

Interim Condensed Consolidated Financial Statements of **FIERA CAPITAL CORPORATION**

For the three-month periods ended March 31, 2014 and 2013
(unaudited)



FIERACAPITAL

Fiera Capital Corporation

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Fiera Capital Corporation

Unaudited Interim Condensed Consolidated Financial Statements

For the three-month periods ended March 31, 2014 and 2013

Notice of No Audit or Review of Interim Condensed Consolidated Financial Statements

The accompanying interim condensed consolidated statement of financial position as at March 31, 2014 of Fiera Capital Corporation (“Fiera Capital” or the “Company”) and the interim condensed consolidated statements of earnings, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-month periods ended March 31, 2014 and 2013, have been prepared by, and are the responsibility of the Company’s management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

Neither an audit nor review of the interim condensed consolidated financial statements is required by the Company’s independent auditor under regulatory reporting requirements, however, under National instruments 51-102 paragraph 4.3(3)(a) the Company must advise whether a review has occurred or not. Accordingly, management advises that the Company’s independent auditor was not engaged to perform a review of these interim condensed consolidated financial statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Earnings

For the three-month periods ended March 31,
(Unaudited)

(In thousand of Canadian dollars, except per share data)

	2014	2013
	\$	\$
Revenues		
Base management fees	47,717	29,968
Performance fees	498	97
Other revenue	1,748	151
	49,963	30,216
Expenses		
Selling, general and administrative expenses	36,030	18,564
External managers	1,085	708
Depreciation of property and equipment	387	320
Amortization of intangible assets	6,308	4,084
Acquisition costs	147	935
Restructuring provisions and other costs (Note 6)	265	419
	44,222	25,030
Earnings before interest on long-term debt and other financial charges, accretion and change in fair value of purchase price obligations, changes in fair value of financial instruments and share of (earnings) loss of joint ventures	5,741	5,186
Interest on long-term debt and other financial charges	1,408	1,386
Accretion and change in fair value of purchase price obligations	697	622
Changes in fair value of financial instruments	539	207
Share of (earnings) loss of joint ventures	(386)	331
Earnings before income taxes	3,483	2,640
Income taxes	1,206	1,054
Net earnings for the period	2,277	1,586
Net earnings attributable to :		
Company's shareholders	2,678	1,586
Non-controlling interest	(401)	-
	2,277	1,586
Net earnings per share (Note 9)		
Basic and diluted	0.04	0.03

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31,
(Unaudited)

(In thousands of Canadian dollars)

	2014	2013
	\$	\$
Net earnings for the period	2,277	1,586
Other comprehensive income:		
Items that may be reclassified subsequently to earnings:		
Unrealized gain on available-for-sale financial assets (net of income taxes)	95	63
Share of other comprehensive (loss) income of joint ventures	(3)	44
Unrealized exchange differences on translating financial statements of foreign operations	3,185	-
Other comprehensive income for the period	3,277	107
Comprehensive income for the period	5,554	1,693
Comprehensive income attributable to:		
Company's shareholders	5,955	1,693
Non-controlling interest	(401)	-
	5,554	1,693

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(In thousands of Canadian dollars)

	As at	As at
	March 31, 2014	December 31, 2013
	\$	\$
Assets		
Current assets		
Cash	15,781	21,774
Restricted cash	718	689
Investments	4,779	9,711
Accounts receivable	51,708	56,072
Prepaid expenses	4,836	3,771
	77,822	92,017
Non-current assets		
Deferred charges	428	460
Deferred income taxes	1,534	1,349
Advance to a related shareholder	739	1,211
Investment in joint ventures	8,667	8,284
Property and equipment	5,069	5,322
Intangible assets	307,022	310,151
Goodwill	360,178	357,773
	761,459	776,567
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	19,633	35,000
Dividend payable	7,510	-
Restructuring provisions (Note 6)	786	1,116
Amount due to related companies	1,491	956
Purchase price obligations (Note 5)	8,500	18,073
Client deposits	155	689
Deferred revenues	365	495
	38,440	56,329
Non-current liabilities		
Deferred lease obligations	578	588
Lease inducements	867	904
Deferred income taxes	23,868	24,636
Long-term restructuring provisions	193	193
Value of option granted to non-controlling interest	7,832	7,720
Long-term debt (Note 7)	230,877	228,262
Purchase price obligations	40,837	40,250
Derivative financial instruments	1,071	644
	344,563	359,526
Equity		
Share capital, contributed surplus, (deficit) retained earnings and accumulated other comprehensive income	416,339	416,083
Non-controlling interest	7,855	8,256
Initial value of option granted to non-controlling interest	(7,298)	(7,298)
Total non-controlling interest	557	958
	416,896	417,041
	761,459	776,567

