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Management Discussion and Analysis

For the three months ended December 31, 2011

FIERA SCEPTRE

The following management discussion and analysis (''MD&A'') provided as of March 12, 2012 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 ended December 31, 2011. The following MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements including the notes thereto, as at and for the three months ended December 31, 2011. The interim condensed 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.

Fiera Axium Infrastructure Inc. ("Fiera Axium") is an entity specialized in infrastructure investment and Fiera Properties Limited ("Fiera Properties") is an entity specialized in real estate investments, over which the Company has joint control. The financial results of the Company's investments in its joint ventures are included in the Company's results using the equity 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.

BASIS FOR PRESENTATION AND ADOPTION OF IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in Part I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") which require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the interim condensed consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The interim condensed consolidated financial statements have been prepared in compliance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). Subject to certain transition elections and exceptions disclosed in Note 13 of the interim condensed consolidated financial statements, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet as at October 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 13 of the interim condensed consolidated financial statements discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended September 30, 2011 prepared under Canadian GAAP.

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.

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 3.7% of Fiera Sceptre's AUM were subject to Performance Fees, ensuring a stable revenue stream.

SIGNIFICANT EVENT

On February 27, 2012, Fiera Sceptre announced that it had signed with Natcan Investment Management Inc. ("Natcan") and National Bank of Canada a definitive asset purchase agreement (the "Acquisition Agreement") for substantially all of the business assets (the "Purchased Assets") of Natcan (the "Transaction"). Under the agreement, the Corporation will purchase the Purchased Assets from Natcan for an aggregate purchase price (the "Purchase Price") of $309,500,000 plus the amount of the Assumed Liabilities, subject to reduction in the circumstances described below. The Purchase Price will be satisfied:

(i) at the closing time of the Transaction by: (A) the making by Fiera Sceptre of a cash payment (the "Cash Consideration") in an amount equal to $235 million less the value of the Consideration Shares (as defined below); (B) the issuance by Fiera Sceptre of the Consideration Shares; and (C) the assumption by Fiera Sceptre of the Assumed Liabilities. The value of each Consideration Share will be calculated at the Closing Date using a VWAP based on two separate 10 trading day periods; provided, however, that in the event the price per Consideration Share is (x) less than $7.00, the price to Natcan per Consideration Share will be deemed to be equal to $7.00; or (y) more than $9.00, the price to Natcan per Consideration Share will be deemed to be equal to $9.00; and

(ii) following the Closing Time by: (A) the making of a $8.5 million payment in respect of each of the first seven Years (each, an "Annual Payment"), unless certain specified minimum AUM thresholds are not satisfied by Natcan and its Affiliates; and (B) by the making of a one-time payment in the amount of $15 million in respect of the seventh Year (the "Seventh Year Payment"), unless certain specified minimum AUM thresholds are not satisfied by Natcan and its Affiliates and Fiera Sceptre does not receive certain specified minimum amounts of annual base and performance management fees during such Year.

"Consideration Shares" is defined under the Acquisition Agreement to mean 19,711,569 Class A Subordinate Voting Shares, provided that the number of Consideration Shares shall be subject to adjustment for: (i) the exercise of options by option holders to purchase Class A Subordinate Voting Shares, in accordance with the terms of the Corporation's 2007 Stock Option Plan; and (ii) any consolidations or splits of the Class A Subordinate Voting Shares prior to Closing Time, such that upon the occurrence of any such event after February 24, 2012 the aggregate number of Class A Subordinate Voting Shares to be received by Natcan under the Acquisition Agreement shall equal the number of securities of the Corporation that it would have been entitled to receive as if it had owned the number of Class A Subordinate Voting Shares prior to each such event. The Consideration Shares will represent 35% of all issued and outstanding Class A Subordinate Voting Shares and Class B Special Voting Shares of the Corporation immediately after the closing of the Transaction.

