Senvest Capital Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

June 30, 2020

SENVEST

Notice of No Auditor Review of Interim Consolidated Financial Statements
In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors PricewaterhouseCoopers LLP have not reviewed the unaudited condensed interim consolidated financial statements as at and for the period ended June 30, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

After suffering the worst quarter in its history, Senvest Capital ("Senvest" or the "Company") rebounded sharply in the second quarter. There was a strong increase across global financial markets driven by increased optimism that the global spread of the novel coronavirus (COVID-19) would be contained, and that an economic recovery was indeed underway. Financial markets, forward looking as they are, quickly discounted the eventual return to a new normal, that would be supported by extensive fiscal and monetary policies.

Despite the continued uncertainty of the shape of the recovery, the timing on vaccine and therapeutics, and the risk of potential second waves, many industries and individuals seemed to turn to technology for solutions to solve the most pressing needs to overcome both near term hurdles associated with the pandemic.

The cloud has become the economic enabler during this pandemic induced downturn as much of the developed world was able to continue working with minimal downtime and impact to productivity, by logging to cloud enabled networks, using collaboration software to communicate with end customers from remote home-based offices. Even telemedicine, which has been an industry that has resisted embracing cloud technology, has seen the rise of many secure applications and ecosystems that enable quicker more effective face time interactions with doctors for pre-visit and non-urgent care consultations.

Operationally we have functioned quite well during the current environment and the stay at home conditions. Over the past few years, we have planned and tested our systems for remote work-from-home scenarios. We moved our technology infrastructure to the cloud over a year ago and thus far have had no significant issues with our systems operating from home.

From a macro perspective, COVID has been the overriding factor in driving economic contraction and expansion on a regional basis, with many U.S. states being fast to shut down and slow to reopen, as we are better able to track and contain viral flaring-ups. Over the past quarter we have seen the U.S. experience a decline and then a dramatic resurgence in COVID cases over the past month which will undoubtably impact the pace of the economic recovery. While the North Eastern States are emerging from a winter lockdown, many Southern States are now experiencing outbreaks and taking measures to contain the outbreak. In aggregate this is an offsetting force on economic recovery and is elongating the "V"-shaped recovery. While we had seen a healthy rebound in consumer services and spending as well as employment gains on a month over month basis a short while ago, more recent economic activity was likely tempered by the tighter restrictions and increased social distancing requirements that arose from a resurgence in COVID. According to Goldman Sachs research "…data shows that states with a more severe deterioration in their public health situation (Texas, Florida, and Arizona for example), saw a modest decline in retail and recreation activity and workplace activity toward the end of June…while activity was flat on average in other states" (The Covid Resurgence and the Economic Outlook, published July 4, 2020). While we are mindful of the potential delays and shape of the recovery, as Goldman Sachs also points out "behavioral changes such as mask-wearing offer opportunities for controlling the virus at minimal economic cost." To that end, while GDP forecasts are forecasting meaningful quarter over quarter growth in the September quarter as compared to June, we expect these forecasts to be somewhat tempered by the recent increase in regional caseloads. We believe the biggest risks heading into the 2H of 2020 will be 1) how severe the caseload increases will be throughout various regions in the U.S. that are currently being hit hardest, and 2) the economic demand impact of the state-specific measures put in place to combat these waves.

In Asia, particularly in China, global PMIs in manufacturing and services point to business resuming its expansion with both "NBS and Caixin manufacturing improving to 50.9 and 51.2, respectively in June led by improved new export orders…amid production resumption. NBS non-manufacturing PMI also rose to 54.4 in June, returning to pre COVID-19 levels, with the gradual reopening of the service sectors." (Morgan Stanley China Economics: Weekly Tracker: Believing in the Recovery published 7/2/20). In Europe, we would expect the southern part of the continent (Spain and Italy) which were the hardest hit regions to take the longest to recover. However, with regionally coordinated QE and various recovery funds in place, the 2H of 2020 and 2021 could see improved economic activity, particularly in regions that had more successful virus suppression strategies. With Europe being somewhat over-indexed to the auto manufacturing sector, any sustained recovery in auto demand should bode well for the regions recovery in 2021.

Senvest recorded net income attributable to common shareholders of $161.2 million or $60.85 per basic and diluted common share for the period ended June 30, 2020. This compares to a net loss attributable to common shareholders of ($56.6) million or ($21.04) per basic and diluted common share for the period ended June 30, 2019. Although the Company was profitable in the second quarter it is still in a loss position for the year. For the quarter, the US dollar weakened against the Canadian dollar and the result was a currency translation loss of about $19.4 million. This amount is not reported in the Company's statement of income rather it's reflected in its statement of comprehensive income. As a result, the comprehensive income attributable to common shareholders was $141.8 million for the quarter.

The Company's income from equity investments was the biggest contributor to the results. The net change in equity investments and other holdings including securities sold short and derivative liabilities totalled $406.6 million in the current quarter versus ($172.6) million in June 2019.