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Changes in Equity

For the three-month periods ended March 31,

(Unaudited)

(In thousands of Canadian dollars)

	Share Capital	Hold back shares	Contributed surplus	(Deficit) Retained earnings	Accumulated other compre- hensive income	Total	Related to Non- Controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2013	421,209	8,781	4,533	(20,356)	1,916	416,083	958	417,041
Net earnings for the period	-	-	-	2,678	-	2,678	(401)	2,277
Other comprehensive income	-	-	-	-	3,277	3,277	-	3,277
Comprehensive income for the period	-	-	-	2,678	3,277	5,955	(401)	5,554
Share-based compensation expense	-	-	1,791	-	-	1,791	-	1,791
Stock options exercised	26	-	(6)	-	-	20	-	20
Dividends	-	-	-	(7,510)	-	(7,510)	-	(7,510)
As at March 31, 2014	421,235	8,781	6,318	(25,188)	5,193	416,339	557	416,896
As at December 31, 2012	307,759	-	2,668	(12,753)	65	297,739	-	297,739
Net earnings for the period	-	-	-	1,586	-	1,586	-	1,586
Other comprehensive income	-	-	-	-	107	107	-	107
Comprehensive income for the period	-	-	-	1,586	107	1,693	-	1,693
Share-based compensation expense	-	-	303	-	-	303	-	303
Gain on dilution	-	-	-	15	-	15	-	15
Dividends	-	-	-	(5,092)	-	(5,092)	-	(5,092)
As at March 31, 2013	307,759	-	2,971	(16,244)	172	294,658	-	294,658

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Fiera Capital Corporation

Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended March 31,

(Unaudited)

(In thousands of Canadian dollars)

	2014	2013
	\$	\$
Operating activities		
Net earnings for the period	2,277	1,586
Adjustments for:		
Depreciation of property and equipment	387	320
Amortization of intangible assets	6,308	4,084
Amortization of deferred charges	68	66
Accretion and change in fair value of purchase price obligations	697	622
Lease inducements	(37)	(37)
Deferred lease obligations	(10)	7
Share-based compensation	1,791	303
Interest on long-term debt and other financial charges	1,408	1,386
Changes in fair value of financial instruments	539	207
Income tax expense	1,206	1,054
Income tax paid	(4,826)	(800)
Share of (earnings) loss of joint ventures	(386)	331
Deferred revenues	(130)	(95)
Other	-	1
Changes in non-cash operating working capital items (Note 11)	(9,118)	(10,921)
Net cash generated by (used in) operating activities	174	(1,886)
Investing activities		
Payment of purchase price obligations (Note 5)	(9,484)	-
Investments, net	5,229	-
Purchase of property and equipment	(101)	(142)
Purchase of intangible assets	(1)	(52,000)
Advance to a related shareholder	472	(2,000)
Deferred charges	(36)	(154)
Restricted cash and clients deposits	(542)	-
Net cash used in investing activities	(4,463)	(54,296)
Financing activities		
Bank loan	-	(5,800)
Issuance of share capital	20	-
Long-term debt, net	-	61,250
Interest paid on long term debt	(1,952)	(1,386)
Financing charges	(5)	(712)
Net cash (used in) generated by financing activities	(1,937)	53,352
Net decrease in cash	(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

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

1. Description of Business

Fiera Capital was incorporated as Fry Investment Management Limited in 1955 and is incorporated under the laws of the Province of Ontario. The Company is a full-service, multi-product investment firm, providing investment advisory and related services to institutional investors, private wealth clients and retail investors. Its head office is located at 1501 Avenue McGill College, office 800, Montreal, Quebec, Canada. The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “FSZ”.

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.

The Board of Directors approved the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2014 on May 5, 2014.

2. Basis of presentation

Statement of compliance

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

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

3. Adoption of new IFRS

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.

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”.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

4. 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*.

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.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

5. Business combinations

Bel Air

On October 31, 2013, the Company closed a transaction to acquire Los Angeles, California based Bel Air Investment Advisors, LLC as well as its affiliate Bel Air Securities LLC, (collectively “Bel Air”), a prominent U.S. wealth management firm.

During the quarter ended March 31, 2014, the Company reduced the purchase price obligation by US\$561 (CA\$623) after completing the calculation of the working capital adjustment and making the appropriate price adjustment payments. As a result, goodwill was reduced by this same amount.

