

## GMP Capital Trust Q1

2009 First Quarter Report



### Letter to Unitholders

Fellow Unitholders,

We returned to solid profitability in first quarter 2009 despite the ongoing challenges facing the global economy and capital markets. The timely steps we took during the depths of the financial crisis in the latter half of last year served us well in the first quarter as markets showed signs of improvement.

Heading into 2009, the equity markets remained fairly volatile and uncertain. After reaching new lows in early March, the equity markets posted a surprisingly strong rally which has extended into May. This market rally, together with increased equity underwriting activity, provided a more favourable business environment for us, which is reflected in our earnings this quarter.

We experienced substantial improvement across most of our businesses compared with fourth quarter 2008 resulting from increased capital markets activity and the cost cutting and risk management initiatives undertaken last year. In our Capital Markets segment, our trading operations had a particularly strong quarter as client activity increased, allowing us to regain the second place ranking for total block trading volumes on the TSX during the quarter. In addition, the increased levels of liquidity in the markets resulted in moderate gains in our client facilitation trading. These favourable market conditions resulted in an increase in our net commission revenue of more than 100% when compared with fourth quarter 2008. Our investment banking revenue also showed significant improvement, increasing over 75% from the extremely depressed levels experienced in fourth quarter 2008. Mining activity accounted for just over 50% of our investment banking revenue this quarter, with strong contributions from industrial products and financial services. GMP Securities participated in 39 deals in the quarter, in aggregate raising \$4.4 billion. We led or co-led 13

transactions, which, in the aggregate, raised over \$900 million in first quarter 2009. Despite the tripling of advisory revenue over fourth quarter 2008 levels, advisory revenue is still down 59% from first quarter 2008, indicating room for further improvement when confidence returns to the capital markets. Our Capital Markets business reported a strong rebound in principal activities, following a challenging fourth quarter 2008, primarily due to mark-to-market gains recorded on securities held. While our market exposure to principal activities was substantially reduced during first quarter 2009, we experienced a partial recovery of some of the unrealized losses recorded during fourth quarter 2008 as equity valuations improved.

In Wealth Management, our assets under administration finished the quarter at \$3.4 billion, which was relatively unchanged from December 2008 levels. Despite the disappointing level of profitability attained in this business, we continue to strive to achieve greater scale in the size of our assets under administration in order to generate consistent profitability. We added one new advisory team during the quarter and look forward to increasing our recruitment efforts now that some stability has returned to the markets. We remain firmly committed to our Wealth Management operations and look forward to delivering growth as 2009 progresses.

“The timely steps we took during the latter half of last year served us well in the first quarter as markets showed signs of improvement.”

In Alternative Investments, operating earnings rose 190% compared with first quarter last year and 300% compared with fourth quarter 2008. This improved performance was largely driven by mark-to-market gains arising from our investment in the Alpha Domestic Fund and higher fee income coupled with strong expense control across the business segment. The Alpha Domestic Fund return, net of management fees, was 8.1% for first quarter 2009.

Despite ongoing challenges facing the markets and the economy, we are off to a solid start in 2009, with net income of \$7.1 million in first quarter 2009. While it is not clear when the financial crisis and its effect on the global economy will end, there are some positive signs that the worst may be behind us. Recent economic data and corporate earnings have, for the most part, been better than expected. Our levels of business activity and our unit price are indicators of market sentiment and to that end we are hopeful that our solid performance in first quarter 2009 foreshadows better times ahead. Regardless, we believe that the hard lessons learned during the fourth quarter of 2008 and the resulting changes we made, have left us in a stronger financial position to weather whatever the capital markets and economic environment have in store for the industry for the balance of 2009. We have demonstrated our resilience and ability to quickly adapt to changing markets, and are confident that we will continue to do so as 2009 progresses. We look forward to our upcoming conversion to a corporation, which we believe will further enhance our financial flexibility to retain capital to bolster our already strong financial position.

We remain confident that we are well positioned in the Canadian capital markets. The market events over the last year and the changes to the securities industry that have resulted have validated our business model of acting as trusted agent for our clients. In addition, we believe our role as a leading liquidity provider to the Canadian mid-market has never been more important.

Our franchise is stronger today as a result of our actions in managing through this market downturn. Our human capital remains committed to our entrepreneurial culture as well as to providing our clients with efficient execution and superior service. We remain optimistic about our future and as always, look forward to updating you on our progress.



Kevin Sullivan  
Chief Executive Officer  
May 7, 2009

# Management's Discussion and Analysis

## About this Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") relates to the first quarter ended March 31, 2009, which reflects the three-month period from January 1, 2009 to March 31, 2009 ("first quarter 2009"). This MD&A has been prepared with an effective date of May 7, 2009. All amounts are in Canadian dollars and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise specified herein. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of GMP Capital Trust as at and for the three months ended March 31, 2009 ("First Quarter 2009 Financial Statements"), the Fund's management's discussion and analysis for fiscal 2008 ("2008 Annual MD&A") and the Fund's audited consolidated financial statements for the year ended December 31, 2008 ("2008 Annual Financial Statements"), all of which can be accessed on the Fund's website at [gmpcapitaltrust.com](http://gmpcapitaltrust.com) and on the SEDAR website at [sedar.com](http://sedar.com). Unless specifically stated otherwise, all references to "first quarter 2008" refer to the three-month period from January 1, 2008 to March 31, 2008, all references to "third quarter 2008" refer to the three-month period from July 1, 2008 to September 30, 2008, and all references to "fourth quarter 2008" refer to the three-month period from October 1, 2008 to December 31, 2008. All references to "fiscal 2008" refer to the 12-month period from January 1, 2008 to December 31, 2008.

All references to the "Fund" refer to GMP Capital Trust. All references to "we", "our", "us" and "Fund Group" refer to the Fund, together with its consolidated operations. All references to "unitholders" refer collectively to holders of trust units of the

Fund ("Fund units") and holders of Class B limited partner units ("Exchangeable L.P. units") issued by Griffiths McBurney L.P. ("GMP Holding Partnership"). All references to "units" refer collectively to the Fund units and the Exchangeable L.P. units. All references to "Fund unitholders" refer to holders of Fund units. All references to the "Administrator" refer to Griffiths McBurney Canada Corp., the administrator of the Fund. All references to "management" refer to the directors, officers and other senior officers of the Administrator, unless otherwise stated. All references to "Operating Partnerships" refer to GMP Securities L.P. ("GMP Securities"), GMP Private Client L.P. ("GMP Private Client"), EdgeStone Capital Partners, L.P. ("EdgeStone"), GMP Securities Europe LLP ("GMP Europe") and GMP Investment Management L.P. ("GMP Investment Management"). EdgeStone manages the assets of its investors and clients through a group of limited partnerships referred to herein as the "EdgeStone Funds". GMP Investment Management manages the assets of its investors and clients primarily through a group of private funds designed to provide exposure to the return of the GMP Diversified Alpha Master Fund, Ltd., referred to herein as the "Alpha Master Fund". GMP Holding Partnership has an investment in the GMP Diversified Alpha Fund (the "Alpha Domestic Fund") which provides exposure to the return of the Alpha Master Fund.

All references to the "Conversion" refer to the proposal to convert the Fund from an income trust to a corporation, which will be considered by voting unitholders of the Fund at the annual and special meeting of unitholders being held on May 8, 2009.

## Presentation of Financial Information and Non-GAAP Measures

Consistent with our management framework, we use certain non-GAAP measures to assess our financial performance. These measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP earnings measures should not be considered as alternatives to net income or comparable metrics determined in accordance with GAAP as indicators of the Fund's performance, liquidity, cash flows and profitability.

The Fund Group evaluates the performance of its consolidated operations using an annualized return on equity ("ROE"). Our ROE calculations are based on net income available to unitholders divided by total average unitholder equity for the period. Assets under administration ("AUA") is a non-GAAP measure of client assets that is used by management to assess the performance of our Wealth Management segment (as defined

herein). AUA is the market value of client assets administered by GMP Private Client in respect of which GMP Private Client earns commissions or fees. Assets under management ("AUM") is a non-GAAP measure of client assets that is used by management to assess the performance of EdgeStone and GMP Investment Management. AUM for EdgeStone represents the amount of committed and/or invested capital managed through the EdgeStone Funds in respect of which EdgeStone earns management fee income or receives general partner distributions. AUM for GMP Investment Management represents the net asset value ("NAV") of the funds managed by GMP Investment Management in respect of which GMP Investment Management earns management fees and may also earn performance fees.

Distributable cash is a non-GAAP measure and is presented because management believes that distributable cash and distributable cash per unit are useful financial measures as

they provide investors with an indication of cash available for distribution and are measures generally used by Canadian income funds as an indicator of financial performance. For a reconciliation of distributable cash with cash flows in accordance with GAAP, please refer to "Distributable Cash and Distributions" in this MD&A. Distributions per unit have been

calculated on a basis consistent with that prescribed by GAAP for calculating net income per unit. The payout ratio is a non-GAAP measure of the Fund's aggregate cash distributions declared during a reporting period stated as a percentage of distributable cash.

## Forward-Looking Statements

This document contains "forward-looking statements" (as defined under applicable securities laws). These statements include, but are not limited to, statements made in "Business Environment and Market Outlook – Business Environment", "Business Environment and Market Outlook – Market Outlook", "First Quarter 2009 vs. First Quarter 2008", "Distributable Cash and Distributions" and "Liquidity and Capital Resources" and other statements concerning our 2009 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in this document. The Fund's primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational and legal and regulatory risks and other risk factors including, without limitation, variations in the market value of securities, the volatility and liquidity of equity trading markets, the volume of new financings and mergers and acquisitions ("M&A"), competition in the marketplace for suitable investments, sustainability of fees, nature and type of portfolio company investments, ability to realize carried interest entitlements and dependence on key personnel. Other factors, such as general economic conditions, including exchange rate fluctuations, may also have an effect on the Fund's results of operations. Many of

these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. For a description of risks that could cause our actual results to materially differ from our current expectations, please see the "Risk Management" section in this MD&A and "Description of the Business – Risk Management" and "Risk Factors" in the Fund's annual information form dated February 26, 2009. Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in the forward-looking information include: the impact of persistent concerns over the stability of the global financial system; fragile investor confidence; continued difficult liquidity conditions and high but falling equity market volatility on the level of public offerings; merger and acquisition activity and securities trading; weaker general economic activity in Canada; a rise in the market value of securities and certain commodity prices; a continued slowdown in the United States' economy leading to a decreased demand for Canadian exports to the United States; and a weak Canadian dollar relative to the United States dollar. For other factors or assumptions applied, see the "Business Environment and Market Outlook – Market Outlook" section included in this MD&A. Although forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws and, as such, the financial outlook may not be appropriate for purposes other than this MD&A.

Except as required by applicable law, management and the board of trustees of the Fund (the "Board of Trustees") undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## Business Environment and Market Outlook

### Business Environment

The Canadian economic and capital markets environment has shown signs of improvement compared with a challenging fourth quarter 2008. The resource sector, an area of traditional strength for GMP, was particularly active in first quarter 2009; however, the timing of a sustained recovery is still uncertain. Persistent concerns over the stability of the global financial system, contraction of global economies, fragile investor confidence and high but falling equity market volatility continue to exert downward pressure on the overall level of investment banking and client trading transactions. The benchmark S&P/TSX Composite Index as at March 31, 2009, closed at 8,720.39, down 35% compared with the same period a year ago and down 3% compared with fourth quarter 2008. According to FPinfomart, the number of common equity underwriting transactions completed in Canada declined 52% compared with first quarter 2008, while the value of these transactions dropped only 17% over the same period, with the largest drops experienced in the mining and oil and gas sectors. FPinfomart data also confirmed approximately 204 M&A transactions were announced in Canada in first quarter 2009, a decrease of 48% compared with the same period a year ago, while the total dollar value of these transactions increased 71% over the same period a year ago. The Canadian dollar continued to be weak relative to the United States dollar during first quarter 2009. However, it remains stable with moderate signs of strengthening. Business activity in the resource sector benefited from a recent rise in certain commodity prices.

### Market Outlook

The uncertainty of the timing of a recovery in the financial markets is likely to result in the continuation of slower market conditions for the remainder of the year, although our optimism for the remainder of 2009 is rising. The pace of Canadian M&A and equity underwriting activity will likely remain slow reflecting the challenging credit markets. Uncertain global economic conditions may continue to exert downward pressure on the demand for commodities. Private equity deal flow continues to improve and we remain optimistic about the prospects for new private equity investments at attractive valuations by the EdgeStone Funds. However, exit opportunities for portfolio companies are limited in this environment.

Although there appear to be tentative signs that government and central bank measures such as interest rate cuts, financial market rescue packages, interbank lending guarantees and stimulus fiscal policy measures are beginning to have their desired effect on stabilizing the financial markets, the extent to which these actions will be successful and the timing of their impact remain uncertain.

### 2009 Strategic Priorities

GMP remains committed to core relationships outside of Canada, investing in its businesses in a cost-effective manner, diversifying its business through new product offerings and geographies and leveraging strategic internal partnerships to enhance the broad spectrum of products it offers to its clients.

GMP remains focused on managing its cost structure and its risks and efficiently using its balance sheet. Although GMP continues to face challenging market and economic conditions in the near term, we believe that a continued focus on the successful execution of our business strategies will enhance the diversity of our earnings over the long term. The successful collaboration of the businesses of GMP to deliver value to our clients has never been more important.