Some of the largest holdings as at June 30, 2020 were, Ebay (EBAY), Tower Semiconductors (TSEM), Marriot Vacations (VAC), Radware (RDWR), Wyndham Destinations (WYND) and Essent Group (ESNT). (When the Company refers to its portfolio of holdings, the reference is to its aggregate portfolio including those in the funds that are consolidated into the accounts of the Company.)

Vacation ownership company Marriot Vacations Worldwide ("VAC"), the Company's third largest position, provided the largest gain in the quarter, with a stock price increase of +47.91%. The company reported preliminary Q1 financial results and announced measures to preserve cash flow, including suspension of its dividend and stock repurchases, deferment of investments in inventory and furloughing of employees. VAC also bolstered its balance sheet with a $500 million senior secured notes offering and increased its timeshare receivables warehouse line of credit by 50% to over $500 million. Management indicated that these moves would enable the company to operate in a shut-down state through 2021. The company also reported solid H2 2020 bookings at roughly 95% of H2 2019 level. Although we have sold nearly one-third of our position to lock in profits, we believe that VAC's update supports our thesis that the vacation ownership business model will prove its superior resilience to other leisure businesses.

Residential mortgage originator and servicer Pennymac Financial Services ("PFSI") and the affiliated mortgage REIT it manages, Pennymac Mortgage Trust ("PMT"), were the number two and three largest contributors to Q2 performance. As a reminder, mortgage servicers are responsible for funding delinquent loan payments into mortgage backed securities ("MBS") trusts so that MBS investors get paid. Delinquencies have increased dramatically since the government enacted a forbearance policy to allow Fannie Mae, Freddie Mac (the "GSEs") and Ginnie Mae borrowers to defer loan payments for up to one year if the borrower suffered hardship due to the coronavirus and as the recession has caused job and income loss. Loans in forbearance are considered delinquent and thus servicers must advance the related loan payments. By implementing the forbearance program, the government created a knock-on effect on servicers of potentially significant liquidity demands for funding up to one year of delinquent mortgage payments. This likely weighed on the stock prices of PFSI and PMT, along with other mortgage related companies. We believed that the government would not undermine mortgage related businesses and that the uncertainty of their treatment created a buying opportunity.

Consistent with our view that the government wouldn't harm the mortgage industry, in April, the Federal Housing Finance Agency ("FHFA", the government conservator overseeing the GSEs) made statements clarifying the forbearance issues impacting mortgage related businesses. Among these included a four-month servicing advance obligation limit, which would be supportive of servicers' liquidity demands, and no lump-sum payment required by borrowers at the end of forbearance periods.

While commercial funding sources for GSE advances exist, they have not existed for Ginnie Mae loans. (Ginnie Mae had announced in late March its own servicing advance funding solution, though designed as an expensive, last resort source.) In early April, PFSI announced an industry-first funding structure for servicing advances related to its Ginnie Mae portfolio. PFSI had been working with Ginnie Mae for almost a year prior to the covid-crisis and was able to finish negotiations quickly and roll out its unique funding structure, putting to rest liquidity concerns around servicing advances and demonstrating its industry leadership position.

In May, PFSI reported record Q1 financial results that trounced analyst expectations. Then in early June, PFSI announced a $500mm stock buyback plan, including the immediate repurchase of $240 million of stock or 9% of shares at $34/share (PFSI traded at $41.79 as at June 30). We know this management team and board as being conservative and thus we believe this buyback signals strong confidence in the company's liquidity position and earnings outlook. Overall, PFSI had an outstanding second quarter and delivered on our expectations which proved its resiliency in the COVID recessionary environment. PFSI is one of the few companies in which we expect earnings to be higher post COVID. We expect that record low mortgage rates, one of the Federal Reserve's monetary policy objectives, and the current market dynamics for refinancing mortgages should sustain the favorable environment for PFSI for the foreseeable future.

PMT reported a loss for Q1 that far exceeded analyst expectations as the company suffered from significant mark-to-market losses on mortgage credit investments, causing book value to drop from $21.37/share to $15.16 per share. Much of the mark-to-market loss was based on the market-based pricing of GSE "credit risk transfer" or "CRT" securities comparable to PMT's mortgage credit investments. Along with most all other securities, these CRT securities traded down significantly during the Q1 covid-crash. While PMT reported the large loss in the quarter, management also provided an outlook for strong earnings of approximately $1/share per quarter, with returns on equity in the 20% range, looking ahead for the rest of the year. In light of the company's disclosure and our belief that mark-to-market losses would prove transitory, we added to our PMT position. PMT's stock ended up with a 65% gain for the quarter.

Residential mortgage insurer Essent ("ESNT") saw its stock price rise 37.7% in the quarter and was our fourth largest gainer. The company reported strong, record financial results for Q1 that modestly beat expectations. Importantly, ESNT confirmed that delinquent loans in covid-related forbearance would be treated for capital purposes as a "natural disaster" loan and thus only require 30% of the typical regulatory requirement for posting of assets against delinquent loans which mitigates the risk of capital requirements and potential dilution. (Once again, this confirmed our view that the government wouldn't punish mortgage related businesses.) In late May, the company completed a $382 million equity offering at about book value per share. We believe this was an intelligent move by the company that can provide it flexibility for both offence to gain market share in an improved pricing and returns environment and potentially defense if necessary. The capital raise also further solidified ESNT's leadership position as the best capitalized player in the mortgage insurance market.