After giving effect to the above transaction, the estimated fair value of the assets and liabilities assumed are as follows:

	\$
Cash	9,629
Other current assets	5,503
Property and equipment	376
Intangible assets	66,112
Goodwill (\$59,426 deductible for tax purposes)	59,426
Accounts payable and accrued liabilities	(3,117)
	137,929

	\$
Purchase consideration	
Cash consideration	120,371
Purchase price obligation	8,777
Hold back shares	8,781
	137,929

GMP Capital Inc.

During the quarter ended March 31, 2014, the Company paid the purchase price obligation outstanding of \$111.

6. Restructuring provisions and other costs

With respect to the current and past business combinations, the Company recorded restructuring provisions and costs related to the termination of certain employees in view to integrate the different businesses.

During the three-month period ended March 31, 2014 the Company recorded \$265 for integration costs of the business combinations and special bonuses (\$419 for the three-month period ended March 31, 2013).

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

7. Long-term debt

	March 31, 2014	December 31, 2013
	\$	\$
Term facility	175,380	175,000
Revolving facility	56,702	54,563
Deferred financing charges	(1,205)	(1,301)
	230,877	228,262

Credit facilities

During the three-month period ended March 31, 2014, the Company converted CA\$30,500 from its Term facility to US\$27,938. The remaining amount of this facility is in Canadian dollars. The Revolving facility is entirely in US dollars, representing an amount of US\$51,300 as at March 31, 2014 (US\$51,300 as at December 31, 2013).

Under the terms of the loan agreement, the Company must satisfy certain restrictive covenants including minimum financial ratios. These restrictions are composed of ratio funded debt to EBITDA and interest coverage ratio. EBITDA, a non IFRS measure, is defined in the Credit Facility on a consolidated basis, as earnings of the Borrower 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.

On May 1, 2012, the Company entered into an interest rate swap agreement of a notional amount of \$108,000, which consists of exchanging its variable rate for a fixed rate of 1.835% ending in March 2017, payable in monthly instalments.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

8. Share capital and accumulated other comprehensive income

	Class A subordinate voting shares ("Class A Shares")		Class B special voting shares ("Class B Shares")		Total	
	Number	\$	Number	\$	Number	\$
As at December 31, 2013	46,639,057	388,113	20,798,008	33,096	67,437,065	421,209
Stock options exercised	2,370	26	-	-	2,370	26
Transfer from Class B Shares to Class A Shares	162,095	258	(162,095)	(258)	-	-
As at March 31, 2014	46,803,522	388,397	20,635,913	32,838	67,439,435	421,235
As at December 31, 2012 and March 31, 2013	35,368,114	274,011	21,207,964	33,748	56,576,078	307,759

Dividends

During the three-month period ended March 31, 2014, the Company declared dividends of \$7,418 (\$0.11 per share) on Class A Shares and Class B Shares (\$5,092 for the three-month period ended March 31, 2013 (\$0.09 per share)) and \$92 on holdback shares payable on April 29, 2014.

Components of accumulated other comprehensive income includes:

	\$
Unrealized gain on available-for-sale financial assets	296
Share of other comprehensive income of joint venture	240
Unrealized exchange differences on translating financial statements of foreign operations	4,657
As at March 31, 2014	5,193

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

9. Earnings per share

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

	2014	2013
	\$	\$
Net earnings available to shareholders for the periods	2,678	1,586
Weighted average shares outstanding – basic	68,271,095	56,576,078
Effect of dilutive share-based awards	1,053,660	387,249
Weighted average shares outstanding – diluted	69,324,755	56,963,327
Basic and diluted earnings per share	0.04	0.03

For the three-month period ended March 31, 2014, the calculation of hypothetical conversions does not include 448,000 stock options (162,152 for the three-month period ended March 31, 2013) with an anti-dilutive effect.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

10. Share-based payment

(a) Stock option plan:

The following table presents transactions that occurred during the three-month period ended March 31, 2014 in the Company's stock option plans.

		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

The Company recorded a compensation expense of \$298 during the three-month period ended March 31, 2014 (\$303 for the three-month period ended March 31, 2013) for its stock option plan.

The Company did not grant any options during the three-month period ended March 31, 2014.

(b) Performance share unit plan:

During the first quarter of 2014, the Company issued 307,692 performance share units ("PSU"). Subject to certain conditions, the PSU will vest on December 31, in the following tranches equivalent over the next seven years:

	Number of PSU
2014	20,513
2015	41,026
2016	61,539
2017	61,539
2018	61,539
2019	41,026
2020	20,510
	307,692

The annual vesting of the PSU is subject to different conditions, including the attainment of an 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 \$233 was recorded in the three month period ended March 31, 2014 for this grant.