The Annual Payment in respect of the Year commencing on July 1, 2012 and ending on June 30, 2013 (the "First Year") shall be satisfied with a number of Class A Subordinate Voting Shares issued by Fiera Sceptre (the "First Year Payment Shares") equal to the lesser of (i) the amount of the Annual Payment in respect of the First Year divided by the Price Per Share, (ii) 2.5% of the total number of Shares that are to be issued and outstanding (on a non-diluted basis) immediately following the issuance of the First Year Payment Shares, and (iii) the number of Shares which would, if issued, result in the Natcan and its Affiliates holding 40% of all of the issued and outstanding Shares. For purposes of these provisions, "Price Per Share" means the VWAP for the twenty day period prior to the applicable share issue date.

The Annual Payment in respect of the Year commencing on July 1, 2013 and ending June 30, 2014 (the "Second Year") shall be satisfied with a number of Class A Subordinate Voting Shares issued by Fiera Sceptre (the "Second Year Payment Shares") equal to the lesser of (i) the amount of the Annual Payment in respect of the Second Year divided by the Price Per Share, (ii) 2.5% of the total number of Shares that are to be issued and outstanding (on a non-diluted basis) immediately following the issuance of the Second Year Payment Shares, and (iii) the number of Shares which would, if issued, result in Natcan and its Affiliates holding more than 40% of all of the issued and outstanding Shares.

Each Annual Payment following the Second Year and the Seventh Year Payment may be satisfied, at the election of Fiera Sceptre (in its sole and unfettered discretion), in cash or with Class A Subordinate Voting Shares issued by Fiera Sceptre and listed for trading on the TSX. In the event Fiera Sceptre decides to satisfy its obligations to pay an Annual Payment or the Seventh Year Payment with Class A Subordinate Voting Shares, then Fiera Sceptre shall issue and deliver to Natcan or as directed by Natcan, that number of Class A Subordinate Voting Shares that is equal to such Annual Payment or Seventh Year Payment, as applicable, divided by the VWAP of the Class A Subordinate Voting Shares on the TSX for the twenty (20) days period prior to the date at which such shares are issued, rounded down to the nearest whole number. Any such issuance shall be subject to the receipt of all required TSX approvals and satisfaction of applicable securities laws.

The Transaction, which has been approved by the Corporation's Board of Directors and the Board of Directors of Natcan, is expected to close on or prior to April 30, 2012 subject to customary closing conditions, including regulatory approvals and approval by the Corporation's shareholders.

HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2011

The quarter ended December 31, 2011 was characterized by the firm's excellent investment performance and continuous investments in strategic initiatives. For the first quarter of 2012, revenue remained stable at $16.1 million and the assets under management were also sustained at $29 billion quarter over quarter.

The financial highlights for the three months ended December 31, 2011 were:

December 2011 compared to December 2010

- Total AUM decreased by $348 million or 1.2% to $28.9 billion as at December 31, 2011 compared to AUM of $29.3 billion as at December 31, 2010. The decrease is mainly due to the loss of a $0.9 billion mandate of one of our large customers with corresponding annual revenue of $0.2 million. The management of the other mandates for this customer remains with the firm. Additionally, the repatriation of the externally managed international equity mandates translated into a loss of $0.2 billion following the decision of some clients not to repatriate the management within the Firm. The net impact of this initiative remains positive for the firm as the external managers expenses were greatly eliminated. The decrease is also explained by the loss of $0.2 billion attributed to the departure of two account managers in the Private Wealth business unit. These negative variations were offset by new net inflows from existing and new clients of $0.2 billion combined with a market appreciation of $0.8 billion.

- Revenue for the three-month period ended December 31, 2011 decreased by $2.4 million or 13.1% to $16.1 million compared to $18.6 million for the comparable period in prior year. The decrease in revenue is mainly due to specific events namely the departure of two private wealth servicers with an impact of $0.4 million, the non-repatriation of the externally managed international equity mandates with an impact of $0.5 million and lower performance fees of $1.0 million.

- Operating expenses rose by $1.1 million or 9.1% to $12.7 million for the three-month period ended December 31, 2011, compared to $11.7 million for the same period in 2010. The increase resulted from an overall rise in SG&A expenses of $1.8 million, mainly due to the over-performance of our investment teams translating into a rise in compensation expenses of $1.2 million. Lower external manager expenses of $0.7 million for the three months ended December 31, 2011 is due to the repatriation of the management of International equity mandates from external sub-advisors, in line with the firm's plans.

- Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA, as defined on page 24 and disclosed on table 1) (a non-IFRS measure of performance) decreased by $2.8 million or 51.3% to $2.6 million for the three-month period ended December 31, 2011, from $5.4 million for the same period of 2010. (Adjusted EBITDA eliminates the effect of performance fees on EBITDA).

- For the quarter ended December 31, 2011, the Firm earned $0.8 million or $0.02 per share (both basic and fully diluted). For the three-month period ended December 31, 2010, the Firm earned $2.8 million or $0.08 (both basic and fully diluted). The net earnings were impacted by non-recurring costs related to the aforementioned transaction of $0.9 million ($0.6 million net of income taxes) or a $0.02 (basic and fully diluted) per share impact. Excluding these expenses, net earnings for the current quarter would have been $1.5 million or $0.04 (basic and fully diluted) earnings per share.

December 2011 compared to September 2011

- Total AUM decreased by $100 million or 0.3% to $28.9 billion during the quarter ended December 31, 2011, compared to AUM of $29 billion as at September 30, 2011.

- Revenue for the three-month period ended December 31, 2011 remained stable at $16.13 million from $16.07 million for the previous quarter ended September 30, 2011 resulting from an increase in performance fees of $0.68 million offset by declining revenues of $0.62 million. Most of the decline in revenues is explained by the departure of two Private Wealth account managers resulting in a loss of $0.4 million in revenues.

- Operating expenses increased by $0.6 million or 5.3% to $12.7 million for the three-month period ended December 31, 2011, compared to $12.1 million for the quarter ended September 30, 2011. The increase resulted from an overall rise in SG&A expenses of $0.8 million combined with lower external manager expenses of $0.2 million for the three-month period ended December 31, 2011.

- Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA, as defined on page 24 and disclosed on table 1) (a non-IFRS measure of performance) decreased by $1.1 million or 29.9% to $2.6 million for the three-month period ended December 31, 2011, from $3.8 million for the previous quarter ended September 30, 2011. (Adjusted EBITDA eliminates the effect of performance fees on EBITDA.)

- Adjusted EBITDA per share was $0.07 for the three-month period ended December 31, 2011, a decrease of $0.03 or 30% compared to the adjusted EBITDA per share of $0.10 for the three-month period ended September 30, 2011.

- For the quarter ended December 31, 2011, the Firm earned $0.8 million or $0.02 per share (both basic and fully diluted) representing a shortfall of $0.4 million or 33.4% quarter-over-quarter. For the quarter ended September 30, 2011, the Firm earned $1.2 million or $0.03 per share (both basic and fully diluted). The net earnings were impacted by non-recurring costs related to the aforementioned transaction of $0.9 million ($0.6 million net of income taxes) or a $0.02 (basic and fully diluted) per share impact. Excluding these expenses, net earnings for the current quarter would have been $1.5 million or $0.04 (basic and fully diluted) earnings per share.

SUMMARY OF QUARTERLY RESULTS

Table 1 – Statement of earnings & AUM

ASSETS UNDER MANAGEMENT
($ in millions)

	AS AT			VARIANCE	
	DEC 31, 2011	SEPT 30, 2011	DEC 31, 2010	QUARTER OVER QUARTER FAV/(UNF)	YEAR OVER YEAR FAV/(UNF)
Assets under management	28,920	29,020	29,268	(100)	(348)

EARNINGS STATEMENT DATA
($ in thousands)

	FOR THE THREE MONTHS ENDED			VARIANCE	
	DEC 31, 2011	SEPT 30, 2011	DEC 31, 2010	QUARTER OVER QUARTER FAV/(UNF)	YEAR OVER YEAR FAV/(UNF)
Revenue					
Base management fees and other revenues	15,246	15,869	16,678	(622)	(1,431)
Performance fees	885	202	1,879	683	(994)
	16,131	16,071	18,557	61	(2,425)
Expenses					
Selling, general and administration fees	12,554	11,762	10,756	(792)	(1,796)
External managers	166	316	900	150	734
Operating expenses	12,719	12,078	11,656	(641)	(1,062)
EBITDA *	3,413	3,993	6,900	(581)	(3,488)
Amortization of property & equipment	202	386	200	184	(2)
Amortization of intangible assets	884	918	782	34	(102)
Other expenses	906	297	1,482	(610)	576
Income taxes	591	1148	1,621	557	1,029
NET EARNINGS	829	1,245	2,815	(416)	(1,986)
Basic and fully diluted earnings per share	0.02	0.03	0.08	(0.01)	(0.05)
Earnings per share (excluding non-recurring items)	0.02	0.03	0.08	(0.01)	(0.05)
Adjusted EBITDA per share	0.07	0.10	0.15	(0.03)	(0.08)
SELECTED ADJUSTED FINANCIAL INFORMATION					
EBITDA	3,413	3,993	6,900	(581)	(3,488)
Less Net Performance fees	(773)	(229)	(1,480)	544	(706)
Adjusted EBITDA *	2,639	3,765	5,420	(1,125)	(2,781)