As a reminder, ESNT pays claims only when a mortgage goes into foreclosure and the company continues to collect premiums until that point. We believe that the unique nature of the government covid-related forbearance program and the solid fundamentals of the housing market will ultimately result in a low level of paid claims relative to delinquencies. The covid-related forbearance program remains ongoing today and we believe will run until the national disaster of the corona virus is declared over, likely after a vaccine becomes widely available. Thus, even near-term future job losses and income loss by borrowers that result in delinquencies we believe will be subject to favorable capital treatment and claims experience. Moreover, in addition to the one-year forbearance period which provides for a good length of time for a borrower with a loss of income to regain their footing, thereafter loan modifications can be used to keep borrowers in their homes.

In any case, ESNT's pre-provision earnings over the next two quarters should more than cover a non-cash reserve build in excess of our expectations for potential claims, after which time ESNT should return to its historical roughly 20% return on equity performance. Looking ahead to that point, we would expect that with covid-related reserving behind it and growth from market share gains stemming from its market leading capital position, the stock could trade back to historical trading level of around 2x book value, which would be significantly higher than its current share price.

The Fund's investment in liver-disease biopharma company Intercept Pharmaceuticals ("ICPT") caused the largest loss of any individual stock in the quarter. At the end of June, ICPT announced that it received a complete response letter ("CRL") from the FDA related to its New Drug Application ("NDA") for obeticholic acid ("OCA") for the treatment of fibrosis due to non-alcoholic steatohepatitis ("NASH"). While we understood the potential for a CRL given the advisory committee meeting delay announced in May, the language of the letter as communicated by ICPT was admittedly far worse than we were expecting, creating significant uncertainty regarding the path to resolution of the FDA's concerns. According to the company, the FDA stated that the predicted benefit of OCA based on the surrogate endpoint was uncertain and did not sufficiently outweigh the potential risks to support accelerated approval. Although the company met its pre-specified endpoint of a 1-stage improvement in fibrosis with statistical significance at the interim look of the company's Phase 3 REGENERATE trial, the FDA seems to be calling into question the magnitude of effect in relation to the product's potential risks. The FDA's decision surprised us, and it appears that it "moved the goalposts" on ICPT's NASH approval requirements. We see the potential for approval in early to mid-2021 in a good case scenario and late 2021/2022 in a bad case. ICPT will likely require a capital raise at some point in the future to bridge its cash flow breakeven point.

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of 41.8% net of fees in the second quarter and a return of (34%) for the year to date. 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 quarter but trails it for the year to date. The fund also outperformed the S&P 500 index for the quarter (while trailing it for the year to date), but does not consider this index as a benchmark. In 2019 the fund initiated an institutional share class which requires a minimum investment of $75 million US, and includes a longer duration element, which should further enhance the stability of its capital base and its ability to make long-term investments to help generate returns for the benefit of all of our partners. Senvest's internal capital is subject to the same liquidity provisions of the institutional share class.

The Senvest Technology Partners Fund (prior name Senvest Israel Partners) was initiated in 2003 to focus on investing in Israel related companies. Effective January 1, 2019, the Israel Fund broadened its geographic investment mandate to focus on global technology investments. To better reflect the evolving global complexion of its technology investments, the Israel Fund underwent a name change to Senvest Technology

Partners. After investing in Israel-related technology for 15 years, its holdings extend across the global technology universe. The Technology Fund will maintain the same investment philosophy and continue to leverage the existing diligence and understanding of global technology and end markets. This fund recorded a return of 27.7% net of fees for the quarter and 7.6% for the year to date (monthly results of both funds can be found on the Company's website). Both of these funds are consolidated into the accounts of the Company.

On December 20, 2019, the Company entered into an equity financing commitment. Per the equity financing commitment letter and the Stock Purchase Agreement (the "Purchase Agreement"), the Company agreed and committed to contribute, directedly or indirectly, an aggregate amount of cash equal to Canadian $50,000,000 to fund a portion, along with other committed capital providers, of the following amounts at closing: (a) the obligations under the Purchase Agreement to pay the aggregate purchase price and (b) the payment of any fees and expenses in connection with the closing and the debt financing, pursuant to and in accordance with the Purchase Agreement. In addition, per the equity financing commitment letter, the parties have agreed that the Investors shall not be obligated to contribute, purchase equity or debt, or otherwise provide funds in any amount in excess of its commitment. This investment closed in the second quarter of 2020.

The Company has a portfolio of real estate investments as at June 30, 2020. One part of this amount represents investments in different US REITs and partnerships. These REITs and partnerships 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 partnerships and the distribution to its holders. Also, there are minority interests in private entities whose main assets are real estate properties. As described above for the REITs and partnerships, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties.

