Senvest Capital Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

March 31, 2022

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 March 31, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

Multiple macro forces knocked down equity markets in the first quarter, including the continued surge in inflation rates; the Russian invasion of Ukraine and response largely by the Western world of financial and trade sanctions; the first hike in rates by the US Federal reserve since 2018 along with commentary of rapid rate hikes to come and quantitative tightening of the Fed's balance sheet; and an uptick in Covid-19 cases globally, which prompted a return to lockdowns in China, adding renewed pressure to already constrained supply chains. Broader equity indices declined in the mid to high single digits in the face of these headwinds.

A mid-March rally through the end of the month, however, supported the headline numbers for the quarter. In fact, as of March 15th, it had been the S&P 500's fifth worst start to a year since 1927.1 Moreover, as of mid-March "the average US stock had reached bear or recession territory in recent weeks—for the S&P 500, Russell 2000, Nasdaq Composite the average stock drawdown from 12-month highs was -21%, -40%, and -47% respectively." Ned Davis Research pointed out that "ex-commodities, Q1 was the worst quarter across assets since Q3 1981."

Equity markets have sold off further following the end of the first quarter with media attention focused on the inversion of the yield curve. The yield of the 10-year US Treasury slipped below the yield of the 2-year US Treasury at the start of the quarter, which many pronounce as a precursor to recession. Fed Chair Powell confirmed expectations for a 50bps increase for the May Fed meeting and even suggested a faster pace of rate increases "appropriate." Poor expectations for the economy seem baked in, with Goldman Sachs putting the odds of a recession at 35% in the next two years. Bank of America's global fund manager survey, comprised of 329 panelists representing almost $1 trillion of AUM, revealed expectations for global growth at the lowest level ever. Investor skittishness seemed to reflect these worries, with the American Association of Individual Investors ("AAII") bullishness just off an all-time low and the bulls minus bears index also just off all-time lows. With all the crosscurrents of risk from macro factors such as inflation, war, and Covid-19, plus an increasingly restrictive Fed boosting recession fears from a policy mistake, the wall of worry appears tall to us. Considering the well-known worries, lower stock prices and poor investor sentiment, we don't want to be too bearish nor too bullish. We have increased our short exposure throughout the first quarter to offset parts of our long exposure.

Senvest Capital ("Senvest" or the "Company") recorded a net loss attributable to common shareholders of ($5.3) million or ($2.13) per basic and diluted common share for the first quarter ended March 31, 2022. This compares to a net income attributable to common shareholders of $574.5 million or $224.27 per basic and diluted common share for the 2021 first quarter. The results of last year's first quarter were significantly affected by a strong equity market plus the outsized gain on the shares of GameStop (GME) that we discussed in depth over the last year. For the current quarter, the US dollar weakened against the Canadian dollar and the result was a currency translation loss of about ($27.1) 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 loss attributable to common shareholders was ($32.4) 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 totaled $8.1 million in the quarter versus $1,879.6 million in 2021.

Some of the largest holdings as at March 31, 2022 were Paramount Resources (POU), Arc Resources (ARX), Tower Semiconductors (TSEM), Capri Holdings (CPRI) and Marriot Vacations (VAC). (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). POU and ARX were the top performers for the first quarter while CPRI was our top decliner.

ARX CN and POU CN saw stock prices increases of +49% and +24% in the first quarter of 2022. The XEG (the main ETF proxy for Canadian energy exploration) increased by +38% in the first quarter of 2022. The fundamental backdrop for energy continues to strengthen as the 12-month strip for WTI Oil increased +30% while Henry Hub NYMEX increased +55%.

Crude oil price benchmarks reached their highest level since 2008 as Russia's invasion of Ukraine expanded and escalated. Libya, Nigeria and Ecuador saw unforeseen production outages. The United States and Canada banned Russian Energy imports, and while Europe has not banned imports it is determined to reduce reliance on Russia. The market shrugged off the US and IEA announcements to release up to 180M barrels from the strategic reserves, as it only represents a few days of global demand. OPEC+ noted they are not political and reiterated their previously communicated commitment to 'only' increase output by 400K/barrels month.

Regarding Natural Gas, forward 12-month strip prices also reached the highest levels since 2008 as Russia required gas payments to be made in rubles and Biden pledged to supply more LNG to Europe. The latter announcement is especially encouraging as the global price of natural gas has widely varied depending on location; historically North America has been priced significantly lower than other markets. While the global oil market is efficient, significant regional arbitrage exits within the gas markets. The closing of this regional arbitrage is especially encouraging for Canadian E&Ps, like POU and ARX, who have historically lived in a world where their gas output is a low value byproduct.