An expense of \$1,260 was also recorded during the three-month period ended March 31, 2014 for PSU issued in 2013, representing a total PSU expense of \$1,493 for the three-month period ended March 31, 2014 (nil for the three month period ended March 31, 2013).

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

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

	For the three-month periods ended	
	March 31, 2014	March 31, 2013
	\$	\$
Changes in non-cash operating working capital items		
Accounts receivable	4,768	(4,673)
Prepaid expenses	(965)	(682)
Accounts payable and accrued liabilities	(13,126)	(5,366)
Amount due to related companies	535	160
Restructuring provisions	(330)	(360)
	(9,118)	(10,921)

12. 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 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.

To comply with Canadian securities administration regulations, the Company is required to maintain a minimum capital of \$100 as defined in Regulation 31-103, *Respecting Registration Requirements and Exemptions and Ongoing Registrants Obligations*.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

13. Fair value of financial instruments

The fair value of the financial instruments represents the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

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

The cost of investments, which includes mutual fund investments and pool funds, is \$4,483 as at March 31, 2014 and \$6,606 as at March 31, 2013, while the fair value is \$4,779 as at March 31, 2014 and \$6,621 as at March 31, 2013. The unrealized gain (loss) of \$296 as at March 31, 2014 and \$15 as at March 31, 2013, are reflected in other comprehensive income. The Company measures the fair value of the mutual fund investments and pool funds using level 2 inputs in the fair value hierarchy.

The fair value of long-term debt approximates its carrying amount, given that it is subject to terms and conditions, including variable interest rates, similar to those currently available to the Company for instruments with comparable terms.

The Company measures the fair value of the value of option granted to non-controlling interest using level 3 inputs in the fair value hierarchy. The value of the option granted to non-controlling interest is based on a formula that was agreed upon by all parties during the acquisition of the selected alternative asset management funds of GMP Capital Inc. This formula uses the present value of the sum of a multiple of the forecasted earnings before income taxes, depreciation, amortization and forecasted performance fees of the subsidiary. The actual performance of the subsidiary will affect the value of the option. Forecasts are monitored and updated on a monthly basis, and the value of the option is recalculated at the end of each reporting period. During the three-month period ended March 31, 2014, the Company recorded a charge of \$112 in changes in fair value of financial instruments in the statement of earnings to reflect the re-measurement of the value of the option to fair value.

The main assumptions developed internally to measure the fair value of the option include a discount rate of 8%, forecasted performance fees of the subsidiary and forecasted earnings before income taxes, depreciation and amortization. The impact of changing one or more of these assumptions on the fair value of the option is as follows:

Change of assumption	Change of fair value	
		March 31, 2014
		\$
Increase/decrease of 5% of performance fees		146
Increase/decrease of 5% of forecasted earnings before income taxes, depreciation and amortization		232
Increase/decrease of 1% of the discount rate		153

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

13. Fair value of financial instruments (continued)

Derivative financial instruments consist primarily of interest rate swap contracts. The Company measures the fair value of the interest rate swaps using level 2 inputs in the fair value hierarchy. The Company determines the fair value of its interest rate swap contracts by applying valuation techniques, using observable market inputs such as interest rate yield curves as well as available information on market transactions involving other instruments that are substantially the same, discounted cash flows analysis or other techniques, where appropriate. The Company ensures, to the extent practicable, that its valuation technique incorporates all factors that market participants would consider in setting a price and that is consistent with accepted economic methods for pricing financial instruments.

The Company presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments. The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

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

There was no transfer between levels during these periods.

14. Related party transactions

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

	For the three-month periods ended March 31,	
	2014	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 the derivative financial instruments are amounts due to a shareholder and their related companies as at March 31, 2014 and December 31, 2013.

Fiera Capital Corporation

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 2014 and 2013

(in thousands of Canadian dollars – except share and per share information)

15. Segment reporting

The chief operating decision-maker of the Company has determined that the Company's reportable segment is investment management services in Canada and the United States of America.

Geographical information

	Revenues	Non-current assets
	For the three month period ended March 31, 2014	As at March 31, 2014
	\$	\$
Canada	36,872	519,045
United States of America	13,091	163,058

Revenues are attributed to countries on the basis of the customer's location. Non-current assets exclude deferred income taxes. The Company had no operations in the United States of America before September 2013.

16. 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.

On May 5, 2014, the Board of Directors declared a dividend of \$0.11 per share to shareholders of record as of May 19, 2014 and payable on June 18, 2014.

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