* EBITDA and adjusted EBITDA are non-IFRS measures. Please refer to "Non-IFRS Measures" on page 24.

Table 2 - Selected Balance Sheet Information

(in thousands of dollars)	(Unaudited) DECEMBER 31, 2011	(Unaudited) DECEMBER 31, 2010
Cash, restricted cash & investments	1,190	5,398
Receivables	16,983	18,287
Other current assets	564	336
Goodwill & intangible assets	140,342	143,005
Investments in joint Venture	1,369	838
Other long term assets	4,001	3,096
Total assets	164,449	170,960
Current liabilities	14,019	16,108
Future income taxes	9,827	10,146
Other long-term liabilities	1,665	2,234
Shareholders' equity	138,938	142,472
Total liabilities and shareholders' equity	164,449	170,960

RESULTS FROM OPERATIONS AND OVERALL PERFORMANCE

Assets Under Management

Table 3 – Assets Under Management - Quarterly activity

($ in millions)	3 months ended DECEMBER 31 2011	SEPTEMBER 30 2011	DECEMBER 31 2010
AUM - Beginning of period	29,020	30,060	30,755
Net cash flows	(1,055)	(732)	(2,283)
Market appreciation (depreciation)	955	(308)	796
AUM - end of period	28,920	29,020	29,268

Total AUM decreased by $100 million or 0.3% to $28.9 billion during the quarter ended December 31, 2011. The decrease is attributable to net negative cash flows of $1.1 billion combined with a market appreciation translating into $1 billion.

The negative cash flows is mainly due to the loss of a large client mandate of $908 million in the Retail business unit with corresponding annual revenue of $0.2 million. The management of other mandates of this large client remains with the Firm. The Private Wealth unit was impacted by negative cash flows of $196 million following the departure of two account managers translating into $0.4 million decrease in revenue. These elements were offset by net positive cash flows of $153 million from the clients. Finally, a positive market impact of $955 million was recorded affecting mainly the Institutional business unit with $723 million of market appreciation.

December 31, 2011 compared to December 31, 2010 total AUM decreased by $0.3 billion or 1.2% to $28.9 billion as at December 31, 2011 compared to AUM of $29.3 billion as at December 31, 2010. The decrease is mainly due to the loss of a $0.9 billion mandate for one of our large customer with corresponding annual revenues of $0.2 million. The management of the other mandates for this customer remains with the firm. Additionally, the non-repatriation of the externally managed international equity mandates translated into a loss of $0.2 billion. The net impact remains positive for the firm as the external expenses were greatly eliminated.

The decrease is also explained by the loss of $0.2 billion attributed to the departure of two account managers in the Private Wealth business unit. These negative variations were offset by new net inflows from existing and new clients of $0.2 billion combined with a market appreciation of $0.8 billion.

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	
	DECEMBER 31, 2011	SEPT 30, 2011	DECEMBER 31, 2010	Quarter Over Quarter	Year Over Year
Management fees and other revenue	15,246	15,869	16,678	(622)	(1,431)
Performance fees	885	202	1,879	683	(994)
Total revenue	16,131	16,071	18,557	61	(2,425)

December 2011 compared to December 2010

Revenue for the three-month period ended December 31, 2011 decreased by $2.4 million or 13.1% to $16.1 million compared to $18.6 million for the comparable period in prior year. The decrease in revenue is due to a lower AUM base hence lower management fees of $1.4 million combined with lower performance fees of $1.0 million.

