

Management's Discussion and Analysis  
**FIERA CAPITAL CORPORATION**  
For the Three Months Ended March 31, 2014



**FIERACAPITAL**



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## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

The following management's discussion and analysis ("MD&A") provided on May 5, 2014 presents an analysis of the financial condition and results of operations of Fiera Capital Corporation ("the Company" or "Fiera Capital" or "we" or "Firm") for the three months ended March 31, 2014. 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 quarter ended March 31, 2014. The unaudited interim condensed consolidated financial statements include the accounts of Fiera Capital and its wholly owned subsidiaries, Fiera Sceptre Funds Inc., ("FSFI") which is registered with various provincial securities commissions as a mutual fund dealer and maintains membership in the Mutual Fund Dealer Association, Fiera US Holding Inc. (which owns Bel Air Investment Advisors, LLC., Bel Air Securities, LLC, Bel Air Management LLC, and Wilkinson O'Grady & Co. Inc.), Fiera Quantum G.P. Inc., and 9276-5072 Quebec Inc. (which collectively own a controlling 55% interest in Fiera Quantum Limited Partnership ("Fiera Quantum L.P.") which owns Fiera Quantum Holdings Limited Partnership, FQ ABCP GP Inc., FQ GenPar LLC and FQ ABCP (USA) GP Inc. ), and 8645230 Canada Inc. (which owns Gestion Fiera Capital S.a.r.l). All intercompany transactions and balances have been eliminated on consolidation.

Fiera Axiom Infrastructure Inc. ("Fiera Axiom") is an entity specialized in infrastructure investments, 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 of accounting.

Figures are presented in Canadian dollars. Certain totals, subtotals and percentages may not reconcile due to rounding.

### BASIS FOR PRESENTATION

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The Company prepares its interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board ("IASB") and accordingly, do not include all disclosures required under International Financial Reporting Standards ("IFRS") for annual consolidated financial statements. The accounting policies and methods of computation applied in the interim condensed consolidated financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2013, except for the impact of the adoption of the standards, interpretations and amendment described in Note 3 in the interim condensed consolidated financial statements for the period ended March 31, 2014. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

The following MD&A should be read in conjunction with the Company's 2013 annual audited consolidated financial statements, which contain a description of the accounting policies used in the preparation of these financial statements.

The Company selected the adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and the adjusted net earnings as non-IFRS key performance measures. These non-IFRS measures are defined on page 31.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## FORWARD-LOOKING STATEMENTS

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

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## COMPANY OVERVIEW

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Fiera Capital is an independent, full-service, multi-product investment firm, providing investment advisory and related services, with approximately \$80.4 billion in assets under management ("AUM") including the joint ventures' AUM. The Company owns interests in the following joint ventures: Fiera Axiom Infrastructure Inc. ("Fiera Axiom"), an entity specialized in infrastructure investments and Fiera Properties Limited ("Fiera Properties"), an entity specialized in real estate investments, over which the Company has joint control. Fiera Capital's business model is based foremost on delivering excellence in investment management to its clients. Fiera Capital 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 Capital uses pooled funds to manage specialized investment strategies 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 Capital also acts as the investment manager of certain mutual funds, a commodity pool fund and The Fiera Capital QSSP II Investment Fund Inc. (the "Mutual Funds" and, collectively with the Pooled Funds, the "Funds").

Units of the Mutual Funds are distributed through Fiera Sceptre Funds Inc. ("FSFI"), Fiera Capital'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, Quebec and New Brunswick.

Fiera Capital is registered in the categories of exempt market dealer and portfolio manager in all provinces and territories of Canada. Fiera Capital is also registered in the category of investment fund manager in the provinces of Ontario and Quebec. In addition, as Fiera Capital manages derivatives portfolios, it is registered as a commodity trading manager pursuant to the *Commodity Futures Act* (Ontario), as an adviser under the *Commodity Futures Act* (Manitoba) and, in Quebec, as derivatives portfolio manager pursuant to the *Derivatives Act* (Quebec). In addition to the above, Bel Air Investment Advisors LLC, a subsidiary of Fiera Capital, is registered as an investment adviser with the United States Securities and Exchange Commission.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## SIGNIFICANT EVENTS

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While 2013 was a remarkable year during which we put the building blocks in place to become a North American leader, the first quarter of 2014 was about pursuing the integration of our acquisitions into our existing business as well as generating successful organic growth.

### *Investment Performance*

Investment performance remains the Firm's highest priority.

### *Innovation*

Fiera Capital is continuously innovating by bringing new strategies to market.

As such, we introduced two new investment strategies during the quarter:

- Fiera High Yield Bond Fund

The Fiera High Yield Bond Fund represents an addition to the Firm's existing suite of fixed income strategies available to institutional and private wealth investors.

- Fiera Private Infrastructure Fund

The Fiera Private Infrastructure Fund provides Canadian accredited investors with access to investments in core infrastructure assets, previously only available to institutional and private wealth investors.

### *Global Expansion*

Fiera Capital's investment solutions are gaining significant traction and recognition outside the Canadian market, as evidenced by the ongoing success of our Global equity strategy abroad.

### *Subsequent Events*

On April 17, 2014, the Board of Directors of the Company approved the filings of articles of amendment to create a new class of shares to be designated as preferred shares ("Preferred Shares"). This amendment requires the approval of the Company's shareholders. The Preferred Shares would be issuable in series and would rank, both in regards to dividends and return on capital, in priority to the holders of the Class A Shares, the holders of the Class B Shares and over any other shares ranking junior to the holders of the Preferred Shares. Other conditions could also be applicable to the holders of the Preferred Shares.



# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## SUMMARY OF PORTFOLIO PERFORMANCE

### Annualized Rates of Return

	AUM (\$billion)	Inception Date	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Since Inception Annualized (%)
<b>Fixed Income Investment Strategies</b>	<b>49.7</b>						
Active Fixed Income		Jan 01, 1997	0.63	5.56	5.80	5.63	6.51
Tactical Fixed income		Jan 01, 2000	0.11	5.57	6.87	6.24	7.53
Long Bonds		Jul 01, 1998	(0.95)	7.90	7.96	7.32	7.34
High Yield Bonds		Sep 01, 2003	10.46	8.54	12.78	7.68	8.11
Preferred Shares		Jan 01, 2004	(1.84)	3.40	10.86	3.36	3.66
Real Return Bonds		Jan 01, 1998	(6.77)	3.49	6.85	5.80	7.66
Fiera Panier Obligataire		Feb 01, 2008	0.85	5.06	5.02	-	5.42
Money Market Core		Jan 01, 2004	1.29	1.28	1.12	2.28	2.30
Cash In Action Fund		Jan 01, 1990	1.04	1.02	0.88	2.13	4.37
<b>Balanced Investment Strategies</b>	<b>2.7</b>						
Balanced Core		Sep 01, 1984	14.68	9.27	12.03	7.13	8.76
Balanced Fund		Mar 01, 1973	14.29	9.45	11.47	7.27	9.06
Diversified Fund		Jan 01, 2004	13.15	7.07	10.06	7.10	7.30
<b>Equity Investment Strategies</b>	<b>23.8</b>						
Canadian Equity Dividend		Jan 01, 2002	16.35	4.98	14.04	9.11	9.52
Canadian Equity Value		Jan 01, 2002	16.35	4.90	13.98	9.08	9.49
High Income Equity		Oct 01, 2009	19.30	10.63	-	-	15.17
Canadian Equity Growth		Jan 01, 2007	20.63	1.84	13.22	-	6.42
Canadian Equity Growth Environment		Jan 01, 2004	18.62	1.80	12.82	10.14	10.14
Canadian Equity Core		Jan 01, 1992	17.58	4.08	13.42	9.28	10.24
Canadian Equity Small Cap Core		Jan 01, 1989	39.11	10.02	24.65	13.10	12.78
Canadian Equity Small Cap Core Mutual Fund		Dec 01, 1986	39.11	10.02	24.94	13.06	14.25
US Equities		Apr 01, 2009	39.59	23.17	21.38	-	21.38
International Equities		Jan 01, 2010	22.89	17.27	-	-	15.11
Global Equities		Oct 01, 2009	30.46	20.96	-	-	18.54
<b>Alternative Investment Strategies</b>	<b>4.2</b>						
North American Market Neutral		Oct 01, 2007	10.59	(1.81)	3.22	-	7.43
Long / Short equities		Aug 01, 2010	30.37	6.02	-	-	13.60
Global Macro		Nov 01, 2006	1.32	(0.58)	(0.97)	-	4.07
Fiera Diversified Lending		Apr 01, 2008	7.05	8.08	7.23	-	6.45
Income Fund		Jan 01, 2010	1.76	4.36	-	-	7.14
Fiera Infrastructure Fund		Nov 01, 2009	7.85	5.79	-	-	4.57
Absolute Bond Yield		Dec 01, 2010	(3.48)	(0.53)	-	-	0.73
Currency Management		Apr 01, 2003	6.26	10.63	11.07	12.11	16.75
Canadian Money Market Arbitrage		Feb 01, 2012	5.68	-	-	-	10.50
Fiera Real Estate Fund		Jul 01, 2013	-	-	-	-	2.07
<b>Total AUM</b>	<b>80.4</b>						

