

2011  
ANNUAL REPORT



**FIERASCEPTRE**



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# The power of thinking: optimal performance, intelligent innovation.

“Despite widespread turmoil on world markets, our financial results and the performance of our portfolios have demonstrated our company’s capacity to succeed, irrespective of market conditions.

By diversifying our investment strategies and our markets, we are able to reduce the volatility of our revenue stream. As a result, we are able to maintain excellent financial and operational results in any environment.”

Jean-Guy Desjardins  
Chairman, Chief Executive Officer and Chief Investment Officer

# Highlights

## OPERATING HIGHLIGHTS

- In our first full year of operation since the merger of Fiera Capital Inc. and Sceptre Investment Counsel Limited, Fiera Sceptre produced the results we expected.
- Important growth initiatives were implemented, such as the opening of the first office in the United States and the creation of Fiera Properties Limited, a joint venture for real estate investment services.
- We repatriated management of certain global equity mandates, thereby reducing the fees paid to external managers.

## PORTFOLIO HIGHLIGHTS AS AT DECEMBER 31, 2011

### Fixed income strategies strongly outperformed the benchmark by approximately 100 basis points in 2011

- The Active Fixed Income approach has added value versus the benchmark in nine of the past 10 years, resulting in a 10-year annualized performance that ranks in the top decile of the universe.
- Following another strong year of performance, the Tactical Fixed Income remains in the top percentile over a 10-year annualized period.

### Outstanding performance for the Foreign Equity team

- The Global, International and US approaches generated another year of strong performance with results in the top decile across all three strategies in 2011 and since inception.

### Long term consistent results for Canadian Equities

- The Canadian Equity Value strategy outperformed its benchmark in 2011 and reached its 10-year mark with an outperformance of 170 basis points, on an annualized basis, over this period.
- The Small-Cap Canadian Equity strategy surpassed its benchmark by nearly 10% in 2011.
- The Canadian Equity Core strategy has surpassed its benchmark in eight of the past 10 years.
- The Canadian Equity Growth strategy has delivered strong outperformance in four of its five years of existence.

## Continued innovation and leadership in non-traditional strategies

- Launch of the Tactical Bond Yield Fund, created to manage interest rate risk and to generate positive investment returns, regardless of the interest rate environment. This fund joins our existing alternative strategies, including the North American Market Neutral Fund, the Long/Short Equity Fund and the Global Macro Fund.
- Launch of a new Fixed Income Infrastructure Bond approach.

## FINANCIAL HIGHLIGHTS

	Year ended September 30 <b>2011</b>	Year ended September 30 <b>2010</b>	Growth
	Million \$	Million \$	
Assets Under Management	<b>29,020</b>	30,755	<b>-6%</b>
Revenues	<b>72.8</b>	41.5	<b>+ 43.0%</b>
EBITDA	<b>21.3</b>	7.8	<b>+ 173.1%</b>
Net Earnings	<b>9.0</b>	3.5	<b>+ 157.1%</b>
Earnings Per Share	<b>0.25</b>	0.22	<b>+ 13.6%</b>

# A message from the Chairman, Chief Executive Officer and Chief Investment Officer

Success is undoubtedly the word that best describes fiscal 2011. In our first full year of operation since joining forces with Sceptre Investment Counsel, we successfully generated the results we expected from the merger. We achieved exceptional results for our clients and shareholders, especially given the difficult economic and financial context that gripped the world in 2011. Fiera Sceptre is now among the largest independent asset management firms in Canada.

## SUMMARY OF RESULTS

Despite widespread turmoil on world markets, our financial results and the performance of our portfolios in fiscal 2011 demonstrate our Firm's ability to succeed under all market conditions. In other words, by diversifying our investment strategies and our markets, we are able to reduce the volatility of our revenue streams and, as a result, attain excellent financial and operating results for our shareholders.

## 2011 FINANCIAL AND OPERATING RESULTS

We have made the most of our merger with Sceptre. This first complete year of operations since the merger was outstanding in many ways. We generated robust results by diversifying our business model and increasing the scalability of our platform, retaining personnel and creating the desired synergies. We retained the vast majority of our clients and acquired more than \$1.5 billion in new assets.

Net earnings for fiscal 2011 were \$9.0 million, an increase of \$5.5 million compared to fiscal 2010. The significant increase in net earnings is due in large part to the increase in management fees attributable to the growth of assets under management resulting from the merger with Sceptre, and to the increase in the market value of our portfolios, offset by increased operating fees and other expenses. There were considerable restructuring costs and other non-recurrent expenses during the fiscal year: excluding these expenses, net earnings were \$12.5 million. Concurrently, earnings per share grew by 13.6% to \$0.25 per basic share for the year ended September 30, 2011, compared to \$0.22 per share for the same period in previous fiscal year.

For the fiscal year ended September 30, 2011, total assets under management were \$29 billion, a decrease of \$1.7 billion from September 30, 2010, resulting primarily from the decision by a client to repatriate a specific mandate. However, we have maintained the management of other assets for this major client. The decrease in assets under management can also be attributed to the decline in markets during the year.

In accordance with our plans, we also repatriated the management of certain global equities mandates, which enabled us to reduce fees for external managers and increase the profitability of our global securities.



## **EXCELLENT PERFORMANCE IN A TURBULENT MARKET**

Our portfolios have posted very good returns despite the global economic uncertainty in 2011. In fact, 85% of our pooled funds for the institutional market surpassed their respective benchmarks. Specifically, our fixed-income strategies, amongst the best in Canada, generated exceptional returns and were ranked in the first decile. The same applies to US, international and global securities, which generated excellent first-decile results. Canadian equity and alternatives strategies performed relatively well compared to their comparison peer universes.

With interest rates currently at historic lows, we have broadened the services provided to our investment clients by developing a new Tactical Bond Yield Fund designed to manage interest rate risks for the fixed-income portion of their portfolio, and generate positive returns regardless of the interest rate environment.

## **AN ORGANIZATION IN EXPANSION MODE**

Fiscal 2011 was a productive year, as we continued to invest in many projects and partnered with experienced, high-level resources. We opened an office in Boston. Establishing this first office in the United States is consistent with our growth strategy, aimed at serving a broader and more diverse clientele in institutional markets and private wealth management.

We also moved forward with the creation of a joint venture called Fiera Property Limited. This joint venture between Fiera Sceptre and Axia Investments Inc. offers investors unique real-estate fund vehicles and segregated account management services across the country.

This new platform of real estate investment services reinforces our highly successful integrated investment solutions that are diversified by asset classes, strategies and risk management approaches.

## OUTLOOK FOR 2012

The power of thinking, the cornerstone in Fiera Sceptre's past success, will continue to be a core value for the company, an investment philosophy focusing on optimal returns and intelligent innovation, combined with excellence in client service.

We will continue to focus on the development of non-traditional strategies and on the growth of our real estate platform, from both an organic and strategic perspective. Lastly, our foray into the United States will provide us with motivating challenges, and we will strive to position ourselves and grow in this very exciting new market.

## ACKNOWLEDGEMENTS

Finally, I would like to thank all of our clients and shareholders for choosing Fiera Sceptre. We will spare no effort to live up to your expectations and continue to be your trusted partner.

On behalf of our senior management team, I would also like to thank all of our employees for their dedication and enthusiasm for their work. Their ability to embrace change and contribute to the company's success again demonstrates the outstanding quality of our teams. I am proud of their ongoing commitment to our values.

I would be remiss if I did not acknowledge the significant contribution made by the members of our board of directors, each of whom has provided sound counsel to our team, based on their expertise and business acumen.

Armed with our excellent track record, we are poised to enter 2012 in the best possible position to take on the many challenges and stimulating opportunities that await us.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Desjardins". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Jean-Guy Desjardins**

Chairman, Chief Executive Officer and Chief Investment Officer

# Fiera Sceptre at a glance

*Fiera Sceptre, one of the leading investment managers in Canada, is an independent investment management firm with \$29.0 billion in assets under management.*

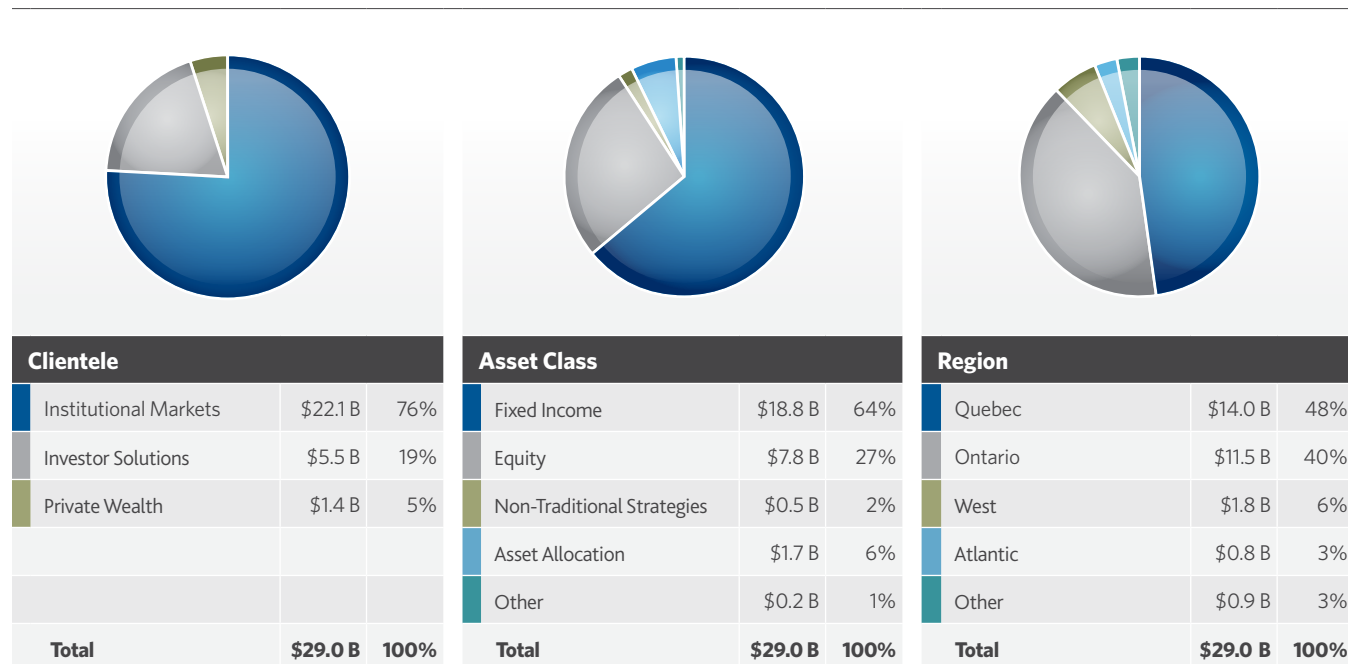
Recognized for its outstanding portfolio management, innovative investment solutions and its ability to exceed the expectations of its clients, Fiera Sceptre is one of the few independent Canadian investment management firms offering a wealth of expertise in Canadian and foreign equities, fixed income, asset allocation and non-traditional investment solutions, through a variety of strategies and services.

Intelligent innovation is what sets Fiera Sceptre apart from its peers: we innovate to better manage risk. Integrated investment solutions, diversified by asset classes, as well as strong risk management, are the key to our superior returns.

We believe that superior and consistent performance can only be achieved through disciplined and rigorous risk management. To accomplish this, we conduct independent market-leading research and employ broadly diversified investment strategies.

We go even further: we innovate and develop new products that enable us to better manage current and future risk within our clients' portfolios.

## Distribution of assets by clientele, asset class and region: September 30, 2011



## Knowledge is essential in risk management

*Fiera Sceptre is a research-driven investment firm. We believe that our clients' investment returns derive from knowledge, which we gain from independent market-leading research. For us, knowledge is capital. It is also a prerequisite to efficient risk management.*

Research is the cornerstone of our investment approach and the basis of all of our management processes. Investment returns in excess of market averages are driven by knowledge that is not already embedded in asset pricing. Consequently, we believe that independent research creates the undiscounted knowledge that drives the excess returns that our clients seek.

As unknown risks are impossible to manage, knowledge is also key to risk management. Risk management is a pillar of Fiera Sceptre's investment culture. We will not attempt to maximize returns at any cost—our investment focus is on achieving optimal performance at an appropriate level of risk.

Our approach is to balance quantitative and qualitative risk management analyses and apply them to our clients' portfolios on a continuous basis.

We have developed a variety of non-traditional investment strategies that diversify the sources of investment returns and minimize correlation to market movement.

## OUR FOCUS IS ON OUR CLIENTS

Our investment and servicing teams possess a wealth of experience and expertise in equity and fixed-income management, asset allocation and non-traditional investment solutions. This expertise is leveraged to develop and offer diversified investment strategies tailored to the unique needs and objectives of our three key client groups: Institutional Markets, Investor Solutions and Private Wealth.

We are resolutely focused on our clients.

**FIERA SCEPTRE INSTITUTIONAL MARKETS** is dedicated to providing the highest standards in client service and satisfaction. We offer a complete range of traditional and non-traditional investment strategies through specialized and balanced mandates. Our diversified clientele includes pension funds, endowments, foundations, religious and charitable organizations, and major municipality and university funds.

The philosophy embraced by Fiera Sceptre Institutional Markets relies on a personalized approach, innovative investment solutions, as well as on the highest possible standards of professionalism and integrity.

**FIERA SCEPTRE INVESTOR SOLUTIONS** applies the “Power of Thinking” to offer both alternative and traditional funds to help individual investors achieve their financial goals.

Our Alternative Funds are designed to generate returns that are not market-dependent. With a focus on delivering consistent returns with low volatility and low market correlation, these funds can enhance portfolio returns and reduce portfolio risk.

Our Mutual Funds are focused on the core asset classes needed to construct a well-balanced portfolio. Some of these funds have been available to Canadian investors since 1985.

These funds are primarily sold by participating dealers in most provinces, or by Fiera Sceptre Funds Inc. in certain provinces.

**FIERA SCEPTRE PRIVATE WEALTH** is a unique provider of sophisticated and highly customized investment management services catering to the specific needs of high net worth individuals and families, as well as foundations.

Our ability to offer both non-traditional investment strategies and a proactive, tactical asset allocation process in addition to the complete range of traditional investment solutions clearly sets us apart from our peers.

Fiera Sceptre Private Wealth’s investment philosophy focuses on absolute returns and capital preservation through a disciplined investment approach that leverages the optimal usage of traditional and non-traditional wealth management strategies.

Operating offices in Montreal, Toronto, Vancouver and Boston, Fiera Sceptre has over 170 employees, of whom 65 are experienced investment professionals servicing our diverse clientele of institutional investors, mutual funds, foundations, religious organizations, financial advisors and wealthy individuals.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

The following management discussion and analysis (“MD&A”) provided as of December 14, 2011 presents an analysis of the financial condition and results of operations of Fiera Sceptre Inc. (“the Company” or “Fiera Sceptre” or “we” or “Firm”) for the three months and the year ended September 30, 2011. The following MD&A should be read in conjunction with the audited consolidated financial statements including the notes thereto, as at and for the year ended September 30, 2011. The consolidated financial statements include the accounts of Fiera Sceptre and its wholly owned subsidiaries, Fiera Sceptre Funds Inc., (“FSFI”) and Sceptre Fund Management Inc. (“SFMI”). All intercompany transactions and balances have been eliminated on consolidation. The consolidated financial statements also include the interest of 35.35% (41.18% until March 2010) that the Company holds in the joint venture Fiera Axiom Infrastructure Inc. (“Fiera Axiom”), which is accounted for under the proportionate consolidation method.

Figures are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles, and are based on management’s best information and judgment. Certain totals, subtotals and percentage may not reconcile due to rounding.

## FORWARD-LOOKING STATEMENTS

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond our control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and

currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to us and our affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; operational and reputational risks; the risk that Fiera Sceptre’s risk management models may not take into account all relevant factors; the accuracy and completeness of information received by Fiera Sceptre; Fiera Sceptre’s ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Company uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates. These and other factors may cause Fiera Sceptre’s actual performance to differ materially from that contemplated by forward-looking statements.