Management fees: Decrease of $1.4 million or 8.6%

The decrease was mainly driven by lower AUM offset by market appreciation translating into a decline in management fees of $1.4 million in revenues for the quarter ended December 31, 2011. The impacts in revenues by business unit are the following:

› The Institutional sector has seen a decrease of $0.4 million or 4.2% for the three-month period ended December 31, 2011. The decline is explained by the loss of assets for customers not repatriating the management of their international equity mandates internally. However the transfer of the management from a sub-advisor to the firm combined with the elimination of external expenses is positive.

› Revenue for the Private Wealth business declined by $0.4 million or 11.8% for the three-month period ended December 31, 2011 mainly due to the departure of two account managers.

› Revenue for the Retail decreased by $0.7 million or 17% for the three-month period ended December 31, 2011 due to a decline in AUM and market depreciation.

Performance fees: Decrease of $1.0 million or 52.9%

The recognition of lower performance fees of $1.0 million impacted negatively the performance revenue.

December 2011 compared to September 2011

Revenue for the three-month period ended December 31, 2011 remained stable at $16.13 million from $16.07 million for the previous quarter ended September 30, 2011 resulting from an increase in performance fees of $0.68 million offset by declining revenues of $0.62 million.

Management fees: Decrease of $0.62 million or 3.9%

The shortfall in management fees of $0.62 million or 3.9% translated into the following decreases in revenues by business unit:

› The Institutional sector remained stable with $9.5 million for the three-month period ended December 30, 2011.

› Revenue for the Private Wealth decreased by $0.4 million compared to the previous quarter ended September 30, 2011. The decline in revenues is explained by the departure of two account managers.

› Revenue for the Retail business has seen a decrease of $0.3 million or 8.1% for the three-month period ended December 30, 2011. A decrease in AUM and market in the Mutual funds sector explains the revenue short fall.

Performance fees: Increase of $0.68 million or over 100%

The recognition of higher performance fees of $0.68 million impacted positively the performance revenues.

Operating expenses

Operating expenses are comprised of Selling, General and Administration fees (SG&A) and External Manager Fees. Operating expenses rose by $1.1 million or 9.1% to $12.7 million for the three-month period ended December 31, 2011, compared to $11.7 million for the same period in 2010. The increase resulted from an overall growth in SG&A expenses of $1.8 million offset by lower external manager expenses of $0.7 million for the three months ended December 31, 2011.

Operating expenses increased by $0.6 million or 5.3% to $12.7 million for the three-month period ended December 31, 2011, compared to $12.1 million for the previous quarter ended September 30, 2011. The variance resulted from an overall increase in SG&A expenses of $0.8 million combined with lower external manager expenses of $0.2 million mainly due to the repatriation of the management of International equity mandates from external sub-advisors for the three months ended December 31, 2011.

Selling, general and administration

SG&A expenses grew by $1.8 million or 16.7% to $12.6 million for the three-month period ended December 31, 2011 compared to $10.8 million for last year same period. The increase is due to higher expenses for compensation representing an increase of $1.2 million as a result of the over-performance of our investment teams namely the Fixed Income and the Global Equity teams, translating into a rise in compensation expenses, , combined with higher stock based compensation expense of $0.2 million. Also, increases in Marketing and servicing, rent, technical services and insurance of $0.4 million contributed to the growth in SG&A.

SG&A expenses increased by $0.8 million or 6.7% to $12.6 million for the three-month period ended December 31, 2011 compared to $11.8 million for last quarter ended September 30, 2011. The increase is due to higher expenses for compensation representing an increase of $0.9 million combined with an increase in rent, technical services and insurance of $0.5 million offset by lower professional fees of $0.6 million due to the inclusion in the previous quarter of strategic initiatives expenses.

External managers

External managers' expenses declined by $0.7 million or 81.6% to $0.2 million for the three-month period ended December 31, 2011 from $0.9 million for the three-month period ended December 31, 2010. The decrease is mainly due to the repatriation of the management of these assets within the Firm in line with our plan and therefore reducing the external managers' expenses.

External manager expenses decreased by $0.15 million or 47.6% to $0.2 million for the three-month period ended December 31, 2011 from $0.3 million for the previous three-month period ended September 30, 2011. The decrease is due to the repatriation of the management of these assets within the Firm in line with our plan and therefore reducing the external managers' expenses.