The Company also has investment properties in lands and buildings. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties were remeasured at fair value, using the fair value model. The fair value is based on external valuations from third party valuators. Gains or losses arising from changes in fair value of investment properties will be included in the Company's net profit or loss. The Company acquired a majority of these properties pursuant to a business combination. The Company (the acquirer) purchased 100% of the voting and equity interests of Bogas Costa Del Sol SL, Globalbox Arganda SL, Globalbox Rivas SL and Coldstream SL (the acquirees) on January 16, 2017. The transaction was accounted for under the purchase method. The net assets of the acquired companies were valued at fair value and there was no resulting goodwill on the purchase. There was no contingent consideration nor any non-controlling interests that arose due to the transaction. In April 2018 all the aforementioned companies were merged into one legal entity called Coldstream SL.

The Company consolidates the Senvest Management LLC (SML) entity that serves as the investment manager of Senvest Partners and Senvest Technology 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 Corporation. Most of the equity of Senvest Management LLC reflects its investment in the underlying funds. This non-controlling interest was $20 million as at June 30, 2020 from $23.2 million as at December 31, 2019.

At the end of June 30, 2020, Senvest had total consolidated assets of $2,804.4 million versus $2,885.0 million at the end of 2019. Equity investments and other holdings totalled $2,586.9 million from $2,539.1 million in December 2019. The Company purchased $1,880.7 million of investment holdings in the period and sold $1,393.9 million of such holdings. The Company's liabilities slightly increased to $2,003.9 million this quarter versus $1,942.3 million in 2019. The main differences between the periods was an increase in due to brokers and a decrease in liability for redeemable units. There was also a reduction in securities sold short and derivative liabilities of $37.8 from last December. The proceeds of securities sold short were $1,971.3 million and the amount of shorts covered was $2,008.8 million in the quarter. Overall the trading figures were more than the corresponding amounts for the prior year's period.

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 June 30, 2020, 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 Swedish krone, 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 securities 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.

Securities 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 securities 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, securities sold short and derivative liabilities as at June 30, 2020 would be as follows (in thousands):

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity investments and other holdings Listed equity securities and derivatives	2,368,688	3,079,294	1,658,081
Securities sold short and derivative liabilities	(470,052)	(611,067)	(329,036)
Pre-tax impact on net earnings		569,591	(569,591)

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 securities sold short and derivative liabilities, liability for redeemable units and some other payables 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 and certain options that are not traded on an exchange 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 total 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 net liabilities-to-capital ratio, which is as follows (in millions):

	June 30, 2020	December 31, 2019
Total net liabilities	$1,955.6	$1,758.5
Total equity	$800.5	$942.7
Net liabilities to capital ratio	2.44	1.87

The Company's goal is to maintain its net liabilities to capital ratio below 2.0 in order to limit the amount of risk. The Company defines its net liabilities to equal its total liabilities less its due from brokers. The Company believes that limiting its net liabilities to capital ratio in this manner is the best way to control risk. The Company's net liabilities to capital ratio was at 2.44 at the end of June 2020 from 1.87 at the end of 2019. The large increase in the ratio is due to the reduction in equity values as a result of the current pandemic. The Company anticipates reducing this ratio below 2.0 in the coming quarters.

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 June 30, 2020, approximately 89% 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.

Climate Change Risk

Climate change risk refer to the physical risks and transition-related risks related to the changes in climate patterns that may have a significant impact on communities and the economy. While the direct exposure of the Corporation's operations to climate change risk is relatively low, as an investor in equities and other assets, the Corporation could indirectly be impacted by this risk through its portfolio investments.

The Corporation's portfolio investments face the potential direct impact of more frequent and more intense extreme weather events, as well as the potential indirect impact of any related supply chain disruptions. The exposure of the Corporation's portfolio investments to climate change risk also arises from the movement toward a low-emission economy, which may result in increased reputational, market, regulatory, policy, legal and technology-related risks. Existing portfolio investments in carbon-intensive industries and in other markets which are dependent on such industries may be more exposed to such transitional risks as a result of significant changes in customer perceptions and preferences, the increasing cost of carbon emissions and competition from renewable energy.

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 Technology 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 Technology Partners GP LLC is the General Partner of Senvest Technology Partners Master Fund LP.

Management considers that the Company has control of Senvest Master Fund LP, Senvest Technology 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 investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent valuators located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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 consolidated statement of financial position 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 approximately 89% 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 approximately 3% 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 approximately 8% 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 annual valuations of the significant level 3 holdings are carried out externally. 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 June 30, 2020, 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 and partnerships. 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 and partnerships, 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 Senvest Master Fund, L.P., Senvest Technology Partners Master Fund, L.P. (formerly Senvest Israel Partners Master Fund, L.P.) and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter, however for a particular class the there is a maximum quarterly redemption of 17% of the investor units and a maximum annual redemption of 34% of the investor units. 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 Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. 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.