## BASIS FOR COMPARISON

On September 1, 2010 Fiera Sceptre announced that it had completed the previously announced statutory plan of arrangement pursuant to which the businesses of Sceptre Investment Counsel Limited (“Sceptre”) and Fiera Capital Inc. (“Fiera Capital”) were combined to create a leading-edge, publicly traded independent investment manager. For accounting purposes, Fiera Capital was deemed to be the acquirer in the business combination of Fiera Capital and Sceptre. As a result, current financial reporting is based on Fiera Capital’s historical data up to and including September 1, 2010 and the combined results after the closing date. The September 30, 2011 earnings are the results of the combined entity.

Fiera Sceptre will maintain Fiera Capital’s quarters and year-end for the combined firm. The quarterly reporting cycle will be based on December, March and June month-ends, while the fiscal year-end will be September 30.

## COMPANY OVERVIEW

Fiera Sceptre is an independent, full-service, multi-product investment firm, providing investment advisory and related services, with approximately \$29 billion in assets under management (“AUM”). Fiera Sceptre offers multi-style investment solutions through diversified investment strategies to institutional investors, private wealth clients and retail investors. In addition to managing its clients’ accounts on a segregated basis (“Managed Accounts”), Fiera Sceptre uses approximately 34 pooled funds and sections thereof to manage specialized asset classes and to combine the assets of smaller clients for investment efficiencies (“Pooled Funds”). To provide retail investors with access to its investment management services, Fiera Sceptre also sponsors two families of mutual funds: the Fiera Sceptre Mutual Funds and the Fiera Sceptre Private Mutual Funds (the “Mutual Funds” and, collectively with the Pooled Funds, the “Funds”). Fiera Sceptre is the manager of all of the Funds.

Units of the Mutual Funds are distributed through Fiera Sceptre Funds Inc. (“FSFI”), Fiera Sceptre’s wholly owned subsidiary. FSFI is a member of the Mutual Fund Dealers Association of Canada and is registered in the category of mutual fund dealer in the Provinces of British-Columbia, Alberta, Manitoba, Saskatchewan, Ontario, Québec and New Brunswick.

Fiera Sceptre is registered in the categories of exempt market dealer and portfolio manager in all Provinces and Territories of Canada and as an investment adviser with the U.S. Securities and Exchange Commission. Fiera Sceptre is also registered in the category of investment fund manager in the Provinces of Ontario and Québec. In addition, as Fiera Sceptre manages derivatives portfolios, it is registered as commodity trading manager pursuant to the Commodity Futures Act (Ontario) and, in Québec, as derivatives portfolio manager pursuant to the Derivatives Act (Québec).

Fiera Sceptre’s business model is based foremost on delivering excellence in investment management to its clients. There are approximately 19,000 investors that hold units of the Mutual Funds. The Corporation has approximately 1,080 client accounts comprised of institutional investors, retail clients and private wealth clients. Fiera Sceptre has approximately 155 employees.

Fiera Sceptre derives its revenues principally from management fees earned from the management of its Funds and Managed Accounts (the “Management Fees”), as well as from performance fees (the “Performance Fees”). Management Fee revenues are calculated based on AUM. Performance Fees are calculated for each applicable Fund and Managed Account as a percentage of the Fund or Managed Account’s return on investment or excess performance over a relevant benchmark. Less than 3.8% of Fiera Sceptre’s AUM were subject to Performance Fees, ensuring a stable revenue stream.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## HIGHLIGHTS FOR THE THREE MONTHS AND THE YEAR ENDED SEPTEMBER 30, 2011

As we completed one full year of the combined operations of Sceptre and Fiera, the anticipated synergies were realized for the year ended September 30, 2011. Part of the synergies is the success in the repatriation of the management of certain international equity mandates. Also, total revenues for the year ended September 30, 2011 rose to \$72.8 million representing an increase of 75.2% over the previous year.

Despite challenging markets conditions, the benefits of a more diversified business model, the greater scalability of our platform and the delivery on the anticipated synergies have enabled the Firm to deliver solid results. In addition, we continued to invest in a number of growth initiatives such as the opening of our first office in the United States and the creation of a new Real Estate Fund Management venture.”

The financial highlights for the three months ended September 30, 2011 were:

### September 2011 quarter compared to September 2010 quarter

- September 30, 2011 compared to September 30, 2010 total AUM decreased by \$1.7 billion or 5.6% to \$29.0 billion as at September 30, 2011 compared to AUM of \$30.8 billion as at September 30, 2010.
- Revenue for the three-month period ended September 30, 2011 increased by \$5.2 million or 44.9% to \$16.7 million compared to \$11.5 million for the comparable period in prior year. The increase was driven mainly by the addition of Sceptre’s assets, which generated \$3.5 million in revenue for the three-month period ending September 30, 2011 combined with marketing efforts translating into additional revenues of \$1.2 million.
- Operating expenses rose by \$2.2 million or 21.6% to \$12.5 million for the three-month period ended September 30, 2011, compared to \$10.3 million for the same period in 2010. The increase resulted from an overall rise in SG&A expenses of \$2.4 million driven mainly by the addition of Sceptre’s operations offset by lower external

manager expenses of \$0.2 million for the three-month period ended September 30, 2011.

- Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA, as defined on page 33 and disclosed on table 1) (a non-GAAP measure of performance) increased by \$2.8 million or over 100% to \$4.0 million for the three-month period ended September 30, 2011, from \$1.2 million for the same period of 2010. (Adjusted EBITDA eliminates the effect of performance fees on EBITDA).
- Adjusted EBITDA per share was \$0.11 for the three-month period ended September 30, 2011, an increase of \$0.03 or 38% compared to the adjusted EBITDA per share of \$0.08 for the same period in 2010.
- For the quarter ended September 30, 2011, the Firm earned \$1.3 million or \$0.04 per share (both basic and fully diluted). The net earnings were impacted by a non-recurring cost of \$1.0 million (\$0.7 million net of income taxes) or a \$0.02 (basic and fully diluted) per share impact. Excluding these non-recurring expenses, net earnings for the period would have been \$2.0 million or \$0.06 (basic and fully diluted) earnings per share. For the three-month period ended September 30, 2010, the Firm earned \$0.1 million or \$0.01 (both basic and fully diluted).

### September 2011 quarter compared to June 2011 quarter

- Total AUM decreased by \$ 1.1 billion or 3.5% to \$29.0 billion during the quarter ended September 30, 2011, compared to AUM of \$30.1 billion as at June 30, 2011.
- Revenue for the three-month period ended September, 2011 decreased by \$1.4 million or 7.4% to \$16.7 million compared to \$18.1 million for the previous quarter ended June 30, 2011. The decrease is mainly due to declining markets translating into lower AUM thus lower revenues.
- Operating expenses declined by \$0.5 million or 3.6% to \$12.5 million for the three-month period ended September 30, 2011, compared to \$13.0 million for the quarter ended June 30, 2011. The decrease resulted from an overall reduction in SG&A expenses of \$0.2 million combined with lower external manager expenses



of \$0.3 million for the three-month period ended September 30, 2011.

- Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA, as defined on page 33 and disclosed on table 1) (a non-GAAP measure of performance) decreased by \$0.5 million or 11% to \$4.0 million for the three-month period ended September 30, 2011, from \$4.5 million for the previous quarter ended June 30, 2011. (Adjusted EBITDA eliminates the effect of performance fees on EBITDA.)
- Adjusted EBITDA per share was \$0.11 for the three-month period ended September 30, 2011, a decrease of \$0.01 or 8% compared to the adjusted EBITDA per share of \$0.12 for the three-month period ended June 30, 2011.
- For the quarter ended September 30, 2011, the Firm earned \$1.3 million or \$0.04 per share (both basic and fully diluted) representing a shortfall of \$1.6 million or 54.6% quarter-over-quarter. For the quarter ended June 30, 2011, the Firm earned \$2.9 million or \$0.08 per share (both basic and fully diluted). Without the non-recurring items of \$1.0 million (\$0.7 million net of income taxes) the net earnings for the current quarter would have been \$2.0 million or \$0.06 (basic and fully diluted) earnings per share.

The financial highlights for the year ended September 30, 2011 were:

### September 2011 year compared to September 2010 year

- Total AUM decreased by \$1.7 billion or 5.6% to \$29.0 billion during the year ended September 30, 2011, compared to AUM of \$30.8 billion as at September 30, 2010. The decrease is mainly due to a client decision to repatriate a Tactical Asset Allocation overlay mandate representing \$2.3 billion of assets with corresponding annual revenues of approximately \$0.3 million which represents approximately 0.5% of base revenues. The management of other assets of this large client remains with the Firm. The decrease was offset by a market appreciation of \$0.7 billion.
- Revenue for the year ended September 30, 2011 grew by \$31.2 million or 75.2% to \$72.8 million compared to \$41.5 million for the comparable period in prior year. The increase was driven mainly by the addition of Sceptre assets, which generated \$25.3 million in revenue for the year ended September 30, 2011. Also, higher AUM, market appreciation as well as new business translated into an additional \$4.0 million in revenue and \$0.9 million of performance fees revenue. Finally, for the year ended September 30, 2010 revenues included a discount amounting to \$0.4 million (nil for quarter ended September 30, 2011).
- Operating expenses rose by \$17.7 million or 52.4% to \$51.5 million for the year ended September 30, 2011, compared to \$33.8 million for the same period in 2010. The increase resulted from an overall rise of \$16.1 million in SG&A expenses and higher external manager expenses of \$1.6 million for the year ended September 30, 2011.
- Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA, as defined on page 33 and disclosed on table 1) (a non-GAAP measure of performance) were \$18.7 million for the year ended September 30, 2011, an increase of \$13.1 million from \$5.5 million for the same period of 2010. (Adjusted EBITDA eliminates the effect of performance fees on EBITDA.)
- Adjusted EBITDA per share was \$0.51 for the year ended September 30, 2011, an increase of \$0.16 or 46% compared to the adjusted EBITDA per share of \$0.35 for the same period in 2010.
- For the year ended September 30, 2011, the Firm's net earnings were \$9.0 million or \$0.25 per share basic and \$0.24 per share fully diluted. The net earnings were impacted by restructuring and other non-recurring costs of \$4.6 million (\$3.3 million net of income taxes) during the year or a total \$0.09 (basic and fully diluted) per share impact. Excluding these non-recurring expenses, net earnings for the period would have been \$12.3 million or \$0.34 per share basic and \$0.33 per share fully diluted. For the year ended September 30, 2010, the Firm earned \$3.5 million or \$0.22 per share (both basic and fully diluted).

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## SUMMARY OF QUARTERLY AND YEARLY RESULTS

Table 1 – Statement of earnings & AUM

### ASSETS UNDER MANAGEMENT (\$ in millions)

	As at Sept. 30, 2011	As at June 30, 2011	As at Sept. 30, 2010	Variance Quarter over Quarter FAV/(UNF)	Variance Year over Year FAV/(UNF)
Assets under management	29,020	30,060	30,755	1,040	1,735

### EARNINGS STATEMENT DATA (\$ in thousands)

	For the three months ended			Variance	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Quarter over quarter FAV/(UNF)	Year over year FAV/(UNF)
Revenue					
Base management fees and other revenues	16,527	17,215	11,445	(688)	5,082
Performance fees	202	845	97	(642)	105
	16,729	18,059	11,541	(1,331)	5,188
Expenses					
Selling, general and administration fees	12,150	12,346	9,776	195	(2,374)
External managers	316	592	475	276	159
Operating expenses	12,466	12,937	10,251	472	(2,215)
EBITDA <sup>1</sup>	4,263	5,122	1,290	(859)	2,973
Amortization of property & equipment	391	107	159	(283)	(232)
Amortization of intangible assets	858	808	443	(51)	(415)
Other expenses	498	337	800	(161)	302
Income taxes	1,218	1,012	(203)	(207)	(1,422)
<b>NET EARNINGS</b>	<b>1,297</b>	<b>2,858</b>	<b>91</b>	<b>(1,560)</b>	<b>1,206</b>
Basic and fully diluted earnings per share	0.04	0.08	0.01	(0.04)	0.03
Earnings per share (excluding non-recurring items)	0.06	0.08	0.03	(0.02)	0.03
Adjusted EBITDA per share	0.11	0.12	0.08	(0.01)	0.03
<b>SELECTED ADJUSTED FINANCIAL INFORMATION</b>					
EBITDA	4,263	5,122	1,290	(859)	2,973
Less Net Performance fees	(229)	(590)	(93)	361	(136)
Adjusted EBITDA <sup>1</sup>	4,034	4,532	1,197	(498)	2,837

<sup>1</sup> EBITDA and adjusted EBITDA are non-GAAP measures. Please refer to "Non-GAAP Measures" on page 33.

Table 1 – Statement of earnings & AUM (continued)

**EARNINGS STATEMENT DATA (\$ in thousands)**

	For the year ended		Variance FAV/(UNF)
	September 30, 2011	September 30, 2010	
Revenue			
Base management fees and other revenues	68,821	38,457	30,364
Performance fees	3,941	3,067	873
	72,761	41,524	31,238
Expenses			
Selling, general and administration fees	48,771	32,673	(16,097)
External managers	2,693	1,096	(1,597)
Operating expenses	51,464	33,770	(17,694)
EBITDA <sup>1</sup>	21,298	7,754	13,543
Amortization of property & equipment	830	577	(253)
Amortization of intangible assets	3,199	1,373	(1,826)
Other expenses	3,848	783	(3,065)
Income taxes	4,463	1,529	(2,934)
<b>NET EARNINGS</b>	<b>8,958</b>	<b>3,493</b>	<b>5,465</b>
Basic earnings per share	0.25	0.22	0.03
Fully diluted earnings per share	0.24	0.22	0.02
Earnings per share (excluding non-recurring items)	0.34	0.25	0.09
Adjusted EBITDA per share	0.51	0.35	0.16
<b>SELECTED ADJUSTED FINANCIAL INFORMATION</b>			
EBITDA	21,298	7,754	13,543
Less Net Performance fees	(2,628)	(2,211)	(417)
Adjusted EBITDA <sup>1</sup>	18,670	5,543	13,126

① EBITDA and adjusted EBITDA are non-GAAP measures. Please refer to "Non-GAAP Measures" on page 33.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

Table 2 – Selected Balance Sheet Information

(in thousands of dollars)

	(Audited) September 30, 2011	(Audited) September 30, 2010
Cash, restricted cash & investments	2,916	8,430
Receivables	16,468	15,897
Other current assets	797	551
Goodwill & intangible assets	136,854	138,700
Other long term assets	3,445	3,275
<b>TOTAL ASSETS</b>	<b>160,481</b>	<b>166,853</b>
Current liabilities	12,510	17,351
Future income taxes	8,936	8,874
Other long-term liabilities	1,425	2,732
Shareholders' equity	137,610	137,896
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>160,481</b>	<b>166,853</b>

## RESULTS FROM OPERATIONS AND OVERALL PERFORMANCE

### Assets Under Management

Table 3 – Assets Under Management – Quarterly activity

(\$ in millions)

	3 months ended		
	September 30, 2011	September 30, 2010	June 30, 2011
AUM – Beginning of period	30,060	22,660	29,452
Net cash flows	(732)	(23)	609
Market appreciation (depreciation)	(308)	1,104	(1)
Sceptre acquisition	-	7,013	-
<b>AUM – end of period</b>	<b>29,020</b>	<b>30,755</b>	<b>30,060</b>

Table 4 – Assets Under Management – Year-to-date activity

(\$ in millions)

	Year ended	
	September 30, 2011	September 30, 2010
AUM – Beginning of period	30 755	21 377
Net cash flows	(2 414)	378
Market appreciation (depreciation)	679	1 988
Sceptre acquisition	-	7 013
<b>AUM – end of period</b>	<b>29 020</b>	<b>30 755</b>

Total AUM decreased by \$ 1.0 billion or 3.5% to \$29.0 billion during the quarter ended September 30, 2011. The decrease is attributable to net negative cash flows of \$731.6 million combined with a market depreciation translating into \$308.3 million. The net negative cash flows are attributed to the Institutional line of business shortfall of \$551.4 million mainly due to higher net redemptions offset by a positive market impact of \$206.2 million. The net redemptions are due to the asset-mix portfolio rebalancing of a number of our fixed income pension plan clients.