## First Quarter 2009 Financial Highlights

### Selected Financial Information

(\$'000, except per unit, headcount and % amounts)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
Revenue	<b>67,443</b>	94,135	(28)
Expenses	<b>59,094</b>	72,140	(18)
Income before income taxes	<b>7,378</b>	22,151	(67)
Net income	<b>7,116</b>	20,986	(66)
Basic earnings per unit	<b>\$0.12</b>	\$0.33	(64)
Diluted earnings per unit	<b>\$0.11</b>	\$0.33	(67)
Cash distributions declared per unit	<b>\$0.10</b>	\$0.42	(76)
Distributable cash per basic unit <sup>a,b,c</sup>	<b>\$0.21</b>	\$0.41	(49)
Payout ratio <sup>a</sup>	<b>49.6%</b>	102.7%	n.m.
Return on equity <sup>a</sup>	<b>13.4%</b>	29.2%	n.m.
Total assets	<b>916,377</b>	1,491,396	(39)
Total headcount (#) <sup>d</sup>	<b>422</b>	442	(5)

n.m. = not meaningful

- a. Payout ratio, distributable cash per basic unit, and return on equity are considered to be non-GAAP measures. These measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section in this MD&A.
- b. See the "Distributable Cash and Distributions" section in this MD&A for a reconciliation from cash used in operating activities to distributable cash.
- c. Distributable cash per basic unit, a non-GAAP measure, is determined by dividing distributable cash by the basic weighted-average number of units outstanding for the applicable period, on a basis consistent with the determination of net income per basic unit.
- d. Total headcount includes employees and partners of the Fund.

### First Quarter 2009 vs. First Quarter 2008

Total revenue decreased \$26.7 million or 28% compared with first quarter 2008 primarily due to lower results in our Capital Markets business. Although Capital Markets' revenue decreased \$25.2 million compared with first quarter 2008, due to lower investment banking and commission revenue, business activity has improved substantially from fourth quarter 2008. Gains of \$3.7 million were recorded in principal activities, of which \$3.6 million was unrealized. These gains represent a partial recovery of the previous quarter's unrealized losses of \$13.4 million and compare favourably to losses of \$5.2 million in first quarter 2008. Wealth Management revenue decreased \$3.7 million compared with first quarter 2008, a result of lower interest income due to tightening spreads; a decrease in investment management and fee-based revenue resulting from lower values of managed assets; and reduced commission revenue. Against the backdrop of continued challenging market conditions, AUA in Wealth Management remained stable compared with fourth quarter 2008 levels and declined \$1.2 billion or 27% compared with first quarter 2008, closing first quarter 2009 at \$3.4 billion, primarily due to market depreciation, which saw the TSX/S&P Composite Index drop 35% compared with first quarter 2008. Alternative Investments revenue increased \$2.6 million compared with first quarter 2008

largely reflecting unrealized gains of \$1.3 million recorded this quarter relating to the Fund's investment in the GMP Diversified Alpha Fund and higher investment management fees earned by EdgeStone and GMP Investment Management, which launched the Alpha Master Fund in April 2008.

Expenses decreased \$13.0 million or 18% compared with first quarter 2008 primarily due to lower employee compensation and benefits expense of \$13.1 million. The decrease in employee compensation and benefits was largely driven by lower variable compensation of \$13.6 million, commensurate with business performance. Fixed salaries and benefits expense were \$0.6 million lower reflecting 20 fewer professional and administrative staff across all operating segments in connection with the corporate restructuring announcement made in fourth quarter 2008. Fund unit-based compensation costs were \$1.0 million higher due to a retention program implemented during third quarter 2008 in the Capital Markets segment. Total employee compensation and benefits expense as a percentage of revenue was 56.0% in first quarter 2009 compared with 54.1% in the same period in 2008. The current ratio is above the historical average and primarily reflects lower revenue generation in first quarter 2009.

Non-compensation expenses increased \$0.1 million largely due to higher selling, general and administration expenses across all the segments reflecting higher consulting expenses, increased communication and clearing costs and professional fees accrued in connection with the Conversion. This increase was partly offset by savings from several cost savings initiatives implemented in fourth quarter 2008, including lower discretionary spend on travel and business development and lower donations expense. Expenses also reflect lower interest expense on client balances due to the lower interest rate environment compared with first quarter 2008.

The Fund recorded an income tax expense of \$0.3 million in first quarter 2009, representing an effective tax rate of 3.6%,

compared with \$1.2 million, representing an effective tax rate of 5.3% in first quarter 2008. The lower effective tax rate this quarter primarily reflects proportionately higher fixed interest costs incurred by the Administrator and lower taxable income generated by GMP Securities compared with the same period in 2008.

Net income was \$7.1 million (\$0.12 per basic unit) in first quarter 2009 compared with \$21.0 million (\$0.33 per basic unit) in first quarter 2008. ROE for first quarter 2009 was 13.4% compared with 29.2% in first quarter 2008. Distributable cash was \$12.9 million (\$0.21 per basic unit) in first quarter 2009 compared with \$26.2 million (\$0.41 per basic unit) in first quarter 2008.

## Results of Business Segments

The following section highlights the results of the Fund Group's three business segments and the Corporate segment for first quarter 2009 compared with first quarter 2008. These segments are based upon the products and services provided and the type of customer served, and reflects the manner in which financial information is currently evaluated by management. For further details relating to segmented information, see Note 18 to the First Quarter 2009 Financial Statements.

### Capital Markets

The Capital Markets segment consists of the investment banking, including advisory services and underwriting services, equity research and sales and trading capabilities of the Fund Group.

The following table sets forth an overview of the financial results of the Capital Markets segment for first quarter 2009 compared with first quarter 2008.

(\$'000, unless otherwise indicated)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
<b>Revenue</b>	<b>51,017</b>	76,184	(33)
Investment banking	<b>28,190</b>	52,115	(46)
Commission income	<b>17,074</b>	24,010	(29)
Principal activities	<b>2,368</b>	(5,213)	145
Interest income	<b>1,315</b>	3,526	(63)
Other income	<b>2,070</b>	1,746	19
<b>Expenses</b>	<b>36,817</b>	49,566	(26)
Employee compensation and benefits	<b>26,680</b>	39,115	(32)
Selling, general and administrative	<b>9,241</b>	8,887	4
Interest	<b>333</b>	912	(63)
Amortization	<b>563</b>	652	(14)
<b>Operating earnings</b>	<b>14,200</b>	26,618	(47)
Total headcount (#)	<b>243</b>	264	(8)

### First Quarter 2009 vs. First Quarter 2008

Total revenue decreased \$25.2 million or 33% compared with first quarter 2008 primarily due to lower investment banking and lower sales and trading commission revenue. Gains of \$2.4 million in principal activities were recorded in first quarter 2009, in addition to gains in facilitation trading in the current period. Although investment banking activity improved

somewhat in first quarter 2009 compared with fourth quarter 2008, the overall pace of M&A, equity underwriting and client trading activity in Canada remained relatively slow for the entire financial services industry and continues to be negatively affected by tightened liquidity conditions, persistent equity market volatility and low but rising investor confidence.

The following tables set forth investment banking revenue by sector and type of revenue generated.

*Revenue by Sector:*

(\$000)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
Mining	15,269	34,832	(56)
Non-bank financial services	4,455	997	100+
Industrials and special situations	4,078	568	100+
Technology and healthcare	2,420	1,438	68
Oil and Gas	1,968	14,239	(86)
Telecommunications, cable and media	0	41	n.m.
<b>Total Investment Banking Revenue</b>	<b>28,190</b>	<b>52,115</b>	<b>(46)</b>

n.m. is not meaningful

*Revenue by Type:*

(\$000)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
<b>Total Investment Banking Revenue</b>	<b>28,190</b>	<b>52,115</b>	<b>(46)</b>
Underwriting	20,630	33,616	(39)
M&A advisory	7,560	18,499	(59)

Investment banking revenue decreased \$23.9 million or 46% compared with first quarter 2008 due to weaker equity underwriting and M&A advisory revenue. Notable contributions to revenue were generated by the non-resource sectors this quarter in both advisory and underwriting capacities. In first quarter 2009, the dollar value of common equity transactions led or co-led in Canada by GMP Securities decreased 45% from first quarter 2008 compared with a drop of 17% for the industry as a whole over the same period.<sup>1</sup> This discrepancy is largely reflective of a drop in activity in the resource sector, including GMP Securities' participation in several large resource transactions in 2008, being partly offset by an increase in the value of transactions for larger capitalization stocks this year, including insurance companies and senior gold producers, which are not an area of traditional strength for GMP Securities.

GMP Securities acted as financial advisor on two M&A transactions announced in first quarter 2009 with an approximate value of US\$212 million.<sup>2</sup> According to FPinfomart, the volume of M&A transactions announced in Canada during first quarter 2009 decreased 48%; however, the value of those transactions increased nearly 71% compared with the same period a year ago.

Sales and trading commission revenue decreased \$6.9 million or 29% compared with first quarter 2008, due to lower trading volumes executed on behalf of our clients. The Fund recorded gains of \$0.3 million in client facilitation trading this quarter compared with facilitation losses equal to 31% of gross commissions in first quarter 2008 and 56% in fourth quarter 2008. Management expects facilitation trading to return to more historical target loss levels of 20% of gross commissions generated over the upcoming quarters. During first quarter 2009, GMP Securities ranked second in block trading volume on the Toronto Stock Exchange, achieving an 8.9% market share compared with a 10.5% market share in first quarter 2008.<sup>3</sup>

A gain of \$2.4 million was recorded in principal activities in first quarter 2009 compared with a loss of \$5.2 million in the same period in 2008, largely due to \$2.3 million in unrealized gains recorded on net security positions held during first quarter 2009. The Fund continues to closely monitor its exposure in principal activities.

1. Source: FPinfomart as at April 8, 2009.

2. Source: Bloomberg as at April 8, 2009.

3. Source: CanadaEquity.com as at April 8, 2009.

The following table sets forth employee compensation and benefits expenses for the Capital Markets segment.

(\$000, unless otherwise indicated)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
Fixed salaries and benefits	4,348	5,037	(14)
Variable incentive-based compensation	18,731	31,412	(40)
Fund unit-based compensation	3,601	2,666	35
<b>Total Employee Compensation and Benefits</b>	<b>26,680</b>	<b>39,115</b>	<b>(32)</b>
<b>Ratio of Total Compensation and Benefits to Revenue</b>	<b>52.3%</b>	<b>51.3%</b>	<b>1%</b>

Total expenses decreased \$12.7 million or 26% compared with first quarter 2008. Employee compensation and benefits expenses decreased \$12.4 million or 32% primarily due to a reduction in variable compensation expense of \$12.7 million. Fixed salaries and benefits expense also decreased, reflecting 21 fewer employees, mainly in the administration and support areas. Partly offsetting this decrease was higher Fund unit-based compensation expense associated with a retention program introduced in third quarter 2008. Total employee compensation and benefits expense as a percentage of revenue was 52.3% in first quarter 2009 compared with 51.3% for the same period in 2008 largely reflecting lower revenue generation in first quarter 2009. Non-compensation expenses decreased \$0.3 million or 3% largely reflecting savings from several cost savings initiatives announced late last year. These include lower communications costs, lower travel and business development and reduced general office expenses. Lower interest expense and lower

donations also contributed to the decrease. Partly offsetting the decrease was higher consulting expenses, which included \$1.5 million recognized in connection with a consulting service agreement entered into with a former officer of the Fund. The term of the agreement expires June 30, 2009.

Capital Markets' operating earnings decreased \$12.4 million compared with first quarter 2008, largely due to lower revenue generation.

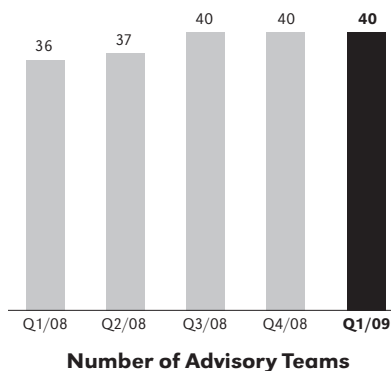
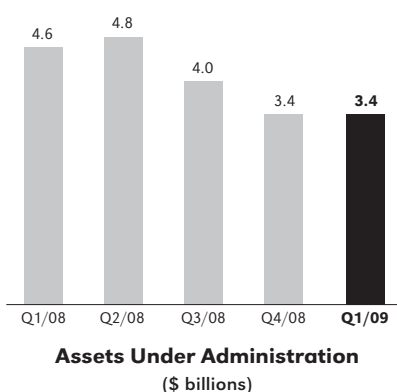
#### Wealth Management

The Wealth Management segment consists of the full-service investment brokerage services of the Fund Group, which are conducted through GMP Private Client. GMP Private Client offers products and services to meet the needs of high-net-worth clients, including insurance and banking solutions developed through strategic partnerships.

The following table sets forth an overview of the financial results of the Wealth Management segment for first quarter 2009 compared with first quarter 2008.

(\$000, unless otherwise indicated)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
<b>Revenue</b>	<b>9,686</b>	<b>13,418</b>	<b>(28)</b>
Commission income	5,678	6,334	(10)
Investment management and fee income	3,064	4,136	(26)
Interest income	771	2,832	(73)
Other income	173	116	49
<b>Expenses</b>	<b>11,521</b>	<b>13,812</b>	<b>(17)</b>
Employee compensation and benefits	7,074	8,343	(15)
Selling, general and administrative	3,790	3,382	12
Interest	319	1,590	(80)
Amortization	338	497	(32)
<b>Operating loss</b>	<b>(1,835)</b>	<b>(394)</b>	<b>(100+)</b>
Total headcount (#)	133	132	-
Number of investment advisors (#)	56	52	8
Number of advisory teams (#)	40	36	11
AUA (\$ millions)	3,353	4,562	(27)

The following charts present the five-quarter trend for both AUA and the number of advisory teams for the Wealth Management segment.



