## SELECTED FINANCIAL DATA

(In thousands, except per share amounts)
(years ended December 31)

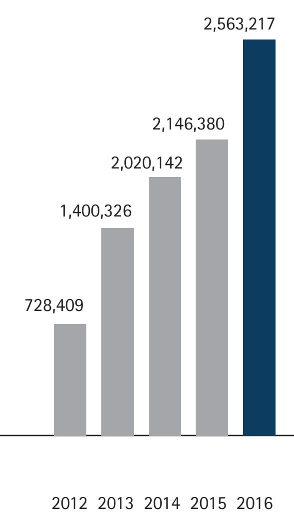
| | 2016<br>$ | 2015<br>$ | 2014<br>$ | 2013<br>$ | 2012<br>$ |
|---|---|---|---|---|---|
| **SUMMARY OF OPERATIONS** | | | | | |
| Total revenues and investment gains (loss) | 335,828 | (166,763) | 297,551 | 489,676 | 154,035 |
| Net income (loss) | 117,181 | (111,261) | 141,179 | 243,324 | 81,470 |
| Diluted earnings (loss) per share | 34.50 | (35.39) | 41.26 | 73.20 | 25.65 |
| **FINANCIAL DATA** | | | | | |
| Total assets | 2,563,217 | 2,146,380 | 2,020,142 | 1,400,326 | 728,409 |
| Total equity | 942,562 | 856,290 | 821,740 | 630,362 | 358,831 |

## COMMON STOCK INFORMATION

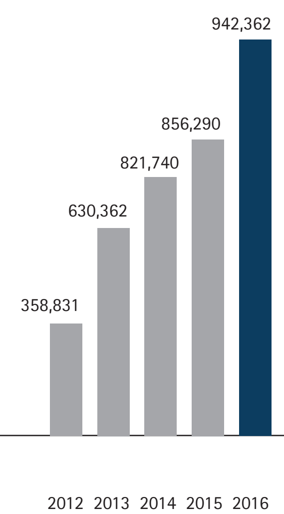
The company's common shares are listed on the Toronto Stock Exchange under the symbol SEC.

| | 2016<br>$ | | 2015<br>$ | |
|---|---|---|---|---|
| **FISCAL QUARTER** | High | Low | High | Low |
| First | 153.00 | 122.42 | 169.00 | 151.07 |
| Second | 173.00 | 126.00 | 198.00 | 166.13 |
| Third | 154.00 | 134.91 | 200.00 | 160.25 |
| Fourth | 181.99 | 148.47 | 165.51 | 151.05 |

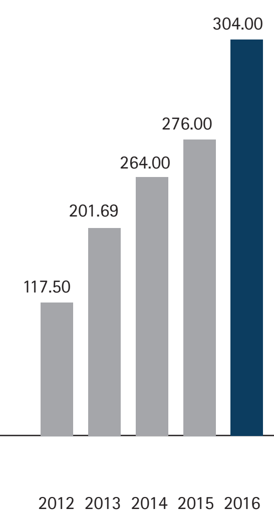
TOTAL ASSETS ($ thousands)




TOTAL EQUITY ($ thousands)




BOOK VALUE PER SHARE



# Management's Discussion and Analysis

## OVERALL PERFORMANCE

The biggest global story in the fourth quarter was the historic and surprising outcome of the U.S. Presidential election. Following the Donald Trump victory, U.S. equity markets moved higher, confounding expectations of many that a Trump win would damage equity markets. As Trump kept rising in the polls prior to Election Day, stocks had moved lower. In fact, U.S. equities fell for nine straight sessions up to the Friday before November 8, the longest losing streak since 1980, "...as investors grew increasingly nervous about the rising odds of Republican presidential hopeful Donald Trump prevailing over Democratic rival Hillary Clinton" (CBS News). After an initial plunge of more than 5% in the S&P 500 futures by midnight of Election Day (CNBC), which seemed to confirm investor fears about a Trump win, equity markets surprised nearly everyone and rallied. An explanation for the about-face in sentiment stems from Trump's pro-business stance and expected policy moves which many perceive will stimulate growth. These policies include cuts to corporate income tax rates (which directly should boost net income); lower personal federal income tax rates (which should boost consumer discretionary income); reduction in regulations (which should lower both corporate expenses and friction in conducting business); and a major infrastructure spending program (which should boost investment and economic activity). Most of the benefits of these policies should flow to domestically focused firms. Not surprisingly, the Russell 2000 index, comprised of smaller cap, domestic stocks, outperformed the S&P 500 index, comprised of large cap, more multi-national stocks, from the close of November 7 until the year end.

As we move into 2017, we would like to make some observations about the state of equity markets. First, due to expectations after the US election, there is an argument that earnings for domestic companies could be going higher, (though difficult to quantify yet), due to expected lower income tax rates, regulatory relief and multiplier effects on the economy from infrastructure spending and lower consumer tax rates. Second, there has been some evidence of the return of "animal spirits" that goes beyond the stock market. The Reuters/University of Michigan consumer sentiment index rose to 98.0 in a fourth quarter survey, its highest level of 2016 and the second highest reading since January 2004. The Wells Fargo/Gallup Small Business Index rose 12 points to a level of 80 in Q4, its third increase in the past four quarters and its highest level since Q1 2008. A survey-record of 36% of respondents expected to increase hiring in 2017. The post-election results of the Duke University/CFO Magazine Global Business Outlook Optimism Index show that it jumped to its highest level in nearly a decade. Third, technical factors could also support equity prices. Since the election, there has been a notable inflection in the flow of funds into domestic equity mutual funds and ETFs. The Investment Company Institute reported that domestic equity mutual funds and ETFs had outflows of -$107 billion in 2015, and another -$109 billion of outflows through October 31 2016. In the five weeks after the election, things turned around dramatically with inflows amounting to +$23 billion. In summary, the net result of these three factors: higher earnings (better fundamentals) + more optimism (animal spirits) + equity inflows (better technicals) = tailwinds into 2017. With this as a backdrop many market participants feel optimistic about the prospects for the market in 2017.

President Trump has ushered in a new paradigm in U.S. government and the power of the bully pulpit. The element of uncertainty he projects seems to be the defining feature of his leadership. Traditionally, financial markets react poorly to uncertainty, yet so far equity investors have embraced his election. One might attribute this positive reception to the trade-off between a willing acceptance of uncertainty against the potential for significant policy change that he can foment by using this "keep them guessing" strategy as a negotiating tactic. This tension between uncertainty and fundamental change will no doubt get reflected through the ups and downs of the equity markets ahead. At Senvest we have always been staunch believers in the American economic system and generally operate with a "cup-half-full" disposition. Until we see otherwise with likely policy implementation (even though we do not agree with many of Mr. Trump's positions), we simply remain watchful of Trump's potential policy impact on global trade and geo-politics that could have longer term implications for equities.

Senvest Capital Inc ("Senvest" or the "Company") bounced back in 2016, a year filled with surprises. We entered 2016 with the Russell 2000 in a bear market and one of the worst starts to a year ever. Worries of a potential recession seemed to pre-occupy pundits and investors. In the past, we have discussed how we look beyond the noise and worry and take a clinical approach to macro and market data, and our belief was that it didn't portend a recession in 2016. In addition to worries about the economy, unexpected tectonic political developments – the Brexit vote in the UK and the Presidential election of Donald Trump - sparked equity markets higher, contrary to the dire expectations of many market "experts." We experienced losses in the first quarter of 2016 which were mostly unrealized, mark-to-market losses but we were profitable for the rest of the year. Most of the major benchmarks were also up for the year after a rough beginning. At Senvest, we don't manage our portfolio in response to every market shift but rather keep an eye on the data and hold a portfolio built from "bottoms-up" stock picking. We believe that investing in un-loved, under-appreciated, misunderstood and therefore undervalued stocks represents a timeless strategy.

Some of our largest holdings as at December 31, 2016 were, Tower Semiconductors (TSEM), Paramount Resources (POU), Deckers Outdoor (DECK), Depomed (DEPO), Radware (RDWR) and Northstar Realty Finance (NRF). Of this group, TSEM, POU and NRF increased in price in the fourth quarter while DECK and DEPO declined in price. TSEM led the way with a 25% price increase in Q4 and was the largest gainer in the quarter, while DEPO was our largest loser. TSEM, POU and Ceva (CEVA) were our largest gainers for the 2016 year as a whole. Activist investor Starboard Value LP ("Starboard") which had filed a 13D which indicated it owned a 9.8% stake in DEPO reached an agreement in October with the company to allow certain Starboard representatives on the DEPO board. NRF, asset manager NorthStar Asset Management ("NSAM") and institutional asset management REIT Colony Capital (CLNY) completed their three way stock merger in January 2017. The new entity is called Colony Northstar (CLNS).

Senvest recorded a net income attributable to the owners of the parent of $96.8 million or $34.50 per basic and diluted common share for the year ended December 31, 2016. This compares to net loss attributable to owners of the parent of ($99.8) million or ($35.39) per basic and diluted common share for the 2015 year. After a 2015 year where there was significant appreciation in the US dollar versus the Canadian dollar, 2016 resulted in a reversal of some of that appreciation. For the 2016 year the result has been a currency translation loss of about $24.7 million. This amount is not reported in the Company's income statement rather it is reflected in its Comprehensive income.

The Company's income from equity investments in 2016 as a whole was the biggest contributor to the net income recorded and offset the losses on equity investments incurred earlier in the year. The net gain on equity investments and other holdings (and also equities sold short and derivative liabilities) totalled $322 million in the current year versus a loss of ($225.1) million in 2015. In the fourth quarter the net gain on equity investments totalled $63.3million. Due to the depreciation of the US dollar versus other major currencies, our foreign exchange loss for the year was approximately $6.5 million.

The Senvest Master Fund (Senvest Partners fund) is focused primarily on small and mid-cap companies. The fund recorded a profit of 23.25% net of fees for the year, and was up more than 3% in the fourth quarter. Since inception in 1997 the fund is up over 2700%. With most of the long portfolio invested in small and mid-cap stocks, the fund outperformed its most relevant benchmark the Russell 2000 for the year. The fund has also outperformed the S&P 500 index for the year but does not consider the S&P 500 index as a benchmark. The Senvest Israel Partners fund was initiated in 2003 to focus on investing in Israel related companies. This fund recorded a profit of 14.4% net of fees for the year 2016, and was up more than 4% in the fourth quarter. Since inception the Israel fund is up over 1000%. The two funds had a total of over $1 billion of net assets under management at December 31, 2016. Both of these funds are consolidated into the accounts of the Company.

Senvest Cyprus Recovery Investment Partners, LP fund ("SCRIF") owns an investment in the Bank of Cyprus ("BOC") which was purchased in 2014. The value of this investment declined by over 10% in 2016. The investment period of the fund was recently extended until December 2018 and there will be an option to further extend this to December 2019. BOC Management followed through and listed the bank's shares on the FTSE on January 19, 2017. As per the bank's circular, the listing "is expected to improve the liquidity of the BOC's shares, which will enhance BOC's visibility and lead to a broader base of investors capable of supporting BOC in the long-term. A dual listing (on the LSE and the CSE) is expected to enhance interest in the BOC Group and draw attention to Cyprus' well performing economy. This should further enhance the confidence of all stakeholders in the BOC. Furthermore, a listing on the LSE will help position BOC amongst a broader group of international peers." BOC will no longer maintain a listing on the Athens Exchange as it no longer conducts banking activities in Greece but will remain listed on the CSE, in order to enable easy access to its shares for domestic Cypriot holders.