The Retail business unit was impacted by a market depreciation translating into \$405.5 million decrease in value combined with negative cash flows of \$194.6. The Private Wealth was impacted by a market depreciation translating into \$109.1 million decrease in value offset by positive cash flows of \$14.4 million.

Total AUM declined by \$1.7 billion or 5.6% to \$29.0 billion over the year ended September 30, 2011. The decline in AUM is attributable to a client decision to repatriate a Tactical Asset Allocation overlay mandate representing \$2.3 billion of assets with corresponding annual revenues of approximately \$0.3 million or approximately 0.5% of base revenues. The management of other assets of this large client remains with the Firm.

Excluding the reduction in AUM due to the repatriation of a specific mandate in the year, the decrease was offset by a market appreciation of \$679 million combined with net negative cash flows of \$85 million.

The Institutional line of business recorded a positive net cash flow activity of \$250.0 million combined with a \$671.6 million market appreciation. The positive net cash flows were comprised of new AUM of 1.4 billion offset by net redemptions of \$1,1 billion. The net redemptions are mainly due to the asset-mix portfolio rebalancing of a number of our large fixed income pension plan clients.

Also, part of the net redemptions under the Institutional business unit are the losses related to the clients not transferring to the firm the management of their international equity mandates. From the initial total of international assets of \$1.0 billion managed externally, \$420.3 were transferred to the firm as of September 30, 2011 and \$218.0 remains externally managed being in the process of repatriation. The total impact of the repatriation of the international equity mandates to the firm is a positive \$0.8 million in revenues following elimination of external managers expenses and consequently the increase in net revenues for the clients which were subject to external managers expenses.

For the Private Wealth and Retail business units, the net market appreciation of \$7.9 million was offset by redemptions totaling \$335.7 million.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## Revenue

Management fees are based on AUM and for each business unit, revenue is earned primarily on the average closing value of AUM at the end of each day, month or calendar quarter. The analysis of revenue that follows refers to average assets in the case of each business unit.

Table 5 – Revenues: Quarterly Activity (\$ in thousands)

	3 months ended			Variance	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Quarter Over Quarter	Year Over Year
Management fees	15,884	16,732	11,150	(848)	4,734
Performance fees	202	845	97	(643)	105
Other revenue	643	483	294	160	349
<b>Total revenue</b>	<b>16,729</b>	<b>18,059</b>	<b>11,541</b>	<b>(1,330)</b>	<b>5,188</b>

### September 2011 compared to September 2010

Revenue for the three-month period ended September 30, 2011 increased by \$5.2 million or 44.9% to \$16.7 million, over revenue of \$11.5 million for the same period in 2010.

Management fees:

The increase was driven by higher AUM following the combination with Sceptre and market appreciation translating into additional management fees of \$4.7 million in revenues for the quarter ended September 30, 2011, from which Sceptre's AUM brought \$3.5 million in revenues. The positive impacts translated into the following increases in revenues by business unit:

- The Institutional sector has seen an increase of \$2.9 million or 44.4% for the three-month period ended September 30, 2011.
- Revenue for the Private Wealth business grew by \$0.7 million or 33.3% for the three-month period ended September 30, 2011.
- Revenue for the Retail sector rose by \$1.2 million or 44.4% for the three-month period ended September 30, 2011.

Performance fees and other revenues:

The increase in other revenue of \$0.3 million for the three-month period ended September 30, 2011 is attributable to the higher contribution of Fiera Axiom of \$0.3 million.

Finally, the recognition of higher performance fees of \$0.1 million impacted positively the performance revenues.

### September 2011 compared to June 2011

Revenue for the three-month period ended September 30, 2011 decreased by \$1.3 million or 7.4% to \$16.7 million, compared to revenue of \$18.1 million for the previous quarter ended June 30, 2011.

Management fees:

The shortfall in management fees of \$0.8 million or 5.1% translated into the following decreases in revenues by business unit:

- The Institutional sector has seen a decrease of \$0.5 million or 5.2% for the three-month period ended September 30, 2011.

- Revenue for the Private Wealth remained stable compared to the previous quarter ended June 30, 2011.
- Revenue for the Retail business has seen a decrease of \$0.3 million or 7.1% for the three-month period ended September 30, 2011.

Performance fees and other revenues:

A higher contribution from the joint venture of \$0.2 million and the lower performance fees of \$0.6 million affected the revenues' quarter over quarter.

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

	Year ended		Variance	
	September 30, 2011	September 30, 2010	\$	%
<b>Management fees</b>	<b>65,822</b>	36,463	29,358	80.5%
Performance fees	<b>3,941</b>	3,067	873	28.5%
Other revenue	<b>2,998</b>	1,993	1,006	50.5%
<b>Total revenue</b>	<b>72,761</b>	41,524	31,238	75.2%

Revenue for the year ended September 30, 2011 grew by \$31.2 million or 75.7% to \$72.8 million, over revenue of \$41.4 million for the same period in 2010.

Management fees:

The increase was driven by higher AUM following the combination with Sceptre and market appreciation translating into additional management fees of \$29.4 million in revenues for the year ended September 30, 2011, from which Sceptre's AUM represented \$25.3 million in revenues. The positive impacts translated into the following increases in revenues by business unit.

- The Institutional sector has seen an increase of \$17.9 million or 84.3% for the year ended September 30, 2011.

- Revenue for the Private Wealth business grew by \$4.0 million or 60.7% for the year ended September 30, 2011.
- Revenue for the Retail sector rose by \$7.5 million or 86% for the year ended September 30, 2011.
- The overall increase by business unit was due to a higher level of AUM and market appreciation following marketing efforts and a favourable asset mix, thus translating into higher revenues.

Performance fees and other revenues:

Higher generation of performance fees amounting to \$0.9 million combined with the increase in other revenues of \$0.3 million explains the variance on revenues year over year for the year ended September 30, 2011.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## Operating expenses

Operating expenses are comprised of Selling, General and Administration fees (SG&A) and External Manager Fees. Operating expenses rose by \$2.2 million or 21.6% to \$12.5 million for the three-month period ended September 30, 2011, compared to \$10.3 million for the same period in 2010. The increase resulted from an overall growth in SG&A expenses of \$2.4 million mainly due to the addition of Sceptre's operations offset by lower external manager expenses of \$0.2 million for the three months ended September 30, 2011. The current quarter also included non-recurring costs in professional fees related to strategic initiatives of \$0.5 million.

Operating expenses declined by \$0.5 million or 3.6% to \$12.5 million for the three-month period ended September 30, 2011, compared to \$13.0 million for the previous quarter ended June 30, 2011. The variance resulted from an overall decrease in SG&A expenses of \$0.2 million combined with lower external manager expenses of \$0.3 million mainly due to the repatriation of the management of International equity mandates from external sub-advisors for the three months ended September 30, 2011.

Operating expenses rose by \$17.7 million or 52.4% to \$51.5 million for the year ended September 30, 2011, compared to \$33.8 million for the same period in 2010. The increase resulted from an overall rise of \$16.1 million in SG&A expenses mainly due to the addition of Sceptre's operations combined with additional external manager expenses of \$1.6 million the year ended September 30, 2011. Finally, the year ended September 30, 2011 included non-recurring costs in professional fees related to strategic initiatives of \$0.8 million.

## Selling, general and administration

SG&A expenses grew by \$2.4 million or 24.3% to \$12.2 million for the three-month period ended September 30, 2011 compared to \$9.8 million for last year same period. The increase is due to higher expenses for compensation representing an increase of

\$1.5 million, professional fees of \$0.3 million, reference fees of \$0.2 million, higher stock based compensation expense of \$0.2 million and higher other expenses of \$0.06 million. These increases were offset by a decline in marketing and servicing, rent, technical services and insurance of \$0.05 million. Part of the professional fees expenses an amount of \$0.5 million is included related to strategic initiatives.

SG&A expenses decreased by \$0.2 million or 1.6% to \$12.2 million for the three-month period ended September 30, 2011 compared to \$12.3 million for last quarter ended June 30, 2011. The decrease is due to a decline in professional fees as well as in reference fees of \$0.2 million, marketing and servicing, rent, technical services and insurance of \$0.2 million offset by an increase in other expenses of \$0.1 million as well as in compensation expenses of \$0.1 million.

SG&A expenses rose by \$16.1 million or 49.3% to \$48.8 million for the year ended September 30, 2011 compared to \$32.7 million for the same period of last year. The increase is driven by additional expenses namely in compensation of \$9.8 million, professional fees of \$1.8 million, reference fees of \$1.5 million, marketing and servicing, rent, technical services and insurance of \$1.6 million, other expenses increases amounting to \$0.4 million and higher stock based compensation expense of \$0.8 million. The increases are mostly driven by the combination with Sceptre. Also, professional fees expenses included non-recurring costs related to strategic initiatives of \$0.8 million.

## External managers

External managers' expenses declined by \$0.2 million or 33.5% to \$0.3 million for the three-month period ended September 30, 2011 from \$0.5 million for the three-month period ended September 30, 2010. The decrease is mainly due to the repatriation of the management of these assets within the Firm in line with our plans and therefore reducing the external managers' expenses.

External manager expenses decreased by \$0.3 million or 46.6% to \$0.3 million for the three-month period ended September 30, 2011 from \$0.6 million for the previous three-



month period ended June 30, 2011. The decrease is due to the repatriation of the management of these assets within the Firm in line with our plans and therefore reducing the external managers' expenses.

External manager expenses increased by \$1.6 million or over 100% to \$2.7 million for the year ended September 30, 2011 from \$1.1 million for the year ended September 30, 2010. The increase is mainly due to additional AUM following the business combination with Sceptre as well as market appreciation and therefore in line with the growth in assets subject to those charges. The increase was offset by the repatriation of the management of these assets towards the end of the year.

## Amortization

Amortization of property and equipment increased by \$0.2 million for the three-month period ended September 30, 2011 compared to the same period of 2010 and by \$0.3 million compared to the previous quarter of 2011. Amortization of property and equipment increased by \$0.3 million for the year ended September 30, 2011 compared to the same period of 2010.

Amortization of intangible assets increased by \$0.4 million or 93.7% to \$0.9 million for the three-month period ended September 30, 2011 compared to \$0.4 million for the same period in 2010. Amortization of intangible assets remains stable at \$0.9 million compared to the previous quarter ended June 30, 2011. Amortization of intangible assets increased by \$1.8 million or over 100% for the year ended September 30, 2011 compared for the same period in 2010. The increases results from the amortization of the new definite life intangible assets following the combination with Sceptre.

## Other expenses

Other expenses decreased by \$0.3 million or 37.7% for the three-month period ended September 30, 2011 to \$0.5 million compared to \$0.8 million for the same period of 2010. The decrease is mainly due to the inclusion in the September 2010 quarter of a non-recurring charge of \$0.8 million following restructuring and severance costs

related to the business combination with Sceptre offset by the inclusion of a non-recurring \$0.5 million in the current quarter following a property and equipment write-off due to an abandonment of premises.

Other expenses increased by \$0.2 million or 47.7% for the three-month period ended September 30, 2011 to \$0.5 million compared to \$0.3 million for the previous quarter of 2011. The increase is mainly due to the inclusion of a non-recurring charge of \$0.5 million following a property and equipment write-off due to an abandonment of premises compared to a \$0.3 million lower non-recurring integration costs related to the business combination with Sceptre included in the previous quarter of 2011.

Other expenses increased by \$3.1 million or over 100% for the year ended September 30, 2011 to \$3.8 million compared to \$0.8 for the same period of 2010. The increase is mainly due to the inclusion of a non-recurring charge of \$1.3 million following the restructuring of the institutional business unit, combined with higher non-recurring and restructuring expenses including integration costs related to the business combination with Sceptre of \$2.6 million as well as the inclusion of a \$0.5 million for the property and equipment write-off due to an abandonment of premises. These increases were offset by the inclusion in last year of a (\$0.1) million for gain on dilution as well as a \$0.8 million related to restructuring costs and severance expenses.

## EBITDA and Adjusted EBITDA <sup>1</sup>

For the three-month ended September 30, 2011 EBITDA increased year-over-year by \$3.0 million or over 100% to \$4.3 million mainly due to higher revenues of \$5.2 million offset by a rise of \$2.2 million in operating expenses. EBITDA per share was \$0.12 for the three-month ended September 30, 2011 compared to \$0.08 for the same three-month period of the previous year.

EBITDA and adjusted EBITDA for the current quarter ended September 2011 was driven by an increase in the base management fees compared to the same period of the previous year following the addition of Sceptre's assets and marketing efforts and an overall increase in operating expenses namely for SG&A and strategic initiatives.

<sup>1</sup> EBITDA and Adjusted EBITDA are non-GAAP measures. Please refer to "Non-GAAP Measures" on page 33.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

Adjusted EBITDA, which eliminates the effect of performance fees, grew by \$2.8 million or over 100% to \$4.0 million for the three-month period ended September 30, 2011, compared to \$1.2 million for the same period in 2010. Without the impact of performance fees, the adjusted EBITDA increase is mainly due to higher revenues of \$5.2 million, offset by an overall rise in SG&A and external manager expenses of \$2.2 million.

EBITDA for the three-month ended September 30, 2011 compared to the previous quarter ended June 30, 2011 declined by \$0.9 million to \$4.3 million. Lower base management fees combined with lower performance fees generation resulted in overall lower revenues of \$1.3 million. These decreases were offset by lower operating expenses of \$0.5 million mainly due to lower variable compensation expenses. EBITDA per share was \$0.12 for the three-month ended September 30, 2011 compared to \$0.14 for the previous three-month period of 2011.

Adjusted EBITDA, which eliminates the effect of performance fees, decreased by \$0.5 million or 11% to \$4.0 million for the three-month period ended September 30, 2011, compared to \$4.5 million for the previous quarter ended June 30, 2011. Without the impact of performance fees, the adjusted EBITDA increase is mainly due to lower revenues of \$0.7 million, offset by an overall decrease in SG&A and external manager expenses of \$0.2 million.

For the year ended September 30, 2011 EBITDA increased year-over-year by \$13.4 million or over 100% to \$21.3 million mainly due to higher base revenues of \$30.5 million, additional performance fees impact of \$0.9 million offset by higher operating expenses of \$17.8 million. EBITDA per share was \$0.58 for the year ended September 30, 2011 compared to \$0.49 for the previous year ended 2010.

Adjusted EBITDA, which eliminates the effect of performance fees, grew by \$13.1 million or over 100% to \$18.7 million for the three-month period ended September 30, 2011, compared to \$5.5 million for the same period in 2010. Without the impact of performance fees, the adjusted EBITDA increase is mainly due to higher base management fees of \$30.5 million, offset by an overall rise in SG&A and external manager expenses of \$17.4 million.

## Net earnings

For the three-month period ended September 30, 2011, the Company earned \$1.3 million or 0.04 cent per share (both basic and fully diluted). For the three-month period ended September 30, 2010, the Firm earned \$0.09 million or \$0.01 per share (both basic and fully diluted). The increase of \$1.2 million in net earnings is driven by higher base management fees of \$4.7 million, higher performance fees impact of \$0.1 million and higher revenues from Fiera Axium of \$0.4 million. These net revenues impacts were offset by an overall increase in operating expenses of \$2.3 million combined with an increase in amortization of \$0.6 million and income taxes of \$1.4 million. Finally, lower other expenses of \$0.3 million impacted positively the quarter ended September 30, 2011. The decrease in other expenses is due to the inclusion a non-recurring charge of \$0.8 million in the previous year quarter ended September 30, 2010 and the inclusion of \$0.5 million non-recurring charge for abandonment of premises in the current quarter of 2011.