**First Quarter 2009 vs. First Quarter 2008**

Total revenue decreased \$3.7 million or 28% compared with first quarter 2008, largely driven by lower interest income on tightening spreads, lower investment management and fee-based revenue and reduced commission revenue resulting from decreased client activity and market performance. Partly offsetting the decrease was higher revenue from insurance related products.

Wealth Management closed first quarter 2009 with \$3.4 billion in AUA, unchanged from fourth quarter 2008 and down \$1.2 billion or 27% compared with the same period a year ago. Investment management and fee-based assets were

\$0.9 billion at March 31, 2009, down from \$1.0 billion compared with the same period last year. The majority of the decline in AUA was largely attributable to a decline in the market value of client securities under administration as a consequence of declining equity prices. Despite unfavourable equity market conditions, Wealth Management experienced a net inflow of client assets of \$59.2 million in first quarter 2009.

While the recruitment effort and our expectation for success has improved for those prospective advisory teams currently in our pipeline. These individuals recognize the value of partnering with a market leading franchise; ready to benefit from the next favourable economic and market cycle.

The following table sets forth employee compensation and benefits expenses for the Wealth Management segment.

(\$000)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
Fixed salaries and benefits	1,634	1,703	(4)
Variable incentive-based compensation	4,602	5,833	(21)
Fund unit-based compensation	93	124	(25)
Investment advisor transition assistance	745	683	9
<b>Total Employee Compensation and Benefits</b>	<b>7,074</b>	<b>8,343</b>	<b>(15)</b>

Total expenses decreased \$2.3 million compared with first quarter 2008. Total employee compensation and benefits expense decreased \$1.3 million compared with first quarter 2008 largely driven by lower variable compensation expense. Non-compensation expenses decreased \$1.0 million compared with first quarter 2008 primarily as a result of lower interest expense recorded on client balances. This decrease was partly offset by higher selling, general and administration expenses

reflecting higher transaction-related costs, and higher premises costs associated with continued investment in infrastructure to support an increasingly larger client base.

Wealth Management reported an operating loss of \$1.8 million in first quarter 2009 compared with an operating loss of \$0.4 million in the same period a year ago largely due to lower revenue generation in continued challenging market conditions.

### Alternative Investments

The Alternative Investments segment includes the operating business of EdgeStone and, beginning in April 2008, also includes GMP Investment Management. The Alternative Investments segment provides investment management and advisory services and offers investment products primarily through private funds.

The following table sets forth an overview of the financial results of the Alternative Investments segment for first quarter 2009 compared with first quarter 2008.

(\$000, unless otherwise indicated)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
<b>Revenue</b>	<b>8,242</b>	5,600	47
Investment management and fee income	<b>6,883</b>	5,506	25
Interest income	<b>19</b>	69	(72)
Principal activities	<b>1,290</b>	-	100+
Other income	<b>50</b>	25	100
<b>Expenses</b>	<b>4,634</b>	4,356	6
Employee compensation and benefits	<b>3,145</b>	3,183	(1)
Selling, general and administrative	<b>1,397</b>	1,065	31
Interest	<b>31</b>	50	(38)
Amortization	<b>61</b>	58	5
<b>Operating earnings</b>	<b>3,608</b>	1,244	190
AUM (\$ millions)	<b>1,292</b>	1,161	11
Total headcount (#)	<b>45</b>	46	(2)

#### First Quarter 2009 vs. First Quarter 2008

Total revenue increased \$2.6 million or 47% compared with first quarter 2008 largely reflecting unrealized gains in principal activities, arising from GMP's investment in the Alpha Domestic Fund, and investment management and fee revenue earned by GMP Investment Management for which no comparable period exists in 2008. Higher management fee income earned by EdgeStone also contributed to the increase.

GMP Investment Management earned management fees on the Alpha Master Fund, which had AUM of \$170.1 million as at March 31, 2009. The Alpha Domestic Fund (Class F) return, net of management fees and other expenses, was 8.10% for the three-month period ended March 31, 2009. The Alpha Master Fund remains focused on strategies that have the potential to capture superior risk-adjusted returns. Due to the uncertain and unpredictable nature of performance fees, the Fund recognizes performance fees earned on funds managed by GMP Investment Management when they can be established with certainty.

EdgeStone earned management fee income and received general partner distributions based on total capital of \$1.1 billion as at March 31, 2009. Private equity deal flow continues to show signs of improvement and, while there have been no new investments made during first quarter 2009, there have been multiple follow-on investments in support of the continued successful expansion of several of its portfolio companies. Exit opportunities for portfolio companies remain limited given the reduced pace of initial public offering activity in North America and also lower M&A activity, particularly in the mid-market segment. EdgeStone continues to make progress in successfully marketing Venture Fund III. Subsequent to quarter end, the Ontario Venture Capital Fund, a joint venture between the Government of Ontario and leading institutional investors to invest primarily in Ontario-based venture capital and growth equity funds that support innovative, high-growth companies, announced that it made a commitment of \$20.0 million to EdgeStone's Venture Fund III.

The following table sets forth the employee compensation and benefits expenses for the Alternative Investments segment.

(\$000)	Three months ended March 31		% increase/ (decrease)
	2009	2008	
Fixed salaries and benefits	<b>2,352</b>	2,262	4
Variable incentive-based compensation	<b>595</b>	798	(25)
Fund unit-based compensation	<b>198</b>	123	61
<b>Total Employee Compensation and Benefits</b>	<b>3,145</b>	3,183	(1)

Expenses increased \$0.3 million or 6% largely due to higher selling, general and administrative expenses which rose \$0.3 million compared with first quarter 2008 and higher fixed salaries and benefits expense recorded in first quarter 2009 reflecting incremental operating expenses associated with GMP Investment Management. These increases were partly offset by lower variable compensation recorded in EdgeStone.

Alternative Investments reported operating earnings of \$3.6 million in first quarter 2009 compared with \$1.2 million in first quarter 2008 primarily reflecting higher results from principal activities.

### Corporate

The Corporate segment includes inter-segment eliminations between business segments and enterprise-wide items. Inter-segment eliminations amongst the business segments include

ticket processing fees charged by the Capital Markets segment to the Wealth Management segment in support of GMP Securities' carrying broker responsibilities to GMP Private Client.

In the enterprise-wide activity, total employee compensation and benefits include the accrued compensation relating to the Chief Executive Officer of the Administrator and other administrative support. Selling, general and administrative expenses include enterprise-wide expenses which have not been allocated to specific business segments. Amortization expense relates to the amortization of intangible assets incurred in connection with the acquisition of EdgeStone. Interest expense is largely attributable to financing costs associated with the Notes issued by GMP Holding Partnership, as described further in Note 16 to the 2008 Annual Financial Statements and in the "Liquidity and Capital Resources" section of this MD&A, and financing costs associated with the subordinated loan in GMP Securities.

The following table sets forth an overview of the financial results of the Corporate segment for first quarter 2009 and first quarter 2008.

Three months ended March 31 (\$000)	Inter-segment		Enterprise-wide		Total Corporate	
	2009	2008	2009	2008	2009	2008
Revenue	<b>(1,243)</b>	(1,067)	<b>(259)</b>	-	<b>(1,502)</b>	(1,067)
Expenses	<b>(1,243)</b>	(1,067)	<b>7,365</b>	5,473	<b>6,122</b>	4,406
Employee compensation and benefits	-	-	<b>850</b>	231	<b>850</b>	231
Selling, general and administrative	<b>(1,243)</b>	(1,067)	<b>1,633</b>	639	<b>390</b>	(428)
Interest	-	-	<b>1,640</b>	1,368	<b>1,640</b>	1,368
Amortization	-	-	<b>3,242</b>	3,235	<b>3,242</b>	3,235
<b>Operating loss</b>	-	-	<b>(7,624)</b>	(5,473)	<b>(7,624)</b>	(5,473)

The following financial performance analysis relates to costs associated with enterprise-wide activity.

### First Quarter 2009 vs. First Quarter 2008

Enterprise-wide expenses increased \$1.1 million or 19% largely due to higher employee compensation and benefits expense and higher selling, general and administrative expenses reflecting professional fees accrued in connection with the Conversion and other corporate matters. Interest expense is higher and reflects an increase in financing costs compared with first quarter 2008 for the Notes issued by GMP Holding Partnership and also the outstanding subordinated loan arranged by GMP Securities.

## Historical Quarterly Information

The following table sets forth selected quarterly financial information for the eight most recently completed fiscal quarters.

(\$000, except per unit amounts)	Fiscal 2009			Fiscal 2008		Fiscal 2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	<b>67,443</b>	33,845	74,799	89,163	94,135	101,477	130,382	127,387
Capital Markets	<b>51,017</b>	20,394	58,020	69,815	76,184	81,326	111,682	108,034
Wealth Management	<b>9,686</b>	10,950	11,998	13,225	13,418	14,886	13,376	14,137
Alternative Investments	<b>8,242</b>	3,390	5,858	7,310	5,600	6,257	6,193	6,183
Corporate	<b>(1,502)</b>	(889)	(1,077)	(1,187)	(1,067)	(992)	(869)	(967)
Net income/(loss)	<b>7,116</b>	(17,500)	6,947	15,747	20,986	23,816	39,287	38,566
Basic earnings/(loss)								
per unit	<b>\$0.12</b>	(\$0.29)	\$0.11	\$0.25	\$0.33	\$0.38	\$0.62	\$0.61
Diluted earnings/(loss)								
per unit	<b>\$0.11</b>	(\$0.27)	\$0.11	\$0.24	\$0.33	\$0.37	\$0.61	\$0.60

### Quarterly Earnings Trends and Analysis

The Fund Group's revenue and operating results may fluctuate from period to period as a result of a combination of factors including economic, political and market conditions, which, in turn, affect the level of public offerings, M&A transactions, securities trading activity in the Canadian marketplace, competition in the marketplace for suitable investments, sustainability of fees, nature and type of portfolio company investments, ability to realize carried interest entitlements and dependence on key personnel, all of which ultimately impact the Fund's revenue and operating results. Our quarterly results are modestly affected by seasonal factors. The months of July and August typically experience lower levels of capital markets activity, which may affect the results in the Capital Markets and Wealth Management segments. This section should be read in conjunction with "Risk Factors – Risks Related to the Business – Significant Fluctuations in Results" in our annual information form dated February 26, 2009, and the "Risk Management" section in this MD&A.

The fallout from the deterioration in the credit market on the broader markets and the ongoing equity market volatility has exerted downward pressure on the Fund's quarterly revenue since third quarter 2007, with the Fund experiencing its first ever quarterly net loss in fourth quarter 2008. The market and business environment has shown tentative signs of improvement

in first quarter 2009; however, the timing of a full recovery still remains uncertain. Capital Markets has been the business segment most affected by the challenging market conditions during the last several quarters as the pace of M&A and equity underwriting transactions slowed considerably, in response to the unfavourable market conditions and uncertain economic environment. Capital Markets experienced elevated facilitation trading losses in first and fourth quarter 2008 and significant unrealized losses in principal activities in fourth quarter 2008. Wealth Management's performance has also been impacted by the difficult equity market conditions, resulting in lower commission-based revenue and reduced client asset balances. In second quarter 2008, GMP Investment Management launched its first fund, the Alpha Master Fund, resulting in a moderate increase in investment management fee income to the Fund over the last four quarters. The Fund's investment in the Alpha Domestic Fund is marked-to-market adding volatility to the segment's otherwise fairly stable revenue stream. Non-compensation expenses have generally increased over the eight most recently completed fiscal quarters in support of higher business volumes and activity and branch expansion and investment in infrastructure. During first quarter 2009, the Fund began to realize the benefit from cost savings initiatives implemented in fourth quarter 2008. Variable compensation remains commensurate with business performance.

## Financial Condition

The following is a discussion of the more significant changes in consolidated balance sheet items from December 31, 2008 to March 31, 2009:

### Cash and Cash Equivalents

The cash and cash equivalents balance declined \$20.9 million compared with December 31, 2008. For further details relating to the \$20.9 million decrease in cash and cash equivalents during fiscal 2009, refer to the Fund's consolidated statement of cash flows in the First Quarter 2009 Financial Statements.

### Trading Securities and Obligations Related to Securities Sold Short

Trading securities experienced an increase of \$10.1 million compared with December 31, 2008 while obligations related to securities sold short rose \$12.5 million compared with December 31, 2008. The outstanding balances associated with trading securities and obligations related to securities sold short may fluctuate significantly on a day-to-day basis based on client-driven and proprietary activities. The increases reflect an increase in client facilitation inventory levels given increased client activity as a result of an improvement in market conditions during first quarter 2009 and an increase in the fair value of net security positions held. Inventory levels relating to principal activities have been reduced during first quarter 2009 compared with December 31, 2008.