In order to achieve the LSE listing and gain eligibility to enter the "premier" market, which should warrant inclusion in the FTSE UK index series, the Bank has established a new holding company in Ireland, Bank of Cyprus Holdings, ("BOCH"), as the ultimate holding company of the Group. The introduction of the new parent company was carried out by a formal procedure, known as the "scheme of arrangement", under Cypriot company law. The scheme was approved by 99.7% of the shareholders at an Extraordinary General Meeting ("EGM") that was convened for this purpose on December 13, 2016, and also sanctioned by the Nicosia District Court on December 21 2016. Under the scheme, existing shares were cancelled, and shareholders received one BOCH share for each 20 BOC shares cancelled, so as to maintain their existing percentage ownership of the Group.

On January 5, 2017 the bank announced the full repayment of the Emergency Liquidity Assistance (ELA) funding. The bank has repaid €11.4 billion of ELA since 2013, including €3.8 billion since the beginning of 2016. The repayment of ELA is another significant milestone for BOC in its journey back to strength since 2013. This repayment was achieved through a number of actions including the recapitalization of the bank in 2014 (when we made our investment), an extensive deleveraging of non-core assets and operations, a significant increase in customer deposits over the past two years, the repayment and maturity of Cyprus Government bonds, and the conversion of assets into ECB eligible collateral. According to BOC CEO John Hourican, "The full repayment of ELA funding has been a strategic objective of the Bank over the past three years and signifies the normalization of the Bank's funding structure. This should further strengthen stakeholder confidence that the Bank is becoming a stronger, safer and a more focused institution capable of delivering appropriate shareholder returns over the medium term." The ELA repayment conveys a message to market participants of a fully normalized European bank and enables the bank to pay less for new deposits while removing a significant obstacle that had prevented the premier LSE listing, and the potential future payment of dividends.

The bank successfully launched and priced a €250 million Tier 2 unsecured, subordinated 10-year bond on January 12, 2017, which we participated in. The issue was oversubscribed and priced at par with a coupon of 9.25%. The issuance marked the successful return of BOC to debt capital markets and was another significant milestone for the bank. The issuance should have a positive impact on the Bank's total capital ratio. Following the €250 million Tier 2 bond issuance in January 2017, the bank estimated its total capital increased to about 15.9%, providing a sizeable cushion above minimum total capital requirements.

The Company has a portfolio of real estate investments, investing as a minority partner in selected properties. Real estate investments totalled $37.8 million as at December 31, 2016. About $17.3 million of this amount represents investments in different US REITs. These REITs are not publicly traded and there is no established market for them. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and the distribution to its holders. The remaining amounts are minority interests in private entities whose main assets are real estate properties. As described above for the REITs, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties. The decrease in total real estate investments of about $11.5 million from the prior year was not due to a decline in fair values but rather to net distributions of about $15m. These current year distributions were received mostly from the REITs.

# Management's Discussion and Analysis

The Company has made significant investments in its US operations, primarily in people, systems, technology and new office space. This investment represents a significant effort in a short amount of time to raise the quality of its infrastructure and personnel. After two years of rising operating costs, there was a decrease in such costs for the 2016 year. However total expenses for 2016 were 15% more than 2015 as a result of a large increase in employee costs due to higher incentive compensation incurred over the prior year.

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $98.1 million as at December 31, 2016 from $80 million as at December 31, 2015.

At the end of December 31, 2016, Senvest had total consolidated assets of $2,563.2 million versus $2,146.4 million at the end of 2015. The main reason for this was the change in equity investments and other holdings. Equity investments and other holdings increased to $2,289.3 million from $2,036.3 million last December. The Company purchased $1,008.6 million of investment holdings in the year and sold $924.8 million of such holdings. Both amounts were less than the prior year. The Company's liabilities increased to $1,620.7 million versus $1,290.1 million at the end of 2015. One of the main contributors to this increase was due to the larger liability for redeemable units. The primary reason for the increase in this account was the appreciation of the interests of the non-Senvest investors in the funds. In addition the equities sold short and derivative liabilities also increased significantly from the prior year. The proceeds of equities sold short were $1,675.2 million and the amount of shorts covered was $1,208.9 million in the year. This net selling resulted in a large increase in our short position. As with the longs, both these figures were less than the amounts for the prior year. The 2016 year, as a whole, was a less volatile year than 2015 and as result there was less trading that took place.

## Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar.

## Presentation currency

The Company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the Company's consolidated financial statements have been presented in Canadian dollars, and since the company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income (loss) as currency translation differences. Equity items are translated using the historical rate.

## Risks

## Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and equity price risk), credit risk and liquidity risk.

The Company's overall risk management program seeks to maximize the returns derived for the level of risk to which the Company is exposed and seeks to minimize potential adverse effects on the Company's financial performance. Managing these risks is carried out by management under policies approved by the Board.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

## Market risk

## Fair value and cash flow interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The majority of the Company's debt is based on floating rates which expose the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at December 31, 2016, the Company had listed sufficient equity securities that it can sell to reduce its floating rate debt to zero.

## Currency risks

Currency risk refers to the risk that values of monetary financial assets and liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company's functional currency is the US dollar. The Company has foreign currency exposure to the Canadian dollar, the British pound sterling, the Euro, the Norwegian krone, the Japanese yen, and the Israeli shekel.

## Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives will vary as a result of changes in the market prices of the holdings. The majority of the Company's equity investments and other holdings and all of the equities sold short are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities and derivatives may be related to a change in the financial outlook of the investee entities or due to the market in general. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the US dollar, the price, initially expressed in a foreign currency and then converted into US dollars, will also fluctuate because of changes in foreign exchange rates.

Equities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. This creates the risk that the company's ultimate obligation to satisfy the delivery requirements will exceed the amount of the proceeds initially received or the liability recorded in the consolidated financial statements. In addition the Company has entered into derivative financial instruments which have a notional value greater than their fair value which is recorded in the financial statements. This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been recorded in the financial statements.

The Company's equity investments and other holdings have a downside risk limited to their carrying value, while the risk of equities sold short and derivatives is open ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the equities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and derivatives equities sold short and derivative liabilities as at December 31, 2016 would be as follows (in thousands):

| | Fair value | Estimated fair value 30% price increase | Estimated fair value 30% price decrease |
|---|---|---|---|
| Equity holdings-listed securities | 2,194,242 | 2,852,515 | 1,535,969 |
| Equities sold short and derivative liabilities | (727,598) | (945,877) | (509,319) |
| Before-tax impact on net earnings | | 439,993 | (439,993) |

## Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations. The Company's largest assets are equity investments and other holdings. Most of these assets are made up of equities in public holdings which can be liquidated in a relatively short time. Due to its large holding of liquid assets, the Company believes that it has sufficient resources to meet its obligations.

All financial liabilities other than equities sold short and derivative liabilities as at the consolidated statement of financial position date mature or are expected to be repaid within one year. The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

## Credit risk

Credit risk is the risk that a counterparty will fail to fulfill its obligations under a contract and will cause the Company to suffer a loss.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is executed only once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations. The Company is also exposed to counterparty credit risk on its cash and cash equivalents, restricted short term investment and due from brokers.

From time to time the Company enters into derivative financial instruments consisting primarily of options and warrants to purchase or sell equities, equity indices and currencies, equity swaps, foreign currency forward contracts, and foreign currency futures contracts. These derivative instruments are marked to market. There is deemed to be no credit risk for futures and certain options that are traded on exchanges. The warrant contracts are not exchange traded and allow the company to purchase underlying equities at a fixed price. Equity swaps represent future cash flows that are agreed to be exchanged between the Company and counterparties at set dates in the future. Foreign currency forward contracts are contracts to buy or sell foreign currencies at a specified price at a future point in time.

## Capital risk management

The Company's objective when managing its capital is to maintain a solid capital structure appropriate for the nature of its business. The Company considers its capital to be its shareholders equity. The Company manages its capital structure in light of changes in economic conditions. To maintain or adjust its capital structure, the Company initiates normal course issuer bids or adjusts the amount of dividends paid. The Company monitors capital on the basis of its debt-to-capital ratio, which is as follows (in millions):

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Total liabilities | $1,620.7 | $1,290.1 |
| Total common equity | $ 942.6 | $856.3 |
| Debt to Capital ratio | 1.72 | 1.51 |

The Company's goal is to maintain a debt to Capital ratio below 2.0 in order to limit the amount of risk. The Company believes that limiting its debt to Capital ratio in this manner is the best way to control risk. The Company's debt to capital ratio increased to 1.72 at the end of December 2016 from 1.51 at the end of 2015.

## Investment Risk

To the extent not discussed above the Company is subject to additional risks with respect to the investments made.

The value of the Company's portfolio may decrease as well as increase, due to a variety of factors, including general economic conditions, and market factors. Additionally, investment decisions made by the Company may not always be profitable or prove to have been correct. Investment strategies, at any given time, may incur significant losses. Losses can occur for a number of reasons, including but not limited to an overall decline in the underlying market, a lack of liquidity in the underlying markets, excessive volatility in a particular market, government intervention or monetary and/or fiscal policies of a specific region or country. The profitability of a significant portion of the Company's investments also depends to a great extent upon the Company's ability to correctly assess the future course of the price movements of securities and other investments. There can be no assurance that the Company will be able to accurately predict these price movements.

The Company's investment strategy is speculative and involves risk. The Company trades in options and other derivatives, as well as using short sales and utilizing leverage. The portfolio may not be diversified among a wide range of issuers or industries. In addition, the Company may take concentrated positions in its high conviction ideas, invest in high yield securities or invest in foreign markets outside the US and Canada. Accordingly, the investment portfolio may be subject to more rapid change in value than would be the case if the Company were required to maintain a wide diversification in the portfolios among industries, areas, types of securities and issuers.

The Company may make investments in the securities of high growth companies. More specifically the Company may have significant investments in smaller-to-medium sized companies with market capitalizations of less than $2 billion US. While smaller companies may have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strengths of larger corporations. These factors make smaller companies far more likely than their larger counterparts to experience significant operating and financial setbacks that threaten their short-term and long-term viability. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, and exiting investments in such securities at appropriate prices may be difficult, or subject to substantial delay. Furthermore some of the portfolio may be invested in technology, technology-related markets and biotech. These types of companies may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Also these companies could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

The Company tries to manage the above risks by monitoring its leverage, actively following its investee companies and trying to react to market conditions. At the same time the Company expects its portfolio to exhibit a higher degree of volatility than portfolios that invest in larger more stable companies and that invest within more defined limits. As at December 31 2016 over 92% of the Company's portfolio was invested in Level 1 securities. The Company monitors its Level 1 securities as percentage of its total investments however it does not have a fixed number that this percentage cannot fall below.

## Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the Company's consolidated financial statements. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Consolidation of entities in which the company holds less than 50% of the voting rights.

Management considers that the company has de facto control of Senvest Management LLC (SML), RIMA Senvest Master Fund GP LLC, and Senvest Israel Partners GP LLC., three legal entities wholly owned by an executive of the Company, because of the Company's board representation and the contractual terms of the investment advisory agreement. SML is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP LLC is the General Partner of Senvest Master Fund LP and Senvest Israel Partners GP LLC is the General Partner of Senvest Israel Partners Master Fund LP.

Management considers that the Company has control of Senvest Master Fund LP, Senvest Israel Partners Master Fund LP and Senvest Cyprus Recovery Investment Partners LP even though the Company has less than 50% of the voting rights in each of the Funds. The Company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the Company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The Company, through its structured entity, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

## Fair value estimates of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both the company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities held by the Company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange. The financial assets classified as Level 1 were over 92% of the total financial assets.

### Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or valuation techniques that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities, over-the-counter derivatives and private equities.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The financial assets classified as Level 2 were less than 4% of the total financial assets.

### Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist mainly of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The financial assets classified as Level 3 were less than 4% of the total fair value of financial assets.