Compared to the previous quarter ended June 30, 2011 the Company experienced a shortfall of \$1.6 million or \$0.06 per share (both basic and fully diluted). For the three-month period ended June 30, 2011, the Firm earned \$2.9 million or \$0.08 per share (both basic and fully diluted). The decrease of \$1.6 million in net earnings of the current quarter versus the previous quarter of 2011 is driven by a shortfall in revenues of \$1.3 million offset by a decline in operating expenses of \$0.5 million, as well as by the inclusion of a \$0.4 million non-recurring charges related to the abandonment of premises and increase in income taxes of \$0.02 million.

The net earnings were impacted by other non-recurring costs following abandonment of premises as well as non-recurring costs related to strategic initiatives of \$1.0 million (\$0.7 million net of income taxes) or a \$0.02 (basic and fully diluted) per share impact. Excluding these non-recurring expenses, net earnings for the current quarter would have been \$2.0 million or \$0.06 (basic and fully diluted) earnings per share. For the three-month period ended September 30, 2010, the Firm earned \$0.9 million or \$0.01 per share (both basic and fully diluted).

For the year ended September 30, 2011, the Firm's net earnings were \$9.0 million or \$0.25 per share basic and \$0.24 per fully diluted share. For the year ended September 30, 2010, the Firm earned \$3.5 million or \$0.22 per share (both basic and fully diluted). The increase of \$5.5 million in net earnings is driven by higher base management fees of \$29.4 million, additional performance fees impact of \$0.9 million, higher revenues from Fiera Axium of \$0.9 million, offset by an overall increase in operating

expenses of \$17.8 million, in amortization and other expenses of \$5.1 million and in income taxes of \$2.9 million.

The net earnings were impacted by restructuring and other non-recurring costs of \$4.6 million (\$3.3 million net of income taxes) during the year or a total \$0.07 (basic and fully diluted) per share impact. Excluding these non-recurring expenses, net earnings for the period would have been \$12.5 million or \$0.34 per share basic and \$0.33 per share fully diluted.

## SUMMARY OF QUARTERLY RESULTS

The AUM, total revenue, EBITDA, adjusted EBITDA and net earnings of the Firm, on a consolidated basis, including amounts on a per share basis for each of its most recently completed eight quarterly periods, are as follows:

Table 7 – Quarterly Results for the Quarters End (\$ in thousands except AUM \$ in millions):

	Q4 Sept. 30, 2011	Q3 June 30, 2011	Q2 March 31, 2011	Q1 Dec. 31, 2010	Q4 Sept. 30, 2010	Q3 June 30, 2010	Q2 March 31, 2010	Q1 Dec. 31, 2009
AUM	29,020	30,060	29,452	29,268	30,755	22,660	22,185	21,724
Total Revenue	16,729	18,059	19,179	18,794	11,541	11,427	9,465	9,090
EBITDA	4,263	5,122	5,147	6,766	1,290	3,335	1,425	1,704
Adjusted EBITDA	4,034	4,532	4,818	5,286	1,197	2,510	888	949
Adjusted EBITDA per share	0.11	0.12	0.13	0.15	0.08	0.16	0.05	0.06
Net earnings	1,297	2,858	1,942	2,860	91	2,060	489	853
Per share – basic and fully diluted	0.04	0.08	0.05	0.08	0.01	0.13	0.03	0.05

## Results and trends analysis

The Firm's quarterly results are impacted by various trends and factors including market conditions and the overall performance of the investment team. Due to the business combination that occurred on September 1, 2010, the quarterly results of September 30, 2010 and prior are not comparable to the current quarters of the combined entity. Therefore, the information presented in the following paragraphs is limited to a comparison of the last three quarters.

Quarterly revenue decreased by \$1.3 million from June 30, 2011 to September 30, 2011 as a result of lower

base management fees of \$0.7 million combined with lower performance revenues of \$0.6 million.

Quarterly EBITDA decreased by \$0.8 million from June 30, 2011 to September 30, 2011. Lower revenues of \$1.3 million offset by lower SG&A of \$0.2 million combined to lower external managers fees following repatriation of international equity mandates of a total of \$0.3 million explains the EBITDA variation quarter over quarter.

Quarterly net earnings decreased by \$1.6 million from June 30, 2011 to September 30, 2011 as a result of lower EBITDA of \$0.8 million combined to a property and equipment write-off of \$0.5 million and by higher other expenses of \$0.2 million.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

Quarterly revenue decreased by \$1.1 million from March 31, 2011 to June 30, 2011 as a result of a lower contribution of \$1.3 million from Fiera Axiom, combined with lower performance revenues of \$0.2 million. Base management fees which have increased by \$0.3 million for the quarter ended June 30, 2011 and partially offset the above-mentioned decrease. The Fiera Axiom's contribution included in the previous quarter ended March 2011 was comprised of a \$1.1 million retroactive management fees realized from a second and final closing of the closed-end infrastructure fund managed by Fiera Axiom.

Quarterly EBITDA remained stable at \$5.1 million from March 31, 2011 to June 30, 2011. Lower Fiera Axiom contribution as well as lower performance fees generation of \$1.4 million combined to lower variable incentive compensation related to the mentioned items, lower external managers fees following repatriation of international equity mandates of a total of \$1.2 million resulted in an offsetting impact, thus translating into a stable EBITDA result quarter over quarter.

Quarterly net earnings increased by \$0.9 million from March 31, 2011 to June 30, 2011 as a result of lower non-recurring charge of \$1.3 million (\$0.9 million net of income taxes).

## LIQUIDITY

### Cash flows

The following table provides additional details regarding Fiera Sceptre's cash flows.

Table 8 – Summary of Consolidated Statements of Cash Flows for the year ended:

(in thousands of dollars – audited)

	Sept. 30, 2011	Sept. 30, 2010
Cash provided (used) by operating activities	9,172	4,585
Cash provided (used) by investing activities	611	(4,647)
Cash used by financing activities	(10,186)	(3,602)
Increase (decrease) in cash and cash equivalents	(403)	(3,664)
Cash and cash equivalents, beginning of year	2,118	5,782
<b>Cash and cash equivalents, end of period</b>	<b>1,715</b>	<b>2,118</b>

Cash provided by operating activities was \$14.1 million offset by a \$4.9 million in non-cash items which included restructuring costs as well as termination costs of certain employees of the acquired business, resulting in a positive \$9.2 million for the year ended September 30, 2011 compared to \$4.6 million for the same period in 2010. This net positive cash flow generated from operations is mainly due to higher net earnings for the year ended September 2011 compared to the same period in 2010.

Cash provided by investing activities of \$0.6 million for the year ended September 30, 2011 results from a positive position of Fiera Axiom compared to cash used of \$4.6 million for the same period in 2010 which is due to investments made by Fiera Axiom.

The increase of \$6.6 million in the cash used in financing activities results from a \$10.9 million dividend payment offset by a \$0.7 million issuance of capital stock in the year ended September 30, 2011. In the prior period, the financing

activities comprised a loan repayment of \$4.1 million, a dividend payment of \$5,0M offset by a \$5,3 million of net capital stock transactions and a \$0,2 million business partners' deposit

### Bank Loan

The Company has an authorized line of credit of \$6,500,000, bearing interest at the prime rate or at the Banker's acceptance rate plus 0.25%, maturing June 2012. This line of credit is unused at year end. It is secured by a movable first mortgage of \$6,500,000 on accounts receivable and property and equipment and intangible assets, both present and future.

### Off-balance sheet arrangements

At September 30, 2011 and September 30, 2010, Fiera did not engage in any off-balance sheet arrangements, including guarantees, derivatives and variable interest entities. We do not anticipate entering into such agreements.

### Legal proceedings

Fiera Sceptre may become involved in various claims and litigation as a part of its business. While the firm cannot predict the final outcome of claims and litigation that were pending at September 30, 2011, based on information currently available and management's assessment of the merits of such claims and litigation, management believes that the resolution of these claims and litigation will not have a material and negative effect on our consolidated financial position or results of operations.

### Employee future benefits

As part of the business combination referred in Note 1 of the financial statements, the Company assumed the role of sponsor of individual pension plans ("IPP") which had been established by Sceptre for certain key employees. Under pension legislation, while the IPPs are ongoing, the Company

has no legal requirement to make contributions towards any solvency deficiencies under the IPPs. However, the Company has a legal requirement regarding the funding of ongoing deficit. These IPPs are on a triennial reporting cycle.

As at January 1st, 2011, an IPP of a former employee of Sceptre had an ongoing funding deficit of \$293,057 which requires a yearly contribution of \$59,696. The funding requirements, if any, will be officialised with the filing of the January 2012 actuarial report. Consequently, and in the mean time, the Company has recorded a provision for the future contributions required under this specific IPP and, as such, has adjusted the purchase price allocation.

### Share capital

As at September 30, 2011 the Company had 15,367,666 Class A subordinate voting shares and 21,207,964 Class B special voting shares for a total of 36,575,630 shares outstanding compared 15,078,721 Class A subordinate voting shares and 21,357,336 Class B special voting shares for a total of 36,436,057 shares outstanding, as at September 30, 2010.

On October 6, 2011, the board of directors adopted an Employee Share Purchase Plan (ESPP) for the purposes of attracting and retaining eligible employees, therefore allowing them to participate in the growth and development of the Company. The maximum number of issuable Shares under this plan is 1.5 million shares of Class A subordinate voting shares. The Board may determine the subscription date and the number of shares each eligible employee can subscribe to. The subscription price is determined by the volume-weighted, average trading price (VWAP) of Company shares on the TSX for the five trading days immediately preceding the date of the subscription Date.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## Stock-based compensation

The number of stock options issued and outstanding under the stock option plan varied as follows during the year ended September 30, 2011:

Table 9 - Options

	Number of options	Exercise price in dollars (weighted average)
Balance, beginning of period	1 135 878	4.25
Granted	709 028	8.39
Exercised	(139 573)	5.54
Expired	(7 200)	6.15
Forfeited	(68 061)	4.10
<b>Balance, end of period</b>	<b>1 630 072</b>	<b>5.93</b>
<b>Exercisable options, end of period</b>	<b>320 875</b>	<b>4.75</b>

The following table presents the weighted average assumptions used during the year ended September 30, 2011 to determine the stock-based compensation expense using the Black-Scholes option pricing model:

	For the year ended September 30	
	2011	2010
Stock-based compensation expense (\$)	932,873	236,129
Dividend yield (%)	3.76% to 3.85%	5.00%
Risk-free interest rate (%)	2.25%	2.25%
Expected life (years)	5	7
Expected volatility for the share price (%)	50%	30%
Weighted average fair values (\$)	2.75 to 2.83	0.29

## INTERNAL CONTROL OVER FINANCIAL REPORTING

During the third quarter ended September 30, 2011, no change to internal control over financial reporting of Fiera Sceptre has occurred that has materially affected, or is reasonably likely to have materially affected, such internal control over financial reporting.

Management of the Company has evaluated the effectiveness of its disclosure controls and procedures and

internal controls over financial reporting (as defined under National Instrument 52-109) as of September 30, 2011, under the supervision of the Chief Executive Officer and the Senior Vice President, Finance. Based on that evaluation, the Chief Executive Officer and the Senior Vice President, Finance have concluded that the design and operation of those disclosure controls and procedures and internal controls over financial reporting were adequate and effective as of September 30, 2011.

## FINANCIAL INSTRUMENTS

### Interest rate risk

The Company is subject to interest rate risk due to interest rate fluctuations on the balance of the mortgage loan which was repaid during 2010.

### Credit risk

The credit risk is the risk that one party to a financial instrument fail to discharge an obligation and causes financial loss to another party.

Credit risk associated with cash, restricted cash and investments is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency. An ongoing review is performed to evaluate changes in the status of counterparties.

Credit risk is mainly associated with accounts receivable and is minimized by the Company's ongoing credit policy. The policy includes regular reviews of customer credit limits.

### Equity market fluctuation risk

Fluctuations in the value of equity securities affect the level and timing or recognition of gains and losses on equity and mutual fund securities in the Company's portfolio and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of the equity, mutual fund and fixed income available-for-sale financial assets held.

The Company's investment portfolio is managed by the Company with a medium risk mandate. The Company's particular expertise is investment management and, as part of its daily operations, it has resources to assess and manage the risks of a portfolio. The Company's portfolio of equity and equity-related securities as at September 30, 2011,

comprises mutual fund investments under the management of the Company with a fair value of \$983,339. Mutual fund and pooled fund investments comprise a well-diversified portfolio of Canadian investments. Mutual funds and pooled funds units have no specific maturities.

A 10% change in the Company's equity and equity-related holding an OCI as at September 30, 2011 has an impact of increasing or decreasing the OCI by \$98,334.

The credit risk is the risk that one party to a financial instrument fail to discharge an obligation and causes financial loss to another party.

The Company's principal financial assets are cash, restricted cash, temporary investments and accounts receivable which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheets represent the Company's maximum credit exposure at the balance sheets' date.

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated balance sheets are net of allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. No customer represents 10% of the Company's accounts receivables as at September 30, 2011 and 2010.

### Currency risk

The Company realizes less than 1% of its sales principally in US dollar and is thus not significantly exposed to foreign exchange fluctuations. The Company does not actively manage this risk.



# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## Capital management

The Company's capital comprises share capital, retained earnings and long-term debt, including the current portion, 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.

In order to maintain its capital structure, the Company may issue new shares or proceed to the issuance or repayment of debt and acquire or sell assets to improve its financial performance and flexibility.

In order to be in compliance with Canadian securities administration regulations the Company is required to maintain a minimum working capital of \$200,000 as defined under Regulation 31-103 respecting Registration Requirements and Exemptions.

## FUTURE CHANGES IN ACCOUNTING POLICIES

### International Financial Reporting Standards

Subsequent to the September 2008 confirmation by the Canadian Accounting Standards Board (AcSB), the Handbook of Canadian Institute of Chartered Accountants – Accounting has been amended in January 2010 to require that all Canadian publicly accountable enterprises adopt International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) for years beginning on or after January 1, 2011. IFRS will therefore replace current Canadian GAAP followed by the Company. The Company will adopt IFRS for the fiscal year beginning October 1, 2011 and will present the interim and annual consolidated financial statements, including comparative prior year financial statements in accordance with IFRS. The Company has commenced its transition from current Canadian GAAP to IFRS and has developed a project made up of three main phases:

### Phase 1 – Scoping and diagnostic phase

This phase involves performing a high-level impact assessment to identify key areas that may be impacted by the transition to IFRS. This phase has been completed during the fiscal year 2011.

### Phase 2 – Impact analysis, evaluation and design phase

In our second phase, which began during the third quarter of fiscal year 2011, we have been performing a detailed assessment, from an accounting, reporting and business perspective of the changes that will result from the conversion to IFRS. The following summarizes the key elements of the Company's changeover plan for transitioning to IFRS for which progress has been made against each activity:

#### 1. Accounting policies and procedures

Preliminary review was performed for the majority of accounting policy choices and differences identified between IFRS and our current accounting policies, as applied by the Company. Expected impacts on transition date are described in the section "First-time adoption of IFRS" below. Key areas where changes in accounting policies are expected are identified in the section "Expected areas of Significance" below.

#### 2. Financial statements preparation

A model for the Company's interim IAS 34 Interim Financial Reporting and annual IFRS consolidated financial statements is in development.

#### 3. Training and communication

We have engaged subject matter experts to assist in the transition, recruited supporting external resources and are in the process of providing the appropriate training to affected employees.



#### 4. Business impacts

We have analyzed how the changes affect other stakeholders and they were determined to be not material.

#### 5. IT systems

We have determined that no material changes are necessary to information technology and data systems, including how to accumulate the data necessary for the fiscal 2011 comparatives.