### Receivable from Clients and Payable to Clients

As at March 31, 2009, the receivable from clients was \$279.3 million (Q4/08 – \$234.5 million) and include loans receivable from clients of \$149.6 million (Q4/08 – \$139.0 million) and open security transactions of \$129.7 million (Q4/08 – \$95.5 million). Amounts payable to clients was \$453.8 million (Q4/08 – \$391.0 million) and include client deposits of \$312.2 million (Q4/08 – \$300.0 million) and open security transactions of \$141.6 million (Q4/08 – \$91.0 million).

The level of open security transactions pending settlement with clients may fluctuate significantly on a day-to-day basis and the balance represents the level of unsettled transactions with clients outstanding as at March 31, 2009. Loans receivable from clients arise where the Fund extends credit to a client to purchase securities. Loans receivable are due on demand and are collateralized by the financial instruments in the client's accounts. For further details regarding the Fund's management of margin loans, refer to the "Risk Management – Credit Risk" section in this MD&A.

### Receivable from Brokers and Payable to Brokers

Receivable from brokers increased \$17.9 million compared with December 31, 2008, while payable to brokers declined \$12.4 million. Receivable from brokers and payable to brokers reflect the level of open securities transactions with brokers as at March 31, 2009.

### Payable to Issuers

Payable to issuers declined \$14.7 million compared with December 31, 2008. The amounts payable to issuers may fluctuate significantly on a day-to-day basis and the decrease reflects the level of commitments to issuers relating to underwriting proceeds outstanding as at March 31, 2009.

### Unitholders' Equity

Unitholders' equity increased \$2.4 million compared with December 31, 2008, largely due to a \$1.2 million increase in contributed surplus associated with Fund unit-based compensation expense recognized in first quarter 2009 and net income generated by the Fund in excess of distributions declared in first quarter 2009 on Fund units and Exchangeable L.P. units. For further details relating to distributable cash, see the "Distributable Cash and Distributions" section in this MD&A.

## Distributable Cash and Distributions

Management views distributable cash and distributable cash per basic unit as key measures used by investors, management and other stakeholders to evaluate the ongoing performance of the Fund.

The following table sets forth the Fund's determination of distributable cash.

(\$000,000 of units, except per unit amounts)	Three Months Ended March 31	
	2009	2008
Cash used in operating activities	<b>(8,572)</b>	(21,482)
Add/(deduct):		
Net change in non-cash operating items <sup>a</sup>	<b>19,598</b>	48,541
Maintenance capital expenditures <sup>b</sup>	<b>(962)</b>	(869)
Non-controlling interest	<b>(971)</b>	156
Effect of foreign exchange on operating cash balances <sup>c</sup>	<b>2,872</b>	(465)
Earnings of corporate subsidiaries not available for distribution <sup>d</sup>	<b>(95)</b>	(530)
Future income taxes <sup>e</sup>	<b>1,044</b>	833
Distributable cash <sup>f</sup>	<b>12,914</b>	26,184
Weighted-average number of units – basic	<b>61,044</b>	64,012
Weighted-average number of units – diluted	<b>64,079</b>	64,442
Distributable cash per basic unit <sup>f,g</sup>	<b>\$0.21</b>	\$0.41
Distributable cash per diluted unit <sup>f,g</sup>	<b>\$0.20</b>	\$0.41
Cash distributions declared	<b>6,406</b>	26,885
Cash distributions declared per unit	<b>\$0.10</b>	\$0.42
Payout ratio <sup>f,h</sup>	<b>49.6%</b>	102.7%

- Represents the change in non-cash operating items recorded on the Fund's unaudited interim consolidated statement of cash flows in the First Quarter 2009 Financial Statements.
- Maintenance capital expenditures are determined based on the capital requirements necessary to sustain current levels of economic activity. See "Distributable Cash and Distributions – Maintenance Capital Expenditures" in the 2008 Annual MD&A.
- Represents the effect of foreign exchange on operating cash balances recorded on the Fund's unaudited interim consolidated statements of cash flows in the First Quarter 2009 Financial Statements.
- The net income of the Fund's corporate subsidiaries is not included in the determination of distributable cash.
- Future income taxes represent a non-cash item in the current period. Management includes these amounts in the determination of distributable cash in accordance with the limited partnership agreement of each Operating Partnership which states that all income tax obligations should be deducted in arriving at distributable cash.
- Distributable cash, distributable cash per basic unit, distributable cash per diluted unit and payout ratio are not recognized measures under GAAP and do not have any standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other issuers. See "Presentation of Financial Information and Non-GAAP Measures" in this MD&A.
- Distributable cash per basic unit and distributable cash per diluted unit are determined by dividing distributable cash by the weighted-average number of basic and diluted units, respectively, outstanding for the applicable period, on a basis consistent with the determination of net income per unit.
- The payout ratio is determined by dividing aggregate cash distributions declared by distributable cash.

### Determination of Distributable Cash within the Operating Partnerships

Distributable cash is defined in the limited partnership agreement of each Operating Partnership to mean earnings before income taxes, interest, depreciation and amortization earned by the Operating Partnerships, plus any additional cash on hand that the board of directors of each Operating Partnership (collectively, the "General Partners") may determine to include in distributable cash, less payments to satisfy debt service obligations, general and administrative expenses, capital expenditures, and other expense obligations and commitments of the Operating Partnerships.

Management believes a comparison between cash distributions declared and cash flows from operating activities is not meaningful for the Fund due to the net change in non-cash operating items which is determined on a trade-date basis and as such may vary significantly on a day-to-day basis. Due to the nature of our business, these variances in non-cash working capital items do not necessarily represent any change in the Fund's financial position, its financial performance or its ability to generate distributable cash, and, as such, non-cash operating items are excluded from the determination of distributable cash.

### Maintenance Capital Expenditures

The Fund Group's goal with respect to maintenance capital expenditures is to maintain robust, controlled and secure operating platforms and environments for all our businesses. We believe that this can be achieved through a capital asset replacement cycle over the expected service capability of existing capital assets. Maintenance capital expenditures reflect the amortization expense associated with existing capital assets.

### Distributable Cash – First Quarter 2009

Cash available for distribution in first quarter 2009 was \$12.9 million, down \$13.3 million compared with the same period last year. The decrease was primarily driven by weaker results in the Capital Markets segment compared with the same period last year as a result of the prolonged challenging market environment. The Fund's payout ratio in first quarter 2009 was 49.6% compared with 102.7% in first quarter 2008. Net income exceeded cash distributions declared by \$0.7 million in first quarter 2009 while cash distributions declared exceeded net income by \$5.9 million for first quarter 2008. Cash available for distribution exceeded cash distributions declared by \$6.5 million for first quarter 2009, while the shortfall between cash available for distribution and cash distributions declared was \$0.7 million for first quarter 2008.

Due to the nature of the Fund's businesses, the net income and distributable cash of the Fund can fluctuate significantly each month based on the financial performance of the Operating Partnerships which are closely tied to the performance of the Canadian capital markets generally and the financial services and brokerage industry specifically.

## Liquidity and Capital Resources

The Fund requires capital and liquidity to fund existing and future operations, future cash payments to our securityholders and regulatory requirements. The recent turmoil in credit markets has resulted in a reduction of liquidity in the financial markets resulting in an increased level of liquidity risk for the Fund Group and higher costs of funding for the Fund Group's Capital Resources. The Fund's policy is to maintain sufficient and appropriate levels of capital and liquidity through a variety of sources under normal market conditions and through periods of financial stress. Capital and balance sheet strength remain a key priority in light of continued uncertain market conditions. The Fund's approach to the management of liquidity and capital resources has not changed materially from that described in the "Liquidity and Capital Resources" section in the 2008 Annual MD&A. As at March 31, 2009, management is not aware of any trends, demands, commitments or events that are likely to change materially our current liquidity position.

On February 26, 2009, the Board of Trustees approved the temporary suspension of monthly cash distributions following the Fund's February distribution payable on March 20, 2009, to unitholders of record on February 27, 2009, in conjunction with its decision to convert from an income trust to a corporation. GMP Holding Partnership has also suspended monthly distributions to holders of Exchangeable L.P. units.

Upon the successful completion of the Conversion, management and the Board of Trustees' present intention is to pay a quarterly dividend of \$0.05 per common share based on the Fund's current and anticipated business needs. GMP's philosophy has always been to return excess capital back to its stakeholders.

If the current challenging market conditions persist, GMP may seek additional borrowings and/or equity issuances to fund a portion of its payments to its security holders or to maintain or increase its productive capacity over the medium term.

If capital market conditions were to deteriorate further or if the anticipated market recovery takes longer than expected, negatively impacting our ability to generate cash flow and net income, GMP would need to assess the impact on its dividend policy upon completion of the Conversion, scale back its initiatives and further adjust its expense structure to reflect the lower cash flow and earnings until market conditions improve.

### Capital Resources

The Fund's capital sources include unit capital, retained earnings, contributed surplus, subordinated loans, long-term debt and preferred limited partnership units.

The following table summarizes what the Fund manages as capital as at March 31, 2009:

Capital Resources (\$000)	Carrying Amount
Unit capital	205,524
Retained earnings	22,250
Contributed surplus	12,092
Subordinated loans	17,500
Long-term debt	60,000
Class A units – GMP Holding Partnership	31,527
<b>Total</b>	<b>348,893</b>

Subordinated loans are used to provide additional regulatory capital to support business activities in GMP Securities. The Fund had an outstanding subordinated loan balance with a Schedule I Canadian chartered bank of \$17.5 million as at March 31, 2009, unchanged from December 31, 2008. The loan is unsecured and is repayable on demand, subject to the prior approval of the Investment Industry Regulatory Organization of Canada ("IIROC"). During the period from January 1, 2009 to February 2, 2009, the loan bore interest at the prime rate plus 2%. The lender has increased the annual interest rate to prime plus 4% effective February 3, 2009. GMP Securities was in compliance with the following financial covenant pursuant to the subordinated loan as at March 31, 2009: the financial statement capital of GMP Securities less the amount of non-active assets and unsecured inter-day lines provided by the Canadian bank to the subordinated loan shall be at least 3:1.

Long-term debt consists of \$60 million in senior unsecured notes issued by GMP Holding Partnership, which include a \$25.0 million note due on November 1, 2011, bearing interest of 7.308%, and a \$35.0 million note due November 1, 2013, bearing interest of 7.548%. The terms of the Notes include negative covenants customary for transactions of this kind. During first quarter 2009, the Fund received unanimous approval from the Noteholders to amend the definitions associated with the financial covenants. The revised definitions were effective for fourth quarter 2008.

In consideration of the amendments to the financial covenant definitions, the Fund and the Noteholders agreed to: an increase in the interest rate on the Notes of 150 basis points ("bps") per annum, effective October 1, 2008; restrictions on certain indebtedness in fiscal 2009; and limits on repurchases of units by the Fund while the Notes remain outstanding. As at March 31, 2009, the Fund was in compliance with all financial covenants and other provisions associated with the Notes. Management is not aware of any restrictions on cash distributions arising from compliance with financial covenants operational as at March 31, 2009.

For further details regarding the terms of the Notes and the amendments to the financial covenant definitions, refer to the "Liquidity and Capital Resources" section in the 2008 Annual MD&A.

During fourth quarter 2008, the Fund completed a preferred security unit offering privately placing 6.154 million Preferred Security Units raising gross proceeds of \$40.0 million. The proceeds reflected \$1.8 million in Warrant subscriptions and \$38.1 million in Preferred Unit subscriptions, net of issue costs. For further details regarding the Preferred Units, refer to the "Liquidity and Capital Resources" section in the 2008 Annual MD&A.

The net proceeds from the issuance of Preferred Units were used by GMP Preferred to subscribe for Class A units of GMP Holding Partnership. The Fund has determined that GMP Preferred is a variable interest entity ("VIE") for which we are not the primary beneficiary and thus do not consolidate this entity. Therefore, the Preferred Units are not recorded on the

Fund's balance sheets. Instead the Fund recorded the Class A units issued by GMP Holding Partnership to GMP Preferred as a non-controlling interest.

Management expects to continue to fund the interest costs associated with the subordinated loan and the Notes and the distributions on the Preferred Units through cash generated by operations.

### Liquidity

The Fund derives liquidity from its cash generated from operations, its debt facilities and its working capital. Certain of the Fund's subsidiaries also have credit facilities outstanding with Canadian banks of approximately \$300.0 million and a European bank of £13.0 million as at March 31, 2009. There has been no change in these facilities from that described in the "Liquidity and Capital Resources – Liquidity" section in the 2008 Annual MD&A. As at March 31, 2009, \$2.5 million was outstanding under these facilities. The Fund's credit facilities are used to facilitate day-to-day settlement and transactional requirements and do not represent a source of liquidity to the Fund for its payment of distributions, or the funding of its business initiatives or productive capacity.

The Fund holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. All cash and cash equivalent balances are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining maturities of three months or less. The Fund's inventory of trading securities, which results from its facilitation of trades for its institutional clients and its own proprietary holdings, is recorded at market value. As such, certain positions have experienced increases in value during first quarter 2009 as a result of the moderate improvement in market conditions. The Fund's ability to manage market risk exposures related to its trading positions may be limited by adverse changes in the liquidity of the security. The Fund seeks to manage this risk by diversifying exposures and controlling position sizes.

