SENVEST
ANNUAL REPORT

2019

OVERALL PERFORMANCE

Senvest Capital ("Senvest" or the "Company") has been monitoring the recent outbreak of the novel coronavirus ("COVID-19") and the potential impact on its financial position. The outbreak of COVID-19 has caused tremendous volatility in the financial markets and especially the equity markets which have experienced significant declines. While the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and issuers in which the Company may invest is uncertain at this point, the outbreak has the potential to adversely affect the value of the Company's assets.

Even though the market moved up very forcefully in the fourth quarter, and traded at historically high valuations, it was susceptible to surprise shocks, such as a global pandemic scare. The coronavirus is a real hit to economic activity, and has caused substantial declines in stock markets around the world. As stated above visibility is very difficult and it is certain that at least the first half of 2020 will produce very weak economic numbers. To help counter these negative effects global central banks have begun easing all around the world.

The last quarter of 2019 marked a truce in the trade hostilities between the U.S. and China following the October announcement of an "interim" phase one agreement. The staving off of further tariff increases, a partial rollback of certain tariffs, and provision of intellectual property protections assuaged concerns of a full-blown trade war and its potential impact on global macro-economic conditions. The Fed cut interest rates for the third time and re-started its open market purchases of short-term Treasury debt securities. The combination of trade stability and monetary easing likely provided the fuel for the Q4 surge in equity markets.

In many respects, the 2019 year represented the mirror image of 2018 from the perspective of the market environment and returns for equities in general. In Q4 2018, markets plunged in the face of the fourth Fed rate increase, tightening liquidity from the ongoing Fed balance sheet run-off and growing recession fears as a trade war with China heated up. The final month of 2018 capped off with the worst December stock market performance since the Great Depression. In contrast, by Q4 2019, there was a third Fed interest rate cut, liquidity injections with the return of treasury bond purchases and a phase one trade deal, putting to rest fears of a tariff-induced recession. After 2018 ended with the Russell 2000 down -11.03%, it is no wonder stocks put in their best performance this year since 2013.

The improvement in the markets in the fourth quarter of 2019 was led by the belief that the phase one trade deal between the U.S. and China provided the first element for a turnaround in global economic growth as it improved sentiment and removed much uncertainty from the minds of CEOs, enabling them to commit to business plans. Global central bank accommodation represented a second element in a global economic turnaround, and this was no ordinary level of accommodation as "…the proportion of global central banks in easing mode has doubled to approximately 80% from approximately 40% last April" (J.P. Morgan) and represented the "biggest cycle of rate cuts since the financial crisis (60 cuts past 6 months) and $0.7tn of Quantitative easing is expected in 2020" (Bank of America). Early evidence of an inflection in the business cycle had already started as noted by a number of sources. Ned Davis Research notes that "the global economy is showing its most decisive signs of improvement in over two years…The global OECD Composite Leading Indicators (CLI) points to improving trends in coming months…the CLI increased for a third straight month in November, following 22 months of decreases". Bank of America further observed "the green shoots visible in November are now spreading over to other parts of the global economy. The turnaround is palpable in the wide breadth of our leading indicators of growth that have either outright inflected to a "Bullish" stance in the past two months or are on the verge of tipping over". Finally, JP Morgan research cited the bottoming of its "US Quant Macro Index" as a leading indicator of the US business cycle.

Senvest recorded net income attributable to common shareholders of $104.8 million or $39.16 per basic and diluted common share for the year ended December 31, 2019. The fourth quarter was responsible for almost all of the net income earned in 2019. This compares to net loss attributable to common shareholders of ($140.1) million or ($51.72) per basic and diluted common share for the year ended December 31, 2018. For the year, the US dollar weakened against the Canadian dollar and the result was a currency translation loss of about ($43.9) million from the net income attributable to common shareholders. This amount is not reported in the Company's statement of income rather it's reflected in its statement of comprehensive income. As a result, the comprehensive income attributable to common shareholders was $60.9 million for the year.

The Company's income from equity investments was the biggest contributor to the results. The net change in equity investments and other holdings including securities sold short and derivative liabilities totalled $396.6 million in the current year versus ($368.8) million in December 2018.

Some of the largest holdings as at December 31, 2019 were, Marriot Vacations (VAC), Tower Semiconductors (TSEM), Intercept Pharmaceuticals (ICPT), and Radware (RDWR). (When the Company refers to its portfolio of holdings, the reference is to its aggregate portfolio including those in the funds that are consolidated into the accounts of the Company.)