#### Notes:

1. All returns, including those of High Yield Bonds, US Equities, International Equities, and Global Equities, are expressed in Canadian dollars.
2. All performance returns presented above are annualized.
3. All returns, except alternative strategies, are presented gross of management and custodial fees and withholding taxes but net of all trading expenses. Alternative Investment Strategies are presented net of management and custodial fees and withholding taxes.
4. The performance returns above assume reinvestment of all dividends.
5. The returns presented for any one strategy above represent the returns of a composite of clients discretionary portfolios.
6. Each strategy (line) above represents a group of discretionary portfolios that collectively represent one particular investment strategy or objective.
7. The inception date represents the earliest date at which a discretionary portfolio was in operation within the strategy.
8. The above composites and pooled funds are selected from the Firm's major investment strategies.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

9. AUM reflects all assets under management of the Firm, including those from Fiera Axiom and Fiera Properties.

### HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2014

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#### March 31, 2014 versus March 31, 2013

- › Total AUM increased by \$14.7 billion, or 22%, to \$80.4 billion as at March 31, 2014, compared to AUM of \$65.7 billion as at March 31, 2013.
- › Base management fees and other revenue for the three months ended March 31, 2014, increased by \$19.3 million, or 64%, to \$49.5 million compared to \$30.1 million for the same period of the prior year.
- › Performance fees were \$0.5 million for the three months ended March 31, 2014, compared to \$0.1 million for the same period of the prior year.
- › Selling, general and administration (“SG&A”) expenses and external managers expenses increased by \$17.8 million, or 92%, to \$37.1 million for the three months ended March 31, 2014, compared to \$19.3 million for the same period of 2013.
- › Adjusted EBITDA increased by \$3.8 million, or 33%, to \$15.1 million for the three months ended March 31, 2014, compared to \$11.3 million for the same period of 2013. Adjusted EBITDA per share was \$0.22 (basic and diluted) for the three months ended March 31, 2014, compared to \$0.20 (basic and diluted) for the same period of 2013.
- › For the quarter ended March 31, 2014, the Firm recorded net earnings attributable to the Company's shareholders of \$2.7 million, or \$0.04 per share (basic and diluted), compared to net earnings of \$1.6 million, or \$0.03 per share (basic and diluted), for the three months ended March 31, 2013.
- › The adjusted net earnings attributable to the Company's shareholders for the quarter ended March 31, 2014, were \$12.3 million, or \$0.18 per share (basic and diluted), compared to \$7.5 million, or \$0.13 per share (basic and diluted), for the three months ended March 31, 2013.

#### March 31, 2014 versus December 31, 2013

- › Total AUM increased by \$2.9 billion, or 3.8%, to \$80.4 billion during the quarter ended March 31, 2014, compared to \$77.5 billion as at December 31, 2013.
- › Base management fees and other revenue for the three months ended March 31, 2014, increased by \$5.2 million, or 11%, to \$49.5 million compared to \$44.2 million for the quarter ended December 31, 2013.
- › Performance fees were \$0.5 million for the three months ended March 31, 2014, compared to \$11 million for previous quarter ended December 31, 2013 as performance fees are generally recognized in the fourth quarter of each year.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

- › SG&A expenses and external managers expenses rose by \$3.5 million, or 10%, to \$37.1 million for the three months ended March 31, 2014, compared to \$33.6 million for the quarter ended December 31, 2013.
- › Adjusted EBITDA was \$15.1 million for the three months ended March 31, 2014, compared to \$22.9 million for the quarter ended December 31, 2013. Adjusted EBITDA per share was \$0.22 (basic and diluted) for the three months ended March 31, 2014, compared to \$0.36 per share (basic) and \$0.35 (diluted) for the previous quarter ended December 31, 2013.
- › For the quarter ended March 31, 2014, the Firm recorded net earnings attributable to the Company's shareholders of \$2.7 million, or \$0.04 per share (basic and diluted), a decrease of \$5.8 million, or 68%, compared to the quarter ended December 31, 2013, when the Firm recorded net earnings attributable to the Company's shareholders of \$8.5 million, or \$0.13 per share (basic and diluted).
- › The adjusted net earnings attributable to the Company's shareholders for the period were \$12.3 million, or \$0.18 per share (basic and diluted), compared to \$18.3 million, or \$0.29 per share (basic) and \$0.28 (diluted), for the three months ended December 31, 2013.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## SUMMARY OF QUARTERLY RESULTS

**Table 1 – Statements of Earnings and Assets under Management**

ASSETS UNDER MANAGEMENT (\$ in millions)	AS AT			VARIANCE	
	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013	QUARTER OVER QUARTER FAV/(UNF) **	YEAR OVER YEAR FAV/(UNF) **
<b>Assets under Management</b>	<b>80,412</b>	<b>77,485</b>	<b>65,702</b>	<b>2,927</b>	<b>14,710</b>

  