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 investment gains(losses)	Net income (loss)- common shareholders	Earnings(loss) per share
2020-2	418,401	161,247	60.85
2020-1	(970,591)	(341,993)	(129.38)
2019-4	354,560	85,508	31.98
2019-3	76,376	21,091	7.86
2019-2	(169,458)	(56,556)	(21.04)
2019-1	164,672	54,751	20.36
2018-4	(428,534)	(152,197)	(56.19)
2018-3	21,225	2,478	0.92

The Company has had wide swings in profitability from quarter to quarter in the past two years, as seen above. The profit has fluctuated a significant amount quarter to quarter. The highest earning quarter showed a profit of over $160 million and the least profitable quarter had a loss of over $340 million. These wide swings are primarily due to the large quarterly mark to market adjustments in the Company's portfolio of public holdings. 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 three prime brokers, such losses could be significant.

On August 14, 2019, Senvest commenced a new normal course issuer bid to purchase a maximum of 60,000 of its own common shares until August 13, 2020. There were 53,100 shares repurchased during the period under the bid. The number of common shares outstanding as at June 30, 2020 was 2,629,324 and as at August 5, 2020 was 2,623,224. There were no stock options outstanding as at June 30, 2020 and none have been issued since 2005.

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.

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 $20 million as at June 30, 2020 from $23.2 million as at December 31, 2019.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2019 audited financial statements. The accounts of Senvest Partners, Senvest Technology Partners and Senvest Cyprus Recovery Investment Fund are consolidated with the Company's accounts.

COVID-19

Since the latter part of February 2020, the financial markets have been very volatile in response to the developing COVID-19 pandemic and the equity markets and the fixed income markets have experienced significant volatility due to concerns about credit risk and liquidity amongst others. The Company is monitoring the situation and its potential impact on itself and on the Funds in particular. While the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and issuers in which the Company invests directly and through the Funds is uncertain at this point, the outbreak has the potential to adversely affect the value of the consolidated portfolios, a portion of which will be compensated by proportionate changes in the liability for redeemable units.

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 August 7, 2020 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 http://www.sedar.com/ 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

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

(Signed)

Victor Mashaal
Chairman of the Board and President

August 7, 2020

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended June 30, 2020, and should be read in conjunction with the 2019 annual filings. Readers are also requested to 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.)***

Senvest Capital Inc.

Interim Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)

	Note	As at June 30, 2020 $	As at December 31, 2019 $
Assets			
Cash and cash equivalents		10,256	17,277
Restricted short-term investments		472	465
Due from brokers		48,294	183,848
Equity investments and other holdings	5	2,586,912	2,539,068
Investments in associates		22,081	20,361
Real estate investments		55,724	51,328
Investment properties		45,962	41,418
Income taxes receivable		18,000	13,297
Other assets		16,668	17,937
Total assets		2,804,369	2,884,999
Liabilities			
Bank advances		-	720
Trade and other payables		33,493	31,174
Due to brokers		572,933	85,153
Securities sold short and derivative liabilities	5	470,052	507,867
Redemptions payable		35,624	70,194
Subscriptions received in advance		-	65
Income tax payable		540	438
Deferred income tax liabilities		7,179	34,329
Liability for redeemable units		884,045	1,212,404
Total liabilities		2,003,866	1,942,344
Equity			
Equity attributable to common shareholders			
Share capital		21,866	22,051
Accumulated other comprehensive income		196,677	151,070
Retained earnings		561,997	746,269
Total equity attributable to common shareholders		780,540	919,390
Non-controlling interests		19,963	23,265
Total equity		800,503	942,655
Total liabilities and equity		2,804,369	2,884,999

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors

____________________________ Director   ____________________________ Director

Senvest Capital Inc.

Interim Consolidated Statements of Income (Loss)

(Unaudited) For the three and six months ended June 30, 2020 and 2019

(in thousands of Canadian dollars, except per share data)

	2020 $	2019 $	2020 $	2019 $
Revenue				
Interest income	1,598	5,603	4,499	11,069
Dividend income	8,628	3,421	14,356	7,360
Other income	1,003	755	1,864	1,474
	11,229	9,779	20,719	19,903
Investment gains (losses)				
Net change in fair value of equity investments and other holdings	406,560	(172,633)	(589,514)	(19,645)
Dividend expense on securities sold short	(1,566)	(1,072)	(3,438)	(2,081)
Net change in fair value of real estate investments	852	1,198	1,929	3,752
Share of profit of associates	335	323	912	540
Foreign exchange gain (loss)	991	(7,053)	17,202	(7,255)
	407,172	(179,237)	(572,909)	(24,689)
Total revenue and net investment gains (losses)	418,401	(169,458)	(552,190)	(4,786)
Operating costs and other expenses				
Employee benefit expense	3,691	4,789	12,587	13,792
Interest expense	4,454	10,773	12,800	21,320
Transaction costs	5,500	3,715	12,364	6,883
Other operating expenses	3,257	3,348	6,743	6,855
	16,902	22,625	44,494	48,850
Change in redemption amount of redeemable units	253,330	(125,322)	(383,537)	(56,449)
Income (loss) before income tax	148,169	(66,761)	(213,147)	2,813
Income tax expense (recovery)	(17,187)	(9,128)	(27,944)	(1,756)
Net income (loss) for the period	165,356	(57,633)	(185,203)	4,569
Net income (loss) attributable to:				
Common shareholders	161,247	(56,556)	(180,746)	(1,804)
Non-controlling interests	4,109	(1,077)	(4,457)	6,373
Earnings (loss) per share attributable to common shareholders				
Basic and Diluted	60.85	(21.04)	(68.53)	(0.67)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited) For the three and six months ended June 30, 2020 and 2019