While oil and gas prices, production and consumption may be political or not, the investment thesis of a multi-year dearth of global energy capex causing both Oil and Gas commodities to be under supplied is ringing true. This tight market has been exacerbated by unforeseen events such as war, Suez Canal blockage, supply chain disruptions and myriad other reasons. While we do not underwrite current prices as the new normal, we believe the investments may have additional tailwinds, given their i) good balance sheets, ii) low cost production, iii) high levels of unbooked inventory, and iv) management alignment with shareholders. While oil and gas commodity prices have eclipsed 2014 levels, both POU and ARX are still below their 2014 highs.

TSEM, a leading specialty analog foundry, gained +21.98% during the quarter on the company's agreement to be sold to Intel ("INTC"). On February 15th, Intel announced its intention to acquire Tower for $53/share or an enterprise value of $5.4B equating to 3.2x EV/Sales and 10.5x EV/EBITDA on consensus 2022 estimates. The $53/share offer represents a 60% premium to the stock's closing price of $33.13 on the day prior to the announcement. The offer was inline with peer valuations such as GlobalFoundries ("GFS"), Win Semiconductor ("3105 TT"), and TSMC ("TSM") on an EV/EBITDA basis. Over the past twelve months, TSEM was benefiting from unprecedented growth stemming from recent capacity additions and a richer mix of higher Average Selling Prices ("ASP") given its opportunities focused on cloud infrastructure, 5G smartphones, the automotive market (including electric vehicles) and industrial and medical end markets. The timing of the deal makes sense to us, and we are pleased with the outcome.

TSEM has been a long-time investment and we believe this deal benefits both shareholders of TSEM as well as INTC. As part of the proxy for the deal, INTC and TSEM first had initial discussions on the parameters of a deal on August 25th, 2021, when TSEM's stock price was $29.09. We believe TSEM shareholders received a fair premium given its unique technology (RF-SOI, SiGe, and CMOS Image Sensing) and manufacturing capability which strategically compliments INTC's nascent foundry business. Recall that since Pat Gelsinger was appointed INTC's new CEO (February 2021), the company decided to aggressively pursue a foundry strategy that will now include TSEM's assets in a more complete foundry portfolio addressing both leading edge and mature-process capabilities.

We note that shares currently trade at a discount to the deal price as various regulatory approvals are still required, most notably Chinese State Administration for Market Regulation (SAMR), with the deal not expected to close for another twelve months. We believe that as these approvals are granted, the stock price should begin to converge with the deal price.

Apparel, footwear, and accessories designer CPRI, owner of the Michael Kors, Versace, and Jimmy Choo brands, stock fell -20.83% in the quarter. CPRI reported its fiscal Q3 earnings on February 2nd and delivered its sixth consecutive EPS beat of at least 30% vs. consensus. CPRI reported adjusted EPS of $2.22 vs. consensus expectations of $1.69 with revenue growth of 23.6% vs. consensus of 12.7%. Full year EPS guidance was raised once again to $6.00 vs. prior guidance of $5.30 and is now 60% higher than the initial guidance of $3.75 provided in May 2021. Importantly, CPRI also provided guidance for F2023 (YE March 2023) of $6.60 based on 10% revenue growth and gross margin expansion of 50bp, comfortably above consensus estimates of $6.09. In an environment where many companies are facing peak earnings, it is encouraging to see CPRI still expecting double digit earnings growth. The market rewarded the strong quarter, +7.82% on the day of earnings, and +15.09% to a 52-week high of $70.76 by February 16th.

In early March, CPRI lost 1/3 of its market cap in just three days as Russia invaded Ukraine, sending shares of many consumer discretionary stocks into a tailspin. Amid suddenly higher macro uncertainty, CPRI announced that the recently appointed CEO of Michael Kors, Joshua Schulman would be leaving the company, and not assuming the CEO role of CPRI in September as previously planned. While the announcement was a surprise, we believe CPRI remains in very capable and experienced hands with long-time CEO John Idol at the helm. With the stock trading at 7.8x the EPS guidance CPRI provided, we see ample potential for multiple expansion and attractive stock returns.