STATEMENTS OF EARNINGS (\$ in thousands except per share ata)	FOR THE THREE MONTHS ENDED			VARIANCE	
	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013	QUARTER OVER QUARTER FAV/(UNF) **	YEAR OVER YEAR FAV/(UNF) **
<b>Revenue</b>					
Base management fees	47,717	42,802	29,968	4,915	17,749
Performance fees - Traditional Assets	483	6,529	60	(6,046)	423
Performance fees - Alternative Assets	15	4,450	37	(4,435)	(22)
Other revenue	1,748	1,441	151	307	1,597
<b>Total revenue</b>	<b>49,963</b>	<b>55,222</b>	<b>30,216</b>	<b>(5,259)</b>	<b>19,747</b>
<b>Expenses</b>					
Selling, general and administration	36,030	32,388	18,564	(3,642)	(17,466)
External managers	1,085	1,221	708	136	(377)
Depreciation of property & equipment	387	367	320	(20)	(67)
Amortization of intangible assets	6,308	6,164	4,084	(144)	(2,224)
Interest on long-term debt and other financial charges	1,408	2,029	1,386	621	(22)
Accretion and change in fair value of purchase price obligations	697	(1,566)	622	(2,263)	(75)
Restructuring provision and other costs	265	67	419	(198)	154
Acquisition costs	147	2,877	935	2,730	788
Change in fair value of financial instruments	539	(126)	207	(665)	(332)
Share of (earnings) loss of joint ventures	(386)	(535)	331	(149)	717
<b>Total expenses</b>	<b>46,480</b>	<b>42,886</b>	<b>27,576</b>	<b>(3,594)</b>	<b>(18,904)</b>
<b>Earnings before income taxes</b>	<b>3,483</b>	<b>12,336</b>	<b>2,640</b>	<b>(8,853)</b>	<b>843</b>
Income taxes	1,206	3,924	1,054	2,718	(152)
<b>Net earnings</b>	<b>2,277</b>	<b>8,412</b>	<b>1,586</b>	<b>(6,135)</b>	<b>691</b>
Attributable to:					
Company's shareholders	2,678	8,481	1,586	(5,803)	1,092
Non-controlling interest	(401)	(69)	-	(332)	(401)
	<b>2,277</b>	<b>8,412</b>	<b>1,586</b>	<b>(6,135)</b>	<b>691</b>
<b>BASIC PER SHARE</b>					
Adjusted EBITDA*	0.22	0.36	0.20	(0.14)	0.02
Net earnings	0.04	0.13	0.03	(0.09)	0.01
Adjusted net earnings *	0.18	0.29	0.13	(0.11)	0.05
<b>DILUTED PER SHARE</b>					
Adjusted EBITDA*	0.22	0.35	0.20	(0.13)	0.02
Net earnings	0.04	0.13	0.03	(0.09)	0.01
Adjusted net earnings *	0.18	0.28	0.13	(0.10)	0.05

(\*) Adjusted EBITDA and Adjusted net earnings are non-IFRS measures. Please refer to "Non-IFRS Measures" on page 31.

(\*\*) FAV: Favourable – UNF: Unfavourable

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

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

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

	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013
Cash, restricted cash and investments	21,278	32,174	9,961
Accounts receivable	51,708	56,072	34,561
Other current assets	4,836	3,771	1,898
Intangible assets	307,022	310,151	228,146
Goodwill	360,178	357,773	278,750
Investment in joint ventures	8,667	8,284	6,608
Other long-term assets	7,770	8,342	8,694
<b>Total assets</b>	<b>761,459</b>	<b>776,567</b>	<b>568,618</b>
Current liabilities	38,440	56,329	21,704
Bank loan	-	-	4,000
Deferred income taxes	23,868	24,636	19,457
Long-term debt	230,877	228,262	168,087
Purchase price obligations	40,837	40,250	57,125
Derivative financial instruments	1,071	644	1,698
Value of option granted to non-controlling interest	7,832	7,720	-
Other long-term liabilities	1,638	1,685	1,889
Equity			
Attributable to Company's shareholders	416,339	416,083	294,658
Attributable to Non-controlling interest	557	958	-
	416,896	417,041	294,658
<b>Total liabilities and equity</b>	<b>761,459</b>	<b>776,567</b>	<b>568,618</b>

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## RESULTS FROM OPERATIONS AND OVERALL PERFORMANCE

### Assets under Management

The change in Fiera Capital's assets under management is determined by i) the level of new mandates ("New"); ii) the level of redemption ("Lost"); iii) the level of inflows and outflows from existing customers ("Net Contribution"); iv) the increase or decrease in the market value of the assets held in the portfolio of investments ("Market") and (v) business acquisition ("Acquisition"). For simplicity, the "Net variance" is the sum of the New mandates, the Lost mandates, Net Contribution and the change in Market value.

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

**Table 3 – Assets under Management (\$ in millions)\***

	FOR THE THREE MONTHS ENDED		
	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013
AUM - beginning of period	77,485	67,163	58,138
Net variance	2,927	2,067	1,438
Acquisition	-	8,255	6,126
AUM - end of period	80,412	77,485	65,702

Certain totals, subtotals and percentages may not reconcile due to rounding.  
(\* ) AUM were restated to include those of Fiera Axium and Fiera Properties.

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

	DECEMBER 31, 2013	NEW	LOST	NET CONTRIBUTION	MARKET	ACQUISITION	MARCH 31, 2014
Institutional	41,478	276	(94)	(82)	1,533	-	43,112
Private Wealth	10,535	147	(310)	(68)	424	-	10,728
Retail	25,472	587	(128)	(253)	894	-	26,572
AUM - end of period	77,485	1,010	(532)	(403)	2,851	-	80,412

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

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## Quarterly Activity

Total AUM increased by \$2.9 billion, or 3.8%, to \$80.4 billion during the quarter ended March 31, 2014, compared to \$77.5 billion as at December 31, 2013. The increase is due primarily to the market appreciation of \$2.8 billion during the period. Also, the first quarter of 2014 was characterized by the increase in new mandates of \$1 billion, partly offset by lost mandates of \$0.5 billion.

## Revenue

Management fees are based on AUM, and, for each type of clientele, revenue is earned primarily on the average closing value of AUM at the end of each day, month or calendar quarter. The Firm calculates performance fees on two asset classes: the traditional asset class and the alternative asset class. The analysis of revenue that follows refers to average assets in the case of each clientele segment.

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

	FOR THE THREE MONTHS ENDED			VARIANCE	
	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013	QUARTER OVER QUARTER	YEAR OVER YEAR
Institutional	18,166	18,026	15,719	140	2,447
Private Wealth	15,508	10,918	3,033	4,590	12,475
Retail	14,043	13,858	11,216	185	2,827
<b>Total management fees*</b>	<b>47,717</b>	<b>42,802</b>	<b>29,968</b>	<b>4,915</b>	<b>17,749</b>
Performance fees – Traditional asset class	483	6,529	60	(6,046)	423
Performance fees – Alternative asset class	15	4,450	37	(4,435)	(22)
<b>Total performance fees</b>	<b>498</b>	<b>10,979</b>	<b>97</b>	<b>(10,481)</b>	<b>401</b>
Other revenue*	1,748	1,441	151	307	1,597
<b>Total Revenue</b>	<b>49,963</b>	<b>55,222</b>	<b>30,216</b>	<b>(5,259)</b>	<b>19,747</b>

(\*) Revenue was reclassified to better reflect the business of the Company.  
Certain totals, subtotals and percentages may not reconcile due to rounding.

## Current Quarter versus Prior-Year Quarter

Revenue for the three months ended March 31, 2014, increased by \$19.8 million, or 65%, to \$50.0 million compared to \$30.2 million for the same period of the prior year. The increase in revenue is due mainly to the higher AUM base, hence higher management fees and other revenue of \$19.4 million, following the acquisition of assets from UBS Global Asset Management (Canada) Inc. ("UBS"), GMP Investment Management ("GMP"), Bel Air Investment Advisors LLC ("Bel Air"), and Wilkinson O'Grady & Co. Inc. ("Wilkinson O'Grady"), combined with higher performance fees of \$0.4 million.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

### *Management fees*

Management fees increased by \$17.7 million, or 59%, to \$47.7 million for the three months ended March 31, 2014, compared to \$30.0 million for the same period of the previous year. The increase of \$17.7 million in revenue for the overall Company and the impact on revenue by different types of clientele are as follows:

- › Revenue from the Institutional clientele increased by \$2.4 million, or 15.6%, to \$18.2 million for the three months ended March 31, 2014, compared to the same quarter of 2013. The increase is due mainly to additional net AUM, combined with three months of revenue from UBS during the first quarter of 2014 compared to two months of revenue for the same period of the prior year.
- › Revenue from the Private Wealth clientele increased by \$12.5 million, or over 100%, to \$15.5 million for the three months ended March 31, 2014, compared to the same period of the prior year. The increase is due mainly to the inclusion of assets from Bel Air and Wilkinson O'Grady.
- › Revenue from the Retail clientele increased by \$2.8 million, or 25.2%, to \$14 million for the three months ended March 31, 2014, compared to the same quarter of the prior year.