(in thousands of Canadian dollars)

	2020 $	2019 $	2020 $	2019 $
Net income (loss) for the period	165,356	(57,633)	(185,203)	4,569
Other comprehensive income (loss)				
Currency translation differences	(20,015)	(17,357)	46,762	(37,619)
Comprehensive income (loss) for the period	145,341	(74,990)	(138,441)	(33,050)
Comprehensive income (loss) attributable to:				
Common shareholders	141,752	(73,304)	(135,139)	(36,711)
Non-controlling interests	3,589	(1,686)	(3,302)	3,661

Other comprehensive income (loss) includes currency translation differences arising from the Company's interest in foreign entities. Accumulated other comprehensive income (loss) arising from currency translation differences arising from the Company's interest in foreign entities will be reclassified to profit and loss upon the disposal of such entities. Currency translation differences arising from the translation of the parent company's consolidated financial statements' translation to the presentation currency will not be subsequently reclassified to profit and loss.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Interim Consolidated Statements of Changes in Equity

(Unaudited) For the six months ended June 30, 2020 and 2019

(in thousands of Canadian dollars)

	Attributable to common shareholders					
	Share capital $	Accumulated other comprehensive income $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance – December 31, 2018	22,341	194,938	647,357	864,636	104,785	969,421
Net Income (loss) for the period	-	-	(1,804)	(1,804)	6,373	4,569
Other comprehensive loss	-	(34,907)	-	(34,907)	(2,712)	(37,619)
Comprehensive income (loss) for the period	-	(34,907)	(1,804)	(36,711)	3,661	(33,050)
Repurchase of common shares	(99)	-	(2,165)	(2,264)	-	(2,264)
Distribution to non-controlling interests	-	-	-	-	(90,456)	(90,456)
Balance – June 30, 2019	22,242	160,031	643,388	825,661	17,990	843,651
Balance – December 31, 2019	22,051	151,070	746,269	919,390	23,265	942,655
Net loss for the period	-	-	(180,746)	(180,746)	(4,457)	(185,203)
Other comprehensive income	-	45,607	-	45,607	1,155	46,762
Comprehensive income (loss) for the period	-	45,607	(180,746)	(135,139)	(3,302)	(138,441)
Repurchase of common shares	(185)	-	(3,526)	(3,711)	-	(3,711)
Balance – June 30, 2020	21,866	196,677	561,997	780,540	19,963	800,503

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Senvest Capital Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited) For the three-months ended June 30, 2020 and 2019

(in thousands of Canadian dollars)

	Note	2020 $	2019 $
Cash flows provided by (used in)			
Operating activities			
Net income (loss) for the period		(185,203)	4,569
Adjustments for non-cash items	6a	174,559	(42,844)
Purchase of equity investments and other holdings held for trading		(1,880,671)	(860,434)
Purchase of securities sold short and derivative liabilities		(2,008,759)	(1,965,659)
Proceeds on sale of equity investments and other holdings held for trading		1,393,888	1,023,280
Proceeds from securities sold short and derivative liabilities		1,971,322	1,639,502
Dividends and distributions from real estate investments		1,316	2,876
Changes in working capital items	6b	628,262	160,260
Net cash provided (used) in operating activities		94,714	(38,450)
Investing activities			
Transfers to restricted short-term investment		16	(22)
Purchase of real estate investments		(1,258)	(2,815)
Purchase of investment properties		(2,401)	-
Purchase of equity investments and other holdings as fair value through profit or loss		(50,839)	(51,025)
Proceeds from investments in associates		195	693
Net cash used in investing activities		(54,287)	(53,169)
Financing activities			
Decrease in bank advances		(755)	(3,422)
Payment of operating lease liability		(354)	(461)
Repurchase of common shares		(3,711)	(2,264)
Proceeds from issuance of redeemable units		34,652	20,825
Amounts paid on redemption of redeemable units		(78,032)	(22,951)
Net cash used in financing activities		(48,200)	(8,273)
Decrease in cash and cash equivalents		(7,773)	(99,891)
Effect of changes in foreign exchange rates on cash and cash equivalents		752	(3,054)
Cash and cash equivalents – Beginning of period		17,277	120,555
Cash and cash equivalents – End of period		10,256	17,609
Amounts of cash flows classified within operating activities:			
Cash paid for interest		15,980	17,113
Cash paid for dividends on equities sold short		3,201	1,468
Cash received on interest		4,803	6,423
Cash received on dividends		13,433	4,123
Cash paid for income taxes		1,828	2,329

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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”.