Level 3 valuations are reviewed by the Company's Chief Financial Officer (CFO), who reports directly to the Board on a quarterly basis in line with the Company's reporting dates. On an annual basis, close to the year-end date, the Company obtains independent, third party appraisals to determine the fair value of the Company's most significant Level 3 holdings. The Company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

As at December 31 2016, Level 3 instruments are in various entities and industries. The real estate investments are made up of investments in private real estate companies and in real estate income trusts. The real estate companies are involved with various types of buildings in different geographical locations. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third party valuators or on recent transactions. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts, the company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and their subsequent distribution to the holders.

### Liability for redeemable units

Liability for redeemable units represents the units in the consolidated funds that are not owned by the Company. One class of units may be redeemed as of the end of the first calendar quarter that occurs not less than one year after the date that such units were purchased and at the end of each calendar quarter thereafter. A second class may be redeemed as of the end of the first month that occurs not less than 25 months after the date such units were purchased and at the end of each calendar quarter thereafter. A third class may be redeemed as of the end of any calendar month; provided, however, that redemptions made within the first 24 months will be subject to a redemption fee which is payable to the funds. In addition there are notice periods of 30 to 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Fund LP has units that cannot be redeemed until December 2018. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at redemption amount. At the individual fund level this item is not shown as a liability but as part of shareholders equity. It is deemed to be a liability only for the consolidated financial statements as they are prepared from the point of view of the parent company.

### Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

## QUARTERLY RESULTS

(In thousands except for earnings (loss) per share information)

| Year | Total revenue and investments gain (loss) | Net income (loss) –owners of the parent | Earnings (loss) per share |
|---|---|---|---|
| 2016-4 | 64,623 | 26,923 | 9.67 |
| 2016-3 | 328,896 | 109,942 | 39.08 |
| 2016-2 | 73,023 | 14,748 | 5.22 |
| 2016-1 | (130,714) | (54,830) | (19.47) |
| 2015-4 | 16,102 | 5,470 | 1.99 |
| 2015-3 | (286,928) | (143,444) | (50.72) |
| 2015-2 | (50,115) | (29,819) | (10.87) |
| 2015-1 | 154,177 | 67,965 | 24.33 |

## CONTRACTUAL OBLIGATIONS

(In thousands)

| | Less than 1 year | 1-3 years | 4-5 years | Total |
|---|---|---|---|---|
| Due to Brokers | 56,754 | - | - | 56,754 |
| Operating leases | 1,391 | 2,536 | 2,490 | 6,417 |
| Investment commitments | 8,635 | - | - | 8,635 |
| Total | 66,780 | 2,536 | 2,490 | 71,806 |

## SELECTED ANNUAL INFORMATION

(In thousands except for earnings (loss) per share information)

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Total revenue and investment gains (loss) | 335,828 | (166,763) | 297,551 |
| Net income (loss) – owners of the parent | 96,783 | (99,826) | 117,298 |
| Earnings (loss) per share | 34.50 | (35.39) | 41.26 |
| Total assets | 2,563,217 | 2,146,380 | 2,020,142 |

The Company has had wide swings in profitability from quarter to quarter in the past two years, as seen above. Of the eight most recent quarters, there have been five profitable quarters and three losing quarters. Also the highest earning quarter showed a profit of over $100 million and the least profitable quarter had a loss of over $100 million. These wide swings are primarily due to the large quarterly mark to market adjustments in the Company's portfolio of public holdings. If we examine the 2016 year on its own, the first quarter showed a large loss while the three remaining quarters showed profitability. This pattern followed the US stock markets, which had a difficult first part of the year followed by a profitable period up to the end of the year. However we expect the volatility and choppiness of the markets to result in wide profit swings from year to year and from quarter to quarter. Reference is made to the section on Investment risk above.

The Company maintains accounts with several major financial institutions in the U.S. who function as the Company's main prime brokers. The Company has assets with the prime brokers pledged as collateral for leverage. Although the prime brokers are large financial institutions there is no guarantee that any financial institution will not become insolvent. In addition there may be practical or time problems associated with enforcing the Company's rights to its assets in the case of such insolvency.

While both the U.S. Bankruptcy Code and the Securities Investor Protection Act seek to protect customer property in the event of a failure, insolvency or liquidation of a broker dealer, there is no certainty that, in the event of a failure of a broker dealer that has custody of the Company's assets, the company would not incur losses due to its assets being unavailable for a period of time, ultimately less than full recovery of its assets, or both. As a significant majority of the Company's assets are in custody with four prime brokers, such losses could be significant.

On June 27, 2016 Senvest commenced a new normal course issuer bid to purchase a maximum of 56,000 of its own common shares until June 26, 2017. There were 39,800 shares repurchased under the bid during the 2016 year. The number of common shares outstanding as at December 31, 2016 was 2,777,824 and as at March 10, 2017 was 2,774,724. There were no stock options outstanding as at December 31 2016.

The Company has financing with a bank, composed of a credit facility and a guarantee facility. A first ranking movable hypothec in the amount of $30 million on all of its assets has been granted as collateral for both of the facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. During the period, the Company met the requirements of all the covenants. The Company also has margin facilities with brokers.

### Impact of Certain Income Tax Rules and Upcoming IFRS

There were important tax changes to parts of Canada's foreign affiliate regime effective January 1, 2015. These changes have an effect on the mechanism by which certain foreign income of the Company is taxed in Canada. They will negatively impact the Company's income tax expense and income tax liability, as well as the Company's cash flow, for current and future taxation years.

For the Company the proposed IFRS standards for Revenue and Leases are expected to have a low impact on accounting policies and procedures and the internal control environment. The proposed IFRS 9 standard on Financial Instruments is expected to have an impact on financial statement disclosure rather than classification and measurement.

### Related party transactions

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $98.1 million as at December 31, 2016 from $80 million as at December 31, 2015.

### Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2016 annual report. The accounts of Senvest Partners, Senvest Israel Partners and Senvest Cyprus Recovery Investment Fund are consolidated with the Company's accounts.

## FORWARD LOOKING STATEMENTS

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate","believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "likely", "think" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those Risk Factors listed in the Company's annual information form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of March 30, 2017 and will not be updated or revised except as required by applicable securities law.

## OTHER FINANCIAL INFORMATION

There is additional financial information about the Company on Sedar at www.sedar.com and on the Company's website at www.senvest.com, as well the Company's or Senvest Management's U.S. SEC section 13 and other filings on www.sec.gov.

## INTERNAL CONTROLS

### Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including Senvest's President and CEO and Vice-President and CFO, to allow timely decisions regarding required disclosure. As at December 31, 2016, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2016.

### Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our internal control over financial reporting as at December 31, 2016, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2016. There have been no changes during the year ended December 31, 2016 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Victor Mashaal
Chairman of the Board and President

March 30, 2017

*(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended December 31, 2016, and should be read in conjunction with the 2016 annual report. Readers are also requested to read the Annual Information Form as well as visit the SEDAR website at www.sedar.com for additional information. This MD&A also contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control may ultimately prove to be incorrect.)*

# Management's Report

The consolidated financial statements for the fiscal year ended December 31, 2016 and December 31, 2015, were prepared by the management of Senvest Capital Inc., reviewed by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with International Financial Reporting Standards and are consistent with the company's business.

The company and its subsidiaries maintain a high quality of internal controls, designed to provide reasonable assurance that the financial information is accurate and reliable. The information included in this Annual Report is consistent with the financial statements contained herein.

The financial statements have been audited by PricewaterhouseCoopers LLP, the company's auditors, whose report is provided below.

Victor Mashaal
Chairman of Board and President
Senvest Capital Inc.
March 30, 2017

# Independent Auditor's Report

## To the Shareholders of Senvest Capital Inc.

We have audited the accompanying consolidated financial statements of Senvest Capital Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of income (loss), comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Senvest Capital Inc. and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A125840

Montréal, Quebec
March 30, 2017

# Consolidated Statements of Financial Position

AS AT DECEMBER 31, 2016 AND 2015
(IN THOUSANDS OF CANADIAN DOLLARS)

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4 | 26,978 | 29,926 |
| Restricted short-term investments | 5(a) | 459 | 458 |
| Due from brokers | 5(b) | 191,602 | 11,449 |
| Equity investments and other holdings | 6 | 2,289,288 | 2,036,287 |
| Investments in associates | 7 | 12,461 | 14,047 |
| Real estate investments | 8 | 37,812 | 49,362 |
| Income taxes receivable | | - | 127 |
| Other assets | | 4,617 | 4,724 |
| **Total assets** | | 2,563,217 | 2,146,380 |
| **Liabilities** | | | |
| Bank advances | | 509 | 252 |
| Trade and other payables | | 20,055 | 8,876 |
| Due to brokers | 5(b) | 56,754 | 236,310 |
| Equities sold short and derivative liabilities | 6 | 727,644 | 364,668 |
| Redemptions payable | | 2,299 | 1,869 |
| Subscriptions received in advance | | 3,315 | 3,086 |
| Income taxes payable | | 1,253 | 1,191 |
| Deferred income tax liabilities | 10(b) | 47,599 | 42,501 |
| Liability for redeemable units | | 761,227 | 631,337 |
| **Total liabilities** | | 1,620,655 | 1,290,090 |
| **Equity** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 11 | 23,057 | 23,376 |
| Accumulated other comprehensive income | | 180,596 | 203,142 |
| Retained earnings | | 640,816 | 549,774 |
| **Total equity attributable to owners of the parent** | | 844,469 | 776,292 |
| **Non-controlling interests** | | 98,093 | 79,998 |
| **Total equity** | | 942,562 | 856,290 |
| **Total liabilities and equity** | | 2,563,217 | 2,146,380 |

Approved by the Board of Directors

Victor Mashaal, Director

Frank Daniel, Director

The notes on pages 16 to 46 are an integral part of these consolidated financial statements.

# Consolidated Statements of Income (Loss)

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA))

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Revenue** | | | |
| Interest income | | 4,184 | 3,285 |
| Net dividend income | | 10,561 | 11,920 |
| Other income | | 810 | 346 |
| | | 15,555 | 15,551 |
| **Investment gains (losses)** | | | |
| Net change in fair value of equity investments and other holdings | | 321,977 | (225,105) |
| Net change in fair value of real estate investments | | 5,258 | 6,973 |
| Share of profit (loss) of associates | 7 | (505) | 2,373 |
| Foreign exchange gain (loss) | | (6,457) | 33,445 |
| | | 320,273 | (182,314) |
| **Total revenue and net investment gains (losses)** | | 335,828 | (166,763) |
| **Operating costs and other expenses** | | | |
| Employee benefit expense | | 27,769 | 12,563 |
| Share-based compensation expense | | - | 228 |
| Interest expense | | 18,669 | 17,088 |
| Transaction costs | | 7,960 | 9,042 |
| Other operating expenses | | 9,917 | 16,867 |
| | | 64,315 | 55,788 |
| **Change in redemption amount of redeemable units** | | 133,726 | (116,873) |
| **Income (loss) before income tax** | | 137,787 | (105,678) |
| Income tax expense | 10(a) | 20,606 | 5,583 |
| **Net income (loss) for the year** | | 117,181 | (111,261) |
| **Net income (loss) attributable to:** | | | |
| Owners of the parent | | 96,783 | (99,826) |
| Non-controlling interests | | 20,398 | (11,435) |
| **Earnings (loss) per share attributable to owners of the parent:** | | | |
| Basic and diluted | 12(a) | 34.50 | (35.39) |

The notes on pages 16 to 46 are an integral part of these consolidated financial statements.