Biopharmaceutical maker Intercept Pharmaceutical ("ICPT") soared over 86% in the fourth quarter and was our best performing position for the period. ICPT expects to have the first FDA approved drug, obeticholic acid, for the treatment of non-alcoholic steatohepatitis ("NASH"), a liver disease. ICPT's strong presence at a hepatology conference and FDA acceptance of its new drug application coupled with disappointing clinical trial results from competitors all served to highlight the company's lead over other players in the NASH field. The company also hosted its first-ever "commercial day" at which management outlined its commercial plan and target market for the investment community, reinforcing our view on the drug's blockbuster potential. Finally, the stock benefitted from a late-year biotech rally. Slightly offsetting these positive factors, the expected FDA approval date was pushed to the end of Q2.

Vacation ownership operator Marriot Vacations ("VAC") gained over 24% in the fourth quarter and was our best performing position for the 2019 year. The company hosted its first analyst day in three years and presented its business plan for the next three years. The highlight of the presentation, in our view was free cash flow generation over that timeframe equivalent to about one-third of the company's market capitalization. Management stated its plan to use most of the free cash flow to buy back stock. Offsetting the positive takeaways from the analyst day, the company reported mixed Q3 results relative to expectations due to the impact of hurricane Dorian. VAC benefits from a high quality, "rolling snowball" business model, in which its owner base grows every year and in turn so does its high margin, recurring revenue stream which comprises about two-thirds of its EBITDA. The balance of EBITDA derives from the sale of vacation ownership points, half of which are typically purchased by existing owners. And since the owner base grows every year, VAC has a growing, built-in base of future buyers of more points. As a result of this "rolling snowball" effect, every year VAC's downside goes lower, and its upside goes higher. VAC further boosts its stock price potential by using its significant free cash flow to buy back shares at what we, and the company, believe represents a current cheap valuation at about a 9% free-cash flow yield. Rarely have we found such a high quality, well-managed and growing business with high barriers to entry that trades at such an attractive valuation, which explains why VAC remains our largest holding

Analog semiconductor foundry Tower Semiconductor ("TSEM") picked up over 25% in the fourth quarter and was our second best performing position for the 2019 year. The company reported Q3 financial results that topped forecasts, however guided Q4 was slightly lower than expectations. We expect that a transition to significant growth will inflect later in 2020 after the company starts production of new products coming to market in a number of secular growth areas, including 5G mobile phones, image sensors and data center applications. We note that SMH, a semiconductor ETF, trades around -6% off its all-time highs, while TSEM lags almost -38% off its late 2017 high. With anticipated growth that we believe should exceed the industry and an EV/EBITDA valuation at roughly half of its direct public comps, we believe prospects for TSEM look compelling. TSEM remains our second largest position.

PennyMac Financial Services ("PFSI"), was also one of our best performing positions for 2019. We have owned this stock for many years. PFSI, which originates and services residential mortgages, had explosive earnings growth spurred by the decline in interest rates and a mortgage refinance boom. Our patience in holding the position was finally rewarded when the stock surged this year. We sold roughly half the position in the low $30s as the stock approached our price targets, trading about 1.4x book, a one standard deviation high from its historical average. Another 2019 winner, we exited prior core holding Northstar Realty Europe ("NRE") after the company was acquired, prompted by our first foray into shareholder activism. We also exited prior core holding Mellanox Technologies ("MLNX"), which also agreed to an acquisition

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a return of 21.5% net of fees in the fourth quarter and 17.95% for the year as a whole. With most of the long portfolio invested in small and mid-cap stocks, the fund outperformed its most relevant benchmark, the Russell 2000 for the quarter but trailed it for the 2019 year as a whole. The fund also underperformed the S&P 500 index for the year, but does not consider this index as a benchmark. In the year the fund initiated an institutional share class which requires a minimum investment of $75 million US, and includes a longer duration element, which should further enhance the stability of our capital base and ability to make long-term investments to help us generate returns to the benefit of all of our partners. Senvest's internal capital is subject to the same liquidity provisions of the institutional share class.

The Senvest Technology Partners Fund (prior name Senvest Israel Partners) was initiated in 2003 to focus on investing in Israel related companies. Effective January 1, 2019, the Israel Fund broadened its geographic investment mandate to focus on global technology investments. To better reflect the evolving global complexion of its technology investments, the Israel Fund underwent a name change to Senvest Technology Partners. After investing in Israel-related technology for 15 years, its holdings extend across the global technology universe. The Technology Fund will maintain the same investment philosophy and continue to leverage the existing diligence and understanding of global technology and end markets. This fund recorded a return of 8.22% net of fees for the fourth quarter and 17.14% for the 2019 year (monthly results of both funds can be found on the Company's website).

The two funds had over $1.8 billion of net assets under management at December 31, 2019. Both of these funds are consolidated into the accounts of the Company.

The Company has a portfolio of real estate investments as at December 31, 2019. One part of this amount represents investments in different US REITs and partnerships. These REITs and partnerships are not publicly traded and there is no established market for them. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and partnerships and the distribution to its holders. Also, there are minority interests in private entities whose main assets are real estate properties. As described above for the REITs and partnerships, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties.