2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed interim financial statements for the three months ended June 30, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, ‘Interim financial reporting’. The unaudited condensed interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

Except as described herein, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the audited consolidated financial statements for the year ended December 31, 2019.

The Board of Directors (Board) approved these condensed interim consolidated financial statements for issue on August 7, 2020.

The preparation of interim 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 at fair value through profit or loss, including derivative instruments, which have been measured at fair value, and investment properties, which are measured at fair value.

Consolidation

Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred. Identifiable

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assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

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.

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.

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

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

use) and charged to the consolidated statement of income (loss). In accordance with 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 Technology Partners Master Fund, L.P. and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter, however for a particular class there is a maximum quarterly redemption of 17% of the investor units and a maximum annual redemption of 34% of the investor units. 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 Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. 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

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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 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 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 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 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 assets and liabilities

Classification and measurement

The classification of financial assets is based on an entity's business models and the financial asset's contractual cash flow characteristics. Business models are reassessed periodically and contractual cash flows characteristics are assessed to determine whether they are "Solely payments of principal and interest" (SPPI).

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

Financial assets, including hybrid contracts, are classified as either amortized cost, fair value through other comprehensive income (FVOCI), or the residual classification of fair value through profit and loss (FVTPL).

Financial assets with cash flows that are SPPI and are held within a business model where the objective is to hold the financial assets in order to collect contractual cash flows ("Hold to collect" business model) are measured at amortized cost.

Financial assets with cash flows that are SPPI and are held within a business model where the dual objective is to hold the financial assets in order to collect contractual cash flows and selling financial assets ("Hold to collect and sell" business model) are measured at FVOCI.

Financial assets with cash flows that are SPPI but are not held within the "Hold to collect" or "Hold to collect and sell" business models are measured at FVTPL.

Financial assets that do not meet the SPPI conditions are measured at FVTPL.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or if the Company elects to measure them at fair value through profit or loss.

The Company assesses its business models individually at the level of the subsidiaries and the associated companies. Information that is considered in determining the business models includes policies and objectives for the financial instrument held in each entity, how risk and performance is measured at the entity level and reported to management and expected future events for the financial instrument with respect to valuation, holding period and selling. All of the group entities' financial assets are managed on a fair value basis with the exception of bank balances and short-term trade receivables. The Company does not hold any long-term financial assets with the intent of solely collecting payments of principal and interest or collecting such payments and selling the assets.

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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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 amount that would be received or paid if the derivative were to be transferred to a market participant 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 managed as fair value through profit or loss

Financial assets managed as fair value through profit or loss are financial instruments that are not classified as held for trading but form part of a portfolio that is managed and whose 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 way 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 dividend income when the company's right to receive payment is established. 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 contractual rate on an accrual basis. Dividend expense from equities sold short is recognized in the consolidated statement of income (loss) as dividend expense on equities sold short.

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 and unconditional 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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

Financial assets at amortized cost

Classification

Financial assets at amortized cost are non-derivative financial assets with cash flows that are “solely from the payment of principal and interest” (SPPI) and that are managed under a “held to collect” business model.

The company’s financial assets at amortized cost consist of cash and cash equivalents, restricted short-term investment and due from brokers, as well as loans to employees, which are included in other assets.

Recognition and measurement

At initial recognition, the Company measures its financial assets at its fair value plus transactions costs incurred. The amortized cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts the estimated future cash receipt through the expected life of the financial asset to the gross carrying amount of a financial asset. The calculation does not consider expected credit losses and includes transaction costs premiums or discounts and fees paid that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimate of future cash flows, the carrying amount of the respective financial asset is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Financial liabilities at amortized cost

Classification

The Company’s financial liabilities at amortized cost are non-derivative liabilities that comprise bank advances, trade and other payables, due to brokers, redemptions payable, subscriptions received in advance and liability for redeemable units.

Recognition 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, and subsequently at amortized cost using the effective interest method.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to the amortized cost of a financial liability. The calculation includes transaction costs that are integral to the effective interest rate.

When the Company revises the estimate of future cash flows, the carrying amount of the respective financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Impairment

Substantially all of the Company's financial assets at amortized cost are short-term assets and from sources with low credit risk. The Company will continue to monitor its financial assets measured at amortized cost and counterparty risk.

Hedging

The Company did not enter any hedge arrangements and as such does not apply hedge accounting.

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.

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation and are not occupied by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Changes in fair values are recognized in the consolidated statement of income (loss) as part of net change in fair value of investment properties in the period in which they arise.

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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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 (loss). 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 on debt financial assets measured at amortized cost or fair value through other comprehensive income is recognized using the effective interest method. It includes interest income from cash and cash equivalents.

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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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.

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 currently does not have any dilutive instruments.

Accounting standards and amendments issued but not yet adopted

The Company presents the developments that are relevant to its activities and transactions. The following revised standards and amendments are not mandatory for the reporting period commencing January 1, 2020 reporting periods and the Company has not early adopted these standards and amendments.