### *Performance fees*

Performance fees were \$0.5 million for the three months ended March 31, 2014, compared to \$0.1 million for the same period of last year. The fluctuation is due to higher performance fees from the traditional asset class of \$0.4 million. Also, performance fees are generally recognized in the fourth quarter of each year.

### *Other revenue*

Other revenue increased by \$1.6 million, or over 100%, to \$1.7 million for the quarter ended March 31, 2014 compared to \$0.1 million for the same period of the prior year. The increase is mainly attributable to the brokerage and consulting fees earned during the first quarter of 2014.

### *Current Quarter versus Previous Quarter*

Revenue for the three months ended March 31, 2014, were at \$50.0 million compared to \$55.2 million for the three months ended December 31, 2013.

### *Management fees*

Management fees increased by \$4.9 million, or 11.5%, to \$47.7 million for the three months ended March 31, 2014, compared to \$42.8 million for the previous quarter ended December 31, 2013. The increase in management fees is attributable to the higher quarterly average AUM base and results in the following variations by type of clientele:

- › Revenue from the Institutional clientele increased by \$0.1 million, or 1%, to \$18.2 million for the three months ended March 31, 2014, compared to the quarter ended December 31, 2013. Although the AUM from the Institutional clientele has slightly increased in the quarter ended



## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

March 31, 2014 compared to the quarter ended December 31, 2013, the positive impact on revenue will be felt in the upcoming quarters of 2014.

- › Revenue from the Private Wealth clientele increased by \$4.6 million, or 42%, to \$15.5 million compared to the previous quarter ended December 31, 2013. The increase is due mainly to the inclusion of three months of revenue from Bel Air and Wilkinson O'Grady in the result of the first quarter of 2014 compared to two months of revenue in the previous quarter.
- › Revenue from the Retail clientele remained stable at \$14.0 million for the three months ended March 31, 2014, compared to \$13.9 million from the quarter ended December 31, 2013. Although the AUM from the Retail clientele has slightly increased in the quarter ended March 31, 2014 compared to the quarter ended December 31, 2013, the positive impact on revenue will be felt in the upcoming quarters of 2014.

### *Other revenue*

Other revenue increased by \$0.3 million, or over 21%, to \$1.7 million for the quarter ended March 31, 2014 compared to \$1.4 million for the previous quarter. The increase is mainly due to the brokerage and consulting fees from Bel Air for three months of operation during the first quarter of 2014 compared to two months of revenue recorded in the fourth quarter of 2013.

### *Performance fees*

Performance fees were \$0.5 million for the three months ended March 31, 2014, compared to \$11.0 million from the previous quarter as performance fees are generally earned in the fourth quarter of each year.

### ***Selling, General and Administration***

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

SG&A expenses increased by \$17.5 million, or 94%, to \$36.0 million for the three months ended March 31, 2014, compared to \$18.6 million for the same period of the prior year. The increase is due mainly to the inclusion of costs related to UBS, GMP, Bel Air and Wilkinson O'Grady, namely higher compensation costs of \$14.2 million, higher marketing and servicing and information technology expenses \$1.4 million, higher insurance and reference fees of \$0.6 million and higher rental costs of \$0.5 million.

#### *Current Quarter versus Previous Quarter*

SG&A expenses rose by \$3.6 million, or 11%, to \$36.0 million for the three months ended March 31, 2014, compared to \$32.4 million for the quarter ended December 31, 2013. The increase is due mainly to the inclusion of three months of operation of Bel Air and Wilkinson O'Grady in the first quarter of 2014 compared to two months of costs related to Bel Air and Wilkinson O'Grady in the previous quarter, translating into an additional \$3.1 million in SG&A expenses. The inclusion of a full quarter of the amortization of performance share unit ("PSU") related to key employees of Bel Air and Wilkinson O'Grady combined with the addition of new PSUs granted in the current quarter contributed to an increase of \$1.0 million in SG&A costs. An increase of \$1.1 million in investment performance bonuses and related wages levies also contributed to the SG&A overall rise.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## **External Managers**

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

External managers expenses increased by \$0.4 million, or over 53%, to \$1.1 million for the three months ended March 31, 2014, from \$0.7 million for the three months ended March 31, 2013. The increase is due mainly to the addition of Bel Air compared to the same period of the prior year.

### *Current Quarter versus Previous Quarter*

External managers expenses remained stable at \$1.1 million for the three months ended March 31, 2014 compared to \$1.2 million for the three months ended December 31, 2013.

## **Depreciation and Amortization**

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

Depreciation of property and equipment remained stable at \$0.4 million for the three months ended March 31, 2014, compared to \$0.3 million for the three months ended March 31, 2013.

Amortization of intangible assets increased by \$2.2 million, or 55%, to \$6.3 million for the three months ended March 31, 2014, from \$4.1 million for the same period of the prior year, following the acquisition of intangible assets from UBS, GMP, Bel Air and Wilkinson O'Grady.

### *Current Quarter versus Previous Quarter*

Depreciation of property and equipment remained stable at \$0.4 million for the three months ended March 31, 2014, compared to \$0.4 million for the three months ended December 31, 2013.

Amortization of intangible assets remained stable at \$6.3 million for the three months ended March 31, 2014 compared to \$6.2 million for the previous quarter.

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

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

The interest on long-term debt and other financial charges remained stable at \$1.4 million for the three months ended March 31, 2014 compared to \$1.4 million for the three months ended March 31, 2013.

### *Current Quarter versus Previous Quarter*

The interest on long-term debt and other financial charges decreased by \$0.6 million, or over 30%, to \$1.4 million for the three months ended March 31, 2014, from \$2.0 million for the previous quarter. The decrease is mainly due to a gain on foreign exchange of \$0.6 million recorded in the first quarter of 2014 compared to nil for the previous quarter.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

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

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

The accretion and change in fair value of purchase price obligations remained stable at \$0.7 million of charge for the three months ended March 31, 2014, from \$0.6 million of charge for the three months ended March 31, 2013.

### *Current Quarter versus Previous Quarter*

The accretion and change in fair value of purchase price obligations changed by \$2.2 million, or over 100%, to a charge of \$0.7 million for the three months ended March 31, 2014, compared to a recovery of \$1.6 million for the previous quarter. The decrease is due mainly to the reversal, during the fourth quarter of 2013, of \$2.0 million of the purchase price obligation related to the acquisition of CWM as the conditions required to trigger the contingent payment of \$2 million were not met.

## *Acquisition and Restructuring Costs*

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

Acquisition and restructuring costs decreased by \$0.9 million, or 70%, for the three months ended March 31, 2014, to \$0.4 million compared to \$1.4 million for the same period in 2013. This decrease is due mainly to the costs related to the acquisition of assets of UBS that occurred during the first quarter of 2013.

### *Current Quarter versus Previous Quarter*

Acquisition and restructuring costs decreased by \$2.5 million, or 80%, for the three months ended March 31, 2014, to \$0.4 million compared to \$2.9 million for the previous quarter. This decrease is due mainly to the costs related to the acquisition of Bel Air and Wilkinson O'Grady during the fourth quarter of 2013.