EBAY's stock price declined by -14% in the quarter, versus the Russell 2000 down -8%. In Q1 2022, EBAY hosted its first analyst day in 10 years. This event was the culmination of four significant changes over the past two years: The Company 1) completed three planned divestitures, 2) hired an all-new management team, 3) pivoted its focus to non-new in season goods, and 4) released dozens of initiatives and features that should reinvigorate GMV growth. While EBAY didn't announce a silver bullet to prove its turnaround was working, which likely disappointed the market, management gave several updates and disclosures that give us increased confidence in the company's growth trajectory. We believe that the multiple will expand from roughly 11x 2022 EPS today when investors gain comfort with the turnaround.

Since Q1 2020, EBAY sold three subsidiaries StubHub, Classifieds and eBay Korea (GMarket) for over $20B and repurchased around $12B of stock with the proceeds. We expect elevated share repurchases to continue.

Since Jamie Iannone (current CEO) joined in April 2020, he has replaced and hired six senior leadership positions (CFO, Chief People Officer, Chief Growth Officer, Chief Strategy Officer, Chief Product Officer, and VP & GM - Global Advertising). Four of these people worked with Jamie previously in some capacity. We view this high overlap as extremely positive given Jamie not only knows the executives previously, but that they also buy into Jamie's strategy and leadership.

Prior management teams growth strategies consisted around EBAY competing with Amazon and Walmart to sell Fast Moving Consumer Goods (FMCG) at cheaper prices (and slower delivery). This was not the Company's core competency. Jamie pivoted EBAY's focus to a different strategy, which has less direct overlap with AMZN and WMT, and instead focuses on 'Non-New in season' items, which include essentially a long tail of all products that aren't brand new. We view these categories as ones which EBAY has a 'right to win', due to breadth of inventory and other scale advantages.

Residential mortgage originator and servicer PennyMac Financial Services ("PFSI"), a top 15 position, declined -23.76% in the quarter. PFSI reported Q4 GAAP earnings of $2.79 vs. consensus of $3.65. The core operating business performed well, but GAAP earnings were negatively impacted by $1.15 of hedging losses and some fair value declines. The earnings report played second fiddle in 1Q to the sharp rise in mortgage rates in the US, as the average 30-year fixed rate mortgage increased from 3.27% at year end to 4.90% at the end of the first quarter, the highest rate since 2010. The increase in rates has meaningfully dampened the outlook for refinance volumes and the rapid pace at which the increase occurred means many originators did not have time to adjust their capacity. The result will be lower margins, as too many originators chase fewer loans. Sentiment toward mortgage companies exposed to the origination market deteriorated meaningfully because of the increase in rates, and PFSI ended the quarter at 88.5% of book value. Apart from a few days during the onset of the Covid-19 outbreak, PFSI hasn't traded at these discounted levels in its ten-year history as a public company.

While the refinance market has soured meaningfully, the news isn't all bad for PFSI. The company was built on a foundation of a balanced business model that could deliver attractive ROEs in all interest rate environments. PFSI has methodically grown to be the sixth largest mortgage servicer in the United States and will lean on that steady servicing income during cyclical troughs. Also, PFSI has historically over-indexed to the purchase money market and was the largest producer of purchase money loans in the US for the first nine months of 2021. We expect these business units to contribute to respectable 10%+ ROE's while the mortgage industry recalibrates to lower volumes, with historical 20% ROEs very much in reach as the cycle plays out. At below 80% of a still-growing book value, we see compelling value in PFSI shares.

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of 0.1% net of fees in the first quarter. 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. The fund also outperformed the S&P 500 index for the quarter even though it does not consider this index as a benchmark. The fund has issued an institutional share class which requires a minimum investment of $75 million US, and includes a longer duration element, which further enhances 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. Due to the extraordinary performance of this fund over the last twelve months there have been significant redemptions over the past year as certain investors looked to "cash in" some of their gains.

The Senvest Technology Partners Fund (prior name Senvest Israel Partners) was initiated in 2003 to focus on investing in Israel related companies. In 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 extended across the global technology universe. The Technology Fund maintained the same investment philosophy and continued to leverage the existing diligence and understanding of global technology and end markets. This fund recorded a return of (3%) net of fees for the first quarter (monthly results of the two funds can be found on the Company's website). Both of these funds are consolidated into the accounts of the Company.

The Company has a portfolio of real estate investments as at March 31, 2022. 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--specifically self-storage units in Madrid, Spain. 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 are included in the Company's net profit or loss.