# Consolidated Statements of Comprehensive Income

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
(IN THOUSANDS OF CANADIAN DOLLARS)

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Net income (loss) for the year** | 117,181 | (111,261) |
| **Other comprehensive income (loss)** | | |
| Currency translation differences | (24,667) | 149,104 |
| **Comprehensive income for the year** | 92,514 | 37,843 |
| **Comprehensive income attributable to:** | | |
| Owners of the parent | 74,237 | 34,633 |
| Non-controlling interests | 18,277 | 3,210 |

Other comprehensive income is composed solely of items that will not be reclassified subsequently to net income (loss).

The notes on pages 16 to 46 are an integral part of these consolidated financial statements.

# Consolidated Statements of Changes in Equity

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
(IN THOUSANDS OF CANADIAN DOLLARS)

| | | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital $ | Accumulated other comprehensive income $ | Retained earnings $ | Total $ | Non-controlling interests $ | Total equity $ |
| **Balance – December 31, 2014** | | 16,091 | 68,683 | 653,232 | 738,006 | 83,734 | 821,740 |
| Net loss for the year | | - | - | (99,826) | (99,826) | (11,435) | (111,261) |
| Other comprehensive income | | - | 134,459 | - | 134,459 | 14,645 | 149,104 |
| **Comprehensive income (loss) for the year** | | - | 134,459 | (99,826) | 34,633 | 3,210 | 37,843 |
| Repurchase of common shares | 11 | (172) | - | (3,632) | (3,804) | - | (3,804) |
| Exercise of options | 11 | 7,457 | - | - | 7,457 | - | 7,457 |
| Distributions to non-controlling interests | | - | - | - | - | (6,946) | (6,946) |
| **Balance – December 31, 2015** | | 23,376 | 203,142 | 549,774 | 776,292 | 79,998 | 856,290 |
| Net income for the year | | - | - | 96,783 | 96,783 | 20,398 | 117,181 |
| Other comprehensive income | | - | (22,546) | - | (22,546) | (2,121) | (24,667) |
| **Comprehensive income (loss) for the year** | | - | (22,546) | 96,783 | 74,237 | 18,277 | 92,514 |
| Repurchase of common shares | 11 | (319) | - | (5,741) | (6,060) | - | (6,060) |
| Contribution from non-controlling interests | | - | - | - | - | 1,590 | 1,590 |
| Distributions to non-controlling interests | | - | - | - | - | (1,772) | (1,772) |
| **Balance – December 31, 2016** | | 23,057 | 180,596 | 640,816 | 844,469 | 98,093 | 942,562 |

The notes on pages 16 to 46 are an integral part of these consolidated financial statements.

# Consolidated Statements of Cash Flows

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
(IN THOUSANDS OF CANADIAN DOLLARS)

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Cash flows provided by (used in)** | | | |
| **Operating activities** | | | |
| Net income (loss) for the year | | 117,181 | (111,261) |
| Adjustments for non-cash items | 13(a) | (186,721) | 92,707 |
| Purchase of equity investments and other holdings held for trading | | (1,008,552) | (1,408,240) |
| Purchase of equities sold short and derivative liabilities | | (1,208,881) | (2,116,922) |
| Proceeds on sale of equity investments and other holdings held for trading | | 924,817 | 1,274,906 |
| Proceeds from equities sold short and derivative liabilities | | 1,675,155 | 1,834,513 |
| Dividends and distributions received from real estate investments | | 15,662 | 6,061 |
| Changes in working capital items | 13(b) | (336,884) | 359,734 |
| **Net cash used in operating activities** | | (8,223) | (68,502) |
| **Investing activities** | | | |
| Transfers to restricted short-term investments | | (15) | 78 |
| Purchase of real estate investments | | (520) | (4,127) |
| Purchase of equity investments and other holdings designated as fair value through profit or loss | | (3,956) | (12,547) |
| Proceeds on sale of equity investments and other holdings designated as fair value through profit or loss | | 2,674 | 922 |
| Proceeds from investments in associates | | 647 | 1,178 |
| **Net cash used in investing activities** | | (1,170) | (14,496) |
| **Financing activities** | | | |
| Contribution from non-controlling interests | | 1,590 | - |
| Distributions paid to non-controlling interests | | (1,772) | (6,946) |
| Increase in bank advances | | 262 | 233 |
| Proceeds on exercise of options | | - | 7,457 |
| Repurchase of common shares | | (6,060) | (3,804) |
| Repurchase of share options | | - | (665) |
| Proceeds from issuance of redeemable units | | 35,243 | 120,989 |
| Amounts paid on redemption of redeemable units | | (21,929) | (24,685) |
| **Net cash provided by financing activities** | | 7,334 | 92,579 |
| **Increase (decrease) in cash and cash equivalents during the year** | | (2,059) | 9,581 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | | (889) | 4,082 |
| **Cash and cash equivalents – Beginning of year** | | 29,926 | 16,263 |
| **Cash and cash equivalents – End of year** | 4 | 26,978 | 29,926 |
| **Amounts of cash flows classified in operating activities:** | | | |
| Cash paid for interest | | 7,737 | 8,385 |
| Cash paid for dividends on equities sold short | | 6,051 | 10,488 |
| Cash received on interest | | 4,607 | 3,272 |
| Cash received on dividends | | 16,044 | 19,015 |
| Cash paid for income taxes | | 15,538 | 6,011 |

The notes on pages 16 to 46 are an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

DECEMBER 31, 2016 AND 2015

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 1 General information

Senvest Capital Inc. (the "Company") was incorporated under Part I of the Canada Corporations Act on November 20, 1968 under the name Sensormatic Electronics Canada Limited, and was continued under the Canada Business Corporations Act under the same name effective July 23, 1979. On April 21, 1991, the Company changed its name to Senvest Capital Inc. The Company and its subsidiaries hold investments in equity and real estate holdings that are located predominantly in the United States. The Company's head office and principal place of business is located at 1000 Sherbrooke Street West, Suite 2400, Montréal, Quebec H3A 3G4. The Company's shares are traded on the Toronto Stock Exchange under the symbol "SEC". Refer to note 15 for the composition of the Company.

## 2 Summary of significant accounting policies

### Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as set out in Part I of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting.

The Board of Directors (Board) approved these consolidated financial statements for issue on March 30, 2017.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

### Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss, including derivative instruments which have been measured at fair value.

### Consolidation

The financial statements of the Company consolidate the accounts of the Company, its subsidiaries and its structured entities. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Where applicable, amounts reported by subsidiaries, associates and structured entities have been adjusted to conform with the Company's accounting policies.

**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

**Investments in associates**

Associates are entities over which the Company has significant influence but not control, generally accompanying a holding of between 20% to 50% of the voting rights. The financial results of the Company's investments in its associates are included in the Company's consolidated financial statements according to the equity method.

Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statement of income (loss). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statement of income (loss).

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statement of income (loss). In accordance with International Accounting Standard (IAS) 36, Impairment of Assets, impairment losses are reversed in subsequent years if the recoverable amount of the investment subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognized.

**Liability for redeemable units**

Liability for redeemable units represents the units in Senvest Master Fund, L.P., Senvest Israel Partners Master Fund, L.P. and Senvest Cyprus Recovery Investment Fund, L.P. (together, the Funds or individually, the Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Israel Partners Master Fund, L.P. have one class of units that may be redeemed as of the end of the first calendar quarter that occurs not less than one year after the date that such units were purchased and at the end of each calendar quarter thereafter. A second class may be redeemed as of the end of the first month that occurs not less than 25 months after the date such units were purchased and at the end of each calendar quarter thereafter. A third class may be redeemed as of the end of any calendar month; however, redemptions made within the first 24 months will be subject to a redemption fee of 3% to 5% which is payable to Senvest Master Fund, L.P. and Senvest Israel Partners Master Fund, L.P. In addition, there are notice periods of 30 to 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Fund, L.P. has units that cannot be redeemed until July of 2017. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

Redeemable units are issued and redeemed at the holder's option at prices based on each Fund's net asset value per unit at the time of subscription or redemption. Each Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units by the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Funds' offering documents, investment positions are valued at the close price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

**Non-controlling interests**

Non-controlling interests represent equity interests in the consolidated structured entity owned by outside parties. The share of net assets of the structured entity attributable to non-controlling interests is presented as a component of equity. Their share of net income (loss) and comprehensive income (loss) is recognized directly in equity. Changes in the parent company's ownership interest in the structured entity that do not result in a loss of control are accounted for as equity transactions.

## Foreign currency translation

**Functional currency**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar.

**Transactions and balances**

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income (loss).

All foreign exchange gains and losses are presented in the consolidated statement of income (loss) in foreign exchange gain (loss).

**Consolidation and foreign operations**

The financial statements of an entity that has a functional currency different from that of the parent Company are translated into US dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period (as this is considered a reasonable approximation of actual rates). All resulting changes are recognized in other comprehensive income (loss) as currency translation differences.

When an entity disposes of its interest in a foreign operation, or loses control or significant influence over a foreign operation, the foreign exchange gains or losses accumulated in other comprehensive income (loss) related to the foreign operation are recognized in net income (loss). If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign exchange gains or losses accumulated in other comprehensive income (loss) related to the subsidiary are reallocated between controlling and non-controlling interests.

**Presentation currency**

The Company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the Company's consolidated financial statements have been presented in Canadian dollars, and since the Company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements described above are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income (loss) as currency translation differences. Equity items are translated using the historical rate.

## Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

## Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

**a) Financial assets and financial liabilities at fair value through profit or loss**

**Classification**

The Company classifies its equity investments and other holdings, real estate investments and equities sold short and derivatives as financial assets or financial liabilities at fair value through profit or loss. This category has two subcategories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss.

**i) Financial assets and financial liabilities held for trading**

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition it is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions.

From time to time, the Company enters into derivative financial instruments for speculative purposes. These instruments are marked to market, and the corresponding gains and losses for the year are recognized in the consolidated statement of income (loss). The carrying value of these instruments is fair value, which approximates the gain or loss that would be realized if the position were closed out as at the consolidated statement of financial position date. The fair value is included in equity investments and other holdings if in an asset position or equities sold short and derivative liabilities if in a liability position.

**ii) Financial assets and financial liabilities designated as fair value through profit or loss**

Financial assets and financial liabilities designated as fair value through profit or loss are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires management to evaluate the information about these financial assets and financial liabilities on a fair value basis together with other related financial information.

**Recognition, derecognition and measurement**

Regular purchases and sales of investments are recognized on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of income (loss).

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are presented in the consolidated statement of income (loss) in net change in fair value of equity investments and other holdings or net change in fair value of real estate investments in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of income (loss) as net dividend income when the Company's right to receive payment is established. Dividend expense on equities sold short is included in net dividend income. Interest on debt securities at fair value through profit or loss is recognized in the consolidated statement of income (loss) in interest income based on the effective interest rate.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**b) Loans and receivables**

**Classification**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, restricted short-term investments and due from brokers, as well as loans to employees, which are included in other assets.

**Recognition, derecognition and measurement**

Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

- The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

**c) Financial liabilities at amortized cost**

**Classification**

Financial liabilities at amortized cost comprise bank advances, trade and other payables, due to brokers, redemptions payable and subscriptions received in advance.

**Recognition, derecognition and measurement**

Trade and other payables are initially recognized at fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Bank advances, due to brokers, redemptions payable and subscriptions received in advance are recognized initially at fair value, net of any transaction costs incurred (where applicable), and subsequently at amortized cost using the effective interest method.

### Due from and to brokers

Amounts due from and to brokers represent positive and negative cash balances or margin accounts, and pending trades on the purchase or sale of securities.

Where terms in the prime brokerage agreements permit the prime broker to settle margin balances with cash accounts or collateral, the due from brokers cash balances are offset against the due to brokers margin balances at each prime broker.

A provision for impairment of amounts due from brokers is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

## Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the consolidated statement of financial position date and will apply when it is expected that the related deferred income tax asset will be realized or the deferred income tax liability settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Interest income and dividend income

### Interest income

Interest income is recognized using the effective interest method. It includes interest income from cash and cash equivalents and interest on debt securities at fair value through profit or loss.