Amortization

Amortization of property and equipment remained stable at 0.2 million for the three-month period ended December 31, 2011 compared to the same period of 2010 and decreased by $0.2 million compared to the previous quarter of 2011.

Amortization of intangible assets increased by $0.1 million or 13.1% to $0.9 million for the three-month period ended December 31, 2011 compared to $0.8 million for the same period in 2010. Amortization of intangible assets remains stable at $0.9 million compared to the previous quarter ended September 30, 2011.

Other expenses

Other expenses decreased by $0.6 million or 38.9% for the three-month period ended December 31, 2011 to $0.9 million compared to $1.5 million for the same period of 2010. The decrease is mainly due to the inclusion in the December 2010 quarter of a non-recurring charge of $1.4 million following restructuring and severance costs related to the business combination with Sceptre compared to non-recurring costs of 0.9 million related to the Natcan transaction.

Other expenses increased by $0.6 million or over 100% for the three-month period ended December 31, 2011 to $0.9 million compared to $0.3 million for the previous quarter of 2011. The increase is mainly due to the inclusion of a non-recurring costs of 0.9 million related to the aforementioned transaction compared to a non-recurring charge of $0.5 million following a property and equipment write-off due to an abandonment of premises in the quarter ended September 2011 offset by with lower contribution of $0.2 million from the joint venture.

EBITDA and Adjusted EBITDA[1]

For the three-month ended December 31, 2011 EBITDA decreased year-over-year by $3.5 million or 50.5% to $3.4 million mainly due to lower revenues of $2.4 million, namely $1.0 million related to performance fees, combined with a rise of $1.1 million in operating expenses mainly as a result of the over-performance of our investment teams namely the Fixed Income and the Global Equity teams.

EBITDA and adjusted EBITDA for the current quarter ended December 31 2011 was driven by a decrease in the base management fees compared to the same period of the previous year following market depreciation impact as well as loss of certain clients in the Private Wealth and Retail unit offset by marketing efforts in the Institutional sector and an overall increase in operating expenses namely for SG&A and strategic initiatives.

Adjusted EBITDA, which eliminates the effect of performance fees, declined by $2.8 million or 51.3% to $2.6 million for the three-month period ended December 31, 2011, compared to $5.4 million for the same period in 2010. Without the impact of performance fees, the adjusted EBITDA decrease is mainly due to lower revenues of $1.4 million combined with an overall rise in SG&A and external manager expenses of $1.4 million.

EBITDA for the three-month ended December 31, 2011 compared to the previous quarter ended September 30, 2011 declined by $0.6 million to $3.4 million. Revenue for the three-month period ended December 31, 2011 remained stable but was offset by higher operating expenses of $0.6 million mainly due to higher compensation related expenses.

Adjusted EBITDA, which eliminates the effect of performance fees, decreased by $1.1million or 29.9% to $2.6 million for the three-month period ended December 31, 2011, compared to $3.8 million for the previous quarter ended September 30, 2011. Without the impact of performance fees, the adjusted EBITDA decrease is mainly due to lower base management fees of $0.6 million combined with an overall increase in SG&A of $0.8 million mainly due to higher compensation related expenses.

[1] EBITDA and Adjusted EBITDA are non-IFRS measures. Please refer to "Non-IFRS Measures" on page 24.

Net earnings

For the three-month period ended December 31, 2011, the Company earned $0.8 million or $0.02 cent per share (both basic and fully diluted). For the three-month period ended December 30, 2010, the Firm earned $2.8 million or $0.08 per share (both basic and fully diluted). The decrease of $2.0 million in net earnings is explained by lower base management fees of $1.4 million, lower performance fees impact of $1.0 million, combined with an overall increase in operating expenses of $1.1 million. Offsetting these shortfalls, a decrease in income taxes of $1.0 million combined to lower other expenses of $0.6 million impacted the net earnings in the quarter ended December 31, 2011.