#### 6. Control environment

We are in the process of revising existing internal control processes and procedures to address significant changes to the existing accounting policies and practices.

Most of the difference between IFRS and Canadian GAAP analyzed do not have a material impact on the Company's reported results and financial position. In addition, the effects on the Company's commercial activities in terms of financial covenants, contractual agreements, incentive plans, budgeting and financial risk management strategies and IT systems for example, have been assessed as minor.

The quantitative impacts resulting from conclusions reached to date, other than the impairment of assets described in section "Expected areas of significance" below, are not significant. Most adjustments required on changeover to IFRS will be made retrospectively against opening retained earnings as of October 1, 2010 based on standards that are applicable as at September 30, 2012. Transitional adjustments relating to eventual standards where comparative figures are not required to be restated will only be made as of October 1, 2011.

The completion of this phase is planned for the end of the first quarter of fiscal year 2012.

### Phase 3 – Implementation and review phase

In the third phase, key IFRS 1 exemption decisions and accounting changes will be approved by senior management

and reviewed by the audit committee of the Board of Directors during the first quarter of fiscal year 2012. Implementation of these accounting changes and required modifications to internal procedures, controls and systems will be made. These last elements will be completed before December 2011.

The Company's IFRS project continues to be on target to meet the changeover requirements.

### First-time adoption of IFRS

IFRS 1, First-Time Adoption of International Financial Reporting Standards provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. The Company has analyzed the multiple accounting policy choices available and will implement those determined to be most appropriate.

The exemptions that have been identified as having the most relevance for the Company are as follows:

- Business combinations: IFRS 3 Business combinations will not be applied retrospectively to business combinations completed before October 1, 2010;
- Designation of previously recognized financial instruments: the Company's designations of financial instruments are consistent with its designations under Canadian GAAP, except for cash and cash equivalents which will be classified as loans and receivables under IAS 39 Financial Instruments: Recognition and Measurement.

### Expected areas of significance

Set out below are the key areas where changes in accounting policies are expected. To date, these changes did not have an impact on measurements in the Company's consolidated financial statements.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## IAS 24 Related Party Disclosures

Under IFRS, the Company is required to disclose the total compensation, including short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits and share based payment, paid to key management personal.

## IAS 31 Interests in Joint Venture

The Company has chosen to account for its 35.35% interest in Fiera Axium Infrastructure joint venture using the equity method. Since the Company has been using the proportionate consolidation method under Canadian GAAP to account for its interest in the joint venture, the change in accounting policy will have a material presentation impact on the consolidated financial statements.

## IAS 36 Impairment of assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 Impairment of Assets, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. IAS 36 also requires impairment testing to be applied at a cash-generating unit level. In addition, goodwill must be allocated to cash-generating units for impairment testing purposes. Under Canadian GAAP, goodwill is allocated to

a reporting unit for purposes of impairment testing. Since the methodology for testing goodwill and intangible assets will change upon adoption of IFRS, the Company is in the process of completing its analysis of the impact of differences in impairment between Canadian GAAP and IFRS and is expecting that the adoption of the new impairment models may cause a partial reversal of impairment loss on intangible assets recognized in prior years.

## IAS 19 Employee benefits

The Company does not maintain defined benefits pension plan but contributes to a defined contribution pension plans for its employees. As part of the business combination with Sceptre, the Company assumed the role of sponsor of individual pension plans ("IPP") which had been established by Sceptre for certain key employees. Under pension legislation, while the IPPs are ongoing, the Company has no legal requirement to make contributions towards any solvency deficiencies under the IPPs. As for current service costs of the IPPs, no contribution are required except for an amount not exceeding \$60 000 yearly. Accordingly, there are no significant changes arising from the transition to IFRS with respect to IAS 19.

Finally, the following standards for the Company have been identified as having insignificant or no impact:

- IFRS 2 *Share-based Payment*: the Company has reviewed the calculation of its stock based compensation expense which is graded vested and has determined that its calculation is acceptable under IFRS and Canadian GAAP and therefore already comply with IFRS treatment;
- IAS 12 *Income Taxes*: the Company has reviewed the temporary differences resulting in future income tax assets or liabilities as at October 1<sup>st</sup>, 2010 and throughout 2010-2011 fiscal year to determine if any temporary differences resulted when assets were initially recognized and has concluded that no changes are required to be made for the transition except that under IFRS the term "deferred tax" will be used whereas under Canadian GAAP we use "Future tax";

- IAS 16 *Property, Plant and Equipment*: the disclosure requirements under IAS 16 are more detailed than those under Canadian GAAP and IAS 16 will not result in any financial changes to the company;
- IAS 27 *Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purposes Entities*: after detailed analysis, it was determined that the Company is not required to consolidate Funds managed by the Company;
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*: no changes or impacts are expected.

## NON-GAAP MEASURES

EBITDA is calculated as the sum of net earnings, plus interest on debt and other interest expense, income taxes, amortization and impairment loss of property and equipment and intangible assets, retention bonus and certain acquisition costs. Adjusted EBITDA is EBITDA that has been adjusted to eliminate the effect of performance fees. A reconciliation of EBITDA and Adjusted EBITDA may be found in Table-1 Statement of Earnings.

We have included Non-GAAP measures to provide investors with supplemental measures of our operating and financial performance. We believe Non-GAAP measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on Canadian GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use Non-GAAP measures in the evaluation of issuers, many of which present Non-GAAP measures when reporting their results. Our management also uses Non-GAAP 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-GAAP measures are not presentations made in accordance with Canadian GAAP. For example, certain or all of the Non-GAAP 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. Although we consider the items excluded in the calculation of Non-GAAP measures to be non-recurring and less relevant to evaluate our performance, some of these items may continue to take place and accordingly may reduce the cash available to us. We believe that the presentation of the Non-GAAP measures described above is appropriate. However, these Non-GAAP measures have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under Canadian GAAP. Because of these limitations, we primarily rely on our results as reported in accordance with Canadian GAAP and use the Non-GAAP measures only as a supplement. In addition, because other companies may calculate Non-GAAP measures differently than we do, they may not be comparable to similarly-titled measures reported by other companies.

## RISKS OF THE BUSINESS

Fiera Sceptre's business is subject to a number of risks factors, including but not limited to the following:

### Clients are not committed to long-term relationship

The agreements pursuant to which Fiera Sceptre manages its clients' assets, in accordance with industry practice, may be terminated upon short notice. Clients that are invested in units of the Funds may have their units redeemed upon short notice as well. Consequently, there is no assurance that Fiera Sceptre will be able to achieve or maintain any particular level of AUM, which may have a material negative impact on Fiera Sceptre's ability to attract and retain clients and on its Management Fees, its potential Performance Fees and its overall profitability.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

The loss of any major clients or of a significant number of existing clients could have a material adverse effect upon Fiera Sceptre's results of operations and financial condition.

## Poor investment performance could lead to the loss of existing clients, an inability to attract new clients, lower AUM and a decline in revenues

Poor investment performance, whether relative to Fiera Sceptre's competitors or otherwise, could result in the withdrawal of funds by existing clients in favour of better performing products and would have an adverse impact upon Fiera Sceptre's ability to attract funds from new and existing clients, any of which could have an adverse impact on Fiera Sceptre's AUM, Management Fees, profitability and growth prospects. In addition, Fiera Sceptre's ability to earn Performance Fees is directly related to its investment performance and therefore poor investment performance may cause Fiera Sceptre to earn less or no Performance Fees. Fiera Sceptre cannot guarantee that it will be able to achieve positive relative returns, retain existing clients or attract new clients.

## Loss of key employees due to competitive pressures could lead to a loss of clients and a decline in revenues

Fiera Sceptre's business is dependent on the highly-skilled and often highly-specialized individuals it employs. The contributions of these individuals to Fiera Sceptre's Investment Management, Risk Management and Client Service teams is important to attracting and retaining clients. Fiera Sceptre devotes considerable resources to recruiting, training and compensating these individuals. However, given the growth in total AUM in the investment management industry, the number of new firms entering the industry and the reliance on performance results to sell financial products, demand has increased for high-quality investment and client service professionals. Compensation packages for these professionals have a tendency to increase at a rate well in excess of inflation and above the rates observed in

other industries. Fiera Sceptre expects that these costs will continue to represent a significant portion of its expenses.

Fiera Sceptre has taken, and will continue to take, steps to encourage its key employees to remain with Fiera Sceptre. These steps include providing a stock option plan, a short-term incentive plan and the Employee Share Purchase Plan, as well as a working environment that fosters employee satisfaction. We are confident that these measures, aimed at being an employer of choice, will be efficient at retaining these individuals, even if we face increasing competition for experienced professionals in the industry, and that Fiera Sceptre will be able to recruit high quality new employees with the desired qualifications in a timely manner, when required.

## Integration of the Combined Businesses

The success of the expected benefits from the Arrangement will depend, in part, on the ability of management of Fiera Sceptre to realize the anticipated benefits and cost savings from integration of the businesses of Fiera Capital and Sceptre. The integration of the businesses may result in significant challenges, and management of Fiera Sceptre may be unable to accomplish the integration smoothly or successfully or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of their respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management of Fiera Sceptre to maintain relationships with customers, suppliers, employees or to achieve the anticipated benefits of the Arrangement.

The integration of Fiera Capital and Sceptre requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that management of Fiera Sceptre will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that were anticipated as a result of the Arrangement.

Any inability of management to successfully integrate the operations of Fiera Capital and Sceptre, including, information technology and financial reporting systems, could have a material adverse effect on the business, financial condition and results of operations of Fiera Sceptre.

### **Competitive pressures could reduce revenues**

The investment management industry is competitive. Certain of Fiera Sceptre's competitors have, and potential future competitors could have, substantially greater technical, financial, marketing, distribution and other resources than Fiera Sceptre. There can be no assurance that Fiera Sceptre will be able to achieve or maintain any particular level of AUM or revenues in this competitive environment. Competition could have a material adverse effect on Fiera Sceptre's profitability and there can be no assurance that Fiera Sceptre will be able to compete effectively. In addition, Fiera Sceptre's ability to maintain its Management Fee and Performance Fee structure is dependent on its ability to provide clients with products and services that are competitive. There can be no assurance that Fiera Sceptre will not come under competitive pressures to lower the fees it charges or that it will be able to retain its fee structure or, with such fee structure, retain clients in the future. A significant reduction in Fiera Sceptre's Management Fees or Performance Fees could have an adverse effect on revenues.

### **Conflicts of interest and reputational risk**

The failure by Fiera Sceptre to appropriately manage and address conflicts of interest could damage Fiera Sceptre's reputation and materially adversely affect its business, financial condition or profitability. Certain of the Funds and Managed Accounts have overlapping investment objectives and potential conflicts may arise with respect to a decision regarding how to allocate investment opportunities among them. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Claims in

connection with conflicts of interest could have a material adverse effect on Fiera Sceptre's reputation which could materially adversely affect Fiera Sceptre's business in a number of ways, including as a result of any related client losses.

Reputational risk is the potential that adverse publicity, whether true or not, may cause a decline in Fiera Sceptre's earnings or client base due to its impact on Fiera Sceptre's corporate image. Reputational risk is inherent in virtually all of Fiera Sceptre's business transactions, even when the transaction is fully compliant with legal and regulatory requirements. Reputational risk cannot be managed in isolation, as it often arises as a result of operational, regulatory and other risks inherent in Fiera Sceptre's business. For this reason, Fiera Sceptre's framework for reputation risk management is integrated into all other areas of risk management and is a key part of the code of ethics and conduct which all of Fiera Sceptre's employees are required to observe.

### **Change(s) in the investment management industry could result in a decline in revenues**

Fiera Sceptre's ability to generate revenues has been significantly influenced by the growth experienced in the investment management industry and by Fiera Sceptre's relative performance within the investment management industry. The historical growth of the investment management industry may not continue and adverse economic conditions and other factors, including any significant decline in the financial markets, could affect the popularity of Fiera Sceptre's services or result in clients withdrawing from the markets or decreasing their level and/or rate of investment. A decline in the growth of the investment management industry or other changes to the industry that discourage investors from using Fiera Sceptre's services could affect Fiera Sceptre's ability to attract clients and result in a decline in revenues.

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

## Employee errors or misconduct could result in regulatory sanctions or reputational harm, which could materially adversely affect Fiera Sceptre's business, financial condition or profitability

There have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years and, notwithstanding the extensive measures Fiera Sceptre takes to deter and prevent such activity (including by instituting its code of ethics and conduct), Fiera Sceptre runs the risk that employee misconduct could occur. Misconduct by employees could include binding Fiera Sceptre to transactions that exceed authorized limits or present unacceptable risks, or concealing from Fiera Sceptre unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. Fiera Sceptre is also susceptible to loss as a result of employee error. It is not always possible to deter employee misconduct or prevent employee error and the precautions Fiera Sceptre takes to prevent and detect these activities may not be effective in all cases, which could materially adversely affect Fiera Sceptre's business, financial condition or profitability.

## Regulatory and litigation risk

Fiera Sceptre's ability to carry on business is dependent upon Fiera Sceptre's compliance with, and continued registration under, securities legislation in the jurisdictions where it carries on business. Any change in the securities regulatory framework or failure to comply with any of these laws, rules or regulations could have an adverse effect on Fiera Sceptre's business. There is also the potential that the laws or regulations governing Fiera Sceptre's operations or particular investment products or services could be amended or interpreted in a manner that is adverse to Fiera Sceptre. The rapidly changing securities regulatory environment and the rise of investment management industry standards for operational efficiencies, as well as competitive pressures

towards the implementation of innovative products and services may require additional human resources. The implementation of additional reporting obligations and other procedures for investment Funds may require additional expenditures. Failure to comply with these regulations could result in fines, temporary or permanent prohibitions on Fiera Sceptre's activities or the activities of some of Fiera Sceptre's personnel or reputational harm, which could materially adversely affect Fiera Sceptre's business, financial condition or profitability.

Regardless of Fiera Sceptre's effectiveness in monitoring and administering established compliance policies and procedures, Fiera Sceptre, and any of its directors, officers, employees and agents, may be subject to liability or fines that may limit its ability to conduct business. Fiera Sceptre maintains various types of insurance to cover certain potential risks and regularly evaluates the adequacy of this coverage. In recent years, the cost of obtaining insurance has increased while the number of insurance providers has decreased. As a result of the introduction of the secondary market civil liability regime, the ability to obtain insurance on reasonable economic terms may be even more difficult in the future.

Litigation risk is inherent in the investment management industry in which Fiera Sceptre operates. Litigation risk cannot be eliminated, even if there is no legal cause of action. The legal risks facing Fiera Sceptre, its directors, officers, employees and agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' Funds. In addition, with the existence of the secondary market civil liability regime in certain jurisdictions, dissatisfied shareholders may more easily make claims against Fiera Sceptre, its directors and its officers.

## Failure to manage risks in portfolio models could materially adversely affect Fiera Sceptre's business, financial condition or profitability

Fiera Sceptre monitors, evaluates and manages the principal risks associated with the conduct of its business. These risks include external market risks to which all investors are



subject, as well as internal risks resulting from the nature of Fiera Sceptre's business. Certain of Fiera Sceptre's methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which may be significantly greater than the historical measures indicated.

Other risk management methods depend upon evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by Fiera Sceptre. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events and these policies and procedures may not be fully effective. A failure by Fiera Sceptre to manage risks in its portfolio models could materially adversely affect Fiera Sceptre's business, financial condition or profitability.

### **Rapid growth in Fiera Sceptre's AUM could adversely affect Fiera Sceptre's investment performance or its ability to continue to grow**

An important component of investment performance is the availability of appropriate investment opportunities for new client assets. If Fiera Sceptre is not able to identify sufficient investment opportunities for new client assets in a timely manner, its investment performance could be adversely affected or Fiera Sceptre may elect to limit its growth and reduce the rate at which it receives new client assets. If Fiera Sceptre's AUM increases rapidly, it may not be able to exploit the investment opportunities that have historically been available to it or find sufficient investment opportunities for producing the absolute returns it targets.