Receivables and payables from brokers and dealers represent open transactions which, during first quarter 2009, have generally settled within the normal three-day settlement cycle and also include collateralized securities borrowed and/or loaned transactions that can be closed on demand within a few days. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectability. The deteriorating market conditions over the last several quarters have resulted in a closer examination by the Fund of all its outstanding client balances and, in some cases, more conservative assessments of collateral values have been determined as we review estimated net proceeds from realization in light of current market conditions. It is the Fund's policy to provide an allowance against all unsecured balances. During first quarter 2009, the Fund recorded a provision for doubtful accounts of \$0.2 million, resulting in an allowance for doubtful accounts balance of \$0.2 million as at March 31, 2009 (March 31, 2008 – NIL; and December 31, 2008 – NIL).

Loans receivable from clients have increased \$10.6 million compared with December 31, 2008, as a result of the Fund extending additional credit to clients to purchase securities during first quarter 2009. The Fund continues to closely monitor these balances on an ongoing basis.

Management believes that the Fund's cash generated from operations, debt facilities and working capital provides us with an appropriate level of cash for existing operating and regulatory purposes for the reasonably foreseeable future assuming no significant adverse changes in the markets in which the Fund operates. Additional capital may be required to support new business initiatives. Should the current capital market and business conditions in which the Fund operates persist and fail to show signs of a moderate recovery during the latter part of 2009, the Fund's ability to generate revenue, fund operations, satisfy its debt covenants, maintain distributions to its security-holders and pursue profitable growth may be adversely impacted. The Fund may seek additional borrowings and/or further equity issuances to maintain or increase our productive capacity over the medium term if the unfavourable market conditions we are currently experiencing continue. There can be no assurance that future borrowings or equity financing will be available to the Fund or available on terms in an amount sufficient to meet the Fund's needs.

#### **Normal Course Issuer Bid**

The Fund has not purchased and cancelled any units under its normal course issuer bid ("NCIB") in first quarter 2009. For further details regarding the NCIB, refer to the "Liquidity and Capital Resources" section in the 2008 Annual MD&A.

#### **Subsidiary Capital Requirements**

Certain of the Fund's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. As at March 31, 2009, the Fund's subsidiaries remain subject to regulatory capital requirements as described in the "Liquidity and Capital Resources" section in the 2008 Annual MD&A. As at March 31, 2009, the Fund's subsidiaries were in compliance with all regulatory minimum capital requirements.

## **Outstanding Unit Data**

The Fund is authorized to issue an unlimited number of Fund units and an unlimited number of special voting units. Each special voting unit is issued together with each Exchangeable L.P. unit issued by GMP Holding Partnership. Each Exchangeable L.P. unit is indirectly exchangeable for one Fund unit. Exchangeable L.P. units are not exchangeable for a period of one year from issuance, except with the consent of the board of directors of GMP Corp., the general partner of GMP Holding Partnership.

#### **Operating Activities**

Cash used in operating activities was \$8.6 million in first quarter 2009 compared with \$21.5 million in first quarter 2008. Excluding non-cash operating items, cash provided by operating activities was \$11.0 million for first quarter 2009 compared with \$27.1 million in first quarter 2008 primarily due to weaker earnings generation in the Capital Markets and Wealth Management segments compared with first quarter 2008 reflecting ongoing unfavourable capital market conditions experienced in 2009.

#### **Financing Activities**

Financing activities consumed \$15.0 million of cash in first quarter 2009 compared with \$68.1 million in first quarter 2008 and primarily reflect cash distributions of \$9.6 million paid in first quarter 2009 compared with \$68.5 million in first quarter 2008. First quarter 2008 distributions include the payment of a \$0.65 per fund unit special cash distribution in January 2008. Partial repayment of bank loans in first quarter 2009 also consumed \$4.4 million during the period.

#### **Investing Activities**

Investing activities consumed \$0.2 million of cash in first quarter 2009 compared with \$3.7 million in first quarter 2008. Investing activities during first quarter 2009 were moderate while investing activities in first quarter 2008 relate to the establishment of a new office in Montreal for GMP Securities, GMP Private Client and EdgeStone which has been occupied since May 2008, and the establishment of GMP Investment Management.

#### **Contractual Obligations**

In the normal course of business, the Fund Group enters into contracts that give rise to commitments of future minimum payments that affect our liquidity. During first quarter 2009, there were no changes of a material nature in the Fund's contractual obligations from those described in the "Liquidity and Capital Resources – Contractual Obligations" section of the 2008 Annual MD&A.

During first quarter 2009, 0.4 million Exchangeable L.P. units valued at \$1.8 million were exchanged for 0.4 million Fund units valued at \$1.8 million pursuant to the exchange agreement governing the exchange of Exchangeable L.P. units for Fund units. As at March 31, 2009, the Fund held 1.206 million Exchangeable L.P. units related to the EdgeStone acquisition in escrow to be released on June 4, 2009.

Pursuant to the Private Placement, the Fund has Warrants outstanding, which entitle the holder to purchase one Fund unit at a price of \$6.50 until December 18, 2013, subject to certain adjustments described in the Fund's annual information form available on SEDAR at *sedar.com*. Any unexercised Warrants will expire and become null and void at 5:00 p.m. (Toronto time) on December 18, 2013. As of the date hereof, there have been no Warrants exchanged for Fund units.

Units issued and outstanding as at March 31, 2009		
(000)	#	\$
Fund units	47,776	120,770
Exchangeable L.P. units	16,284	84,754
<b>Total</b>	<b>64,060</b>	<b>205,524</b>

As of the date hereof, the outstanding capital of the Fund consists of 47.930 million Fund units and 16.130 million special voting units which are issued together with each Exchangeable L.P. unit. Accordingly, there are 16.130 million Exchangeable L.P. units outstanding as at the date hereof.

As of May 7, 2009, 4.499 million options to acquire Fund units on a one-for-one basis were outstanding.

As of the date hereof, 6.154 million Warrants to purchase one Fund unit at a price of \$6.50 are outstanding.

## Off-Balance Sheet Arrangements

In the normal course of business, the Fund Group engages in certain financial transactions that, under GAAP, are not recorded on the consolidated balance sheet. As at March 31, 2009, the Fund Group's off-balance sheet transactions include VIEs and derivatives. Details of our off-balance sheet arrangements are provided in "Off-Balance Sheet Arrangements" in the 2008 Annual MD&A.

For further information regarding VIEs, see Note 5 to the First Quarter 2009 Financial Statements. For details on our foreign exchange derivative contracts, see Note 17 to the First Quarter 2009 Financial Statements.

There have been no significant changes to off-balance sheet arrangements during first quarter 2009.

## Related-Party Transactions

The Fund's policies and procedures for related-party transactions and the nature of the Fund's related-party transactions have not changed materially from December 31, 2008 as discussed in the "Related-Party Transactions" section of the 2008 Annual MD&A. For further details, refer to Note 11 to the 2008 Annual Financial Statements. Additional details on related-party transactions can be found in Note 9 to the First Quarter 2009 Financial Statements.

## Critical Accounting Policies and Estimates

The First Quarter 2009 Financial Statements have been prepared in accordance with GAAP and are reported in Canadian dollars. All amounts in this MD&A have been derived from financial statements prepared in accordance with GAAP. The Fund Group's significant accounting policies are disclosed in Note 1 to the First Quarter 2009 Financial Statements and Note 2 to the 2008 Annual Financial Statements. Certain of these policies require the use of estimates or assumptions that in some cases

may relate to matters that are inherently uncertain. Accounting policies that require management's judgment and estimates are described in the "Critical Accounting Policies and Estimates" section of the 2008 Annual MD&A. Changes in accounting policies or estimates adopted in first quarter 2009 are described below and in Note 1 to the First Quarter 2009 Financial Statements.

## Changes in Accounting Policies or Estimates

### Goodwill and Intangible Assets

Commencing January 1, 2009, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, which requires costs to be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. The CICA's Emerging Issues Committee ("EIC") Abstract N.27, *Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Handbook Section 3064 was adopted. As a result of adopting Handbook Section 3064, the Fund reclassified \$1.0 million of application software from Equipment and leasehold improvements to Goodwill and other intangibles assets on its unaudited interim consolidated balance sheets (\$1.1 million at December 31, 2008). The Fund also decreased opening retained earnings during the

period to account for the adopted accounting policy change of Handbook Section 3064, resulting in a write-down of \$0.4 million in deferred pre-operating costs at December 31, 2008.

### Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the EIC issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty(ies) when determining the fair value of financial assets and financial liabilities, including derivative instruments. The Fund adopted this EIC on January 1, 2009. The adoption of this new guidance has not had a material impact on our consolidated financial positions or results of operation.

## Future Changes in Accounting Policies or Estimates

### International Financial Reporting Standards

The CICA Accounting Standards Board has confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS"). The new standard will be effective for the Fund beginning January 1, 2011, and the Fund will be required to provide information that conforms to IFRS for the comparative periods presented. The Fund is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the

impact on future financial position and results of operations is not reasonably determinable or estimable. The Fund's IFRS transition plan to meet the requirements of IFRS remains on target. A discussion of the key elements of our transition plan are included in "Future Changes in Accounting Policies or Estimates" in the 2008 Annual MD&A. Readers are encouraged to refer to the 2008 Annual Report to review the plan in greater detail.

## Controls and Procedures

### Disclosure Controls and Procedures

As of March 31, 2009, management of the Administrator evaluated the effectiveness of our disclosure controls and procedures as defined under the Canadian Securities Administrators National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer and Chief Financial Officer of the Administrator. Based on the evaluation conducted, the Chief Executive Officer and Chief Financial Officer concluded that the Fund's disclosure controls and procedures were effective as of March 31, 2009.

### Internal Control over Financial Reporting

To the knowledge of the Chief Executive Officer and Chief Financial Officer of the Administrator, no changes were made in the Fund's internal control over financial reporting during first quarter 2009 that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

### Financial Instruments

A significant portion of the Fund Group's assets and liabilities are composed of financial instruments. The Fund uses financial instruments for both trading and non-trading activities. The Fund typically engages in trading activities which include the

purchase and sale of securities in the course of facilitating client trades, and less frequently, taking principal trading positions with the objective of earning a profit. Non-trading activities generally include the business of investing in equity securities, hedging foreign exchange risk through the use of derivatives and entering into forward contracts with clients to facilitate their foreign exchange needs and entering into offsetting forward contracts with a Schedule 1 bank to mitigate the Fund's exposure. The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See the "Risk Management" section of the 2008 Annual MD&A and the "Risk Management" section in this MD&A for details on how these risks are managed.

For significant assumptions made in determining the valuation of financial and other instruments, refer to the "Critical Accounting Policies and Estimates" section in the 2008 Annual MD&A.

## Risk Management

The securities business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets including the risk of losses resulting from the underwriting or ownership of securities, trading, principal activities, counterparty failure to meet commitments, the risk of reduced revenue in periods of reduced demand for public offerings, reduced activity in the secondary markets, the risk that increased competition for suitable investments will continue to erode financing margins, the risk of reduced interest spreads, and the risk resulting from dependence on key personnel.

Management believes that effective risk management is of primary importance to the success of the Fund Group. We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. These risks include market, credit, liquidity, operational, legal and regulatory risk. Our approach to the management of risk has not changed significantly from that described in the "Risk Management" section of the 2008 Annual MD&A.

### Market Risk

Market risk represents the risk of loss from changes in interest rates, equity prices, currency rates and commodity prices. We are exposed to market risk through our trading activities from our market-making, facilitation trading and investing activities and through our underwriting activities. The level of market risk to which we are exposed varies depending on market conditions, expectations of future price and yield movements and the composition of our security holdings.

Approximately \$76.0 million or 82% of the Fund's trading securities are valued based on quoted market prices as at March 31, 2009. Pricing models are used to value our broker warrants and these securities had a value of \$0.1 million as at March 31, 2009. Other appropriate methods are applied to trading securities designated as held-for-trading, which represent an investment in the Alpha Domestic Fund of \$17.0 million or 18% of trading securities as at March 31, 2009. The valuation of these securities is updated monthly and reflects the net asset value of the Alpha Domestic Fund, as determined by the third-party administrator of the fund. All securities sold short, which were \$18.8 million as at March 31, 2009, are valued based on quoted market prices. The Fund had a valuation reserve of less than \$0.1 million relating to trading securities as at March 31, 2009, and had no valuation reserve in place as at December 31, 2008.

An improvement in capital market conditions in first quarter 2009 compared with fourth quarter 2008, including increased equity market activity and improved liquidity in the resource sector contributed to an increase in client trading activity and commission revenue compared with fourth quarter 2008. This increase resulted in an increase in trading inventories related to client facilitation trading and an increase in security valuations. During first quarter 2009, the Fund recorded \$0.3 million in client facilitation trading gains, compared with facilitation trading losses of 31% of gross commissions generated in first quarter 2008 and 56% in fourth quarter 2008. Management expects returns in its facilitation trading to return to more historical target loss levels of 20% of gross commissions generated. In addition, improved equity market conditions compared with fourth quarter 2008 resulted in an increase in the fair value of net security positions held related to principal activities. The inventory related to principal activities as at March 31, 2009, declined \$12.7 million compared with December 31, 2008 levels.

### Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Fund Group is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations.

The primary source of credit risk to the Fund Group arises when the Fund Group extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account.

The continued declines experienced in security pricing and the reduced liquidity in the equity markets has resulted in a closer examination by the Fund of all its outstanding client balances, with the Fund recording an allowance for doubtful accounts in first quarter 2009 as described in the "Liquidity and Capital Resources – Liquidity" section of this MD&A. The Fund continues to closely monitor credit exposure to individual counterparties on an ongoing basis.