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. This non-controlling interest was $11.9 million as at March 31, 2022 from $11 million as at December 31, 2021.

At the end of March 31, 2022, Senvest had total consolidated assets of $6,577.4 million versus $6,563.9 million at the end of 2021. Equity investments and other holdings totaled $6,235.3 million from $6,272.8 million in December 2021. The Company purchased $1,222.3 million of investment holdings in the quarter and sold $1,073.2 million of such holdings. The Company's liabilities increased to $4,796.8 million this quarter versus $4,748.2 million in 2021. The main difference between the periods was a significant increase in the securities sold short and derivative liabilities which was offset by the reduction of due to brokers and redemptions payable. The proceeds of securities sold short were $2,952.7 million and the amount of shorts covered was $2,300 million in the quarter. Overall, the trading figures were more than the corresponding amounts for the prior year's quarter.

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 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 March 31, 2022, 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, 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 March 31, 2022 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	5,885,663	7,651,361	4,119,964
Securities sold short and derivative liabilities	(1,414,998)	(1,839,498)	(990,499)
Pre-tax impact on net earnings		1,341,199	(1,341,199)

These impact numbers could be lower as they would also be adjusted for the applicable share of profit or loss allocated to the Liability for redeemable units.

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):

	March 31, 2022	December 31, 2021
Total net liabilities	\$4,672.5	\$4,678.9
Total equity	\$1,780.6	\$1,815.7
Net liabilities to capital ratio	2.62	2.58

In the past the Company's objective was to maintain a debt-to-capital ratio below 3.0. The Company believes that limiting its debt-to-capital ratio is the best way to monitor risk. The Company's debt to capital ratio was at 2.62 at the end of March 2022 from 2.58 at the end of 2021.

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 March 31, 2022, 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 6% 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 5% 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 March 31, 2022, 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. 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
2022-1	24,201	(5,310)	(2.13)
2021-4	232,882	58,954	24.03
2021-3	(76,453)	(51,179)	(19.27)
2021-2	440,016	150,715	60.29
2021-1	1,885,731	574,498	224.27
2020-4	1,172,742	363,574	138.36
2020-3	118,853	28,889	10.83
2020-2	418,401	161,247	60.85

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. 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 16, 2021, Senvest commenced a new normal course issuer bid to purchase a maximum of 100,000 of its own common shares until August 15, 2022. There have been 31,500 shares repurchased so far under this bid. The number of common shares outstanding as at March 31, 2022 was 2,494,324 and as at May 3, 2022 was 2,493,524. There were no stock options outstanding as at March 31, 2022 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 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 Company and totalled $11.9 million as at March 31, 2022 from $11 million as at December 31, 2021.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2021 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 February 2020, the financial markets have been very volatile in response to the developing COVID-19 pandemic. More specifically, the equity markets and credit markets have experienced significant volatility due to concerns about credit risk and liquidity, amongst others. The Corporation continuously monitors this situation and its potential impact on the Corporation and, more particularly, the Funds. However, it is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 both in the short- and long-term. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and cannot be predicted, including new information which may emerge concerning the severity of this coronavirus and actions taken to contain the COVID-19 or its impact, among others. Such developments, depending on their nature, duration, and intensity, could have a material adverse effect on the business, financial position, results of operations or cash flows of the Corporation.

Operationally, the Corporation continues to function quite well during the current environment and the stay-at-home conditions, as over the past few years the Corporation has planned and tested its systems for remote work-from-home scenarios. The Corporation has moved its technology infrastructure to the cloud almost three years ago and thus far has had no significant issues with its systems operating from home. However, the increased use of electronic and remote communication tools and services may lead to heightened cybersecurity risk.

Geopolitical events

The recent invasion of Ukraine by Russia and the imposition of economic sanctions by Western countries are causing concern in financial markets. It is difficult to predict the impact of this war on the value of the financial assets held by the Company. Although the risk of recession is increased by this conflict, inflationary pressures have also been on the rise. However, the Company does not hold any assets from Ukraine, Russia and Belarus which may reduce, the extent possible, variations in the value of its financial assets.