### Dividend income

Dividend income is recognized when the Company's right to receive payments is established.

## Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment. Transaction costs related to financial assets and financial liabilities at fair value through profit or loss are expensed as incurred. Transaction costs for all other financial instruments are capitalized, except for instruments with maturity dates, in which case transaction costs are amortized over the expected life of the instrument using the effective interest method.

## Employee benefits

### Post-employment benefit obligations

Employees of companies included in these consolidated financial statements have entitlements under Company pension plans which are defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable and is included in the same line item as the related compensation cost in the consolidated statement of income (loss).

## Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new common shares or options are recorded in equity as a deduction, net of tax, from the proceeds.

## Dividend distribution

Dividends on the Company's common shares are recognized in the Company's consolidated statement of changes in equity in the year in which the dividends are declared and approved by the Company's Board.

### Earnings per share

Basic earnings per share is calculated by dividing the net income (loss) for the year attributable to equity owners of the parent by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive instruments. The Company's potentially dilutive common shares comprise stock options granted to employees, directors and senior executives. In calculating diluted earnings per share, the assumed proceeds on exercise of options are regarded as having been used to repurchase common shares at the average market price during the year.

### New and amended accounting standard adopted in 2016

The Company presents the standards and amendments that are relevant to its activities and transactions. The following standard and amendment has been adopted by the Company for the first time for the financial year beginning on January 1, 2016:

- IAS 1, Presentation of Financial Statements, was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Company determined that the adoption of the amended standard had no significant impact on its consolidated financial statements.

### Accounting standards and amendments issued but not yet applied

The Company presents the developments that are relevant to its activities and transactions. The following revised standard and amendments are effective for annual periods beginning on or after January 1, 2017 and have not been applied in preparing these consolidated financial statements. The Company has not early adopted this standard and amendments.

- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

- In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement.

- IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not at fair value through profit or loss. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks, and requires additional disclosures. The Company is currently assessing the impact of this standard on the consolidated financial statements.

- IFRS 16, Leases, was published in January 2016 by the IASB. This standard will replace the current guidance in IAS 17, Leases, and require lessees to recognize an asset and a lease liability reflecting a "right-of-use asset" and future lease payments, respectively, for virtually all lease contracts. The standard applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15 is adopted. The Company is currently assessing the impact of this standard on the consolidated financial statements.

- IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures, were amended in 2014 to address an inconsistency between those standards when accounting for the sale or a contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, whereas a partial gain is recognized when the transaction involves assets that do not constitute a business. The mandatory effective date of this amendment will be determined by the IASB at a future date. Voluntary application is permitted.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 3 Critical accounting estimates and judgments

### Critical accounting estimates

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the Company's consolidated financial statements. These estimates have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

### Fair value of financial instruments

The fair value of financial instruments where no active market exists or where listed prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both the Company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to note 14 for risk sensitivity information for the Company's financial instruments.

### Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

### Critical accounting judgments

Consolidation of entities in which the Company holds less than 50% of the voting rights

Management considers the Company to have de facto control of Senvest Management L.L.C. (RIMA) and RIMA Senvest Master Fund GP, L.L.C., two legal entities wholly owned by an executive of the Company, because of the Company's Board representation and the contractual terms of the investment advisory agreement. RIMA is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP, L.L.C. is the General Partner. As compensation for its sub-advisory services, the Company is entitled to receive 60% of the management and incentive fees earned by RIMA each fiscal year.

Management considers the Company to have control of Senvest Master Fund, L.P., Senvest Israel Partners, Master Fund L.P. and Senvest Cyprus Recovery Investment Fund, L.P. even though the Company has less than 50% of the voting rights in each of the Funds. The Company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the Company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The Company, through its structured entities, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

## 4 Cash and cash equivalents

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Cash on hand and on deposit | 26,616 | 29,658 |
| Short-term investments | 362 | 268 |
| | 26,978 | 29,926 |

## 5 Credit facilities and due to brokers

**a) Credit facilities**

**Bank advances**

In 2014, the Company renegotiated its credit facility with a bank and has available a demand revolving loan (credit facility) and a guarantee facility. The credit facility is in the amount of $3,000 and is payable on demand. As at December 31, 2016, $509 was outstanding (2015 – $252). Under the credit facility, the Company may, upon delivery of a required notice, opt to pay interest at the bank's prime rate plus 0.25%, the bank's US base rate plus 0.25% or LIBOR plus 1.75% per annum. All of the credit facility available is also available by way of banker's acceptances plus a stamping fee of 1.75% per annum, or by US dollar advances.

**Guarantee facility**

The Company also has available a 450-thousand-euro guarantee facility (2015 – 450 thousand euros) to issue standby letters of credit. A fee of 1.0% per annum on the face amount of each standby letter of credit applies. All amounts paid by the bank under the guarantee facility are payable on demand. As at December 31, 2016, no standby letters of credit were outstanding; however, the Company has provided a $459 (2015 – $458) term deposit to guarantee future letters of credit. This term deposit has been disclosed in restricted short-term investments on the consolidated statement of financial position.

In addition, a first-ranking movable hypothec in the amount of $30,000 on all of the Company's assets has been granted as collateral for both the credit and guarantee facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. As at December 31, 2016 and 2015, the Company had met the requirements of all the covenants.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

**b) Due from and due to brokers**

The Company has margin facilities with its prime brokers. As at December 31, 2016 and 2015, the Company's amounts due to brokers have no specific repayment terms, and they are governed by the margin terms set forth in the prime brokerage agreements. As at December 31, 2016, listed equity securities and due from brokers amounting to $2,347 have been pledged as collateral (2015 – $1,897). The fair value of the collateral-listed equity securities is calculated daily and compared to the Company's margin limits. The prime brokers can at any time demand full or partial repayment of the margin balances and any interest thereon or demand the delivery of additional assets as collateral.

Due from and due to brokers balances are presented on a net basis by broker in the consolidated statement of financial position. Under the prime broker agreements, the broker may upon events of default offset, net and/or regroup any amounts owed by the Company to the broker by amounts owed to the Company by the broker. The following tables set out the offsetting of the Company's various accounts with prime brokers.

| | | | 2016 |
|---|---|---|---|
| | Gross amounts due from brokers $ | Gross amounts due to brokers $ | Net amount $ |
| Due from brokers | 191,602 | - | 191,602 |
| Due to brokers | 14,011 | 70,765 | (56,754) |

| | | | 2015 |
|---|---|---|---|
| | Gross amounts due from brokers $ | Gross amounts due to brokers $ | Net amount $ |
| Due from brokers | 11,449 | - | 11,449 |
| Due to brokers | 67,338 | 303,648 | (236,310) |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 6 Equity investments and other holdings, equities sold short and derivative liabilities

| Equity investments and other holdings | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Financial assets held for trading | | | |
| Equity securities | | 2,151,422 | 1,883,412 |
| Debt securities | | 23,491 | 62,774 |
| Derivative financial assets | 6(a) | 60,228 | 33,129 |
| | | 2,235,141 | 1,979,315 |
| Financial assets designated as fair value through profit or loss | | | |
| Equity securities | | 2,004 | 1,850 |
| Unlisted equity securities | | 8,745 | 8,931 |
| Structured fixed income fund units | 6(b) | 290 | 4,484 |
| Private investments | 6(c) | 43,108 | 41,707 |
| | | 2,289,288 | 2,036,287 |
| Current portion | | 2,235,141 | 1,979,315 |
| Non-current portion | | 54,147 | 56,972 |

| Equities sold short and derivative liabilities | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Liabilities** | | | |
| Financial liabilities held for trading | | | |
| Equities sold short | | | |
| Listed equity securities (proceeds of $783,973; 2015 – $376,819) | | 725,798 | 350,777 |
| Derivative financial liabilities (proceeds of $2,825; 2015 – $14,857) | 6 (a) | 1,846 | 13,891 |
| | | 727,644 | 364,668 |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

a) From time to time, the Company enters into derivative financial instruments consisting primarily of warrants and options to purchase or sell equity indices and currencies, equity swaps, foreign currency forward contracts and foreign currency futures contracts. The following tables list the notional amounts, fair values of derivative financial assets and financial liabilities and net change in fair value by contract type, including swaps, options, warrants, rights, foreign currency futures contracts, foreign currency forward contracts and swaps and options sold short included in equity investments and other holdings or equities sold short and derivative liabilities:

b) This holding is an investment in an offshore fund providing pooled securitized products and credit instruments. The underlying investments are structured debt obligations including sub-prime and Alt-A residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and collateralized debt obligations. There is no established market for this investment.

c) These holdings are in private entities whose shares/units do not trade in an active market. There is no established market for these securities. The most likely scenario of a disposal of these holdings is an eventual sale of the underlying entities.

| | | | | As at December 31, 2016 | For the year ended December 31, 2016 |
|---|---|---|---|---|---|
| | Notional value $ | Fair value of derivative financial assets $ | Notional value $ | Fair value of derivative financial liabilities $ | Net change in value $ |
| Equity swaps | 223,963 | 40,043 | 9,581 | 139 | 37,403 |
| Equity options | 14,988 | 773 | 39,411 | 1,661 | 587 |
| Warrants and rights | 3,999 | 76 | - | - | (15) |
| Foreign currency options | 289,056 | 9,913 | 209,461 | 46 | 4,052 |
| Foreign currency futures contracts | 186,000 | 6,571 | - | - | (3,386) |
| Foreign currency forward contracts | 58,672 | 2,852 | - | - | (3,052) |
| | 776,678 | 60,228 | 258,453 | 1,846 | 35,589 |

| | | | | As at December 31, 2015 | For the year ended December 31, 2015 |
|---|---|---|---|---|---|
| | Notional value $ | Fair value of derivative financial assets $ | Notional value $ | Fair value of derivative financial liabilities $ | Net change in value $ |
| Equity options | 98,104 | 3,728 | 123,926 | 13,891 | (5,012) |
| Warrants and rights | 12,782 | 240 | - | - | 147 |
| Foreign currency options | 732,219 | 29,161 | - | - | 17,365 |
| | 843,105 | 33,129 | 123,926 | 13,891 | 12,500 |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 7 Investments in associates

The Company has invested in a number of individually insignificant associates that are accounted for using the equity method. The aggregated financial information on these associates is as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates | 12,461 | 14,047 |
| Aggregate amounts of the Company's share of: | | |
| Net income (loss) from continuing operations and comprehensive income | (505) | 2,373 |

### Commitments, contingent liabilities and borrowing arrangements of associates

There are no commitments, contingent liabilities or borrowing arrangements relating to the Company's interests in these associates.

## 8 Real estate investments

Real estate investments comprise the following:

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| Financial assets designated as fair value through profit or loss | | | |
| Investments in private entities | 8(a) | 20,518 | 20,120 |
| Investments in real estate income trusts | 8(b) | 17,294 | 29,242 |
| | | 37,812 | 49,362 |
| Non-current portion | | 37,812 | 49,362 |

a) These investments are minority interests in private entities whose main assets are real estate properties. There is no established market for these investments. The most likely scenario for a disposal of these investments is an eventual sale of the underlying real estate properties.

In 2016 and 2015, distributions received from interests in private entities represented a return of capital and were deducted from the cost of the investments.

b) These real estate investments are US real estate income trusts (commonly referred to as REITs). A REIT is an entity that owns and operates income-producing real estate and annually distributes to its holders at least 90% of its taxable income. The Company's investments are non-publicly-traded REITs. There is no established market for these REITs. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and the distribution to their holders.

In 2016 and 2015, distributions received from a REIT are included in net change in fair value of real estate investments on the consolidated statement of income (loss).