### **Valuation**

Valuation of the Funds is subject to uncertainty. While the Funds are audited by independent auditors, within the meaning of the Code of Ethics of the Ordre des comptables agréés du Québec, in order to assess whether the Fund's financial statements are fairly stated in accordance with

Canadian GAAP or IFRS valuation of certain of the Funds' securities and other investments may involve uncertainties and judgment determinations and, if such valuations should prove to be incorrect, the net asset value of a Fund could be misstated. Independent pricing information may not always be available regarding certain of the Funds' securities and other investments. Additionally, the Funds may hold investments which by their very nature may be extremely difficult to value accurately, particularly the venture investments held by Fiera Sceptre in private portfolio companies. Fiera Sceptre may incur substantial costs in rectifying pricing errors caused by the misstatement of investment values.

### **Possible requirement to absorb operating expenses on behalf of mutual Funds**

If the assets under management in the Sceptre Funds decline to the point that charging the full fund operating expenses to the Funds results in management expense ratios or the Funds becoming uncompetitive, then Fiera Sceptre may choose to absorb some of these expenses. This will result in an increase in expenses for Fiera Sceptre and a decrease in profitability.

### **Failure to implement effective information security policies, procedures and capabilities could disrupt operations and cause financial losses that could materially adversely affect Fiera Sceptre's business, financial condition or profitability**

Fiera Sceptre is dependent on the effectiveness of its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data that resides on or is transmitted through them. An externally caused information security incident, such as a hacker attack or a virus or worm, or an internally-caused issue, such as failure to control access to sensitive systems, could materially interrupt Fiera Sceptre's business operations or cause disclosure or modification of sensitive or confidential information and could result in material

# Management Discussion & Analysis

For the three months and the year ended September 30, 2011

financial loss, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could materially adversely affect Fiera Sceptre's business, financial condition or profitability.

The administrative services provided by Fiera Sceptre depend on software supplied by third-party suppliers. Failure of a key supplier, the loss of these suppliers' products, or problems or errors related to such products would likely have a material adverse effect on the ability of Fiera Sceptre to provide these administrative services. Changes to the pricing arrangement with such third-party suppliers because of upgrades or other circumstances could also have an adverse effect upon the profitability of Fiera Sceptre.

## Dependency on information systems and telecommunications

Fiera Sceptre is dependent on the availability of its personnel, its office facilities and the proper functioning of its computer and telecommunications systems. A disaster such as water damage, an explosion or a prolonged loss of electrical power could materially interrupt Fiera Sceptre's business operations and cause material financial loss, loss of human capital, regulatory actions, breach of client contracts, reputational harm or legal liability, which in turn could materially adversely affect Fiera Sceptre's business, financial condition or profitability.

## Obtaining sufficient insurance coverage on favourable economic terms may not be possible

Fiera Sceptre holds various types of insurance, including errors and omissions insurance, general commercial liability insurance and a financial institution bond. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that claims will not exceed the limits of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A judgment against Fiera Sceptre in excess of available insurance or in respect

of which insurance is not available could have a material adverse effect on the business, financial condition or profitability. There can be no assurance that Fiera Sceptre will be able to obtain insurance coverage on favourable economic terms in the future.



# Independent Auditor's Report

## TO THE SHAREHOLDERS OF FIERA SCEPTRE INC.

We have audited the accompanying consolidated financial statements of Fiera Sceptre Inc. which comprise the consolidated balance sheets as at September 30, 2011 and 2010 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fiera Sceptre Inc. as at September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montreal, December 14, 2011

*Samsur Bégin / Deloitte & Touche S.E.N.C.R.L.<sup>1</sup>*

<sup>①</sup> Chartered accountant auditor permit No. 8130

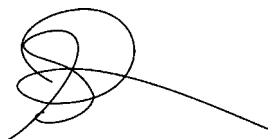
## Management's report to shareholders

Management of Fiera Sceptre Inc. is responsible for the integrity and objectivity of the consolidated financial statements and all other information contained in the Annual Report. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and based on management's information and judgment.

In fulfilling its responsibilities, management has developed internal control systems as well as policies and procedures designed to provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with appropriate authorization, and that accounting records may be relied upon to accurately reflect the Corporation's business transactions.

Operating under the Board of Directors, the Audit Committee is composed of independent directors who meet periodically with management and with auditors to discuss the Corporation's financial reporting and internal control. The Audit Committee reviews the financial information prepared by management and the results of the audit by the auditors prior to recommending the consolidated financial statements to the Board of Directors for approval. The independent auditors have unrestricted access to the Audit Committee. In addition, the Corporation's independent auditors, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., are responsible for auditing the consolidated financial statements and for providing an opinion thereon. Their report is provided herein.

Management recognizes its responsibility to conduct the Corporation's affairs in the best interests of its shareholders.



**Sylvain Brosseau**  
President and  
Chief Operating Officer



**Jean-Guy Desjardins**  
Chairman of the Board,  
Chief Executive Officer and  
Chief Investment Officer

# Consolidated statements of earnings

Years ended September 30

2011  
\$

2010  
\$

## REVENUE

Base management fees	68,165,030	36,911,597
Performance fees	3,940,542	3,067,381
Success fees of the joint venture	-	1,378,788
Interest and other revenues	655,879	556,136
Discounts granted to a shareholder	-	(390,000)
	<b>72,761,451</b>	<b>41,523,902</b>
Selling, general and administration fees	48,770,659	32,673,425
External managers	2,692,924	1,096,094
Amortization of property and equipment	829,942	576,598
Amortization of intangible assets	3,198,631	1,372,552
Write-off of property and equipment	633,148	-
Reversal of unamortized lease inducement	(142,896)	-
Interest on long-term debt	-	111,239
Loss on disposal of investments	7,919	-
Gain on dilution <b>NOTE 4</b>	-	(106,398)
	<b>55,990,327</b>	<b>35,723,510</b>
Earnings before the following items	16,771,124	5,800,392
Restructuring costs and other costs <b>NOTE 3</b>	3,350,146	778,219
Earnings before income taxes	13,420,978	5,022,173
Current income taxes (recovered) <b>NOTE 14</b>	4,409,623	(55,177)
Future income taxes <b>NOTE 14</b>	53,555	1,584,661
	<b>4,463,178</b>	<b>1,529,484</b>
Net earnings	<b>8,957,800</b>	<b>3,492,689</b>
Earnings per share <b>NOTE 16</b>		
Basic	0.25	0.22
Diluted	0.24	0.22

# Consolidated statements of comprehensive income

Years ended September 30

	2011	2010
	\$	\$
<b>Net earnings</b>	<b>8,957,800</b>	3,492,689
Other comprehensive income		
Unrealized gain on available-for-sale financial assets (net of taxes)	<b>5,286</b>	14,652
Unrealized gain (loss) on available-for-sale financial assets (net of taxes) of the joint venture	<b>11,615</b>	(6,716)
Reclassification adjustment included in net earnings	<b>(7,919)</b>	-
	<b>8,982</b>	7,936
<b>Comprehensive income</b>	<b>8,966,782</b>	3,500,625

# Consolidated statements of changes in shareholders' equity

Years ended September 30

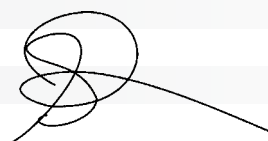
	2011	2010
	\$	\$
<b>SHARE CAPITAL</b>		
Balance, beginning of year	134,495,560	30,724,786
Shares transactions prior to the business combination:		
Issuance of shares for cash	-	4,848,375
Redemption for shares	-	(1,587,757)
Shares transactions on or after the business combination:		
For business combination	-	95,184,588
Issuance of shares for cash	-	5,000,000
Stock options exercised	1,091,086	325,568
<b>Balance, end of year</b>	<b>135,586,646</b>	<b>134,495,560</b>
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of year	1,088,331	-
For business combination	-	957,065
Stock-based compensation expense	932,873	236,129
Stock options exercised	(317,839)	(104,863)
<b>Balance, end of year</b>	<b>1,703,365</b>	<b>1,088,331</b>
<b>RETAINED EARNINGS</b>		
Balance, beginning of year	2,304,458	7,637,779
Net earnings	8,957,800	3,492,689
Excess of purchase price over carrying value of redeemed shares	-	(3,260,618)
Fiera assets not transferred at time of business combination	-	(565,392)
Dividends	(10,959,658)	(5,000,000)
<b>Balance, end of year</b>	<b>302,600</b>	<b>2,304,458</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Balance, beginning of year	7,936	-
Other comprehensive income	8,982	7,936
<b>Balance, end of year</b>	<b>16,918</b>	<b>7,936</b>

# Consolidated balance sheets

as at September 30

	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,714,569	2,118,278
Restricted cash <small>NOTE 5</small>	218,501	1,797,719
Investments <small>NOTE 6</small>	983,339	4,514,231
Accounts receivable <small>NOTE 7</small>	16,468,204	15,896,754
Prepaid expenses	733,413	495,070
Future income tax <small>NOTE 14</small>	63,741	55,809
	<b>20,181,767</b>	<b>24,877,861</b>
Long-term investment <small>NOTE 8</small>	713,545	369,303
Property and equipment <small>NOTE 9</small>	2,507,340	2,706,158
Intangible assets <small>NOTE 10</small>	46,383,341	48,795,044
Goodwill	90,470,456	89,904,685
Deferred charges	224,143	199,237
	<b>160,480,592</b>	<b>166,852,288</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <small>NOTE 12</small>	11,527,167	14,506,573
Amount due to related companies	195,110	108,119
Client deposits <small>NOTE 5</small>	218,501	1,797,719
Deferred income	17,677	57,811
Prepaid management fees	551,061	307,293
Due to shareholders of the joint venture	-	573,199
	<b>12,509,516</b>	<b>17,350,714</b>
Deferred lease obligations	319,705	301,620
Lease inducements	735,676	978,180
Future income taxes <small>NOTE 14</small>	8,935,914	8,874,427
Other long-term liabilities	370,252	1,451,062
	<b>22,871,063</b>	<b>28,956,003</b>
<b>Commitments <small>NOTE 19</small></b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <small>NOTE 15</small>	135,586,646	134,495,560
Contributed surplus	1,703,365	1,088,331
Retained earnings	302,600	2,304,458
Accumulated other comprehensive income	16,918	7,936
	<b>319,518</b>	<b>2,312,394</b>
	<b>137,609,529</b>	<b>137,896,285</b>
	<b>160,480,592</b>	<b>166,852,288</b>

Approved by the Board



**Sylvain Brosseau**  
President and  
Chief Operating Officer



**Jean-Guy Desjardins**  
Chairman of the Board,  
Chief Executive Officer and  
Chief Investment Officer

# Consolidated statements of cash flows

Years ended September 30

2011  
\$

2010  
\$

## OPERATING ACTIVITIES

Net earnings	8,957,800	3,492,689
Adjustments for :		
Amortization of property and equipment	829,942	576,598
Amortization of intangible assets	3,198,631	1,372,552
Amortization of deferred charges	117,910	62,004
Amortization of financing charges	-	44,970
Write-off of property and equipment	633,148	-
Reversal of unamortized lease inducements	(142,896)	-
Lease inducements	(160,206)	(129,439)
Deferred lease obligations	18,085	21,954
Stock-based compensation	932,873	236,129
Future income taxes	53,555	1,584,661
Gain on dilution <small>NOTE 4</small>	-	(106,398)
Loss (gain) on disposal of investments	7,919	(2,583)
Prepaid management fees	(307,293)	(3,000,000)
	14,139,468	4,153,137
Changes in non-cash operating working capital items <small>NOTE 18</small>	(4,967,694)	432,426
	9,171,774	4,585,563

## INVESTING ACTIVITIES

Business combination adjustment (Less cash acquired of \$1,856,334 in 2010)	(361,983)	(2,299,517)
Investments	3,520,340	(1,625,027)
Loans to related companies	-	107,433
Purchase of property and equipment	(1,364,272)	(347,537)
Purchase of intangible assets	(786,928)	(255,806)
Purchase of long-term investment	(332,627)	(376,019)
Deferred charges	(124,200)	-
Lease inducements	60,598	33,878
Effect on cash and cash equivalents upon dilution of its investment in Fiera Axium Infrastructure Inc. <small>NOTE 4</small>	-	115,135
	610,928	(4,647,460)

## FINANCING ACTIVITIES

Reimbursement of long-term debt	-	(4,076,342)
Business Partners' deposit	-	253,805
Payment of dividends	(10,959,658)	(5,000,000)
Issuance of share capital	773,247	10,069,079
Redemption of share capital	-	(4,848,375)
	(10,186,411)	(3,601,833)
Net decrease in cash and cash equivalents	(403,709)	(3,663,730)
Cash and cash equivalents, beginning of year	2,118,278	5,782,008
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,714,569</b>	<b>2,118,278</b>

Additional information is presented in NOTE 18

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## **NOTE 1** DESCRIPTION OF BUSINESS AND MERGER

Fiera Sceptre Inc. (“Fiera Sceptre” or “the Company”) is incorporated under the laws of the Province of Ontario. The Company is a full-service, multi-product investment firm, providing investment advisory and related services to institutional investors, private wealth clients and retail investors.

On September 1, 2010, Fiera Capital Inc. announced that it had completed the previously announced statutory plan of arrangement (the “Arrangement”) pursuant to which the businesses of Sceptre Investment Counsel Limited (“Sceptre”) and Fiera Capital Inc. (“Fiera Capital”) were combined to create a leading-edge and publicly traded independent investment manager.

For accounting purposes, Fiera Capital was deemed to be the acquirer in the business combination of Fiera Capital and Sceptre. As a result, current financial reporting is based on Fiera Capital’s historical data up to and including September 1, 2010 and the combined results after the closing date. The September 30, 2011 earnings are the results of the combined entity.

## **NOTE 2** ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and reflect the following significant accounting policies:

### Principles of consolidation

The consolidated financial statements include the accounts of Fiera Sceptre and its wholly owned subsidiaries, Fiera Sceptre Funds Inc., (“FSFI”) and Sceptre Fund Management Inc. (“SFMI”). All intercompany transactions and balances have been eliminated on consolidation. The consolidated financial statements also include the

accounts of Fiera Axiom Infrastructure Inc. (“Fiera Axiom”) held at 35.35% (41.18% until March 2010). Fiera Axiom accounts are accounted for under the proportionate consolidation method.

### Revenue recognition

Revenue from management fees is recognized as the related services are rendered and the fees are determinable. Discounts are recorded against revenue. Management fees are invoiced monthly or quarterly based on daily average assets under management and others are calculated and invoiced quarterly in arrears based on calendar quarter-end assets values under management or on an average of opening and closing assets under management for the quarter.

Performance fees are recorded only at the performance measurement dates contained in the individual account agreements and are dependent upon performance of the account exceeding agreed-upon benchmarks over the relevant year.

Success fees are recognized upon closing of an infrastructure project of our Fiera Axiom joint venture.

### Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from these estimates.

The most significant areas requiring the use of management estimates relate to: the restructuring and purchase price allocation, allowance for doubtful accounts, intangible assets, goodwill, accrued liabilities, future income tax assets and liabilities and stock-based compensation.



## Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification	
Cash and restricted cash	Held for trading
Investments	
Short-term notes	Held for trading
Mutual fund and pooled fund investments	Available for sale
Accounts receivable and loans to related companies	Loans and receivables
Long-term investment	Available for sale
Accounts payable and accrued liabilities	Other liabilities
Amount due to related companies	Other liabilities
Client deposits	Other liabilities
Long-term debt	Other liabilities

### Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheets' dates. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company

elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Company has not designated any non-derivative financial liabilities as held for trading.

### Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

### Available for sale

The Company's investments have been designated as available-for-sale financial assets and, therefore, are carried on the consolidated balance sheets at fair value, with unrealized gains and losses being recognized in other comprehensive income ("OCI"). OCI and net earnings comprise comprehensive income.

### Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

### Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

Financial instrument recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

# Notes to the consolidated financial statements

September 30, 2011 and 2010

The three levels of fair value hierarchy have the following levels:

Level 1:	valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:	valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3:	valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The required disclosures are included in Note 21.

## Cash and cash equivalents

Cash and cash equivalents may comprise cash and Treasury bill with maturities of three months or less from the date of acquisition.

## Investments

Investments in short-term notes are carried on the consolidated balance sheets at fair value using bid prices. Investments in mutual fund and pooled fund units are carried at the net asset value reported by the fund manager.

## Long-term investment

The long-term investment in the Limited Partnership is carried at the net asset value reported by the fund manager.

## Property and equipment

Property and equipment are accounted for at cost and amortized over their useful lives on a straight-line basis over the following periods and term:

Office furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	Lease term

## Intangible assets

Intangible assets with an indefinite life such as the management contracts with mutual funds are accounted for at cost. The Company expects both the renewal of these contracts and the cash flows generated by these assets to continue indefinitely. Accordingly, the Company does not amortize these intangible assets, but reviews these assets for impairment, annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in earnings for an amount equal to the excess. If the Company determines that the indefinite life criteria are no longer met, the Company will amortize the asset over its remaining useful life.

Other intangible assets are accounted for at cost. The expected useful lives of definite lives customer relationships are analysed each year and determined based on the analysis of the historical and projected attrition rates of clients and other factors that may influence the expected future economic benefit that the Company will generate from the customer relationships. The Company tests for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value of the asset is not recoverable. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded for an amount necessary to reduce the carrying value of the asset to fair value.

Amortization is based on their estimated useful lives using the straight-line method over the following period and term:

Customer relationships	20 years
Trade name	5 years
Non-compete agreement	3 years
Software	2 years

### Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposal. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

### Goodwill

Goodwill, representing the excess of purchase price over fair value of the net identifiable assets of acquired businesses, is tested, using a two-step process, for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. The first step consists of determining whether the fair value of the reporting unit to which goodwill is assigned exceeds the net carrying value of that reporting unit, including goodwill. In the event that the net carrying amount exceeds the fair value, a second step is performed in order to determine the amount of the impairment loss. The impairment loss is measured as the amount by which the carrying amount of the reporting unit's goodwill exceeds its implied fair value. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Company uses the discounted cash flow method to determine the fair value of reporting units.

### Deferred charges

Deferred charges consist of insurance and are amortized on a straight-line basis over the term of the contract.

### Deferred lease obligations

The Company leases office space with a predetermined fixed escalation of the minimum rent. The Company recognizes the related rent expense on a straight-line basis and consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred lease obligations.

### Lease inducements

Lease inducements consist of allocations received from lessors for leasehold improvements and are amortized over the lease term.

### Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amounts of balance sheet items and their corresponding tax bases, using the enacted and substantially enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

### Employee future benefits

The Company maintains defined contribution pension plans and the annual charge corresponds to the contributions.

As part of the business combination referred in Note 1, the Company assumed the role of sponsor of individual pension plans ("IPP") which had been established by Sceptre for certain key employees. Under pension legislation, while the IPPs are ongoing, the Company has no legal requirement to make contributions towards any solvency deficiencies under the IPPs. However, the Company has a legal requirement regarding the funding of ongoing deficit. These IPPs are valued on a triennial reporting cycle. The most recent actuarial valuation was performed as at January 1st, 2009 and the next actuarial valuation date is January 1st, 2012.

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method to evaluate the dilutive effect of stock options. This method assumes that any proceeds obtained on exercise of employee stock options would be used to purchase shares at the average market price during the year.

## Stock-based compensation

Stock-based compensation expense is recorded using the fair value method. Under this method, the compensation expense for stock options is measured at fair value at grant date using the Black-Scholes option pricing model and recognized over the vesting period. When stock options are exercised, any consideration paid by employees is credited to share capital and the recorded fair value of the options is removed from contributed surplus and credited to share capital.

## Deferred share unit plan

The expense associated with granting new deferred share units ("DSUs") is recognized when the deferred shares are issued. Changes in the fair value of previously issued DSUs that arise due to changes in the price of the Company's Class A shares are recognized on an ongoing basis in the consolidated statement of earnings. The number of DSUs granted to directors is determined by dividing the dollar value of the portion of directors' fees to be paid in DSUs by the closing price of the Company's shares on the TSX for the business day immediately preceding the date of the grant. DSUs are granted on the third business day following the publication by the Company of its earnings results for each quarter.

## Future accounting changes

International Financial Reporting Standards - The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) confirmed, in February 2008, that it will require all publicly accountable enterprises to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In the year of adoption, companies will be required to provide comparative information as if IFRS had been used in the preceding fiscal year. The transition from Canadian GAAP to IFRS is applicable to the Company as at October 1, 2010. For the year ending September 30, 2012, the Company will prepare both its fiscal 2012 and fiscal 2011 comparative financial information using IFRS.

### NOTE 3 BUSINESS COMBINATION

As described in Note 1, on September 1, 2010 Fiera Capital Inc. transferred, assigned and conveyed the near totality of its assets except for certain income tax related assets amounting to \$565,392 to Sceptre in consideration of Sceptre assuming Fiera liabilities and issuing 21,357,336 Class B special voting shares of Sceptre.

This type of exchange, accounted in a manner similar to that referred to as a "Reverse takeover," deems Fiera Capital Inc. to be the acquirer for accounting purposes. Accordingly, Sceptre's assets and liabilities were recorded at their estimated fair value as more precisely described in Emerging Issues Committee Abstract 10 "Reverse takeover" ("EIC 10"). The fair value of all issued and then outstanding shares of Sceptre was used as the basis for the determination of the cost of purchase.

The shares purchase consideration was based on 14,206,655 Sceptre's shares times the weighted average price of the shares on the Toronto Stock Exchange for a period starting 2 days before June 16, 2010, the announcement date of the transaction, and ending 2 days after.

During the year ended September 30, 2011, the purchase price allocation related to the business combination has been finalized and has been adjusted to include additional amounts relating to namely employee benefits obligations for \$293,057 (refer to Note 13), restructuring for \$224,000 and professional fees of \$49,362.

	\$
Current assets	12,188,591
Property and equipment	630,237
Deferred charges	182,637
Value of intangibles	28,285,000
Goodwill <sup>1</sup>	73,468,751
Current liabilities and long-term liabilities	(9,686,758)
Lease inducements	(29,085)
Future income tax liabilities	(4,692,507)
	100,346,866
Purchase consideration	
Shares consideration - deemed issuance	95,184,588
Fair value of Sceptre options - deemed issuance <sup>2</sup>	957,065
Transaction costs	4,205,213
	100,346,866

<sup>1</sup> The goodwill is not deductible for tax purposes.

<sup>2</sup> At closing, Sceptre had 368,466 options outstanding which became vested as a result of the change of control. The fair value of the deemed issuance of Fiera options in exchange for the 368,466 options of Sceptre is \$957,065, and this amount has been included as a component of the purchase price.

# Notes to the consolidated financial statements

September 30, 2011 and 2010

In connection with the business combination, management has prepared plans to restructure and integrate the two businesses.

During the year ended September 30, 2011, as part of the restructuring and integration plan, the Company recorded restructuring costs for a total of \$3,350,146, including special bonuses and termination of certain Fiera Capital employees for an amount of 1,891,972 and integration expenses amounting to \$1,458,174.

With respect to the business combination, the Company recorded restructuring provisions related to leases for premises occupied by Sceptre which the Company plans to vacate as well as costs related with termination of certain employees of the acquired business performing functions already available through its existing structure. The change in the restructuring provision during the year is as follows:

	Severance	Consolidation of facilities	Total
	\$	\$	\$
Provision included in the preliminary purchase price allocation	2,273,000	1,384,000	3,657,000
Paid during the month of September 2010	(84,000)	-	(84,000)
Balance, September 30, 2010	2,189,000	1,384,000	3,573,000
Additions (reversal) during the year	313,000	(89,000)	224,000
Paid during the year	(1,972,000)	(383,000)	(2,355,000)
Balance, September 30, 2011	530,000	912,000	1,442,000

Of the total balance, \$1,305,000 is included in accounts payable and accrued liabilities and \$137,000 is included in other long-term liabilities.

An amount of \$677,000 is included in accounts payable and accrued liabilities for the termination of the Fiera Capital employees.

During the year, an amount of \$1,314,171 was transferred from long term liabilities to accrued liabilities.

## NOTE 4 JOINT VENTURE

On March 31, 2010, new shareholders and employees of the joint venture, Fiera Axiom subscribed to shares with voting rights of Fiera Axiom resulting in dilution of the investment held in Fiera Axiom from 41.18% to 35.35% and a gain on dilution of \$106,398 in spite of an additional investment of \$500,000 by the Company and a redemption of capital of \$875,000 in August 2010.

The consolidated financial statements include the proportionate share of assets, liabilities, revenue, expenses and cash flows of the joint venture. The amounts included in the financial statement are the following:

	2011	2010
	\$	\$
<b>Balance sheets</b>		
Current assets	<b>1,837,098</b>	1,018,837
Long-term assets	<b>812,292</b>	477,834
Current liabilities	<b>1,287,136</b>	1,388,964
Long-term liabilities	<b>29,684</b>	33,556
<b>Statement of earnings</b>		
Revenue	<b>2,754,500</b>	2,266,580
Expenses	<b>1,745,680</b>	2,109,354
Income taxes	<b>264,390</b>	77,348
Net earnings	<b>744,430</b>	79,878
<b>Cash flows</b>		
Operating activities	<b>1,155,188</b>	1,120,018
Investing activities	<b>(342,350)</b>	(448,918)
Financing activities	<b>(5,310)</b>	134,165
	<b>807,528</b>	805,265

The March 2010, transactions resulted in the elimination of certain assets and liabilities from the previous proportionate consolidation established at 41.18% as follows:

	Debit (credit)
	\$
Cash	<b>63,295</b>
Other current assets	<b>84,858</b>
Temporary investments	<b>253,007</b>
Other long-term assets	<b>1,707</b>
Business Partners' deposit	<b>(253,805)</b>
Other current liabilities	<b>(77,030)</b>
	<b>72,032</b>
<b>Effect of the dilution of the investment:</b>	
Cash	<b>(63,295)</b>
Change attributed to non-controlling interest	<b>72,032</b>
Gain on dilution on investment	<b>106,398</b>
	<b>115,135</b>
<b>These intercompany transactions are eliminated upon consolidation:</b>	
Accounts receivable	<b>3,023</b>
Accounts payable	<b>(3,023)</b>

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## NOTE 5 RESTRICTED CASH - CLIENT DEPOSITS

The restricted cash consists of client deposits received during the year following the settlement of a class action in favour of certain clients for whom the Company acted as agent. The source and use of funds related to these deposits are not considered as operating activities.

## NOTE 6 INVESTMENTS

	2011	2010
	\$	\$
Short-term notes	-	3,500,274
Mutual fund and pooled fund investments under management of the Company	983,339	1,013,957
	983,339	4,514,231

## NOTE 7 ACCOUNTS RECEIVABLE

	2011	2010
	\$	\$
Trade accounts	14,930,767	14,206,647
Trade accounts – related companies of a shareholder	1,534,894	1,496,818
Other	2,543	193,289
	16,468,204	15,896,754

## NOTE 8 LONG TERM INVESTMENT

	2011	2010
	\$	\$
Investment in the Limited Partnership managed by our Joint Venture (2.857%)	713,545	369,303

## NOTE 9 PROPERTY AND EQUIPMENT

	2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	2,276,058	1,698,940	577,118	524,590
Computer equipment	3,065,141	2,359,129	706,012	681,545
Leasehold improvements	1,718,682	494,472	1,224,210	1,500,023
	7,059,881	4,552,541	2,507,340	2,706,158



**NOTE 10 INTANGIBLE ASSETS**

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	\$	\$	\$	\$
Indefinite life				
Asset management contracts	6,170,000	-	6,170,000	6,170,000
Finite life				
Customer relationships	40,424,312	3,172,514	37,251,798	39,275,430
Trade name	2,330,000	504,829	1,825,171	2,295,500
Non compete	805,000	290,694	514,306	785,833
Software	1,892,733	1,270,667	622,066	268,281
	<b>51,622,045</b>	<b>5,238,704</b>	<b>46,383,341</b>	<b>48,795,044</b>

The intangible assets acquired during the year total \$786,928 (\$255,806 in 2010).

**NOTE 11 BANK LOAN**

The Company has an authorized line of credit of \$6,500,000, bearing interest at the prime rate or at the Banker's acceptance rate plus 0.25%, maturing June 2012. This line of credit is unused at year end. It is secured by a movable first mortgage of \$6,500,000 on accounts receivable, property and equipment and intangible assets, both present and future.

**NOTE 12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2011	2010
	\$	\$
Trade accounts payable and accrued liabilities	3,836,570	6,670,515
Wages, vacation and severance payable	1,685,164	2,748,490
Bonus and commission payable	5,428,501	5,008,913
Taxes	576,932	78,655
	<b>11,527,167</b>	<b>14,506,573</b>

**NOTE 13 EMPLOYEE FUTURE BENEFITS**

The Company contributes to defined contribution pension plans for its employees. Contributions for the year totalled \$795,361 (\$557,901 in 2010).

As at January 1st, 2011, an IPP of a former employee of Sceptre had an ongoing funding deficit of \$293,057 which requires a yearly contribution of \$59,696. The funding requirements, if any, will be officialised with the filing of the January 2012 actuarial report. The Company has recorded a liability as part of the purchase price allocation (Note 3) for the future contributions required under this specific IPP and, as such, has adjusted the purchase price allocation.

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## NOTE 14 INCOME TAXES

The following details the income tax expense:

	2011	2010
	\$	\$
Current income taxes (recovered)	4,409,523	(55,177)
Future income taxes	53,555	1,584,661
	<b>4,463,178</b>	<b>1,529,484</b>

The Company's income tax expense differs from the amounts that would have been obtained using the combined federal and provincial statutory tax rate as follows:

	2011	2010
	\$	\$
Income tax expense based on combined statutory income tax rate	3,859,873	1,503,394
Stock based compensation	268,294	70,686
Other non-deductible amounts	176,584	144,297
Adjustment of future income tax assets and liabilities due to changes to substantively enacted income tax rate	158,427	(188,893)
	<b>4,463,178</b>	<b>1,529,484</b>

The main components of future income tax assets and liabilities details as follows:

	2011	2010
	\$	\$
Future income tax assets		
Property and equipment	-	550,358
Lease inducements	192,173	249,404
Restructuring provision	225,697	816,058
Other	192,485	137,125
	<b>610,355</b>	<b>1,752,945</b>
Future income tax liabilities		
Intangible assets	(9,413,831)	(10,571,563)
Property and equipment	(68,697)	-
	<b>(9,482,528)</b>	<b>(10,571,563)</b>
Net future income taxes liabilities	<b>(8,872,173)</b>	<b>(8,818,618)</b>
Allocated as follows		
Future income tax assets – current	63,741	55,809
Future income tax liabilities – long-term	(8,935,914)	(8,874,427)
	<b>(8,872,173)</b>	<b>(8,818,618)</b>

**NOTE 15 SHARE CAPITAL**

Authorized, an unlimited number of:

- Class A shares, subordinate voting and participating
- Class B shares, special voting, participating

	2011	
	Number	\$
Class A subordinate voting shares		
Outstanding, beginning of year	15,078,721	100,510,156
Transfer from Class B special voting shares	149,372	237,692
Stock option exercised	139,573	1,091,086
Outstanding, end of year	15,367,666	101,838,934
Class B special voting shares		
Outstanding, beginning of year	21,357,336	33,985,404
Transfer to Class A subordinate voting shares	(149,372)	(237,692)
Outstanding, end of year	21,207,964	33,747,712
Total share capital, end of year	36,575,630	135,586,646

# Notes to the consolidated financial statements

September 30, 2011 and 2010

	2010	
	Number	\$
Class A subordinate voting shares		
Issued in exchange of common shares	14,238,224	95,396,100
Less shares held in trust by the Company <sup>2</sup>	(31,569)	(211,512)
	14,206,655	95,184,588
Issued in exchange for cash	833,333	5,000,000
Stock option exercised	38,733	325,568
Outstanding, end of year	15,078,721	100,510,156
Class B special voting shares		
Issued as part of the business combination and outstanding, end of year	21,357,336	33,985,404
<b>Total share capital at end of year</b>	<b>36,436,057</b>	<b>134,495,560</b>
Fiera share capital transactions prior to the business combination		
Shares capital, beginning of year	45,544,295	30,724,785
Shares issued for cash	2,353,580	4,848,375
Shares redeemed <sup>1</sup>	(2,353,580)	(1,587,756)
Values assigned to class B special voting shares at closing	(45,544,295)	(33,985,404)
Outstanding shares, end of year	-	-
Sceptre share capital transactions prior to the business combination		
Outstanding shares, beginning of year	14,044,590	n/a
Stock options, exercised	193,634	n/a
Exchange for Company Class A subordinate voting shares	(14,238,224)	n/a
Outstanding common shares, end of year	-	-

① Shares with a carrying value of \$1,587,756 were redeemed for an amount of \$4,848,375 and the excess of purchase price over the carrying value of \$3,260,619 was charged to retained earnings.