## *Change in Fair Value of Financial Instruments*

During the quarter ended June 30, 2013, the Company had entered into a derivative financial instrument that has not been designated for hedge accounting. The interest rate swap agreement consists of exchanging the Company's variable rate for a fixed rate of 1.835 % ending in March 2017. These derivatives are measured at fair value at the end of each period, and the unrealized gain or loss arising from revaluation is recorded and reported under "Change in fair value of financial instruments" in the statement of earnings.

The variation in the fair value of financial instruments was recorded in the statements of earnings as a charge of \$0.5 million for the three months ended March 31, 2014, compared to a gain of \$0.1 million in the three months ended December 31, 2013, and compared to a charge of \$0.2 million for the comparable period ended March 31, 2013.

It is the Company's policy not to speculate on derivative financial instruments; accordingly, such instruments are normally purchased for risk management purposes and held until maturity.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

### Adjusted EBITDA<sup>(\*)</sup>

The Company defines adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, acquisition and restructuring costs adjusted for non-cash compensations items. We believe that adjusted EBITDA is a meaningful measure as it permits us to evaluate our operating performance without having the impact of non-operational items.

**Table 6 - Adjusted EBITDA (\$ in thousands except per share data)**

	FOR THE THREE MONTHS ENDED			VARIANCE	
	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013	QUARTER OVER QUARTER	YEAR OVER YEAR
Revenue					
Base management fees and Other revenue	49,465	44,243	30,119	5,222	19,346
Performance fees	498	10,979	97	(10,481)	401
<b>Total revenue</b>	<b>49,963</b>	<b>55,222</b>	<b>30,216</b>	<b>(5,259)</b>	<b>19,747</b>
Expenses					
Selling, general and administration	36,030	32,388	18,564	(3,642)	(17,466)
External managers	1,085	1,221	708	136	(377)
<b>Total expenses</b>	<b>37,115</b>	<b>33,609</b>	<b>19,272</b>	<b>(3,506)</b>	<b>(17,843)</b>
	12,848	21,613	10,944	(8,765)	1,904
<b>Add back: Non-cash compensation</b>	<b>2,279</b>	<b>1,328</b>	<b>400</b>	<b>951</b>	<b>1,879</b>
<b>Adjusted EBITDA</b>	<b>15,127</b>	<b>22,941</b>	<b>11,344</b>	<b>(7,814)</b>	<b>3,783</b>
Per share basic	0.22	0.36	0.20	(0.14)	0.02
Per share diluted	0.22	0.35	0.20	(0.13)	0.02

\*Adjusted EBITDA is a non-IFRS measure. Please refer to "Non-IFRS Measures" on page 31. Certain totals, subtotals and percentages may not reconcile due to rounding.

### Current Quarter versus Prior-Year Quarter

For the three months ended March 31, 2014, adjusted EBITDA increased year-over-year by \$3.8 million, or 33%, to \$15.1 million, or \$0.22 per share (basic and diluted), compared to \$11.3 million, or \$0.20 per share (basic and diluted), for the same period of 2013.

Adjusted EBITDA for the current quarter ended March 31, 2014, was driven by an increase in the base management fees compared to the same period of the previous year, mainly due to the acquisition of the UBS, GMP, Bel Air and Wilkinson O'Grady assets. These elements were partially offset by an overall rise in operating expenses, namely for SG&A expenses and external managers expenses with the inclusion of the UBS, GMP, Bel Air and Wilkinson O'Grady operations.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

### Current Quarter versus Previous Quarter

For the three months ended March 31, 2014, adjusted EBITDA decreased by \$7.8 million, or 34%, to \$15.1 million, or \$0.22 per share (basic and diluted), compared to \$22.9 million, or \$0.36 per share (basic) and \$0.35 (diluted), from the previous quarter ended December 31, 2013. The lower adjusted EBITDA is mainly explained by lower performance fees recorded in the first quarter of the year compared to those recorded in the fourth quarter of 2013, as such fees are generally earned in the fourth quarter of each year, and higher SG&A expenses mainly due to the inclusion of a full quarter of operations of the acquired Bel Air and Wilkinson O'Grady during the first quarter of 2014 as described in the SG&A section.

### Net Earnings and Adjusted Net Earnings\*

**Table 7 - Net Earnings and Adjusted Net Earnings (\$ in thousands except per share data)**

	FOR THE THREE MONTHS ENDED			VARIANCE	
	MARCH 31, 2014	DECEMBER 31, 2013	MARCH 31, 2013	QUARTER OVER QUARTER	YEAR OVER YEAR
Net earnings attributable to the Company's shareholders	2,678	8,481	1,586	(5,803)	1,092
Depreciation of property & equipment	387	367	320	20	67
Amortization of intangible assets	6,308	6,164	4,084	144	2,224
Non-cash compensation items	2,279	1,328	400	951	1,879
Change in fair value of financial instruments <sup>(1)</sup>	539	(126)	207	665	332
<b>Non-cash items</b>	<b>9,513</b>	<b>7,733</b>	<b>5,011</b>	<b>1,780</b>	<b>4,502</b>
Restructuring costs <sup>(1)</sup>	265	67	419	198	(154)
Acquisition costs <sup>(1)</sup>	147	2,877	935	(2,730)	(788)
Acquisition and restructuring costs	412	2,944	1,354	(2,532)	(942)
	<b>12,603</b>	<b>19,158</b>	<b>7,951</b>	<b>(6,555)</b>	<b>4,652</b>
Income taxes on above identified items <sup>(1)</sup>	285	845	468	(560)	(183)
<b>Adjusted net earnings attributable to the Company's shareholders</b>	<b>12,318</b>	<b>18,313</b>	<b>7,483</b>	<b>(5,995)</b>	<b>4,835</b>
<b>Per share basic</b>					
Net earnings	0.04	0.13	0.03	(0.09)	0.01
Adjusted net earnings	0.18	0.29	0.13	(0.11)	0.05
<b>Per share diluted</b>					
Net earnings	0.04	0.13	0.03	(0.09)	0.01
Adjusted net earnings	0.18	0.28	0.13	(0.10)	0.05

\*Adjusted net earnings are a non-IFRS measure. Please refer to "Non-IFRS Measures" on page 31. Certain totals, subtotals and percentages may not reconcile due to rounding.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

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

For the quarter ended March 31, 2014, the Firm recorded net earnings attributable to the Company's shareholders of \$2.7 million, or \$0.04 per share (basic and diluted). For the three months ended March 31, 2013, the Firm recorded net earnings of \$1.6 million, or \$0.03 per share (basic and diluted). The increase in net earnings attributable to the Company's shareholders is mainly explained by higher base management fees of \$19.3 million, higher performance fees of \$0.4 million, partly offset by an increase in SG&A expenses and external managers expenses of \$17.8 million. Also, during the quarter ended March 31, 2014, the increase in net earnings was attributable to lower restructuring and acquisition costs of \$0.9 million, offset by higher amortization and depreciation costs of \$2.3 million and higher income taxes of \$0.2 million.

### *Current Quarter versus Previous Quarter*

The Firm's net earnings attributable to the Company's shareholders decreased by \$5.8 million to \$2.7 million, or \$0.04 per share (basic and diluted), during the quarter compared to \$8.5 million, or \$0.13 per share (basic and diluted), for the quarter ended December 31, 2013. The decrease in net earnings attributable to the Company's shareholders is primarily explained by lower performance fees of \$10.5 million compared to the fourth quarter of 2013 when performance fees are generally earned, partially offset by higher base management fees of \$5.2 million during the first quarter of 2014. Also, the decrease in the net earnings is explained by higher SG&A and external managers expenses of \$3.5 million, partly offset by lower acquisition and restructuring costs of \$2.5 million.