Compared to the previous quarter ended September 30, 2011 the Firm experienced a shortfall of $0.4 million or $0.01 per share (both basic and fully diluted). The decrease of $0.4 million in net earnings of the current quarter versus the previous quarter of 2011 is driven by an increase in operating expenses of $0.6 million as well as an increase in other expenses of $0.6 million, offset by a combination of lower amortization and income taxes of $0.8 million. For the three-month period ended September 30, 2011, the Firm earned $1.2 million or $0.03 per share (both basic and fully diluted).

The net earnings were impacted by non-recurring costs related to the aforementioned transaction of $0.9 million ($0.6 million net of income taxes) or a $0.02 (basic and fully diluted) per share impact. Excluding these expenses, net earnings for the current quarter would have been $1.5 million or $0.04 (basic and fully diluted) earnings per share.

SUMMARY OF QUARTERLY RESULTS

This quarterly information is unaudited but has been prepared on an IFRS basis, unless otherwise noted. 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):

	Q1 Dec. 31 2011	Q4 Sept. 30 2011	Q3 June 30 2011	Q2 Mar. 31 2011	Q1 Dec. 31 2010	Q4 Sept. 30 2010 [1]	Q3 June 30 2010 [1]	Q2 Mar. 31 2010 [1]
AUM	28,920	29,020	30,060	29,452	29,268	30,755	22,660	22,185
Total Revenue	16,131	16,071	17,578	17,936	18,557	11,541	11,427	9,465
EBITDA	3,413	3,993	5,064	4,312	6,900	1,290	3,335	1,425
Adjusted EBITDA	2,639	3,765	4,474	3,982	5,420	1,197	2,510	888
Adjusted EBITDA per share	0.07	0.10	0.12	0.12	0.15	0.08	0.16	0.05
Net earnings	829	1,245	2,813	1,897	2,815	91	2,060	489
Per share – basic and fully diluted	0.02	0.03	0.08	0.05	0.08	0.01	0.13	0.03

[1] Financial results for the quarters are presented on a Canadian GAAP basis.

Results and trends analysis

AUM

Since the combination with Sceptre on September 1, 2010, the assets under management have remained fairly stable.

Revenue

The decrease in revenues in the recent quarters is mainly due to lower performance fees revenues.

Adjusted EBITDA

The adjusted EBITDA has fluctuated with a low under $1 million and a high of $5.4 million. The business combination with Sceptre on September 1, 2010 has contributed in the growth of the adjusted EBITDA. Recent quarters experienced a shortfall in the Adjusted EBITDA and were characterized by a rise in operating expenses due to the over-performance of our investment teams namely the Fixed Income and Global teams translating into an increase in compensation expenses combined with the continuation of strategic initiatives investments such as the USA branch office and the Real Estate fund as well as related set-up costs.

Net earnings

The net earnings have fluctuated with a low under $0.1 million and a high of $2.8 million. The business combination with Sceptre on September 1, 2010 explained the growth in the net earnings and since that period, various initiatives and non-recurring costs related to the announced transaction have contributed to the decrease in recent quarters.

LIQUIDITY

Cash flows

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

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

(in thousands of dollars - unaudited)	DEC 31 2011	DEC 31 2010
Cash provided (used) by operating activities	2,720	160
Cash provided (used) by investing activities	(1,140)	(849)
Cash used by financing activities	(2,926)	(1,888)
Increase (decrease) in cash and cash equivalents	(1,346)	(2,577)
Cash and cash equivalents, beginning of year	(34)	1,177
Cash and cash equivalents, end of period	(1,380)	(1,400)

Cash provided by operating activities was $2.7 million for the three months ended December 31, 2011 compared to $0.2 million for the same period in 2010. The variation is mainly explained by a lower net earnings in the quarter ended December 31, 2011 of $2.0 million offset by a positive variation of $4.9 million in non-cash operating working capital.

Cash used by investing activities of $1.1 million for the three months ended December 31, 2011 results mainly from the addition of $1.5 million in leasehold improvements for our Toronto offices compared to cash used of $0.9 million for the same period in 2010 which is mainly due to an investment made in Fiera Axium.

The increase of $1.0 million in the cash used in financing activities results from a higher dividend payment of $0.7 million combined with a $0.3 million issuance of capital stock included in the same period in 2010.

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 December 31, 2011 and December 31, 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 December 31, 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. The Company has recorded a provision for the future contributions that may be required under this specific IPP.