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 9 Financial instruments by category and related income, expenses and gains and losses

| | Assets (liabilities) at fair value through profit or loss | | | | 2016 |
|---|---|---|---|---|---|
| | Held for trading $ | Designated $ | Loans and receivables $ | Financial liabilities at amortized cost $ | Total $ |
| **Assets (liabilities) as per consolidated statement of financial position** | | | | | |
| Cash and cash equivalents | – | – | 26,978 | – | 26,978 |
| Restricted short-term investments | – | – | 459 | – | 459 |
| Due from brokers | – | – | 191,602 | – | 191,602 |
| Equity investments and other holdings | 2,235,141 | 54,147 | – | – | 2,289,288 |
| Real estate investments | – | 37,812 | – | – | 37,812 |
| Other assets* | – | – | 252 | – | 252 |
| Bank advances | – | – | – | (509) | (509) |
| Trade and other payables | – | – | – | (20,055) | (20,055) |
| Due to brokers | – | – | – | (56,754) | (56,754) |
| Equities sold short and derivative liabilities | (727,644) | – | – | | (727,644) |
| Redemptions payable | – | – | – | (3,315) | (3,315) |
| Subscriptions received in advance | – | – | – | (2,299) | (2,299) |
| | 1,507,497 | 91,959 | 219,291 | (82,932) | 1,735,815 |
| **Amounts recognized in consolidated statement of income (loss)** | | | | | |
| Net change in fair value | 324,417 | 2,818 | – | – | 327,235 |
| Interest income (expense) | 3,846 | 29 | 309 | (18,464) | (14,280) |
| Net dividend income | 10,343 | 218 | – | – | 10,561 |
| | 338,606 | 3,065 | 309 | (18,464) | 323,516 |

* Includes loans to employees but excludes capital assets and other non-financial assets.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

| | | | | | 2015 |
|---|---|---|---|---|---|
| | Assets (liabilities) at fair value through profit or loss | | | | |
| | Held for trading $ | Designated $ | Loans and receivables $ | Financial liabilities at amortized cost $ | Total $ |
| **Assets (liabilities) as per consolidated statement of financial position** | | | | | |
| Cash and cash equivalents | – | – | 29,926 | – | 29,926 |
| Restricted short-term investments | – | – | 458 | – | 458 |
| Due from brokers | – | – | 11,449 | – | 11,449 |
| Equity investments and other holdings | 1,979,315 | 56,972 | – | – | 2,036,287 |
| Real estate investments | – | 49,362 | – | – | 49,362 |
| Other assets* | – | – | 271 | – | 271 |
| Bank advances | – | – | – | (252) | (252) |
| Trade and other payables | – | – | – | (8,876) | (8,876) |
| Due to brokers | – | – | – | (236,310) | (236,310) |
| Equities sold short and derivative liabilities | (364,668) | – | – | – | (364,668) |
| Redemptions payable | – | – | – | (1,869) | (1,869) |
| Subscriptions received in advance | – | – | – | (3,086) | (3,086) |
| | 1,614,647 | 106,334 | 42,104 | (250,393) | 1,512,692 |
| **Amounts recognized in consolidated statement of income (loss)** | | | | | |
| Net change in fair value | (228,514) | 10,382 | – | – | (218,132) |
| Interest income (expense) | 3,085 | 72 | 128 | (17,030) | (13,745) |
| Net dividend income | 8,839 | 3,081 | – | – | 11,920 |
| | (216,590) | 13,535 | 128 | (17,030) | (219,957) |

* Includes loans to employees but excludes capital assets and other non-financial assets.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 10 Income taxes

a) Income tax expense

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Current tax** | | |
| Current tax on income for the year | 7,720 | 6,958 |
| Adjustments in respect of prior years | 6,603 | (1,401) |
| | 14,323 | 5,557 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 6,283 | 26 |
| | 20,606 | 5,583 |

The tax on the Company's income before income tax differs from the theoretical amount that would arise using the federal and provincial statutory tax rate applicable to income of the consolidated entities as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Income (loss) before income tax | 137,787 | (105,678) |
| Income tax expense (recovery) based on statutory ate of 26.9% (2015 – 26.9%) | 37,065 | (28,427) |
| Prior year adjustments | (1,912) | (406) |
| Difference in tax rate | 2,645 | 3,481 |
| Portion of income taxable (recoverable) in hands of non controlling interests | (4,616) | 3,076 |
| Non-taxable dividend | - | (804) |
| Non-taxable portion of capital gains | (9,017) | (2,871) |
| Non-deductible expenses | 163 | 230 |
| Foreign exchange | (4,175) | 31,817 |
| Unrecognized deferred income tax assets | 489 | (196) |
| Other | (36) | (317) |
| **Income tax expense** | 20,606 | 5,583 |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The 2014 Federal Budget (the "Budget") made income tax changes to parts of Canada's foreign affiliate regime which became effective January 1, 2015. These changes had an effect on the mechanism by which certain foreign income of the Company is taxed in Canada. These changes have had a negative impact on the Company's 2016 and 2015 income tax expense, income tax liabilities and cash flows.

b) The analysis of deferred income tax assets and liabilities is as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Deferred income tax assets** | | |
| Deferred tax assets to be recovered | | |
| After more than 12 months | - | - |
| Within 12 months | - | - |
| Deferred income tax assets | - | - |
| **Deferred income tax liabilities** | | |
| Deferred tax liabilities to be settled | | |
| After more than 12 months | 47,599 | 42,501 |
| Within 12 months | - | - |
| Deferred income tax liabilities | 47,599 | 42,501 |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows.

| Deffered income tax assets | Equity investments and other holdings $ | Investments in associates $ | Real estate investments $ | Tax loss carry-forward $ | Other $ | Total $ |
|---|---|---|---|---|---|---|
| **As at December 31, 2014** | 90 | - | 398 | - | - | 488 |
| Credited to consolidated statement of income (loss) | 256 | 100 | 12 | 130 | 458 | 956 |
| Foreign exchange differences | 39 | 8 | 77 | 11 | 37 | 172 |
| **As at December 31, 2015** | 385 | 108 | 487 | 141 | 495 | 1,616 |
| Credited (charged) to consolidated statement of income (loss) | 1,013 | (103) | (240) | 900 | (474) | 1,096 |
| Foreign exchange differences | 1 | (5) | (17) | 8 | (21) | (34) |
| **As at December 31, 2016** | 1,399 | - | 230 | 1,049 | - | 2,678 |

| Deffered income tax liabilities | Equity investments and other holdings $ | Investments in associates $ | Real estate investments $ | Other $ | Total $ |
|---|---|---|---|---|---|
| **As at December 31, 2014** | 2,034 | 27,976 | 774 | 5,307 | 36,091 |
| Charged (credited) to consolidated statement of income (loss) | 1,185 | (441) | 908 | (674) | 978 |
| Foreign exchange differences | 489 | 5,366 | 224 | 969 | 7,048 |
| **As at December 31, 2015** | 3,708 | 32,901 | 1,906 | 5,602 | 44,117 |
| Credited (charged) to consolidated statement of income (loss) | (685) | 5,012 | (146) | 3,197 | 7,378 |
| Foreign exchange differences | (120) | (914) | (59) | (125) | (1,218) |
| **As at December 31, 2016** | 2,903 | 36,999 | 1,701 | 8,674 | 50,277 |

Deferred income tax assets for temporary differences totalling $8,253 (2015 – $4,810) and non-expiring capital loss carry-forwards totalling $8,974 (2015 – $8,422) have not been recognized in the consolidated financial statements.

Deferred income tax liabilities have not been recognized on unremitted earnings totalling $62,938 as at December 31, 2016 (2015 – $63,495) with respect to the investment in subsidiaries, branches and associates and interest in joint arrangements because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 11 Share capital

Authorized

Unlimited number of common shares, without par value

Movements in the Company's share capital are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Number of shares | Amount $ | Number of shares | Amount $ |
| Balance – Beginning of year | 2,817,624 | 23,376 | 2,794,324 | 16,091 |
| Shares repurchased | (39,800) | (319) | (21,700) | (172) |
| Issued for exercise of options | - | - | 45,000 | 7,457 |
| Balance – End of year | 2,777,824 | 23,057 | 2,817,624 | 23,376 |

In 2016, the Company began a normal course issuer bid to purchase a maximum of 56,000 of its own common shares before June 27, 2017. In 2016, the Company purchased 39,800 common shares (2015 – 21,700) for a total cash consideration of $6,060 (2015 – $3,804). The excess of the consideration paid over the stated capital was charged to retained earnings in the consolidated statement of changes in equity.

No dividends were declared in 2016 and 2015.

## 12 Earnings (loss) per share

a) Basic

| | 2016 $ | 2015 $ |
|---|---|---|
| Net income (loss) attributable to owners of the parent | 96,783 | (99,826) |
| Weighted average number of outstanding common shares | 2,805,213 | 2,820,974 |
| Basic earnings (loss) per share | 34.50 | (35.39) |

b) Diluted

All options are deemed to be antidilutive for the year ended December 31, 2015 due to the reported net loss attributable to the owners of the parent. Accordingly, diluted loss per share is equal to basic loss per share for that year. For the year ended December 31, 2016, there are no dilutive instruments.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 13 Supplementary information to consolidated statements of cash flows

a) Adjustments for non-cash items are as follows:

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| Net change in fair value of equity investments and other holdings | | (321,977) | 225,105 |
| Net change in fair value of real estate investments | | (5,258) | (6,973) |
| Share of profit (loss) of associates, adjusted for distributions received | | 505 | (2,373) |
| Share-based compensation expense, adjusted for settlements paid | | - | (6,205) |
| Change in redemption amount of redeemable units | | 133,726 | (116,873) |
| Deferred income tax | 10 (a) | 6,283 | 26 |
| | | (186,721) | 92,707 |

b) Changes in working capital items are as follows:

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| Decrease (increase) in | | | |
| Due from brokers | | (178,156) | 185,229 |
| Income taxes receivable | | 121 | 62 |
| Other assets | | 27 | 3,043 |
| Increase (decrease) in | | | |
| Trade and other payables | | 11,296 | (25,247) |
| Due to brokers | | (170,268) | 200,082 |
| Income taxes payable | | 96 | (3,435) |
| | | (336,884) | 359,734 |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 14 Financial risks and fair value

### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and equity price risk), credit risk and liquidity risk.

The Company's overall risk management program seeks to maximize the returns derived for the level of risk to which the Company is exposed and seeks to minimize potential adverse effects on the Company's financial performance. Managing these risks is carried out by management under policies approved by the Board.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

### Market risk

**Fair value and cash flow interest rate risks**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The majority of the Company's debt is based on floating rates which expose the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at December 31, 2016, the Company has listed equity securities of $2,153,407 (2015 – $1,885,262). It can sell these securities to reduce its floating rate debt. As at December 31, 2016, a 1% (2015 – 1%) increase or decrease in interest rates, with all other variables remaining constant, would impact interest expense by approximately $573 over the next 12 months (2015 – $2,366).

The Company's exposure to interest rate risk is summarized as follows:

| | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | Between nil and 0.81% | Between nil and 1.25% |
| Restricted short-term investments | Between 0.15% and 0.30% | Between 0.15% and 1.18% |
| Debt securities | Between 1.26% and 11.0% | Between 1.46% and 12.0% |
| Loans to employees | Non-interest bearing | Non-interest bearing |
| Credit facilities | | |
| Bank advances | Prime rate plus 0.25% | Prime rate plus 0.25% |
| Guarantee facility | 1.0% | 1.0% |
| Trade and other payables | Non-interest bearing | Non-interest bearing |
| Due to brokers | 0.00% to 0.88% | 0.00% to 3.81% |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The Company also holds debt securities held for trading of $23,490 (2015 – $62,774). Debt securities are usually highly sensitive to interest rate changes. Theoretically, when interest rates rise, it causes the value of debt securities to decline. The opposite generally happens when interest rates fall, then debt securities usually rise in value. However, interest rates are only one factor affecting the value of debt securities. Other factors such as the creditworthiness of the issuer and the spreads attached thereto, the state of the economy and market sentiment can also have a significant effect on debt securities. At any time, one or more factors may have more or less of an effect on the fair value of debt securities than the change in interest rates. If all other factors are assumed not to change, then a change of 100 basis points in the yield to maturity will affect the fair value of the debt securities held for trading as follows.