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 May 10, 2022 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 March 31, 2022, 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

May 10, 2022

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended March 31, 2022, and should be read in conjunction with the 2021 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 March 31, 2022 $	As at December 31, 2021 $
Assets			
Cash and cash equivalents		52,480	52,189
Restricted short-term investments		475	475
Due from brokers		124,253	69,333
Equity investments and other holdings	5	6,235,284	6,272,837
Investments in associates		25,059	25,360
Real estate investments		50,839	50,765
Investment properties		51,879	54,349
Income taxes receivable		22,017	22,865
Other assets		15,121	15,729
Total assets		6,577,407	6,563,902
Liabilities			
Bank advances		43	253
Trade and other payables		104,251	96,847
Due to brokers		736,689	998,409
Securities sold short and derivative liabilities	5	1,414,998	888,254
Redemptions payable		42,898	187,130
Subscriptions received in advance		-	1,411
Income tax payable		2,245	2,727
Deferred income tax liabilities		135,825	143,545
Liability for redeemable units		2,359,826	2,429,673
Total liabilities		4,796,775	4,748,249
Equity			
Equity attributable to common shareholders			
Share capital		20,783	20,853
Accumulated other comprehensive income		100,498	127,620
Retained earnings		1,647,462	1,656,171
Total equity attributable to common shareholders		1,768,743	1,804,644
Non-controlling interests		11,889	11,009
Total equity		1,780,632	1,815,653
Total liabilities and equity		6,577,407	6,563,902

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-months ended March 31, 2022 and 2021

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

	2022 $	2021 $
Revenue		
Interest income	2,043	2,174
Dividend income	12,298	6,853
Other income	1,510	3,213
	15,851	12,240
Investment gains (losses)		
Net change in fair value of equity investments and other holdings	8,124	1,879,563
Dividend expense on securities sold short	(3,214)	(750)
Net change in fair value of real estate investments	5,978	(1,075)
Share of profit of associates	562	206
Foreign exchange loss	(3,100)	(4,453)
	8,350	1,873,491
Total revenue and net investment gains (losses)	24,201	1,885,731
Operating costs and other expenses		
Employee benefit expense	11,473	30,521
Interest expense	5,324	1,513
Transaction costs	6,142	5,889
Other operating expenses	6,487	4,032
	29,426	41,955
Change in redemption amount of redeemable units	(244)	1,152,621
Income (loss) before income tax	(4,981)	691,155
Income tax expense (recovery)	(723)	84,836
Net income (loss) for the period	(4,258)	606,319
Net income (loss) attributable to:		
Common shareholders	(5,310)	574,498
Non-controlling interests	1,052	31,821
Earnings (loss) per share attributable common shareholders		
Basic and Diluted	(2.13)	224.27

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-months ended March 31, 2022 and 2021

(in thousands of Canadian dollars)

	2022 $	2021 $
Net income (loss) for the period	(4,258)	606,319
Other comprehensive loss		
Currency translation differences	(27,294)	(20,089)
Comprehensive income (loss) for the period	(31,552)	586,230
Comprehensive income (loss) attributable to:		
Common shareholders	(32,432)	555,230
Non-controlling interests	880	31,000

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 three-months ended March 31, 2022 and 2021

(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, 2020	21,619	126,017	950,418	1,098,054	48,060	1,146,114
Net income for the period	-	-	574,498	574,498	31,821	606,319
Other comprehensive loss	-	(19,268)	-	(19,268)	(821)	(20,089)
Comprehensive income (loss) for the period	-	(19,268)	574,498	555,230	31,000	586,230
Repurchase of common shares	(402)	-	(10,643)	(11,045)	-	(11,045)
Balance – March 31, 2021	21,217	106,749	1,514,273	1,642,239	79,060	1,721,299
Balance – December 31, 2021	20,853	127,620	1,656,171	1,804,644	11,009	1,815,653
Net income (loss) for the period	-	-	(5,310)	(5,310)	1,052	(4,258)
Other comprehensive loss	-	(27,122)	-	(27,122)	(172)	(27,294)
Comprehensive income (loss) for the period	-	(27,122)	(5,310)	(32,432)	880	31,552
Repurchase of common shares	(70)	-	(3,399)	(3,469)	-	(3,469)
Balance – March 31, 2022	20,783	100,498	1,647,462	1,768,743	11,889	1,780,632

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 March 31, 2022 and 2021

(in thousands of Canadian dollars)