- 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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

3 Critical accounting estimates and judgments

Critical accounting estimates

T The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results.. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Except as described herein the assumptions and estimates that are significant to the consolidated financial statements are disclosed in note 3 of the audited consolidated financial statements for the year ended December 31, 2019.

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 16 of the 2019 audited financial statements for risk sensitivity information for the Company's financial instruments.

Fair value of investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent knowledgeable valuators located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market.

Changes in assumptions about these factors could affect the reported fair value of investment properties.

Refer to note 9 of the 2019 audited financial statements for risk sensitivity information for the Company's investment properties

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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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), RIMA Senvest Master Fund GP, L.L.C., and Senvest Technology Partners GP, L.L.C. 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. 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 Technology Partners, Master Fund L.P. (formerly Senvest Israel 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 Fair value measurement of financial instruments

Fair value estimation

The tables below analyze financial instruments carried at fair value, by 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.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

The following tables analyze within the fair value hierarchy the company's financial assets and financial liabilities measured at fair value as at June 30, 2020 and December 31, 2019.

				As at June 30, 2020
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	2,360,197	-	-	2,360,197
Debt securities	-	54,289	-	54,289
Derivative financial assets	-	15,858	-	15,858
Other				
Equity securities	1,419	7,267	116,391	125,077
Debt securities	-	2,581	28,910	31,491
Real estate investments	-	-	55,724	55,724
	2,361,616	79,995	201,025	2,642,636
Liabilities				
Financial liabilities				
Held for trading				
Securities sold short	420,587	-	-	420,587
Derivative financial liabilities	-	49,465	-	49,465
	420,587	49,465	-	470,052

				As at December 31, 2019
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	2,274,271	-	-	2,274,271
Debt securities	-	70,179	-	70,179
Derivative financial assets	2,990	29,895	-	32,885
Other				
Equity securities	1,378	33,374	75,929	110,681
Debt securities	-	2,922	48,130	51,052
Real estate investments	-	-	51,328	51,328
	2,278,639	136,370	175,387	2,590,396
Liabilities				
Financial liabilities				
Held for trading				
Securities sold short	419,618	-	-	419,618
Debt securities	-	62,449	-	62,449
Derivative financial liabilities	-	25,800	-	25,800
	419,618	88,249	-	507,867

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

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, 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.

Description	**Valuation technique**
Equity securities	Quoted market prices or broker quotes for similar instruments
Private equities	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 June 30, 2020 and December 31, 2019, Level 3 instruments are in various entities and industries.

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

Real estate investments 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 their subsequent distribution to the holders.

5 Equity investments and other holdings, securities sold short and derivative liabilities

Equity investments and other holdings

	As at June 30, 2020 $	As at December 31, 2019 $
Assets		
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities	2,360,197	2,274,271
Debt securities	54,289	70,179
Derivative financial assets	15,858	32,885
	2,430,344	2,377,335
Financial assets at fair value through profit or loss		
Other		
Equity securities	125,077	110,681
Debt securities	31,491	51,052
	2,586,912	2,539,068
Current portion	2,430,344	2,377,335
Non-current portion	156,568	161,733

Securities sold short and derivative liabilities

	As at June 30, 2020 $	As at December 31, 2019 $
Liabilities		
Financial liabilities		
Held for trading		
Securities sold short		
Listed equity securities	420,587	419,618
Debt securities	-	62,449
Derivative financial liabilities	49,465	25,800
	470,052	507,867

(tabular figures are expressed in thousands of Canadian dollars, except per share data)

6 Supplementary information to consolidated statements of cash flows

(a) Adjustments of items not affecting cash and cash equivalents are as follows:

	2020 **$**	**2019** **$**
Net change in fair value of equity investments and other holdings	589,514	19,645
Net change in fair value of real estate investments	(1,929)	(3,752)
Share of loss of associates, adjusted for distributions received	(912)	(540)
Amortization and depreciation	313	545
Change in redemption amount of redeemable units	(383,537)	(56,449)
Deferred income tax	(28,890)	(2,293)
	174,559	(42,844)

(b) Changes in working capital items are as follows:

	2020 **$**	**2019** **$**
Decrease (increase) in		
Due from brokers	144,858	40,426
Income taxes receivable	(4,055)	(1,403)
Other assets	1,833	(529)
Increase (decrease) in		
Trade and other payables	1,145	7,083
Due to Brokers	484,400	115,273
Income taxes payable	81	(590)
	628,262	160,260

7 COVID-19

Since the latter part of February 2020, the financial markets have been very volatile in response to the developing COVID-19 pandemic and the equity markets in particular have experienced significant declines and the fixed income markets have experienced significant volatility due to concerns about credit risk and liquidity amongst others. The Company is monitoring the situation and its potential impact on itself and on the Funds in particular. While the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and issuers in which the Company invests directly and through the Funds is uncertain at this point, the outbreak has the potential to adversely affect the value of the consolidated portfolios, a portion of which will be compensated by proportionate changes in the liability for redeemable units.