During the current quarter, the net earnings attributable to the Company's shareholders were affected negatively by \$9.4 million of non-cash items (net of income taxes on the change in fair value of derivative financial instruments), or \$0.14 per share (basic and diluted), and by \$0.3 million of acquisition and restructuring costs (net of income taxes). When added back to the Firm's net earnings attributable to the Company's shareholders of \$2.7 million, or \$0.04 per share (basic and diluted), the adjusted net earnings attributable to the Company's shareholders for the three months ended March 31, 2014, were \$12.3 million, or \$0.18 per share (basic and diluted).

The adjusted net earnings attributable to the Company's shareholders for the three months ended March 31, 2013, and December 31, 2013, were \$7.5 million, or \$0.13 per share (basic and diluted), and \$18.3 million, or \$0.29 per share (basic) and \$0.28 (diluted), respectively.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## SUMMARY OF QUARTERLY RESULTS

The Firm's AUM, total revenue, adjusted EBITDA, and net earnings, on a consolidated basis, including amounts on a per-share basis for each of the Firm's most recently completed eight quarterly periods, including last twelve months information for discussion purposes, are as follows:

**Table 8 – Quarterly Results (\$ in thousands except AUM \$ in millions and per share data)**

	Last Twelve Months****	Q1 Mar. 31 2014	Q4 Dec. 31 2013	Q3 Sep. 30 2013	Q2 Jun. 30 2013	Q1 Mar. 31 2013	Q5 Dec. 31 2012	Q4 Sep. 30 2012	Q3 Jun. 30 2012
AUM *	72,538	80,412	77,485	67,163	65,092	65,702	58,138	55,681	54,375
Total revenue	173,474	49,963	55,222	35,111	33,178	30,216	31,009	26,399	26,257
Adjusted EBITDA **	63,011	15,127	22,941	12,085	12,858	11,344	12,746	9,717	10,732
Adjusted EBITDA margin	36.3%	30.3%	41.5%	34.4%	38.8%	37.5%	41.1%	36.8%	40.9%
Net earnings (loss) attributable to Company's shareholders	16,032	2,678	8,481	1,508	3,365	1,586	3,086	3,008	(3,463)
<b>PER SHARE BASIC</b>									
Adjusted EBITDA**	1.03	0.22	0.36	0.22	0.23	0.20	0.23	0.18	0.19
Net earnings (loss) attributable to the Company's shareholders	0.26	0.04	0.13	0.03	0.06	0.03	0.05	0.05	(0.06)
Adjusted net earnings attributable to the Company's shareholders**	0.78	0.18	0.29	0.15	0.16	0.13	0.16	0.12	0.13
<b>PER SHARE DILUTED</b>									
Adjusted EBITDA**	1.01	0.22	0.35	0.22	0.23	0.20	0.23	0.18	0.19
Net earnings (loss) attributable to the Company's shareholders	0.25	0.04	0.13	0.03	0.06	0.03	0.05	0.05	(0.06)
Adjusted net earnings attributable to the Company's shareholders**	0.77	0.18	0.28	0.15	0.16	0.13	0.16	0.12	0.13
<b>PER SHARE DILUTED (Including non-cash compensation and options granted) (***)</b>									
Adjusted EBITDA**	0.98	0.20	0.33	0.22	0.23	0.20	0.23	0.18	0.19
Net earnings (loss) attributable to the Company's shareholders	0.24	0.04	0.12	0.03	0.06	0.03	0.05	0.05	(0.06)
Adjusted net earnings attributable to the Company's shareholders**	0.74	0.17	0.26	0.15	0.16	0.13	0.16	0.12	0.13

(\*) AUM were restated to include Fiera Axium and Fiera Properties AUM.

(\*\*) Adjusted EBITDA and Adjusted net earnings are non-IFRS measures. Please refer to "Non-IFRS Measures" on page 31.

(\*\*\*) This analysis considers that all outstanding stock-based programs will be vested and paid with shares of the Company.

(\*\*\*\*) Last Twelve Months ("LTM") represents the sum of the last four quarter results, except for AUM, which are an average of AUM of the last four quarters.



# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## *Results and Trend Analysis*

### AUM

The current quarter showed an increase in AUM compared to the previous quarter mainly due to new mandates and market appreciation. The increase in AUM in the fourth quarter of 2013 compared to the quarter ended September 30, 2013, is mainly attributable to the acquisition of Bel Air and Wilkinson O'Grady, combined with additional AUM from new mandates. AUM increased in the third quarter of 2013 compared to the quarter ended June 30, 2013, mainly due to additional AUM resulting from new mandates in the institutional sector combined with market appreciation during the period. AUM increased in the three months ended June 30, 2013, compared to previous quarters due to the acquisition of assets from GMP, combined with market appreciation as well as additional net AUM. The acquisition of Natcan AUM in April 2012 contributed to the AUM increase in the quarter ended June 30, 2012.

### Revenue

The current quarter was characterized by an increase in base management fees and other revenues resulting from a full quarter of operations related to Bel Air and Wilkinson O'Grady, and net additional AUM combined with Market appreciation. Performance fees decreased compared to the previous quarter mainly due to the fact that performance fees are generally earned in the fourth quarter of each year. During the quarter ended December 31, 2013, revenue increased due to the inclusion of Bel Air and Wilkinson O'Grady operations, combined with higher performance fees on both traditional and alternative assets class. Revenue for the previous quarter ended September 30, 2013, increased mainly due to positive cash flows and new mandates. The quarter ended June 30, 2013, also demonstrated an increase compared to the previous quarter following the acquisition of assets of UBS and GMP. The quarter ended March 31, 2013, showed a slight decrease compared to the quarter ended December 31, 2012, mainly due to timing in performance fees earned generally in the quarter ended December of each year.

### Adjusted EBITDA

Adjusted EBITDA has fluctuated from a low of \$3.5 million to a high of \$22.9 million. The current quarter showed a decrease in adjusted EBITDA compared to previous quarter, mainly due to lower performance fees and higher SG&A expenses recorded in this quarter. The increase in SG&A is mainly due to the inclusion of a full quarter of operation from Bel Air and Wilkinson combined with investment managers performance resulting in higher compensation. The previous quarter ended December 31, 2013, was positively impacted by additional AUM base revenue resulting from the acquisition of Bel Air and Wilkinson O'Grady as well as higher revenue from performance fees which are generally recognized in the fourth quarter of the year. The previous quarter ended September 30, 2013, benefited from positive cash flows, market appreciation and new mandates. The quarter ended June 30, 2013, also showed an increase compared to the previous quarter following the acquisition of assets from UBS and GMP. The quarter ended March 31, 2013, showed a slight decrease compared to the quarter ended December 31, 2012, mainly due to lower performance fees recorded in this period. Finally, the acquisition of Natcan contributed to the rise in adjusted EBITDA in the quarter ended June 30, 2012.

### Adjusted EBITDA Margin

Adjusted EBITDA margin relates adjusted EBITDA to revenue. It is an important measure of overall operating performance because it indicates the operating profitability of the Company.



## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

Adjusted EBITDA margin has fluctuated from a low of 30.3% to a high of 41.5%. The quarters following the Natcan acquisition in 2012 have shown adjusted EBITDA margin in the range of 36.8% to 41.1% due to higher revenue and cost savings from synergies following the acquisition. The quarters ended December 31, 2012 and 2013, had a high adjusted EBITDA margin in the range of 41% due to high performance fees which are generally earned in the fourth quarter of each year. The quarter ended September 30, 2013, had an adjusted EBITDA margin of 34.4% due to the overall rise in SG&A expenses resulting mainly from higher compensation following strong performances by the investment teams. The current quarter ended March 31, 2014, had an adjusted EBITDA margin of 30.3% mainly due to lower revenue from performance fees, resulting from the timing of payments of such fees combined with higher SG&A expenses as a result of various acquisitions from the previous year.