	Note	2022 $	2021 $
Cash flows provided by (used in)			
Operating activities			
Net income (loss) for the period		(4,258)	606,319
Adjustments for non-cash items	6a	(20,430)	(667,685)
Purchase of equity investments and other holdings held for trading		(1,222,272)	(1,681,128)
Purchase of securities sold short and derivative liabilities		(2,299,994)	(1,069,489)
Proceeds on sale of equity investments and other holdings held for trading		1,073,166	2,215,949
Proceeds from securities sold short and derivative liabilities		2,952,665	1,551,142
Dividends and distributions from real estate investments		6,535	1,340
Changes in working capital items	6b	(297,229)	(893,441)
Net cash provided in operating activities		188,183	63,007
Investing activities			
Purchase of real estate investments		(1,370)	(209)
Purchase of investment properties		(254)	(615)
Purchase of equity investments and other holdings as fair value through profit or loss		(1,928)	(28,423)
Proceeds from investments in associates		498	1,764
Net cash used in investing activities		(3,054)	(27,483)
Financing activities			
Decrease in bank advances		(206)	595
Payment of operating lease liability		(295)	(300)
Repurchase of common shares		(3,469)	(11,045)
Proceeds from issuance of redeemable units		6,871	3,356
Amounts paid on redemption of redeemable units		(186,909)	(21,911)
Net cash used in financing activities		(184,008)	(29,305)
Increase in cash and cash equivalents		1,121	6,219
Effect of changes in foreign exchange rates on cash and cash equivalents		(830)	(242)
Cash and cash equivalents – Beginning of period		52,189	10,915
Cash and cash equivalents – End of period		52,480	16,892
Amounts of cash flows classified within operating activities:			
Cash paid for interest		4,942	1,475
Cash paid for dividends on equities sold short		2,739	699
Cash received on interest		1,170	1,137
Cash received on dividends		13,770	6,473
Cash paid for income taxes		4,686	679

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 March 31, 2022, 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, 2021, 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, 2021.

The Board of Directors (Board) approved these condensed interim consolidated financial statements for issue on May 10, 2022.

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

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.

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

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.

Investments in associates held by the Company's investment entities are included in the Company's consolidated financial statements as financial assets at FVTPL. The accounting policies applied to these investments in associates are similar to those applied to the Company's other financial assets at FVTPL and are disclosed in the accounting policy notes discussing the classification and measurement of financial assets and liabilities.

Investment in associates that are not held by the Company's investment entities are included in the Company's consolidated financial statements using the equity method.

Equity method

Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statements of income. 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 statements of income.

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statement of income. 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 subject to the required notice of redemption period, maximum quarterly amounts and redemption fees., 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.

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

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 entities 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 and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in the structured entity that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

Functional currency

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

Transactions and balances

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

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

Consolidation and foreign operations

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

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

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

Presentation currency

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

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 with cash flows 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. 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.

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

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.

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 recognized on the trade date -the date on which the Company commits to purchase or sell the investment.

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.

i) Financial assets and financial liabilities held for trading

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

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

From time to time, the Company enters into derivative financial instruments for speculative purposes. These instruments are marked to market, and the corresponding gains and losses for the year are recognized in the consolidated statement of income. 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.

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

Recognition, derecognition and measurement

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.

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 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 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 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 as dividend expense on equities sold short.

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.

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.

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

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.

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.

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 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.

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.

Income tax

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

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

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

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

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

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

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.

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.

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

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 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 March 31 2022 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.

- IAS 1, *'Presentation of Financial Statements'* and IFRS Practice Statement 2 *'Making Materiality Judgements'*. In February 2021, the IASB issued amendments to IAS 1 to assist entities in determining which material accounting policies are required to be disclosed. To support the IAS 1 amendment, the IASB has provided guidance to demonstrate the application of materiality in a 'four-step materiality process' described in IFRS Practice Statement 2 to accounting policy disclosures. The amendments issued are effective for annual periods beginning on or after January 1, 2023, but early application is permitted. The Company is currently evaluating the impact that this standard will have on its financial statements.

- IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*. In February 2021, the IASB issued amendments to IAS 8 to help entities distinguish between changes in accounting policies and accounting estimates. The amendments issued are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted. The Company is currently evaluating the impact that this standard will have on its financial statements.

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

3 Critical accounting estimates and judgments

Critical accounting estimates

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

Fair value of financial instruments

The fair value of financial instruments, including real estate investments, 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.

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.

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.

