $19 for the three and nine-month periods ended September 30, 2016). As at September 30, 2017, the Company had a liability of $225 related to this plan ($192 as at December 31, 2016).

c) Restricted share unit ("RSU") plan

The Company recorded an expense of $711 and $5,344 during the three and nine-month periods ended September 30, 2017 for the RSU Plan ($603 and $2,574 for the three and nine-month periods ended September 30, 2016). As at September 30, 2017, the Company had a liability totalling $4,176 related to this plan ($3,081 as at December 31, 2016). As at September 30, 2017 there were 400,414 RSUs outstanding (456,303 as at December 31, 2016).

d) Restricted share unit plan – cash

The Company recorded an expense of $639 and $1,573 during the three and nine-month periods ended September 30, 2017 for this plan ($258 for the three and nine-month periods ended September 30, 2016). As at September 30, 2017, the Company had a liability totalling $2,122 related this plan ($549 as at December 31, 2016).

e) Restricted share plan

The Company recorded an expense of $190 and $552 during the three and nine-month periods ended September 30, 2017 for the restricted share plan ($394 and $1,128 for the three and nine-month periods ended September 30, 2016).

12. Share-based payments (continued)

f) Performance share unit ("PSU") plan

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

The Company recorded an expense of $3,222 and $5,827 during the three and nine-month periods ended September 30, 2017 for the PSU plan applicable to BU ($1,194 and $3,318 for the three and nine-month periods ended September 30, 2016). For the three and nine-month periods ended September 30, 2017, the expense is entirely attributable to equity-settled grants. For the three and nine-month periods ended September 30, 2016, the expense attributable to equity-settled grants is $1,194 and $3,333, respectively and cash-settled grants is nil and ($15), respectively.

During the three and nine-month periods ended September 30, 2017, the total award value granted to eligible employees under the Company's PSU plans applicable to business units was nil and $6,566 (nil for the three and nine-month periods ended September 30, 2016). During the three and nine-month periods ended September 30, 2017, no PSU applicable to business units vested. A total of nil and 730,285 Class A Shares were issued during the three and nine-month periods ended September 30, 2017 relating to PSUs vested in 2016.

During the three and nine-month periods ended September 30, 2016, nil and 244,878 PSUs vested and were settled. The Company settled the vested PSUs by paying $4,237 in cash in lieu of issuing Class A Shares. The Company treated the transaction as a repurchase of an equity interest and recorded a deduction in the amount of $4,237 in contributed surplus. The settling of these PSUs in cash was due to exceptional circumstances. The Company's management has the intention to settle the remaining tranches by issuing shares.

PSU plan

The Company recorded an expense of $168 and $900 during the three and nine-month periods ended September 30, 2017 for this PSU plan ($108 and $691 for the three and nine-month periods ended September 30, 2016). For the three and nine-month periods ended September 30, 2017, the expense is attributable to cash-settled grants for an amount of $368 and $1,100, respectively and to equity-settled grants for an amount of ($200) for the three and nine-months period ended September 30, 2017. For the three and nine-month periods ended September 30, 2016, the expense is attributable to equity-settled grants for an amount of nil and ($23), respectively and to cash-settled grants for an amount of $108 and $714, respectively. A total of nil and 73,030 Class A Shares were issued during the three and nine-month periods ended September 30, 2017 relating to PSUs vested in 2016 and $475 was paid in cash (9,542 Class A Shares issued during nine-month periods ended September 30, 2016).

g) 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 nine-month period ended September 30, 2017, another subsidiary's stock option plan was discontinued. The Company's subsidiaries stock option expense in the statements of consolidated net earnings for the three and nine-month periods ended September 30, 2017 was $146 and $721, respectively ($17 for the three and nine-month periods ended September 30, 2016). The cash settled share-based liability is $1,905 in the statements of financial position as at September 30, 2017 ($1,297 as at December 31, 2016).

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

13. Additional information relating to interim condensed consolidated statement of cash flows

	For the nine-month periods ended September 30, 2017	2016
	$	$
Changes in non-cash operating working capital items		
Accounts receivable	10,572	(1,132)
Prepaid expenses and other assets	(5,473)	1,095
Accounts payable and accrued liabilities	(15,179)	(7,415)
Amounts due to related companies	(249)	(579)
Deferred revenues	(64)	(1,206)
	(10,393)	(9,237)

The changes in non-cash working capital for accounts payable and accrued liabilities exclude the difference between current income tax expense of $8,914 (2016 – $10,489) and income taxes paid of $12,012 (2016 – $15,323) for a net impact of ($3,098) (2016 – ($4,834)). The following are non-cash items: during the nine-month period ended September 30, 2017, the Company issued Class A Shares of $10,381 as settlement for PSUs and RSUs which vested in 2016 and 2017, $2,747 of puttable financial instrument liabilities were extinguished with an offset to equity and the issuance of Class A Shares related to the Samson acquisition of $3,566 .

14. Capital management

The Company's capital comprises share capital, (deficit) retained earnings and long-term debt, less cash and cash equivalents. The Company manages its capital to ensure there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance and to maintain compliance with regulatory requirements and certain restrictive covenants required by the lenders of the debt. As at September 30, 2017, the Company and one of its subsidiaries have complied with their respective calculations of excess working capital as required by National Instrument 31-103 *Registration Requirements and Exemptions* which is calculated on a non-consolidated basis. The Company and its subsidiaries have 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 or proceed to the issuance of or repayment of debt.

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

15. 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.

16. 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 since it 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. At September 30, 2017, this shareholder held 20.7% of the Company's issued and outstanding shares (21.0% as at September 30, 2016). 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 September 30, 2017, the other related shareholder has significant influence over the Company since it indirectly owns Class B Special Voting Shares representing approximately 8.8% of the Company's issued and outstanding shares (9.3% as at September 30, 2016) 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:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Base management and performance fees and other revenues	**11,747**	11,228	**37,349**	36,083
Selling, general & administrative expenses				
Reference fees	**411**	382	**1,230**	1,138
Other	**343**	604	**558**	1,813
Interest on long-term debt	**4,127**	3,271	**11,751**	7,925
Acquisition costs	**-**	-	**252**	-
Net gain/(loss) in fair value of derivative financial instruments included in interest on long-term debt and other financial charges	**(3,875)**	248	**(8,958)**	867

(in thousands of Canadian dollars, unless noted otherwise – except share and per share information)

16. Related party transactions (continued)

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.

17. Segment reporting

The Company has determined that there is one reportable segment, asset management services in Canada, the United States of America and Europe and other.

Geographical information:

Revenues:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Canada	**54,260**	45,680	**162,299**	133,851
United States of America	**38,458**	33,943	**116,105**	82,970
Europe and other	**14,409**	2,286	**38,646**	6,355

Non-current assets:

	As at September 30,	As at December 31,
	2017	2016
	$	$
Canada	**516,426**	531,459
United States of America	**377,870**	422,304
Europe and other	**42,409**	66,113

Revenues are attributed to countries on the basis of the customer's location. As at September 30, 2017, non-current assets exclude deferred income taxes of $1,078 and financial instruments of $3,283 ($562 and $27 respectively as at December 31, 2016).

18. Subsequent events

Shares issued as settlement of a purchase price obligation

On October 18, 2017, the Company issued 581,602 Class A Shares to settle the purchase price obligation of $8,500 which was recorded in connection with the asset purchase agreement of Natcan Investment Management Inc. in April 2012.

Dividends declared

On November 9, 2017, the Board declared a quarterly dividend of $0.18 per share to shareholders of record as at November 22, 2017 and payable on December 15, 2017.

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