### **Liquidity Risk**

Liquidity risk is the risk of having insufficient cash resources in a timely and cost-effective manner to meet financial obligations as they come due. The Fund Group's liquidity could be impaired by an inability to access secured and/or unsecured debt markets, an inability to access funds from our subsidiaries, an inability to sell assets, including securities, or unforeseen outflows of cash. Further, our ability to sell certain security holdings may be impaired if other market participants are seeking to sell similar assets at the same time.

Despite the ongoing challenging market environment, the Fund Group continues to operate in accordance with our operating procedures in managing the Fund Group's liquidity risk. For further information, refer to the "Liquidity and Capital Resources" section in this MD&A.

## **Risk Factors**

An investment in securities of the Fund involves a number of risks in addition to those described under the "Forward-Looking Statements" and "Risk Management" sections of this MD&A. These risks and uncertainties are not the only ones facing the Fund Group. In addition to other information contained or incorporated by reference in this MD&A, the "Risk Factors" section in our annual information form dated February 26, 2009,

### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all of our activities, including the practices and controls used to manage other risks. Failure to manage operational risk can lead to failure in the management of other risks such as credit, market or regulatory risk.

There have been no material changes to the Fund's operational risk profile during first quarter 2009.

### **Legal and Regulatory Risk**

The Fund has policies and processes in place to monitor and control other risks, including legal and regulatory risks. For additional details, refer to the "Risk Management – Legal and Regulatory Risk" section in the 2008 Annual MD&A.

The Fund's subsidiaries in the normal course of business are involved in legal proceedings, including regulatory investigations. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on the Fund's consolidated financial position or results of operations.

should be given careful consideration. Additional risks and uncertainties not currently known to the Fund Group, or that the Fund Group currently considers immaterial, may also impair the operations of the Fund Group. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the Fund Group, could be materially adversely affected.

## **Additional Information**

Additional information relating to the Fund is available at [gmpcapitaltrust.com](http://gmpcapitaltrust.com) and on SEDAR at [sedar.com](http://sedar.com), including the Fund's annual information form dated February 26, 2009.

# Unaudited Interim Consolidated Financial Statements

## Unaudited Interim Consolidated Balance Sheet

As at (\$000)	March 31, 2009	December 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	239,459	260,359
Securities		
Trading (NOTE 2)	93,072	83,014
Available-for-sale	7,463	7,198
Receivable from		
Clients	279,287	234,463
Brokers	87,438	69,520
Other assets (NOTE 4)	74,304	78,320
<b>Total current assets</b>	<b>781,023</b>	<b>732,874</b>
Deferred costs	3,063	4,937
Equipment and leasehold improvements	19,004	19,593
Employee loans receivable (NOTES 6, 7 AND 9)	11,534	11,221
Future income taxes	589	-
Goodwill and other intangible assets (NOTE 10)	101,164	104,536
<b>Total assets</b>	<b>916,377</b>	<b>873,161</b>
<b>Liabilities and Unitholders' Equity</b>		
<b>Current</b>		
Bank loans (NOTE 11)	19,957	24,334
Obligations related to securities sold short (NOTE 2)	18,778	6,309
Payable to		
Clients	453,756	390,962
Brokers	19,841	32,286
Issuers	28,029	42,701
Accounts payable and accrued liabilities	49,329	50,015
Distributions payable (NOTE 12)	-	3,203
Other liabilities (NOTE 13)	19,704	18,150
<b>Total current liabilities</b>	<b>609,394</b>	<b>567,960</b>
Long-term debt (NOTE 11)	59,702	59,673
Future income taxes	-	219
Agency fee obligation	-	414
<b>Total liabilities</b>	<b>669,096</b>	<b>628,266</b>
Non-controlling interest	33,504	33,498
<b>Unitholders' equity</b>	<b>213,777</b>	<b>211,397</b>
<b>Total liabilities and unitholders' equity</b>	<b>916,377</b>	<b>873,161</b>

Commitments and contingencies (NOTE 16)

*See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.*

## Unaudited Interim Consolidated Statements of Income

Three months ended March 31, (\$000, except per unit amounts)	2009	2008
<b>Revenue</b>		
Investment banking	28,190	52,115
Commissions	22,752	30,344
Investment management and fee income	9,947	9,642
Principal activities	3,658	(5,213)
Interest	2,107	6,427
Other	789	820
	<b>67,443</b>	94,135
<b>Expenses</b>		
Employee compensation and benefits	37,749	50,872
Selling, general and administrative	14,818	12,906
Interest	2,323	3,920
Depreciation and amortization	4,204	4,442
	<b>59,094</b>	72,140
<b>Operating earnings</b>	<b>8,349</b>	21,995
Non-controlling interest (recovery)	971	(156)
Income before income taxes	<b>7,378</b>	22,151
Income taxes (recovery)		
Current	1,329	2,145
Future	(1,067)	(980)
	<b>262</b>	1,165
<b>Net income</b>	<b>7,116</b>	20,986
<b>Net income per unit</b> (NOTE 14)		
Basic	<b>\$0.12</b>	\$0.33
Diluted	<b>\$0.11</b>	\$0.33

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

## Unaudited Interim Consolidated Statements of Comprehensive Income

Three months ended March 31, (\$000)	2009	2008
<b>Net income</b>	<b>7,116</b>	20,986
Other comprehensive income net of tax:		
Foreign currency translation of self-sustaining operations	264	497
Other comprehensive income	264	497
<b>Total comprehensive income</b>	<b>7,380</b>	21,483

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

## Unaudited Interim Consolidated Statement of Changes in Unitholders' Equity

As at and for the three months ended March 31 (000)	Fund units #	Fund units \$	Exchangeable L.P. units #	Exchangeable L.P. units \$	Unit loan receivables \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Retained earnings \$	Total unitholders' equity \$
<b>Balance, December 31, 2008</b>	47,356	119,004	16,704	86,520	(25,019)	10,910	(1,379)	21,361	211,397
Foreign currency translation	-	-	-	-	-	-	-	-	-
of self-sustaining operations	-	-	-	-	-	-	264	-	264
Exchange of Exchangeable L.P. units into Fund units	420	1,766	(420)	(1,766)	-	-	-	-	-
Fund unit-based compensation expense (NOTE 8)	-	-	-	-	-	1,188	-	-	1,188
Unit loans incentive arrangements	-	-	-	-	45	-	-	179	224
Warrants issued – Fund units	-	-	-	-	-	(6)	-	-	(6)
Cash distributions declared – Fund units (NOTE 12)	-	-	-	-	-	-	-	(4,736)	(4,736)
Cash distributions declared – Exchangeable L.P. units (NOTE 12)	-	-	-	-	-	-	-	(1,670)	(1,670)
Net income	-	-	-	-	-	-	-	7,116	7,116
<b>Balance, March 31, 2009</b>	<b>47,776</b>	<b>120,770</b>	<b>16,284</b>	<b>84,754</b>	<b>(24,974)</b>	<b>12,092</b>	<b>(1,115)</b>	<b>22,250</b>	<b>213,777</b>

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

## Unaudited Interim Consolidated Statements of Cash Flows

Three months ended March 31, (\$000)	2009	2008
<b>Operating Activities</b>		
Net income	7,116	20,986
Add (deduct) items not involving cash		
Depreciation and amortization	4,204	4,442
Amortization of agency fees and private placement costs	639	393
Amortization of lease inducements	(122)	(79)
Future income tax recovery	(1,067)	(980)
Fund unit-based compensation expense	1,188	1,259
Transition assistance and other loan amortization	969	729
Non-controlling interest (recovery)	971	(156)
Effect of foreign exchange on cash balances	(2,872)	465
	11,026	27,059
Net change in non-cash operating items (NOTE 19)	(19,598)	(48,541)
<b>Cash used in operating activities</b>	<b>(8,572)</b>	<b>(21,482)</b>
<b>Financing Activities</b>		
Repayment of bank loans	(4,377)	-
Proceeds from issuance of Fund units	-	523
Cash distributions paid on Fund units	(7,104)	(48,548)
Cash distributions paid on Exchangeable L.P. units	(2,505)	(19,921)
Decrease in non-controlling interest	(965)	(145)
Warrant issue costs	(6)	-
<b>Cash used in financing activities</b>	<b>(14,957)</b>	<b>(68,091)</b>
<b>Investing Activities</b>		
Purchase of equipment and leasehold improvements	(241)	(3,246)
Purchase of application software	(2)	(189)
Pre-operating expenditures	-	(230)
<b>Cash used in investing activities</b>	<b>(243)</b>	<b>(3,665)</b>
Effect of foreign exchange on cash balances	2,872	(465)
<b>Net decrease in cash and cash equivalents</b>	<b>(20,900)</b>	<b>(93,703)</b>
Cash and cash equivalents, beginning of period	260,359	256,658
<b>Cash and cash equivalents, end of period</b>	<b>239,459</b>	<b>162,955</b>
<b>Supplemental cash flow information</b>		
Interest paid	1,050	2,238
Income taxes paid	1,669	4,829

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

# Notes to Unaudited Interim Consolidated Financial Statements

(in thousands of dollars and 000 units, except per unit amounts)

## Note 1. Significant Accounting Policies

### Basis of presentation

These unaudited interim consolidated financial statements of GMP Capital Trust (the “Fund”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the accounts of the Fund and its subsidiaries. These unaudited interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the Fund’s audited annual consolidated financial statements as at and for the year ended December 31, 2008 (“2008 Annual Financial Statements”). The Fund’s unaudited interim consolidated financial statements do not include all disclosures required by GAAP for annual consolidated financial statements and, accordingly, should be read in conjunction with the 2008 Annual Financial Statements. Certain comparative amounts have been reclassified to conform to the current period’s presentation.

### Changes in accounting policies

#### Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants (“CICA”) issued a new accounting standard, Handbook Section 3064, *Goodwill and Intangible Assets*, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. The new standard is effective for the Fund beginning January 1, 2009. The CICA’s Emerging Issues Committee (“EIC”) Abstract No. 27, *Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Handbook Section 3064 was adopted. As a result of adopting Handbook Section 3064, the Fund reclassified \$991 of application software from Equipment and leasehold improvements to

Goodwill and other intangible assets on its unaudited interim consolidated balance sheet (\$1,121 at December 31, 2008).

The Fund also decreased opening retained earnings during the period to account for the adopted accounting policy change of Handbook Section 3064, resulting in a write-down of \$438 in deferred pre-operating costs at December 31, 2008.

#### Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the EIC issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC-173”). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty(ies) when determining the fair value of the financial assets and financial liabilities, including derivative instruments. EIC-173, which was effective for the Fund on January 1, 2009, had no material impact on the Fund’s unaudited interim consolidated balance sheet or unaudited interim consolidated statement of income.

#### Future accounting changes

#### International Financial Reporting Standards

The CICA Accounting Standards Board has confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (“IFRS”). The new standards will be effective for the Fund beginning January 1, 2011 and the Fund will be required to provide information that conforms to IFRS for the comparative periods presented. The Fund is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on the Fund’s future financial position and results of operations cannot be reasonably determined or estimated.

## Note 2. Trading Securities and Obligations Related to Securities Sold Short

Trading securities and obligations related to securities sold short consist of the following:

As at,	March 31, 2009		December 31, 2008	
	Trading securities	Securities sold short	Trading securities	Securities sold short
Equity securities	65,239	13,693	61,446	2,076
Designated as held-for-trading	17,024	–	15,734	–
Corporate bonds and Government of Canada debt	10,708	5,085	5,834	4,233
Broker warrants	101	–	–	–
	<b>93,072</b>	<b>18,778</b>	83,014	6,309

Corporate bonds and Government of Canada debt maturities range from 2009 to 2108 and bear interest ranging from 3.75% to 14.0%.

**Valuation of securities**

During the three month period ended March 31, 2009, the Fund recorded an unrealized gain on its initial \$20,000 investment in the Alpha Domestic Fund of \$1,290. This unrealized gain is recorded in principal activities in the unaudited interim consolidated statement of income.

**Note 3. Securities Lending and Borrowing**

Securities lending and borrowing consist of the following:

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
<b>As at March 31, 2009</b>	<b>43,092</b>	<b>349</b>	<b>323</b>	<b>40,038</b>
As at December 31, 2008	25,632	1,670	1,408	24,955

**Note 4. Other Assets**

Other assets consist of the following:

As at,	<b>March 31, 2009</b>	December 31, 2008
Funds deposited in trust	<b>50,613</b>	53,225
Accounts receivable	<b>15,404</b>	17,442
Prepaid expenses	<b>3,501</b>	3,080
Income taxes receivable	<b>4,559</b>	4,573
Future income taxes	<b>227</b>	-
	<b>74,304</b>	78,320

**Note 5. Variable Interest Entities ("VIEs")**

The Fund has significant variable interests in the EdgeStone Funds, the Alpha Feeder Funds, the Alpha Master Fund and GMP Preferred as discussed in Note 5 to the Fund's 2008 Annual Financial Statements, for which the Fund is not the primary beneficiary and thus is not required to consolidate the VIEs. The EdgeStone Funds have an aggregate total asset value of \$628,714 as at March 31, 2009 (December 31, 2008 – \$596,287). The net asset value of the Alpha Master Fund

was \$170,113 as at March 31, 2009 (December 31, 2008 – \$157,839). Management believes the maximum exposure to loss as a result of its involvement with the Alpha Feeder Funds is limited to its subsidiaries' original investment in the Alpha Domestic Fund of \$20,000. The fair value of GMP Holding Partnership's investment in the Alpha Domestic Fund represents 10.01% of the net asset value of the Alpha Master Fund as at March 31, 2009.