② As at September 1 and September 30, 2010, 31,569 Class A subordinated voting shares, which were forfeited prior to vesting under the Sceptre stock purchase incentive plans, were held in trust by the Company. These shares are presented in reduction of the share capital outstanding as at September 1, 2010 and September 30, 2010.

Under the terms of the plans, such forfeited shares were available for allocation to other participants in the plans. However, the stock purchase incentive plans were cancelled at the end of the year.

## NOTE 16 EARNINGS PER SHARE

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

	2011	2010
	\$	\$
Net earnings	8,957,800	3,492,689
Weighted average shares outstanding – basic	36,531,305	15,888,902
Effect of dilutive stock options	441,516	47,386
Weighted average shares outstanding – diluted	36,972,821	15,936,288
Basic earnings per share	0.25	0.22
Diluted earnings per share	0.24	0.22

For the year ended September 30, 2011, the hypothetical conversions do not include 709,028 options with an anti-dilutive effect (19,400 in 2010).

## NOTE 17 STOCK OPTION PLAN

A summary of the changes that occurred during the year ended September 30, 2011 in the Company's stock option plans is presented below:

Under the 2007 plan, the exercise price of each stock option equals the volume weighted average trading price of the Company's shares on the TSX for the five trading days immediately preceding the date the stock option is granted and each stock option's maximum term is ten years. The Board may determine when any option will become exercisable and may determine that the option will be exercisable in instalments or pursuant to a vesting schedule.

	Number of Class A subordinate voting shares	Weighted- average exercise price
	\$	\$
Outstanding options,		
Beginning, September 30, 2010	1,135,878	4.25
Granted	709,028	8.39
Exercised	(139,573)	5.54
Expired	(7,200)	6.15
Forfeited	(68,061)	4.10
Ending, September 30, 2011	1,630,072	5.93
Options exercisable, end of year	320,875	4.75

# Notes to the consolidated financial statements

September 30, 2011 and 2010

The following table presents the weighted average assumptions used during the year ended September 30 to determine the stock-based compensation expense using the Black-Scholes option pricing model:

	2011	2010
Stock-based compensation expense (\$)	932,873	236,129
Dividend yield (%)	3.76% to 3.85%	5.00%
Risk-free interest rate (%)	2.25%	2.25%
Expected life (years)	5	7
Expected volatility for the share price (%)	50%	30%
Weighted average fair values (\$)	2.75 à 2.83	0.29

a) The following table summarizes the stock options outstanding as at September 30, 2011:

Options outstanding				Options exercisable	
Range of exercise price	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
			\$		\$
\$3.67	750,211	8	3.67	150,042	3.67
\$5.42 to \$6.37	170,833	3	5.73	170,833	5.70
\$8.31 to \$8.50	709,028	9	8.39	-	-

b) Deferred share unit plan

During 2007, the board of directors of Sceptre adopted a deferred share unit plan (DSU Plan) for the purposes of strengthening the alignment of interests between the directors and the shareholders of Sceptre, by linking a portion of annual director compensation to the future value of Sceptre's shares, in lieu of cash compensation. Under the DSU Plan, each director received, on the date in each quarter which is three business days following the publication by the Sceptre of its earnings results for the previous quarter, that number of DSUs having a value equal to up to 100% of such director's base retainer for the current quarter, provided that a minimum of 50% of the base retainer must be in the form of DSUs. The number of DSUs granted to a director was determined by dividing the dollar value of the portion of the director's fees to be paid in DSUs by the closing price of Fiera Sceptre Class A shares of the TSX for the business day immediately preceding the date of the grant. At such time as a director ceased to be a director, Fiera Sceptre would make a cash payment to the director equal to the closing price of the Fiera Sceptre's Class A shares on the date of departure, multiplied by the number of DSUs held by the director on that date. As at September 1, 2010, the Board cancelled the DSU plan; however, all existing rights and privileges were kept intact. All directors are now compensated in cash.

As at September 30, 2011, management had provided an amount of approximately \$192,000 for the 30,325 units (\$237,000 for 29,318 units in 2010) outstanding under the DSU Plan.

**NOTE 18 ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS**

	2011	2010
	\$	\$
<b>Changes in non-cash operating working capital items</b>		
Accounts receivable	(471,450)	(1,221,663)
Prepaid expenses	(256,959)	(2,463)
Accounts payable and accrued liabilities	(4,264,004)	1,162,450
Amount due to related companies	86,991	(470,758)
Deferred income	(40,134)	57,811
Prepaid management fees	551,061	333,850
Due to shareholders of the joint venture	(573,199)	573,199
	<b>(4,967,694)</b>	<b>432,426</b>
<b>Other information</b>		
Interest paid	-	51,661
Income tax paid	5,284,070	-
Income tax received	2,051,661	-

During the year, the Company sold certain of its property and equipment for an amount of \$100,000 which is still receivable at year end.

**NOTE 19 COMMITMENTS**

The Company leases office space and equipment under operating leases expiring at different dates until 2022. Future lease payments will total \$22,728,879 and include the following payments in each of the next five years:

	\$
2012	2,991,546
2013	2,474,444
2014	2,406,372
2015	2,432,678
2016	2,477,057
2017 and thereafter	9,946,782

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## NOTE 20 RELATED PARTY TRANSACTIONS

The Company has carried out the following transactions with shareholders and their related companies:

	2011	2010
	\$	\$
Management fees, net of discounts	7,740,972	7,207,109
Other revenues	247,582	116,364
Operating expenses		
Salaries and employee benefits	573,047	389,743
Management fees	51,000	51,000
Other expenses	27,842	52,271

These 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.

## NOTE 21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at September 30, 2011.

The Company's business is the management of investment assets. The key performance driver of the Company's ongoing results is the level of assets under management. The level of assets under management is directly tied to investment returns and the Company's ability to retain existing assets and attract new assets.

The Company's consolidated balance sheets include a portfolio of investments. The value of these investments is subject to a number of risk factors. While a number of these risks also affect the value of client assets under management, the following discussion related only to the Company's own portfolio of investments.

The Company's exposure to potential loss from its financial instrument investments is primarily due to market risk, including interest rate and equity market fluctuation risks, liquidity risk and credit risk.

### Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how these exposures are currently managed.



## Equity market fluctuation risk

Fluctuations in the value of equity securities affect the level and timing or recognition of gains and losses on equity and mutual fund securities in the Company's portfolio and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of mutual fund available-for-sale financial assets held.

The Company's investment portfolio is managed by the Company with a medium risk mandate. The Company's particular expertise is investment management and, as part of its daily operations, it has resources to assess and manage the risks of a portfolio. The Company's portfolio of equity and equity-related securities as at September 30, 2011, comprises mutual fund and pooled fund investments under the management of the Company with a fair value of \$983,339. Mutual fund and pooled fund investments comprise a well-diversified portfolio of Canadian investments and have no specific maturities.

A 10% change in the Company's equity and equity-related holding as at September 30, 2011 has an impact of increasing or decreasing the OCI by \$98,334.

## Credit risk

The credit risk is the risk that one party to a financial instrument fail to discharge an obligation and causes financial loss to another party.

The Company's principal financial assets are cash, restricted cash, temporary investments and accounts receivable which are subject to credit risk. The carrying amounts of financial assets on the consolidated balance sheets represent the Company's maximum credit exposure at the balance sheets' date.

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated balance sheets are net of allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. No customer represents 10% of the Company's accounts receivable as at September 30, 2011 and 2010.

The credit risk on cash, restricted cash and temporary investments is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

As at September 30, the aging of accounts receivable were as follows:

	2011	2010
	\$	\$
Trade		
Current	13,379,975	12,108,351
Aged between 61 – 119 days	260,644	435,510
Aged greater than 120 days	129,672	118,217
Total trade	13,770,291	12,662,078
Related company	1,537,437	1,690,106
Others	1,160,476	1,544,570
	16,468,204	15,896,754

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## Interest rate risk

The Company was subject to interest rate risk due to interest rate fluctuations on the balance of the mortgage loan which was repaid during 2010.

## Currency risk

The Company realizes less than 1% of its sales principally in US dollar and is thus not significantly exposed to foreign exchange fluctuations. The Company does not actively manage this risk.

The consolidated balance sheets include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	2011	2010
	\$	\$
US dollars		
Cash	46,202	92,936
Accounts receivable	2,384	2,470

## Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations to meet its requirements. The Company has the following financial liabilities and commitments as at September 30, 2011:

	Carrying value	2012	2011	2010
	\$	\$	\$	\$
Accounts payable and accrued liabilities	11,527,167	11,527,167	-	-
Amount due to related company	195,110	195,110	-	-
Other long-term liabilities	370,252	-	196,587	59,696
Commitments	-	2,991,546	2,474,444	2,406,372
	12,092,529	14,713,823	2,671,031	2,466,068

The Company generates enough cash from its operating activities and has sufficient available financing via its bank loan to finance its activities and to respect its obligations as they become due.

## Fair value

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, amount due to related companies, due to shareholders of the joint venture and client deposits is approximately equal to their carrying values due to their short-term maturities.

The cost of the long-term investment and mutual fund investment is \$1,679,966 while the fair value is \$1,696,884 and the unrealized gain of \$16,918 is reflected in other comprehensive income.

### Fair value hierarchy

Financial instruments recorded at fair value on the consolidated balance sheets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table presents the financial instruments recorded at fair value in the consolidated balance sheets, classified using the fair value hierarchy described above:

	Level 1	Level 2	Total financial assets financial at fair value
	\$	\$	\$
Financial assets			
Cash	1,714,569	-	1,714,569
Mutual fund and pooled fund investments under management of the Company	783,329	200,010	983,339
Long-term investment	-	713,545	713,545
<b>Total financial assets</b>	<b>2,497,898</b>	<b>913,555</b>	<b>3,411,453</b>

### NOTE 22 CAPITAL MANAGEMENT

The Company's capital comprises share capital and retained earnings, 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.

In order to maintain its capital structure, the Company may issue new shares or proceed to the issuance or repayment of debt and acquire or sell assets to improve its financial performance and flexibility.

In order to be in compliance with Canadian securities administration regulations the Company is required to maintain a minimum working capital of \$200,000 as defined in Regulation 31-103 respecting Registration Requirements and Exemptions.

### NOTE 23 SEGMENTED INFORMATION

Management of the Company has determined that the Company's segment is investment management services in Canada and almost all assets are located in Canada.

# Notes to the consolidated financial statements

September 30, 2011 and 2010

## **NOTE 24** SUBSEQUENT EVENT

On October 6, 2011, the board of directors adopted an Employee Share Purchase Plan (ESPP) for the purposes of attracting and retaining eligible employees, therefore allowing them to participate in the growth and development of the Company. The maximum number of issuable Shares under this plan is 1.5 million shares of Class A subordinate voting shares. The Board may determine the subscription date and the number of shares each eligible employee can subscribe to. The subscription price is determined by the volume-weighted, average trading price (VWAP) of Company shares on the TSX for the five trading days immediately preceding the date of the subscription Date.

## **NOTE 25** COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

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# Board of directors

## **Jean-Guy Desjardins**

Jean-Guy Desjardins is Chief Executive Officer and Chief Investment Officer of Fiera Sceptre, and serves as the Chairman of its board of directors. Prior to founding Fiera Sceptre, Mr. Desjardins co-founded TAL Global Asset Management in 1972 and was its principal shareholder until the business was purchased by a financial institution in 2001. Through his leadership, the firm had grown to over \$60 B in AUM.

## **Sylvain Brosseau**

Sylvain Brosseau, President and Chief Operating Officer of Fiera Sceptre, has over 20 years of experience in the investment management industry. Prior to joining Fiera Sceptre, Mr. Brosseau served as Executive Vice President, Institutional Markets at TAL Global Asset Management Inc., and Executive Vice President at TAL International, where he oversaw worldwide distribution and operations.

## **Neil Nisker**

Neil Nisker, Executive Vice Chairman of Fiera Sceptre, has over 38 years of experience in the financial services industry. From 1997 to 1999, Mr. Nisker was Chairman of Nisker Associates, Inc., a registered investment counselling firm, which was later purchased by YMG Capital Management Inc.

## **Jean C. Monty**

Jean C. Monty is a Corporate Director. In April 2002, Mr. Monty retired as Chairman of the Board and Chief Executive Officer of Bell Canada Enterprises (BCE Inc.), following a distinguished 28-year career. Prior to joining BCE Inc., Mr. Monty was Vice-Chairman and Chief Executive Officer of Nortel. He sits on a number of boards of international companies.

## **Christiane Bergevin**

Christiane Bergevin works as Executive Vice President, Strategic Partnerships, Office of the President, at Desjardins Group. Prior to joining Desjardins Group, she was Senior Vice President and General Manager, Corporate Projects, at SNC-Lavalin Group Inc., and President at SNC-Lavalin Capital Inc. between 2001 and 2008. Ms. Bergevin is also a member of the board of directors of Talisman Energy Inc.

## **Denis Berthiaume**

Denis Berthiaume is Senior Vice President and General Manager, Wealth Management and Life and Health Insurance at Desjardins Group. Prior to that, he held roles as Senior Vice President, Retail Markets at Standard Life, Senior Vice President, Individual Insurance of Desjardins Financial Security, and President of SFL Management.

## **David R. Shaw**

David R. Shaw is the founder and CEO of Knightsbridge Human Capital Management Inc., a national human resource firm. Previously, he was President and CEO of Pepsi Cola Canada Beverages. He is the former Chairman of the North York General Hospital Foundation and sits on several boards.

## **W. Ross Walker**

Ross Walker is the former Chairman and Chief Executive of KPMG Canada, a position he held from 1989 to 1993. From 1993 to 1996, Mr. Walker served as International Executive Partner of KPMG International. He was the Chairman of Sceptre from May 2003 to September 2010.

## **Arthur R.A. Scace**

Arthur Scace is the former national Chairman of McCarthy Tétrault LLP and former managing partner of the Toronto office. He serves on the board of directors of a number of Canadian corporations. He was also the former Chairman of Scotia Bank from March 2004 to March 2009.

# Corporate information

## EXECUTIVE OFFICERS

Pierre Blanchette  
Sylvain Brosseau  
Jim Craven  
Violaine Des Roches  
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Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

## STOCK EXCHANGE LISTING

Class A Subordinate Voting Shares ("FSZ-T")  
Toronto Stock Exchange

## ANNUAL AND SPECIAL MEETING

Centre Mont-Royal  
2200 Mansfield Street  
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Thursday, March 29, 2012, 9:00 a.m.

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