Share capital

As at December 31, 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 December 31, 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.

Stock-based compensation

The number of stock options issued and outstanding under the stock option plan varied as follows during the year ended December 31, 2011:

Table 9 – Options

	Number of options	Exercise price in dollars (weighted average)
Balance, end of period	1,630,072	5.93
Exercisable options, end of period	320,875	5.33

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the first quarter ended December 31, 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 December 31, 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 December 31, 2011.

FINANCIAL INSTRUMENTS

The Company, through its financial assets and financial liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, currency risk and liquidity risk. The following analysis provides a measurement risk as at December 31, 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 interim consolidated balance sheet includes 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 due primarily to market risk, including interest rate and equity market fluctuation risks, credit risk and liquidity 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 and pooled 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, pooled fund and fixed income available-for-sale financial assets held.

The Company manages its investment portfolio with a medium risk mandate. Its 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 December 31, 2011, comprises mutual fund and pooled fund investments under its management with a fair value of $ 999 thousands. Mutual fund and pooled investments comprise a well-diversified portfolio of Canadian investments. Mutual fund and polled fund units have no specific maturities.

A 10% change in the Company's equity and equity-related holdings in other comprehensive income as at December 31, 2011 has an impact of increasing or decreasing other comprehensive income by $100 thousands.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party.

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.

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.

Capital management

The Company generates enough cash from its operating activities and has sufficient available financing via its authorized line of credit to finance its activities and respect its obligations as they become due.
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 and certain restrictive covenants required by the lender of the debt.

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.

Significant Accounting Policies

International financial reporting standards (IFRS)

Our interim consolidated financial statements represent the initial presentation of our results and financial position under IFRS and have been prepared in accordance with IAS 34, Interim Financial Reporting, and with IFRS 1, First-time Adoption of IFRS, as issued by the International Accounting Standards Board (IASB) and in accordance with the accounting policies we expect to apply in our financial statements for the year ending September 30, 2012. They do not include all of the information required for full annual financial statements. Previously, our consolidated annual and interim financial statements were prepared in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on our overall performance, strategic decisions or underlying trends of our operations.

Impact of transition to IFRS

IFRS 1, First-time adoption of international financial reporting standards sets forth guidance for the initial adoption of IFRS. Our analysis of IFRS and comparison to our accounting policies under Canadian GAAP determined that we were generally aligned with IFRS in many areas, but also identified a number of key differences. Refer to our interim financial statements and our MD&A for the year ended September 30, 2011, for explanations of these differences and adjustments.

IFRS 1 provides both mandatory exceptions and optional exemptions. In general, we have chosen to apply certain optional exemptions to reduce the complexity involved in converting to IFRS. Refer to note 13 of our interim consolidated financial statements for more detail on the significant IFRS 1 exemptions we have taken and reconciliations between our 2011 results previously prepared under Canadian GAAP and to those under IFRS. The reconciliations include the total equity as at October 1, 2010, December 31, 2010, and September 30, 2011, and net earnings (loss) and comprehensive income (loss), for the three months ended December 31, 2010, and year ended September 30, 2011. Our IFRS accounting policies are provided in note 2 to our interim consolidated financial statements.

NON-IFRS 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-IFRS measures to provide investors with supplemental measures of our operating and financial performance. We believe Non-IFRS measures are important supplemental metrics of operating and financial performance because they 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 IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use Non-IFRS measures in the evaluation of issuers, many of which present Non-IFRS measures when reporting their results. Our management also uses Non-IFRS measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements. Non-IFRS measures are not presentations made in accordance with IFRS. For example, certain or all of the Non-IFRS measures do not reflect: (a) our cash expenditures, or future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt; and (d) income tax payments that represent a reduction in cash available to us. Although we consider the items excluded in the calculation of Non-IFRS 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-IFRS measures described above is appropriate. However, these Non-IFRS 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 IFRS. Because of these limitations, we primarily rely on our results as reported in accordance with IFRS and use the Non-IFRS measures only as a supplement. In addition, because other companies may calculate Non-IFRS 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.

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 Sceptre and Natcan. 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 Sceptre and Natcan 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 Sceptre and Natcan, 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.

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 Spectre 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 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.

FIERA SCEPTRE