Geopolitical events

The recent invasion of Ukraine by Russia and the imposition of economic sanctions by Western countries are causing concern in financial markets. It is difficult to predict the impact of this war on the value of the financial assets held by the Company. Although the risk of recession is increased by this conflict, inflationary pressures have also been on the rise. However, the Company does not hold any assets from Ukraine, Russia and Belarus which reduces the extent of possible variations in the value of its financial assets.

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COVID-19

The COVID-19 pandemic continues to evolve and the economic environment in which the Company operates continues to be subject to sustained volatility, which could continue to negatively impact the Company's financial results, as the duration of the COVID-19 pandemic and the effectiveness of steps undertaken by governments and central banks in response to the COVID-19 pandemic remain uncertain. The current environment requires particularly complex judgments and estimates in certain areas. The Company is closely monitoring the changing conditions and their impacts.

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 allocation 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. 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.

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

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 March 31, 2022 and December 31, 2021.

	As at March 31, 2022			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	5,566,560	46,420	-	5,612,980
Debt securities	-	52,657	-	52,657
Derivative financial assets	-	263,323	-	263,323
Other				
Equity securities	44,821	2,710	200,472	248,003
Debt securities	-	2,583	52,399	54,982
Derivatives	-	-	3,339	3,339
Real estate investments	-	-	50,839	50,839
	5,611,381	367,693	307,049	6,286,123
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	1,409,265	-	-	1,409,265
Derivatives		5,733	-	5,733
	1,409,265	5,733	-	1,414,998

	As at December 31, 2021			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	5,537,707	132,336	-	5,670,043
Debt securities	-	57,142	-	57,142
Derivative financial assets	-	211,428	-	211,428
Other				
Equity securities	40,079	3,583	225,248	268,910
Debt securities	-	2,601	56,214	58,815
Derivatives	-	-	6,499	6,499
Real estate investments	-	-	50,765	50,765
	5,577,786	407,090	338,726	6,323,602
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	883,880	-	-	883,880
Derivatives	-	4,374	-	4,374
	883,880	4,374	-	888,254

(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, broker quotations or valuation techniques such as financial models that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities and derivatives, over-the-counter derivatives and private equities.

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

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

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of unlisted equity investments, debt securities 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.

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

As at March 31, 2022 and December 31, 2021, Level 3 instruments are in various entities and industries.

Real estate investments comprising investments in private real estate companies and in real estate income trusts and partnerships. 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 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 the subsequent distribution to the holders.

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

Equity investments and other holdings

	As at March 31, 2022 $	As at December 31, 2021 $
Assets		
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities	5,612,980	5,670,043
Debt securities	52,657	57,142
Derivative financial assets	263,323	211,428
	5,928,960	5,938,613
Financial assets at fair value through profit or loss		
Other		
Equity securities	248,003	268,910
Debt securities	54,982	58,815
Derivative	3,339	6,499
	6235,284	6,272,837
Current portion	5,928,960	5,938,613
Non-current portion	306,324	334,224

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

Securities sold short and derivative liabilities

	As at March 31, 2022 $	As at December 31, 2021 $
Liabilities		
Financial liabilities		
Held for trading		
Securities sold short		
Listed equity securities	1,409,265	883,880
Derivative financial liabilities	5,733	4,374
	1,414,998	888,254

6 Supplementary information to consolidated statements of cash flows

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

	2022 $	2021 $
Net change in fair value of equity investments and other holdings	(8,124)	(1,879,563)
Net change in fair value of real estate investments	(5,978)	1,075
Share of loss of associates, adjusted for distributions received	(562)	(206)
Amortization and depreciation	213	241
Change in redemption amount of redeemable units	(244)	1,152,621
Deferred income tax	(5,735)	58,147
	(20,430)	(667,685)

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

	2022 $	2021 $
Decrease (increase) in		
Due from brokers	(56,663)	(125,906)
Income taxes receivable	(2,197)	14,279
Other assets	630	(2,320)
Increase (decrease) in		
Trade and other payables	9,419	26,418
Due to Brokers	(250,693)	(817,489)
Income taxes payable	2,275	11,577
	(297,229)	(893,441)

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

7 Geopolitical events

The recent invasion of Ukraine by Russia and the imposition of economic sanctions by Western countries are causing concern in financial markets. It is difficult to predict the impact of this war on the value of the financial assets held by the Company. Although the risk of recession is increased by this conflict, inflationary pressures have also been on the rise. However, the Company does not hold any assets from Ukraine, Russia and Belarus which reduces the extent of possible variations in the value of its financial assets.

8 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.