Estimated effect on the fair value of debt securities due to:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| An increase of 100 basis points in the yield to maturity | (709) | (1,752) |
| A decrease of 100 basis points in the yield to maturity | 749 | 1,837 |

### Currency risk

Currency risk is the risk that the value of monetary financial assets and financial liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company is exposed to currency risk due to potential variations in currencies other than the US dollar. The following tables summarize the Company's main monetary financial assets and financial liabilities whose fair value is predominantly determined in currencies other than the US dollar, the Company's functional currency, and the effect on pre-tax net income of a 10% change in currency exchange rates:

| 2016 | Financial assets<br>$ | Financial liabilities<br>$ | Net exposure<br>$ | Net effect of a 10% increase or decrease<br>$ |
|---|---|---|---|---|
| Canadian dollar | 138,618 | (6,852) | 131,766 | 13,177 |
| British pound sterling | 9,431 | (2,888) | 6,543 | 654 |
| Euro | 2,171 | (10,247) | (8,076) | (808) |
| Norwegian krone | - | (791) | (791) | (79) |
| Japanese yen | - | (2,865) | (2,865) | (287) |
| Israeli shekel | - | (22,144) | (22,144) | (2,214) |
| | 150,220 | (45,787) | 104,433 | 10,443 |

| 2015 | Financial assets<br>$ | Financial liabilities<br>$ | Net exposure<br>$ | Net effect of a 10% increase or decrease<br>$ |
|---|---|---|---|---|
| Canadian dollar | 1,052 | (28,616) | (27,564) | (2,756) |
| British pound sterling | - | (7,378) | (7,378) | (738) |
| Euro | 5,600 | (218,114) | (212,514) | (21,251) |
| Norwegian krone | - | (4,440) | (4,440) | (444) |
| Israeli shekel | - | (19,352) | (19,352) | (1,935) |
| | 6,652 | (277,900) | (271,248) | (27,124) |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

### Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives will vary as a result of changes in the market prices of the holdings. The majority of the Company's equity investments and other holdings and all of the equities sold short and derivatives are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities and derivatives may be related to a change in the financial outlook of the investee entities or due to the market in general. Where non-monetary financial instruments – for example, equity securities – are traded in currencies other than the US dollar, the price, initially expressed in a foreign currency and then converted into US dollars, will also fluctuate because of changes in foreign exchange rates.

Equities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. This creates the risk that the Company's ultimate obligation to satisfy the delivery requirements will exceed the amount of the proceeds initially received or the liability recorded in the consolidated financial statements. In addition, the Company has entered into derivative financial instruments which have a notional value greater than their fair value which is recorded in the consolidated financial statements. This information is disclosed in note 6(a) to these consolidated financial statements. This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been recorded in the consolidated financial statements.

The Company's equity investments and other holdings have a downside risk limited to their carrying value, while the risk of equities sold short and derivatives is open-ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the equities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

The impact of a 30% change in the market prices of the Company's listed equity investments and derivatives, equities sold short and derivatives would be as follows:

| | | | 2016 |
|---|---|---|---|
| | Fair value<br>$ | Estimated fair value with a 30% price increase<br>$ | Estimated fair value with a 30% price decrease<br>$ |
| Equity investments and other holdings | | | |
| Listed equity securities and derivatives | 2,194,242 | 2,852,515 | 1,535,969 |
| Equities sold short and derivative liabilities | (727,598) | (945,877) | (509,319) |
| Pre-tax impact on net income | | 439,993 | (439,993) |

| | | | 2015 |
|---|---|---|---|
| | Fair value<br>$ | Estimated fair value with a 30% price increase<br>$ | Estimated fair value with a 30% price decrease<br>$ |
| Equity investments and other holdings | | | |
| Listed equity securities and derivatives | 1,888,990 | 2,455,687 | 1,322,293 |
| Equities sold short and derivative liabilities | (364,668) | (474,068) | (255,268) |
| Pre-tax impact on net income | | 457,297 | (457,297) |

The above analysis assumes that listed equity investments, derivatives and equities sold short would increase or decrease at the same rate. As these portfolios are not hedged together, a change in market prices will affect each one differently.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

### Credit risk

Credit risk is the risk that a counterparty will fail to fulfill its obligations under a contract and will cause the Company to suffer a loss.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is executed only once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Company is also exposed to counterparty credit risk on its cash and cash equivalents, restricted short-term investments and due from brokers.

The Company manages counterparty credit risk by dealing only with parties approved by the Board.

From time to time, the Company enters into derivative financial instruments consisting primarily of warrants and options to purchase or sell equity indices and currencies, equity swaps, foreign currency forward contracts and foreign currency futures contracts. These derivative instruments are marked to market. There is deemed to be no credit risk for futures and certain options because they are traded on exchanges. The warrant contracts and certain options are not traded on an exchange and allow the Company to purchase underlying equities at a fixed price. Equity swaps represent future cash flows that are agreed to be exchanged between the Company and counterparties at set dates in the future. Foreign currency forward contracts are contracts to buy or sell foreign currencies at a specified price at a point in time in the future.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available on Standard & Poor's, Moody's or Fitch rating agencies) or to historical information about counterparty default rates. Credit ratings are presented using Standard & Poor's rating scale as follows:

| **Financial instrument** | **Rating** | **2016 $** | **2015 $** |
|---|---|---|---|
| Cash and cash equivalents | A | 26,978 | 29,926 |
| Restricted short-term investments | A | 459 | 458 |
| Due from brokers | A | 191,602 | 11,449 |
| Debt securities | B | - | 4,186 |
| Debt securities | CCC and below | 23,490 | 58,588 |

| **Counterparties without external credit rating** | **2016 $** | **2015 $** |
|---|---|---|
| Loans to employees* | 252 | 271 |

* Related parties with which the Company has not experienced defaults in the past.

### Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations. The Company's largest assets are equity investments and other holdings. Most of these assets are made up of equities in listed companies which can be liquidated in a relatively short time. Due to its large investments in liquid assets, the Company believes that it has sufficient resources to meet its obligations as they come due.

All financial liabilities other than equities sold short and derivative liabilities as at the consolidated statement of financial position date mature or are expected to be repaid within one year (2015 – one year). The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

### Capital risk management

The Company's objective when managing its capital is to maintain a solid capital structure appropriate for the nature of its business. The Company considers its capital to be its equity. The Company manages its capital structure in light of changes in economic conditions. To maintain or adjust its capital structure, the Company initiates normal course issuer bids or adjusts the amount of dividends paid. The Company monitors capital on the basis of its debt-to-capital ratio, which is as follows:

| | 2016 | 2015 |
|---|---|---|
| Total liabilities | $1,620,655 | $1,290,090 |
| Total equity | $942,562 | $856,290 |
| Debt-to-capital ratio | 1.72 | 1.51 |

The Company's objective is to maintain a debt-to-capital ratio below 2.0. The Company believes that limiting its debt-to-capital ratio in this manner is the best way to monitor risk. The Company does not have any externally imposed restrictive covenants or capital requirements, other than those included in the credit facilities (note 5).

### Fair value estimation

The tables below analyze financial instruments carried at fair value by the inputs used in the valuation method. The different levels have been defined as follows:

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

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The following tables analyze within the fair value hierarchy the Company's financial assets and financial liabilities measured at fair value as at December 31, 2016 and 2015:

| | | | | 2016 |
|---|---|---|---|---|
| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
| **Assets** | | | | |
| Financial assets held for trading | | | | |
| Equity securities | 2,150,822 | 601 | – | 2,151,423 |
| Debt securities | – | 23,490 | – | 23,490 |
| Derivative financial assets | 6,571 | 53,657 | – | 60,228 |
| Financial assets designated as fair value through profit or loss | | | | |
| Equity securities | 1,984 | 9,055 | 43,108 | 54,147 |
| Real estate investments | – | – | 37,812 | 37,812 |
| | 2,159,377 | 86,803 | 80,920 | 2,327,100 |
| **Liabilities** | | | | |
| Financial liabilities held for trading | | | | |
| Equity holdings sold short | 725,798 | – | – | 725,798 |
| Derivative liabilities | – | 1,846 | – | 1,846 |
| | 725,798 | 1,846 | – | 727,644 |

| | | | | 2015 |
|---|---|---|---|---|
| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
| **Assets** | | | | |
| Financial assets held for trading | | | | |
| Equity securities | 1,880,980 | 2,432 | – | 1,883,412 |
| Debt securities | – | 62,774 | – | 62,774 |
| Derivative financial assets | – | 33,129 | – | 33,129 |
| Financial assets designated as fair value through profit or loss | | | | |
| Equity securities | 1,795 | 13,075 | 42,102 | 56,972 |
| Real estate investments | – | – | 49,362 | 49,362 |
| | 1,882,775 | 111,410 | 91,464 | 2,085,649 |
| **Liabilities** | | | | |
| Financial liabilities held for trading | | | | |
| Equity holdings sold short | 350,777 | – | – | 350,777 |
| Derivative liabilities | – | 13,891 | – | 13,891 |
| | 350,777 | 13,891 | – | 364,668 |

### Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities held by the Company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange.

### Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, broker quotations or valuation techniques such as financial models that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities and derivatives, over-the-counter derivatives and private equities.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option-pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

| Description | Valuation technique |
|---|---|
| Equity securities | Quoted market prices or broker quotes for similar instruments |
| Private equities | Valuation techniques or net asset value based on observable inputs |
| Debt securities | Quoted market prices or broker quotes for similar instruments |
| Derivatives | Quoted market prices or broker quotes for similar instruments |

### Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed by the Company's chief financial officer (CFO), who reports directly to the Board on a quarterly basis in line with the Company's reporting dates. The Board considers the appropriateness of the valuation models and inputs used. On an annual basis, close to the year-end date, the Company obtains independent, third party appraisals to determine the fair value of the Company's most significant Level 3 holdings. The Company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

As at December 31, 2016 and 2015, Level 3 instruments are in various entities and industries.