On a twelve-month basis, the LTM adjusted EBITDA margin was at 36.3%. The LTM adjusted EBITDA margin neutralizes the impact of performance fees which are generally recognized in the fourth quarter as well as the rise in SG&A in recent quarters resulting from various acquisitions and provides a better measure of the Firm's overall performance.

### Net Earnings Attributable to the Company's Shareholders

Net earnings attributable to the Company's shareholders have fluctuated from a low of \$3.5 million loss in the quarter ended June 30, 2012, to a high of \$8.5 million earnings in the quarter ended December 31, 2013. Net earnings attributable to the Company's shareholders were impacted by different initiatives resulting in higher SG&A expenses, acquisitions and restructuring costs following various acquisitions. Also, performance fees generally recorded in the fourth quarter of each year contributed to the fluctuation of the net earnings.

The current quarter's net earnings attributable to the Company's shareholders were lower than those of the previous quarter ended December 31, 2013, due to lower revenue from performance fees resulting from the timing of recognition of such fees, combined with a rise in SG&A expenses as a result of various acquisitions from the previous year and higher compensation resulting from strong investment manager's performance.

### Adjusted Net Earnings Attributable to the Company's Shareholders

Adjusted net earnings attributable to the Company's shareholders per share are a good performance indicator of the Company's ability to generate cash flows. Adjusted net earnings attributable to the Company's shareholders have fluctuated from a low of \$0.12 per share (basic and diluted) to a high of \$0.29 per share (basic) and \$0.28 (diluted).

The first quarter after the Natcan acquisition was closed with adjusted net earnings attributable to the Company's shareholders of \$0.13 per share (basic and diluted), an increase of \$0.06 per share (basic and diluted), from \$0.07 per share (basic and diluted) recorded in the quarter ended March 31, 2012. The following quarter ended September 30, 2012, closed with adjusted net earnings attributable to the Company's shareholders of \$0.12 per share (basic and diluted) and the quarter ended December 31, 2012, had adjusted net earnings attributable to the Company's shareholders of \$0.16 per share (basic and diluted), mainly due to additional performance fees earned in this period. The quarter ended March 31, 2013, showed adjusted net earnings attributable to the Company's shareholders of \$0.13 per share (basic and diluted), mainly due to the lower performance fees recorded in this period. During the following quarter and the quarter ended September 30, 2013, the Company recorded adjusted net earnings attributable to the Company's shareholders of \$0.16 and \$0.15 per share (basic and diluted), respectively. The quarter ended December 31, 2013, closed with high adjusted net earnings attributable to the

## **Management's Discussion and Analysis For the Three Months Ended March 31, 2014**

Company's shareholders of \$0.29 per share (basic) and \$0.28 per share (diluted), mainly due to higher base management fees combined with higher performance fees from traditional and alternative class recorded in the fourth quarter of the year.

The current quarter ended March 31, 2014, recorded adjusted net earnings attributable to the Company's shareholders of \$0.18 per share (basic and diluted), a decrease compared to the previous quarter due to lower revenue from performance fees recorded during the quarter, resulting from the timing of recognition of such fees.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

### LIQUIDITY

#### Cash Flows

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

**Table 9 – Summary of Consolidated Statements of Cash Flows (\$ in thousands)**

	FOR THE THREE MONTHS ENDED MARCH 31, 2014	FOR THE THREE MONTHS ENDED MARCH 31, 2013
Cash provided by (used in) operating activities	174	(1,886)
Cash used in investing activities	(4,463)	(54,296)
Cash provided by (used in) financing activities	(1,937)	53,352
Increase (decrease in cash and cash equivalents)	(6,226)	(2,830)
Effect of exchange rate changes on cash denominated in foreign currencies	233	-
Cash, beginning of period	21,774	6,016
Cash, end of period	15,781	3,186

Cash provided by operating activities was \$0.2 million for the three months ended March 31, 2014, compared to \$1.8 million of cash used in the three months ended March 31, 2013. The variation of \$2.0 million is mainly explained by higher net earnings, adjusted for higher non-cash items (mainly depreciation and amortization) and higher non-cash compensation items.

Cash used in investing activities was \$4.5 million for the quarter ended March 31, 2014 compared to \$54.3 million of cash used in the three months ended March 31, 2013. The variation is attributable mainly to the acquisition of assets of UBS in the quarter ended March 31, 2013.

Cash used in financing activities was \$1.9 million for the three months ended March 31, 2014, compared to \$53.4 million of cash provided by financing activities for the quarter ended March 31, 2013. The variation is attributable mainly to additional borrowing to finance the acquisition of assets of UBS in the quarter ended March 31, 2013.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

The following table provides details of the Firm's cash earnings and cash earnings per share for the three months ended March 31, 2014 and 2013, respectively.

**Table 10 – Cash Earnings and Cash Earnings per Share (\$ in thousands except per share data)**

	FOR THE THREE MONTHS ENDED MARCH 31, 2014	FOR THE THREE MONTHS ENDED MARCH 31, 2013
Net earnings attributable to the Company's shareholders	2,678	1,586
Adjusted for the following items:		
Depreciation of property & equipment	387	320
Amortization of intangible assets	6,308	4,084
Non-cash compensation	2,279	400
Change in fair value of derivative financial instruments	539	207
<b>Cash earnings</b>	<b>12,191</b>	<b>6,597</b>
<b>Cash earnings per share (basic)</b>	<b>0.18</b>	<b>0.12</b>
<b>Cash earnings per share (diluted)</b>	<b>0.18</b>	<b>0.12</b>

### *Long-Term Debt*

After the acquisition of the Natcan, CWM, UBS, GMP, Bel Air and Wilkinson O'Grady assets, the Firm has put in place a \$250.0 million unsecured credit facility ("Credit Facility") consisting of a \$75.0 million revolving facility maturing in April 2017 and a \$175.0 million term facility maturing in April 2017.

On October 31, 2013, the Company amended its \$118.0 million credit facility which consisted of a \$10.0 million revolving facility and a \$108.0 million term facility to a \$250 million Credit Facility. The amended Credit Facility bearing interest at prime rate plus a premium varying from 0% to 2.25% or at the banker's acceptances rate plus a premium varying from 1.00% to 2.25% (2.25% as at March 31, 2014) matures on April 3, 2017, and is repayable in quarterly instalments of \$3.375 million starting in June 2015 up to April 2017 with a final payment of \$208.5 million.

During the three-month period ended March 31, 2014, the Company converted CAD\$30.5 million from its term facility to US\$27.9 million.

Under the terms of the loan agreement, the Firm must satisfy certain restrictive covenants as to minimum financial ratios. These restrictions are composed of the ratio of funded debt to EBITDA and the interest coverage ratio. Under the loan agreement, EBITDA, a non-IFRS measure, means, on a consolidated basis, net earnings before interest, taxes, depreciation, amortization, non-recurring and one-time expenses related to acquisitions and other non-cash items and shall include various items. As at March 31, 2014, all debt covenant requirements and exemptions have been respected.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## *Contractual Obligations*

As at March 31, 2014, the Company had no material contractual obligation other than those described in the Company's 2013 Annual MD&A in the section entitled "Contractual Obligations".

## *Off-Balance Sheet Arrangements*

At March 31, 2014, Fiera Capital was not engaged in any off-balance sheet arrangements, including guarantees, derivatives, other than the floating-to-fixed interest rate swap detailed under the long-term debt section above, and variable-interest entities. We do not expect to enter into such agreements.