## Note 6. Executive Unit Loan Plan

As at March 31, 2009, the value of units pledged by the executives to Schedule I bank and/or the Fund under the Executive Unit Loan Plan and the 2008 Plan (collectively, the “Unit Loan Plans”) was \$21,759 (December 31, 2008 – \$15,494). As at March 31, 2009, there were no financial guarantees outstanding in relation to the obligations of any executives in the Executive Unit Loan Plan. Terms and conditions under which future advances will be made by the Schedule I bank under the Executive Unit Loan Plan include certain financial tests and negative covenants customary for transactions of this kind. As at March 31, 2009 the Fund was in compliance with all covenants and financial tests established in connection with the Executive Unit Loan Plan.

Included in accounts payable and accrued liabilities as at March 31, 2009 is a bonus accrual of \$6,891 (December 31, 2008 – \$4,226) in connection with the Fund’s obligation to pay cash bonuses, which will be allocated to the full or partial repayment of loans under the plans.

The loans bear interest at rates of prime to prime plus 0.5%. Effective April 1, 2009 the interest rate on the Fund’s portion of the loans was temporarily reduced to 0.1%. As at March 31, 2009, amounts owing to the Fund related to these loans were \$24,974 (December 31, 2008 – \$25,019) and are included in unit loan receivables in unitholders’ equity. Accrued interest of \$322 is recorded as an adjustment to retained earnings at March 31, 2009.

## Note 7. Investment Advisor Transition Assistance Program

During the three months ended March 31, 2009, the Fund recorded \$745 (three months ended March 31, 2008 – \$683) in compensation expense for transition assistance provided to investment advisors, with a corresponding reduction to loans outstanding. As at March 31, 2009, the amount owing to GMP Private Client related to these loans was \$8,027 (December 31, 2008 – \$8,564) and is included in employee loans receivable.

## Note 8. Option Plans

A summary of the status of the Fund’s unit option plans as at March 31, 2009 and the changes during the three months then ended is as follows:

	New Plan		Replacement Plan	
	Fund unit options #	Weighted average exercise price \$	Fund unit options #	Weighted average exercise price \$
<b>Balance, December 31, 2008</b>	3,721	19.10	798	9.33
Fund unit options issued	-	-	-	-
Incentive unit options issued	-	-	-	-
Exercise of Fund unit options	-	-	-	-
Exercise of incentive unit options	-	-	-	-
Forfeitures	(18)	18.99	-	-
<b>Balance, March 31, 2009</b>	<b>3,703</b>	<b>19.10</b>	<b>798</b>	<b>9.33</b>

Notes to Unaudited Interim Consolidated Financial Statements

(in thousands of dollars and 000 units, except per unit amounts)

Options outstanding and vested under the New and Replacement Plans as at March 31, 2009:

Range of exercise prices	Outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Vested #
<b>Replacement Plan:</b>				
\$5.50	196	5.50	4.69	196
\$7.00 to \$9.88	467	9.70	5.54	467
\$10.56 to \$17.70	135	13.62	6.33	85
	<b>798</b>			<b>748</b>
<b>New Plan:</b>				
\$12.15 to \$17.50	1,555	14.16	8.46	393
\$18.45 to \$22.00	901	21.52	7.84	406
\$22.58 to \$27.75	1,247	23.51	8.21	433
	<b>3,703</b>			<b>1,232</b>
<b>Balance, March 31, 2009</b>	<b>4,501</b>			<b>1,980</b>

As at March 31, 2009, the number of outstanding options under the Replacement Plan and the New Plan as a percentage of units outstanding was 7.03% (December 31, 2008 – 7.05%).

**Fund unit-based compensation expense and contributed surplus**

During the three month period ended March 31, 2009, the Fund recorded \$1,188 (three month period ended March 31, 2008 – \$1,259) in Fund unit-based compensation expense with a corresponding increase to contributed surplus. No Fund unit options were granted during the three month period ended March 31, 2009. The weighted-average fair value of options issued during the three month period ended March 31, 2008 was \$4.88 per Fund unit option.

**Note 9. Related-Party Transactions**

The following balances arose from transactions with related parties:

As at,	March 31, 2009	December 31, 2008
<b>Current assets</b>		
Receivable from clients	46,514	43,200
Employee loans receivable	11,534	11,221
Trading securities	17,024	15,734
Available-for-sale securities	5,679	5,465
Other assets	4,687	9,298
<b>Current liabilities</b>		
Payable to clients	51,998	57,081
Other liabilities	7,833	6,208
<b>Unitholders' equity</b>		
Unit loan receivables	24,974	25,019

Receivables from clients and payables to clients represent transactions where the Fund executes security trades on either a cash or margin basis for employees, directors, officers and trustees who may also be unitholders. Commission income on such transactions in the aggregate is not material in relation to the overall operations of the Fund. Amounts loaned are limited by margin requirements of the Investment Industry Regulation Organization of Canada (“IIROC”) and interest on margin loans is based on terms and conditions applicable to all clients.

Employee loans receivable include amounts receivable in connection with the following: GMP Private Client’s investment advisor transition assistance program, loans provided to

employees of EdgeStone to invest in the EdgeStone Funds under a co-investment program, forgivable loans made to the limited partners in connection with the establishment of GMP Europe and other employee loans. Unit loan receivables include loans associated with the Unit Loan Plans.

Trading securities and available-for-sale securities reflect investments made by GMP Holding Partnership in the funds managed by GMP Investment Management and EdgeStone.

Other assets include amounts receivable from the EdgeStone Funds, Alpha Master Fund and GMP Preferred.

Other liabilities include amounts payable to the EdgeStone Funds and GMP Preferred.

## Note 10. Goodwill and Other Intangible Assets

Goodwill and other intangible assets relate primarily to the Alternative Investments business segment and consist of the following:

As at,	<b>March 31, 2009</b>			December 31, 2008
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
<b>Goodwill</b>	<b>65,448</b>	–	<b>65,448</b>	65,448
<b>Finite life intangibles</b>				
Management contracts	46,500	21,365	25,135	27,079
Carried interest	23,300	14,015	9,285	10,557
Application software	2,528	1,537	991	1,121
Other	440	285	155	181
<b>Indefinite life intangibles</b>				
Trade name	150	–	150	150
	<b>138,366</b>	<b>37,202</b>	<b>101,164</b>	104,536

## Note 11. Bank Loans and Long-Term Debt

GMP Securities has a \$17,500 subordinated loan facility outstanding with a Schedule I Canadian chartered bank at March 31, 2009 (December 31, 2008 – \$17,500). GMP Securities was in compliance with the financial covenants associated with the subordinated loan as at March 31, 2009. There have been no significant changes to the Fund’s credit facilities during the three months ended March 31, 2009.

As at March 31, 2009, the Fund had \$2,457 (December 31, 2008 – \$6,834) outstanding under these facilities. As at March 31, 2009, the Fund was in compliance with all revised financial covenants associated with the senior, unsecured notes issued by GMP Holding Partnership, as described in Note 16 to the 2008 Annual Financial Statements.

**Note 12. Distributions**

Distributions declared during the quarter are as follows:

Record date	Payment date	Cash distribution per Fund and Exchangeable L.P. unit	Total distribution amount
January 30, 2009	February 20, 2009	\$0.05	\$3,203
February 27, 2009	March 20, 2009	\$0.05	\$3,203

On February 26, 2009, the Board of Trustees approved the temporary suspension of monthly cash distributions following the Fund's February distribution payable on March 20, 2009 to unitholders of record on February 27, 2009. GMP Holding Partnership has also suspended monthly distributions to holders of Exchangeable L.P. units.

**Note 13. Other Liabilities**

Other liabilities consist of the following:

As at,	March 31, 2009	December 31, 2008
Amounts payable to EdgeStone Funds and its investors	<b>7,137</b>	6,548
Deferred fee income	<b>4,962</b>	4,705
Income taxes payable	<b>137</b>	420
Deferred lease inducements	<b>3,510</b>	3,308
Distribution payable – non-controlling interests	<b>1,390</b>	463
Other	<b>2,568</b>	2,706
	<b>19,704</b>	18,150

## Note 14. Net Income Per Unit

Net income per unit consists of the following for the three months ended March 31:

	2009	2008
Net income available to unitholders	<b>7,116</b>	20,986
<b>Weighted average number of units outstanding</b>		
Basic		
Fund units	<b>47,500</b>	45,796
Exchangeable L.P. units	<b>16,560</b>	18,216
Units pledged on unit purchase loans	<b>(3,016)</b>	-
	<b>61,044</b>	64,012
Dilutive effect of Fund unit options and Warrants	<b>19</b>	430
Dilutive effect of units pledged on unit purchase loans	<b>3,016</b>	-
<b>Diluted</b>	<b>64,079</b>	64,442
<b>Net income per unit</b>		
Basic	<b>\$0.12</b>	\$0.33
Diluted	<b>\$0.11</b>	\$0.33

For the three months ended March 31, 2009, the calculation of diluted net income per unit excluded 4,313 weighted-average options (December 31, 2008 – 2,895 weighted-average options) outstanding having a weighted-average exercise price of \$17.91 (December 31, 2008 – \$21.35) as the exercise price of these options was greater than the average market price of the Fund units.

## Note 15. Capital Transactions

### Unit capital

During the three months ended March 31, 2009, 420 Exchangeable L.P. units were exchanged for Fund units. Pursuant to the preferred security unit offering, the Fund has 6,154 Warrants outstanding.

### Preferred Security Units

On March 31, 2009, the general partner of GMP Preferred declared a preferred distribution of \$1,156 payable on April 20, 2009 to preferred unitholders of record on March 31, 2009. The preferred distribution was funded by GMP Preferred using part of the proceeds of distributions received on the Class A limited partnership units issued to GMP Preferred by GMP Holding Partnership. Since GMP

Preferred is a VIE, and the Fund has determined it is not the primary beneficiary of GMP Preferred, the Fund does not consolidate GMP Preferred. As such, the distributions owed on the Class A limited partnership units by GMP Holding Partnership to GMP Preferred as at March 31, 2009, are shown in Other liabilities on the unaudited interim consolidated balance sheet of the Fund, as described further in Note 13 to these unaudited interim consolidated financial statements.

### Normal course issuer bid ("NCIB")

During the three months ended March 31, 2009, the Fund did not repurchase any units under its NCIB which expires on November 30, 2009.

## Note 16. Commitments and Contingencies

A full description of the commitments and contingencies outstanding as of December 31, 2008 can be found in Note 24 to the 2008 Annual Financial Statements. There have been no significant changes to these commitments and contingencies during the three months ended March 31, 2009.

(in thousands of dollars and 000 units, except per unit amounts)

## Note 17. Financial Risk Management

### Financial instruments

The categories of financial assets and financial liabilities as at March 31, 2009 are as follows:

	Carrying value					Total carrying value	Total fair value <sup>[i]</sup>
	Held-for-trading	Designated as held-for-trading	Available-for-sale	Loans and receivables	Other liabilities		
Cash and cash equivalents	239,459	-	-	-	-	239,459	239,459
Trading securities	76,048	17,024	-	-	-	93,072	93,072
Available-for-sale securities	-	-	7,463	-	-	7,463	7,463
Receivable from clients	-	-	-	279,287	-	279,287	279,287
Receivable from brokers	-	-	-	87,438	-	87,438	87,438
Other assets	-	-	-	66,017	-	66,017	66,017
Bank loans	-	-	-	-	19,957	19,957	19,957
Obligations related to securities sold short	18,778	-	-	-	-	18,778	18,778
Payable to clients	-	-	-	-	453,756	453,756	453,756
Payable to brokers	-	-	-	-	19,841	19,841	19,841
Payable to issuers	-	-	-	-	28,029	28,029	28,029
Accounts payable and accrued liabilities	-	-	-	-	49,329	49,329	49,329
Other liabilities	-	-	-	-	8,527	8,527	8,527
Long-term debt	-	-	-	-	59,702	59,702	59,399

[i] Available-for-sale securities include the Fund's investments in EdgeStone Funds and other privately held securities. These securities do not have a quoted market price and are reported at cost with write-downs to reflect other than temporary impairment in value.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund segregates market risk into three categories: fair value risk, interest rate risk and currency risk.

### Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Fund incurs fair value risk through its trading positions, underwriting activities and portfolio of available-for-sale securities.

The following table includes the Fund's significant financial instruments recorded on the unaudited interim consolidated balance sheet at fair value and demonstrates the sensitivity of the Fund's net income and other comprehensive income, for the three months ended March 31, 2009, to reasonable changes in fair value of those instruments.

### Fair value sensitivity analysis

	Carrying value	Effect of a 10% increase in fair value on net income	Effect of a 10% decrease in fair value on net income
Trading securities, net of obligations related to securities sold short	74,294	7,178	(7,178)
Available-for-sale securities <sup>[i]</sup>	7,463	n/a	(739)

[i] Available-for-sale securities do not have a quoted market price and are carried at cost, and, therefore, there is no impact on other comprehensive income resulting from any temporary fluctuation in the market price of the investment. An other than temporary decline in the value of the securities is recognized in net income, and the table indicates the impact on net income as a result of a 10% impairment of the securities.

**Interest rate risk**

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund incurs interest rate risk on its own cash and cash equivalent balances, on the Fund's client cash balances, cash delivered or received in support of securities borrowing or lending activity and interest paid on its subordinated loan.