Real estate investments are disclosed in more detail in note 8, comprising investments in private real estate companies and in real estate income trusts. The real estate companies are involved with various types of buildings in different geographical locations. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third party valuators. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts, the Company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and the subsequent distribution to the holders.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The following tables present the changes in Level 3 instruments:

| 2016 | Real estate investments $ | Unlisted securities $ | Total $ |
|---|---|---|---|
| **As at December 31, 2015** | 49,362 | 42,102 | 91,464 |
| Purchases | 520 | 3,956 | 4,476 |
| Distributions | (15,662) | - | (15,662) |
| Gains (losses) recognized in net income | | | |
| On financial instruments held at end of year | 5,258 | 2,257 | 7,515 |
| On financial instruments disposed of during the year | - | (4,009) | (4,009) |
| Currency translation adjustments | (1,666) | (1,198) | (2,864) |
| **As at December 31, 2016** | 37,812 | 43,108 | 80,920 |

| 2015 | Real estate investments $ | Unlisted securities $ | Total $ |
|---|---|---|---|
| **As at December 31, 2014** | 36,983 | 13,197 | 50,180 |
| Purchases | 4,127 | 20,956 | 25,083 |
| Sales proceeds | - | (864) | (864) |
| Distributions | (6,061) | (2,921) | (8,982) |
| Gains recognized in net income | | | |
| On financial instruments held at end of year | 6,973 | 6,956 | 13,929 |
| On financial instruments disposed of during the year | - | 225 | 225 |
| Currency translation adjustments | 7,340 | 4,553 | 11,893 |
| **As at December 31, 2015** | 49,362 | 42,102 | 91,464 |

In 2016 and 2015, there were no transfers between levels in the Company's financial instruments.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The table below presents the investments whose fair values are measured using valuation techniques classified as Level 3 as at December 31, 2016.

| Description | Fair value (rounded) 2016 $ | Valuation technique | Significant unobservable inputs | Weighted average input | Reasonably possible shifts +/– | Change in value $ |
|---|---|---|---|---|---|---|
| Unlisted private equity holdings | | Comparable company approach | Revenue estimate | $36,000 | $3,000 | +/-300 |
| Software developers | 12,000 | | Revenue multiple | 1.57 | 10% | +/-400 |
| | | | M&A multiple | 3.97 | 10% | +/-800 |
| Unlisted private equity holdings | | Comparable company approach | Number of users | 114.4M | 10M | +/-800 |
| Internet services | 15,000 | | EV/User | 113.69 | 10% | +/-900 |
| Unlisted private equity holdings | | | | | | |
| Other | 16,000 | Comparable company approach | Revenue estimate | $8M-11.5M | $1,000 | +/-100 |
| | | | Revenue multiple | 1.97-3.55 | 10% | +/-50-100 |
| | | | M&A multiple | 1.88 | 10% | +/-100 |
| | | | Yield to maturity | 12.48%-12.92% | 10% | +/-100 |
| | | | Probability of success | 78% | 10% | +/-600 |
| | | | WACC | 11.19% | 2% | +/- 2,000<br>+/-1,000 |
| Real estate income trusts (REITs) | 17,300 | Discounted cash flows | Discount rate | 7.0%-12% | The REITs consist of numerous investments in commercial and residential properties, each with different unobservable inputs tailored to best estimate their fair value. The inputs disclosed cover the range used for all the real estate holdings in the REITs. A general analysis of the change in inputs would not reveal a fair change in value. | |
| | | | Capitalization rate | 5.5%-9.0% | | |
| | | | Discounted cash flow term | 10-13 years | | |
| | | | Rental growth rate | (12.0)%-39.10% | | |
| Real estate investments in private entities | 20,500 | Capitalization model | Rate of return | 8.0% | 1.0% | +1,700<br>-1,300 |

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The table below presents the investments whose fair values are measured using valuation techniques classified as Level 3 as at December 31, 2015.

| Description | Fair value (rounded) 2015 $ | Valuation technique | Significant unobservable inputs | Weighted average input | Reasonably possible shifts +/− | Change in value $ |
|---|---|---|---|---|---|---|
| Unlisted private equity holdings | | Comparable company approach | Revenue estimate | $34,000 | 1000$ -$3,000 | +/-400-900 |
| Software developers | 17,000 | | Revenue multiple | 1.74-2.03 | 10% | +/-400-500 |
| | | | M&A multiple | 4.13 | 10% | +/-700 |
| Unlisted private equity holdings | | Comparable company approach | Number of users | 80M | 10M | +/-900 |
| Internet services | 15,000 | | EV/User | 96.80 | 10% | +/-700 |
| Unlisted private equity holdings | | Comparable company approach | Revenue estimate | $4,000-$6,000 | $1,000 | +/-200-300 |
| Other | 10,000 | | Revenue multiple | 2.06-4.16 | 10% | +/-100 |
| | | | M&A multiple | 3.11 | 10% | +/-200 |
| Real estate income trusts (REITs) | 29,000 | Discounted cash flows | Discount rate | 7.5%-20% | The REITs consist of numerous investments in commercial and residential properties, each with different unobservable inputs tailored to best estimate their fair value. The inputs disclosed cover the range used for all the real estate holdings in the REITs. A general analysis of the change in inputs would not reveal a fair change in value. | |
| | | | Capitalization rate | 4.6%-9% | | |
| | | | Discounted cash flow term | 3-33 years | | |
| | | | Rental growth rate | (16.7)-26.3 | | |
| Real estate investments in private entities | 20,000 | Capitalization model | Rate of return | 7.0% | 1.0% | + 1,900<br>- 1,400 |

### Assets and liabilities not carried at fair value but for which fair value is disclosed

The carrying amount of cash and cash equivalents, restricted short-term investments, due from brokers, bank advances, credit facilities, trade and other payables, due to brokers, redemptions payable, and subscriptions received in advance represent a reasonable approximation of their respective fair value due to their short-term nature.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 15 Disclosure of the composition of the Company

**Principal subsidiaries and structured entities**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries and structured entities as at December 31, 2016 and 2015. The principal operating subsidiaries and structured entities and their activities are as follows.

| Name | Country of incorporation | % Interest held | | Nature of business |
|---|---|---|---|---|
| | | 2016 | 2015 | |
| Senvest Global (KY) L.P. | Cayman Islands | 100 | 100 | Investment company |
| Senvest Global L.P. | United States | 100 | 100 | Investment company |
| RIMA Senvest Master Fund GP, L.L.C. | United States | - | - | General partner of Senvest Master Fund, L.P. |
| Senvest Israel Partners GP, L.L.C. | United States | - | - | General partner of Senvest Israel Partners Master Fund L.P. |
| Argentina Capital Inc. | Canada | 100 | 100 | Real estate |
| Pennsylvania Properties Inc. | United States | 100 | 100 | Real estate |
| Senvest Equities Inc. | Canada | 100 | 100 | Investment company |
| Senvest Fund Management Inc. | United States | 100 | 100 | Investment company |
| Senvest Management L.L.C. | United States | - | - | Investment manager of the Funds |
| Senvest Master Fund, L.P. | Cayman Islands | 45 | 41 | Investment fund |
| Senvest Israel Partners Master Fund, L.P. | Cayman Islands | 47 | 44 | Investment fund |
| Senvest Cyprus Recovery Investment Fund, L.P. | Cayman Islands | 59 | 59 | Investment fund |
| Punto Box SL | Spain | 100 | 100 | Real estate |

The total non-controlling interest for the year is $18,277 (2015 – $3,210), which is mostly attributed to Senvest Management L.L.C. The change in redemption amount of liability for redeemable units for the year is $133,726 (2015 – $(116,873)), all of which is attributed to the Funds.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Set out below is the summarized financial information for each subsidiary that has non-controlling interest that is material to the group. The amounts disclosed are before inter-company eliminations.

| **Summarized balance sheets** | **Senvest Management L.L.C.** | |
|---|---|---|
| | **2016** **$** | **2015** **$** |
| Assets | 253,064 | 207,154 |
| Liabilities | 157,225 | 127,156 |
| Net assets | 95,839 | 79,998 |
| Accumulated NCI | 95,839 | 79,998 |

The participation owned by the parent company is reflected as a liability in the subsidiary's financial statements.

| **Summarized statements of comprehensive income (loss)** | **2016** **$** | **2015** **$** |
|---|---|---|
| Revenue and net investment gains (losses) | 42,044 | 197 |
| Expenses | 22,325 | 11,632 |
| Net income (loss) | 19,719 | (11,435) |
| Other comprehensive income (loss) | (2,153) | 14,645 |
| Total comprehensive income | 17,566 | 3,210 |
| Net income (loss) allocated to NCI | 19,719 | (11,435) |

The participation allocated to the parent company is reflected as a part of the statement of income (loss) in the subsidiary's financial statements.

| | **2016** **$** | **2015** **$** |
|---|---|---|
| Dividends paid to NCI | 1,772 | 7,200 |

| **Summarized statements of cash flows** | **2016** **$** | **2015** **$** |
|---|---|---|
| Cash flow from operating activities | 1,640 | 6,688 |
| Cash flow from financing activities | (1,772) | (7,200) |
| Net decrease in cash and cash equivalents | (132) | (512) |

As part of an internal reorganization, on October 1, 2015, the Company wound up its Senvest International L.L.C. wholly owned subsidiary and transferred significantly all of the net assets to a new wholly owned entity Senvest Global (KY) L.P. This new entity will now be managed by Senvest Management L.L.C. going forward. As a result, all of the employees of Senvest International L.L.C. became employees of Senvest Management L.L.C. The results of Senvest Global L.P. will be consolidated into the accounts of the parent company the same way that those of Senvest International L.L.C. were.

No guarantees or collateral were provided to the subsidiaries and structured entities except for the guarantee of an operating lease of Senvest Management L.L.C. The amounts in question have been included in the Company's commitments in note 17(a). The Company is not liable for any other contingent liabilities arising in its subsidiaries and structured entities and will not settle any other liabilities on their behalf.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 16 Related party transactions

### Key management compensation

Key management includes the Board, the president and chief executive officer, the vice president, the secretary treasurer and the chief financial officer. The compensation paid or payable to key management for employee services is as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Salaries and other short-term employee benefits | 9,423 | 1,458 |
| Post-employment benefits – Defined contribution | 39 | 38 |
| Share-based payments | – | 749 |
| | 9,462 | 2,245 |

### Management fees

Certain employees and related parties that have invested in the Funds do not pay management fees that are charged to outside investors. The amount invested by these participants in 2016 totals $73,762 (2015 – $56,693).

## 17 Commitments

a) The future minimum rental payments for premises under long-term leases are as follows:

| | $ |
|---|---|
| 2017 | 1,391 |
| 2018 | 1,249 |
| 2019 | 1,287 |
| 2020 | 1,341 |
| 2021 | 1,149 |
| Thereafter | 3,621 |

b) As required by certain of the Company's equity investments and other holdings, the Company has capital commitments of $409.

c) As required by certain of the Company's real estate investments, the Company has capital commitments of $8,226.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

## 18 Segmented and geographical information

The Company operates in a single reportable segment, which is the management of its own investments and those of the Funds.

The following tables summarize the Company's revenues by geographical area for the years ended December 31:

| | | | | | | | 2016 |
|---|---|---|---|---|---|---|---|
| | United States $ | Canada $ | Great Britain $ | Rest of European Union $ | Argentina $ | Other $ | Total $ |
| **Revenue** | | | | | | | |
| Interest income | 3,266 | 313 | 1 | (396) | – | 1,000 | 4,184 |
| Net dividend income | 7,890 | (22) | 605 | 450 | 104 | 1,534 | 10,561 |
| Other income | 278 | 532 | – | – | – | – | 810 |

| | | | | | | | 2015 |
|---|---|---|---|---|---|---|---|
| | United States $ | Canada $ | Great Britain $ | Rest of European Union $ | Argentina $ | Other $ | Total $ |
| **Revenue** | | | | | | | |
| Interest income | 2,749 | 166 | 15 | 121 | – | 234 | 3,285 |
| Net dividend income | 7,723 | (11) | (89) | 1,473 | 119 | 2,705 | 11,920 |
| Other income | 23 | 303 | – | 20 | – | – | 346 |

## Board of Directors

Victor Mashaal
Chairman of the Board & President
Senvest Capital Inc.

*Ronald G. Assaf
Business Executive

Frank Daniel
Secretary-Treasurer
Senvest Capital Inc.

*David E. Basner
Business Executive

*Jeffrey L. Jonas
Partner, Brown Rudnick L.L.P.

Richard Mashaal
Vice-President
Senvest Capital Inc.

*Member of the Audit Committee

## Officers

Victor Mashaal
Chairman of the Board & President

Frank Daniel
Secretary-Treasurer

Richard Mashaal
Vice-President

George Malikotsis C.A., C.P.A.
Vice-President, Finance

## Investor Information

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