## *Legal Proceedings*

Fiera Capital may become involved in various claims and litigation as part of its business. Even though the Firm cannot predict the final outcome of the claims and litigation that were pending at March 31, 2014, from 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.

## *Share capital*

As at March 31, 2014, the Company had 46,803,522 Class A subordinate voting shares and 20,653,913 Class B special voting shares for a total of 67,439,435 shares outstanding compared to 35,368,114 Class A subordinate voting shares and 21,207,964 Class B special voting shares for a total of 56,576,078 shares outstanding, as at March 31, 2013.

## *Share-Based Payment*

### *Stock Option Plan*

The following table presents transactions that occurred during the three months ended March 31, 2014, under the Company's stock option plans.

**Table 11 – Options**

	MARCH 31, 2014	
	Number of Class A share options	Weighted-average exercise price (\$)
Outstanding – December 31, 2013	2,942,522	8.12
Exercised	(2,370)	8.44
Forfeited	(9,484)	8.44
Outstanding – March 31, 2014	2,930,668	8.12
Options exercisable - March 31, 2014	1,152,533	6.71

## *Performance Share Unit Plan (PSU)*

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

During the first quarter of 2014, the Company issued 307,692 PSU. The annual vesting of the PSU is subject to different conditions, including the attainment of an agreed upon annualized revenue growth objective and the continued employment of the participant with the Company. The value of each PSU granted is derived from the revenues from the non-traditional investment solutions revenues. An expense of \$0.2 million was recorded in the three month period ended March 31, 2014 for this grant.

An expense of \$1.3 million was also recorded in the three-month period ended March 31, 2014 for PSU issued in 2013, representing a total PSU expense of \$1.5 million for the three-month period ended March 31, 2014 (nil for the three month period ended March 31, 2013).

### *Related Party Transactions*

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

**Table 12 – Related Party Transactions (\$ in thousands)**

	FOR THE THREE MONTHS ENDED MARCH 31, 2014	FOR THE THREE MONTHS ENDED MARCH 31, 2013
Base management fees	10,511	9,275
Interest on long-term debt	1,952	1,343

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. Fees are at prevailing market prices and are settled on normal trade terms. The amounts due under the Company's credit facility, presented as long-term debt and derivative financial instruments are amounts due to shareholders and their related companies as at March 31, 2014, and March 31, 2013.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## CONTROL AND PROCEDURES

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The Chairman and Chief Executive Officer ("CEO") and the Executive Vice President and Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109. Fiera Capital Corporation's internal control framework is based on the criteria published in the report Internal Control-Integrated Framework (COSO framework 1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO, supported by Management, evaluated the design of the Company's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("CIIIF") as at March 31, 2014, and have concluded that they were effective. Furthermore, no significant changes to the internal controls over financial reporting occurred during the quarter ended March 31, 2014.

On October 31, 2013, the Company acquired 100% of the issued and outstanding shares of Bel Air Investment Advisors LLC and of Wilkinson O'Grady. Due to the short period of time between this acquisition and the certification dated May 5, 2014, management was unable to complete its review of the design of ICFR for this acquisition. However, as at March 31, 2014, risks were mitigated as management was fully apprised of any material events affecting these acquisitions. In addition, all the assets and liabilities acquired were valued and recorded in the unaudited interim condensed consolidated financial statements as part of the purchase price allocation process and Bel Air Investment Advisors LLC and Wilkinson O'Grady results of operations were also included in the Company's consolidated results. Bel Air Investment Advisors LLC constitutes □19% of revenue, 6% of profit of the quarter, 19% of the total assets, 16% of the current assets, 19% of the non-current assets, 8% of the current liabilities and 0.1% of the non-current liabilities of the unaudited interim condensed consolidated financial statements for the quarter ended March 31, 2014. Wilkinson O'Grady constitutes 7% of revenue, 14% of profit of the quarter, 5% of the total assets, 9% of the current assets, 5% of the non-current assets, □none of the current liabilities and 2% of the non-current liabilities of the unaudited interim condensed consolidated financial statements for the quarter ended March 31, 2014. In the coming months, management will complete its review of the design of ICFR for Bel Air Investment Advisors LLC and Wilkinson, and assess its effectiveness.

Following the above mentioned acquisitions, management had to adjust the consolidation process to incorporate the new U.S. subsidiary. New controls were implemented in order to present fairly the financial position of the Company as at March 31, 2014, and its financial performance and its cash flows for the quarter ended March 31, 2014.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## FINANCIAL INSTRUMENTS

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The Company, through its financial assets and financial liabilities, has exposure to the following risks from its use of financial instruments: market risk, equity market fluctuation risk, credit risk, interest rate risk, currency risk and liquidity risk. These risks and the management of these risks are described in the Company's 2013 Annual MD&A in the section entitled "Financial Instruments". The Company has not identified any material changes to the risk factors affecting its business or in the management of these risks.

### *Capital Management*

The Company's capital comprises share capital, (deficit) retained earnings and long-term debt, including the current portion, less cash. The Company manages its capital to ensure adequate capital resources while maximizing the return to shareholders through 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 carry out the issuance or repayment of debt and acquire or sell assets to improve its financial performance and flexibility.

To comply with Canadian securities administration regulations, the Company is required to maintain minimum capital of \$100,000 as defined in Regulation 31-103 respecting *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. As at March 31, 2014, all regulatory requirements and exemptions were respected.

## SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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The current interim MD&A is prepared with reference to the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2014. A summary of the Company's significant accounting judgements and estimation uncertainties are presented in Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2013. Some of the Company's accounting policies, as required under IFRS, require the Management to make subjective, complex judgements and estimates to matters that are inherent to uncertainties. Accounting policies that require Management's judgement and estimates are described in the "Significant Accounting Judgement and Estimation Uncertainties" section of the Company's annual MD&A for the year ended December 31, 2013.



# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## NEW ACCOUNTING POLICIES

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The following revised standards are effective for annual periods beginning on January 1, 2014, and their adoption has not had any impact on the amounts reported or disclosures made in these financial statements but may affect the accounting for future transactions, arrangements, or disclosures in the Company's 2014 annual financial statements.

### **Adoption of New IFRS**

#### *Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

#### *Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

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

#### *IFRS 9 - Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. In November 2013, the IASB further amended IFRS 9. IFRS 9 is tentatively mandatory for annual periods beginning on or after January 1, 2018 with earlier application permitted. The amendment also provides relief from restating comparative information and required disclosures in IFRS 7, *Financial Instruments: Disclosures*.

## Management's Discussion and Analysis For the Three Months Ended March 31, 2014

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Company is still evaluating the impact of this standard on its consolidated financial statements.

# Management's Discussion and Analysis For the Three Months Ended March 31, 2014

## NON-IFRS MEASURES

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Adjusted EBITDA is calculated as the difference of total revenue and SG&A excluding non-cash compensation and external managers expenses.

Adjusted net earnings is calculated as the sum of net earnings (loss), non-cash items, namely depreciation on property and equipment, amortization of intangible assets adjusted for the change in fair value of derivative financial instruments after taxes, acquisition and restructuring costs after taxes and non-cash compensation items.

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 one relies 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, some or all of the non-IFRS measures do not reflect: (a) our cash expenditures, or future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt; and (d) income tax payments that represent a reduction in cash available to us. Although we consider the items excluded from 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 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

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Fiera Capital's business is subject to a number of risk factors that may impact the Company's operating and financial performance. These risks and the management of these risks are detailed in the Company's 2013 Annual MD&A in the section entitled "Risks of the Business". The Company has not identified any material changes to the risk factors affecting its business or in the management of these risks.

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