**Interest rate sensitivity analysis**

The table below provides the potential impact of an immediate and sustained 100 basis point ("bp") increase or decrease in interest rates on net income for the three months ended March 31, 2009 applied to the balances outstanding at March 31, 2009. This analysis assumes that all other variables remain constant.

	Carrying value	Effect of a 100bp increase in market interest rates on net income	Effect of a 100bp decrease in market interest rates on net income
Cash and cash equivalents	239,459	2,290	(2,290)
Payable to clients, net	174,469	(1,668)	1,668
Securities lending and borrowing	42,743	409	(409)
Bank loans	19,957	(191)	191

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund incurs currency risk primarily on its net investments in foreign subsidiaries which include GMP

USA and GMP Europe. The Fund also incurs currency risk on financial instruments held by the operating partnerships of the Fund denominated in currencies other than their functional currency, which includes cash and cash equivalents, client cash balances and broker receivables and payables.

The table below summarizes the effects on net income and other comprehensive income as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where the Fund has significant exposure. The analysis assumes all other variables remain constant.

**Currency risk sensitivity analysis**

	Effect of a 10% strengthening in foreign exchange rates on net income	Effect of a 10% weakening in foreign exchange rates on net income	Effect of a 10% increase in foreign exchange rates on other comprehensive income	Effect of a 10% decrease in foreign exchange rates on other comprehensive income
Pound sterling	291	(291)	70	(70)
US dollar	1,703	(1,703)	n/a	n/a
Euro	1	(1)	n/a	n/a

## Notes to Unaudited Interim Consolidated Financial Statements

(in thousands of dollars and 000 units, except per unit amounts)

Derivative financial instruments are used by the Fund primarily to manage foreign exchange risk on pending security settlements in foreign currencies. In addition, the Fund has entered into forward contracts with clients of GMP Private Client to facilitate their foreign exchange needs. The Fund has managed these exposures through offsetting forward contracts entered into with Schedule I banks. At March 31, 2009, the Canadian equivalent notional amount of forward contracts outstanding was \$11,763 (December 31, 2008 – \$23,738). Forward contracts outstanding at March 31, 2009 are as follows:

	Notional amount (in source currency)	Average price	Maturity date(s)	Fair value
Sell USD / buy CAD	6,640	1.243	Apr. 3, 2009 – Sept. 30, 2009	(118)
Buy USD / sell CAD	2,840	1.222	May 11, 2009 – Sept. 30, 2009	110
Sell AUD/ buy CAD	40	0.869	Apr. 1, 2009	-

### Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Fund is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, stock exchanges, clearing houses and other financial intermediaries as well as issuers whose securities are held by the Fund.

One of the primary sources of credit risk to the Fund arises when the Fund extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account. The Fund faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and the Fund is unable to recover sufficient value from the collateral held.

It is the Fund's policy to provide an allowance against all unsecured balances. During the three months ended March 31, 2009, the Fund recorded a provision for doubtful accounts of \$188 bringing the allowance for doubtful accounts to \$188 as at March 31, 2009 (December 31, 2008 – nil). The

Fund continues to closely monitor these balances on an ongoing basis. As at March 31, 2009, the receivable from clients was \$279,287 (December 31, 2008 – \$234,463) and includes loans receivable from clients of \$149,589 (December 31, 2008 – \$138,983) and open security transactions of \$129,698 (December 31, 2008 – \$95,480).

The maximum exposure to credit risk relating to client and broker receivables, accounts receivable balances, employee loans receivable and unit loan receivables without consideration of collateral is represented by the carrying value on the Fund's unaudited interim consolidated balance sheet as at March 31, 2009. There are no significant concentrations of credit risk within the Fund as at March 31, 2009.

### Liquidity risk

Liquidity risk is the risk that the Fund cannot meet a demand for cash or fund its obligations as they come due. The Fund's management oversees the Fund's liquidity to ensure the Fund has access to readily available funds to cover its financial obligations as they come due and sustain and grow its assets and operations under both normal and stress conditions.

The following table summarizes the maturity profile of the Fund's financial liabilities as at March 31, 2009.

	Carrying value	Contractual term to maturity
Bank loans	19,957	Due on demand
Payable to clients	453,756	Due on demand
Payable to brokers	19,841	Due on demand
Payable to issuers	28,029	Due on demand
Accounts payable and accrued liabilities	49,329	Due within three months
Other liabilities	8,527	Due within twelve months
Long-term debt	59,702	Subject to indenture terms
	639,141	

The Fund's management of Liquidity Risk is discussed further in the "Liquidity and Capital Resources" section of the Fund's Management's Discussion and Analysis as at and for the three months ended March 31, 2009.

**Capital management**

The Fund requires capital to fund existing and future operations, future distributions and regulatory capital requirements. The liquidity of the Fund's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. The Fund's policy is to maintain sufficient and appropriate levels of capital through a variety of sources.

The Fund's capital structure is comprised of unit capital, contributed surplus and retained earnings, and is further complemented by subordinated loans, long-term debt and preferred limited partnership units. The following table summarizes the Fund's capital as at March 31, 2009.

Type of capital	Carrying amount
Fund units	120,770
Exchangeable L.P. units	84,754
Contributed surplus	12,092
Retained earnings	22,250
Bank loans – subordinated loans	17,500
Long-term debt	60,000
Class A limited partnership units	31,527
	<u>348,893</u>

Certain of the Fund's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require the Fund to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash distribution. At March 31, 2009, the Fund's subsidiaries were in compliance with their local regulatory capital requirements.

**Note 18. Segmented Information**

The following table presents selected financial results for the three business segments and the Corporate segment for the three months ended March 31, 2009 and 2008:

	Capital Markets		Wealth Management		Alternative Investments		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	<b>51,017</b>	76,184	<b>9,686</b>	13,418	<b>8,242</b>	5,600	<b>(1,502)</b>	(1,067)	<b>67,443</b>	94,135
Employee compensation and benefits	<b>26,680</b>	39,115	<b>7,074</b>	8,343	<b>3,145</b>	3,183	<b>850</b>	231	<b>37,749</b>	50,872
Selling, general and administrative	<b>9,241</b>	8,887	<b>3,790</b>	3,382	<b>1,397</b>	1,065	<b>390</b>	(428)	<b>14,818</b>	12,906
Interest	<b>333</b>	912	<b>319</b>	1,590	<b>31</b>	50	<b>1,640</b>	1,368	<b>2,323</b>	3,920
Depreciation and amortization	<b>563</b>	652	<b>338</b>	497	<b>61</b>	58	<b>3,242</b>	3,235	<b>4,204</b>	4,442
Operating earnings (loss)	<b>14,200</b>	26,618	<b>(1,835)</b>	(394)	<b>3,608</b>	1,244	<b>(7,624)</b>	(5,473)	<b>8,349</b>	21,995

**Revenue by geographic location**

For geographic reporting purposes, the Fund's segments are grouped into Canada, the United States and Europe. Transactions are primarily recorded in the location that corresponds with the geographic location of the client. The following table presents the revenue of the Fund by geographic location.

For the three months ended March 31,	<b>2009</b>	2008
Canada	<b>63,231</b>	83,797
United States	<b>2,992</b>	7,592
Europe	<b>1,220</b>	2,746
	<b>67,443</b>	94,135

**Note 19. Net Change in Non-Cash Operating Items**

The net change in non-cash operating items consists of the following for the three months ended March 31:

	<b>2009</b>	2008
Trading securities	<b>(10,058)</b>	(79,334)
Available-for-sale securities	<b>(265)</b>	(38)
Receivable from clients	<b>(44,824)</b>	(314,705)
Receivable from brokers	<b>(17,918)</b>	(58,767)
Employee loans receivable	<b>(1,058)</b>	(1,908)
Other assets	<b>4,016</b>	(32,541)
Deferred costs	<b>1,264</b>	(5)
Obligations related to securities sold short	<b>12,469</b>	2,252
Payable to clients	<b>62,794</b>	331,960
Payable to brokers	<b>(12,445)</b>	132,608
Payable to issuers	<b>(14,672)</b>	35,435
Accounts payable and accrued liabilities	<b>(422)</b>	21,128
Future income taxes	<b>259</b>	(39)
Agency fee obligation	<b>(414)</b>	(101)
Other liabilities	<b>1,676</b>	(84,486)
	<b>(19,598)</b>	(48,541)

**Note 20. Proposed Plan of Arrangement**

On February 26, 2009, the Board of Trustees of the Fund approved a proposed transaction providing for the reorganization of the Fund's income trust structure into a corporate structure through a Plan of Arrangement. GMP Capital Inc. (the "Corporation") was incorporated pursuant to the laws of Ontario on March 16, 2009, for the purposes of participating in the proposed Plan of Arrangement. If the reorganization is approved by holders of GMP Capital Trust trust units ("Fund unitholders") and Special Voting Units and the Ontario Superior Court of Justice, current Fund unitholders will transfer each of their Fund units to the Corporation in consideration for one common share of the Corporation. Current holders of Class B Exchangeable L.P. units of Griffiths McBurney L.P. and Special

Voting Units will transfer their units to the Corporation in consideration for common shares such that one common share shall be issued for each combination of one Class B Exchangeable L.P. unit and one Special Voting Unit. Preferred units issued by GMP Preferred will be exchanged on a one-for-one basis for preferred shares of the Corporation having substantially the same terms as the preferred units. Pursuant to the Plan of Arrangement, a notice of meeting and management information circular dated April 3, 2009 was filed by the Fund. The Plan of Arrangement is subject to regulatory, court and unitholder approval and is anticipated to be effective on or about May 15, 2009.

# Unitholder Information

## Transfer Agent and Registrar

### **CIBC Mellon Trust Company**

P.O. Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario M5C 2W9  
Telephone: (416) 643-5500  
Toll-Free: (800) 387-0825  
To change unit registration or address  
or to advise of duplicate mailings,  
please call CIBC Mellon Trust Company.

**Auditors:** Ernst & Young LLP

**Legal Counsel:** Goodmans LLP

**Listing:** Toronto Stock Exchange

**Symbol:** GMP.UN

**CUSIP:** 362017105

**Fiscal Year End:** December 31

### **Operating Subsidiaries:**

EdgeStone Capital Partners, L.P.  
GMP Investment Management L.P.  
GMP Private Client L.P.  
GMP Securities L.P.  
GMP Securities Europe LLP  
Griffiths McBurney Corp.

## GMP Capital Trust

### **Toronto**

145 King Street West  
Suite 300  
Toronto, Ontario M5H 1J8  
Telephone: (416) 367-8600  
Fax: (416) 367-8164

### **Web**

[gmpprivateclient.com](http://gmpprivateclient.com)

## GMP Securities L.P.

### **Toronto (Head Office)**

145 King Street West  
Suite 300  
Toronto, Ontario M5H 1J8  
Telephone: (416) 367-8600  
Toll-Free: (888) 301-3244  
Fax: (416) 367-8164

### **Calgary**

500 – 4<sup>th</sup> Avenue South West  
Suite 1600  
Calgary, Alberta T2P 2V6  
Telephone: (403) 543-3030  
Fax: (403) 543-3038

### **Montreal**

1250 Rene Levesque Boulevard  
15<sup>th</sup> Floor  
Montreal, Quebec H3B 4W8  
Telephone: (514) 288-7774  
Fax: (514) 288-1574

### **Web**

[gmpprivateclient.com](http://gmpprivateclient.com)

## GMP Securities Europe LLP

### **London, England**

4 Albemarle Street  
Westminster, London  
United Kingdom, W1S 4GA  
Telephone: +44 (0) 207 647 2800  
Fax: +44 (0) 207 647 2801

## GMP Private Client L.P.

### **Toronto (Head Office)**

145 King Street West  
Suite 300  
Toronto, Ontario M5H 1J8  
Telephone: (416) 943-6696  
Toll-Free: (866) 263-0818  
Fax: (416) 941-6710

### **Calgary (and Banff and Red Deer sub-branches)**

500 – 4<sup>th</sup> Avenue South West  
Suite 1100  
Calgary, Alberta T2P 2V6  
Telephone: (403) 543-3820  
Fax: (403) 543-3824

### **Vancouver**

885 West Georgia Street  
Suite 1020  
Vancouver, British Columbia V6C 3E8  
Telephone: (604) 678-8555  
Fax: (604) 678-8336

### **Montreal**

1250 Rene Levesque Boulevard  
15<sup>th</sup> Floor  
Montreal, Quebec H3B 4W8  
Telephone: (514) 288-7174  
Fax: (514) 288-2754

### **Web**

[gmpprivateclient.com](http://gmpprivateclient.com)

## EdgeStone Capital Partners, L.P.

### **Toronto (Head Office)**

The Exchange Tower  
130 King Street West  
Suite 600  
Toronto, Ontario M5X 1A6  
Telephone: (416) 860-3740  
Fax: (416) 860-9838

### **Calgary**

500 – 4<sup>th</sup> Avenue South West  
Suite 1600  
Calgary, Alberta T2P 2V6  
Telephone: (403) 695-1400  
Fax: (403) 543-3038

### **Montreal**

1250 Rene Levesque Boulevard  
15<sup>th</sup> Floor  
Montreal, Quebec H3B 4W8  
Telephone: (514) 282-2100  
Fax: (514) 282-1944

### **Web**

[edgestone.com](http://edgestone.com)

## GMP Investment Management L.P.

### **Toronto (Head Office)**

145 King Street West  
Suite 400  
Toronto, Ontario M5H 1J8  
Telephone: (416) 941-0892  
Fax: (416) 941-0891