The Company also has investment properties in lands and buildings. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties were remeasured at fair value, using the fair value model. The fair value is based on external valuations from third party valuators. Gains or losses arising from changes in fair value of investment properties will be included in the Company's net profit or loss. The Company acquired a majority of these properties pursuant to a business combination. The Company (the acquirer) purchased 100% of the voting and equity interests of Bogas Costa Del Sol SL, Globalbox Arganda SL, Globalbox Rivas SL and Coldstream SL (the acquirees) on January 16, 2017. The transaction was accounted for under the purchase method. The net assets of the acquired companies were valued at fair value and there was no resulting goodwill on the purchase. There was no contingent consideration nor any non-controlling interests that arose due to the transaction. In April 2018 all the aforementioned companies were merged into one legal entity called Coldstream SL. The amount of new purchases and capitalized subsequent expenditures for 2019 was $6,824.

The Company consolidates the Senvest Management LLC (SML) entity that serves as the investment manager of Senvest Partners and Senvest Technology Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Corporation. Most of the equity of Senvest Management LLC reflects its investment in the underlying funds. On April 1 2019 SML redeemed a net amount of $90.5 million of its equity in the underlying funds and the executive invested this same amount back in the funds under his own personal name. As such there was a reallocation on the Company's balance sheet out of Non-controlling interest and into Liability for redeemable units. There was no cash withdrawal out of the funds just a transfer of ownership of the investment in the funds from SML to the executive owner of SML. Even though the total equity of the Company was reduced due to this transfer, the total equity attributable to common shareholders remained unchanged. This non-controlling interest was $23.3 million as at December 31, 2019 from $104.8 million as at December 31, 2018.

At the end of December 31, 2019, Senvest had total consolidated assets of $2,885.0 million versus $2,757.0 million at the end of 2018. Equity investments and other holdings increased to $2,539.1 million from $2,155.2 million in December 2018. The Company purchased $1,459.0 million of investment holdings in the year and sold $1,525.3 million of such holdings. The Company's liabilities increased to $1,942.3 million this year versus $1,787.5 million in 2018. The main contributor to this increase was a higher liability for redeemable units of $333.2 over last year. There was also a reduction in securities sold short and derivative liabilities of $241.1 from 2018. The proceeds of securities sold short were $2,595.7 million and the amount of shorts covered was $2,904.3 million in the year. Overall the trading figures were less than the corresponding amounts for the prior year.

Functional currency

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

Presentation currency

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

Risks

Financial risk factors

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

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

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

Market risk

Fair value and cash flow interest rate risks

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

The majority of the Company's debt is based on floating rates which expose the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at December 31, 2019, the Company had listed sufficient equity securities that it can sell to reduce its floating rate debt to zero.

Currency risks

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

Equity price risk

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

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

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

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and derivatives, securities sold short and derivative liabilities as at December 31, 2019 would be as follows (in thousands):

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity investments and other holdings Listed equity securities and derivatives	2,295,719	2,984,435	1,607,003
Securities sold short and derivative liabilities	(445,418)	(579,043)	(311,793)
Pre-tax impact on net earnings		555,091	(555,091)

Liquidity risk

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

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

Credit risk

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

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

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

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

Capital risk management

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

	December 31, 2019	December 31, 2018
Total net liabilities	$1,758.5	$1,429.8
Total equity	$ 942.7	$969.4
Net liabilities to capital ratio	1.87	1.47

The Company's goal is to maintain its net liabilities to capital ratio below 2.0 in order to limit the amount of risk. The Company defines its net liabilities to equal its total liabilities less its due from brokers. The Company believes that limiting its net liabilities to capital ratio in this manner is the best way to control risk. The Company's net liabilities to capital ratio was at 1.87 at the end of December 2019 from 1.47 at the end of 2018.

Investment Risk

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

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

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

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

The Company tries to manage the above risks by monitoring its leverage, actively following its investee companies and trying to react to market conditions. At the same time the Company expects its portfolio to exhibit a higher degree of volatility than portfolios that invest in larger more stable companies and that invest within more defined limits. As at December 31, 2019, approximately 88% of the Company's portfolio was invested in Level 1 securities. The Company monitors its Level 1 securities as percentage of its total investments; however, it does not have a fixed number that this percentage cannot fall below.

Climate Change Risk

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

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

Critical accounting estimates and judgments

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

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

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

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

Fair value estimates of investment properties

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

Fair value estimates of financial instruments

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

Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the consolidated statement of financial position date. The quoted market price used for financial assets and financial liabilities held by the Company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange. The financial assets classified as Level 1 were approximately 88% of the total financial assets.

Financial instruments in Level 2

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

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The financial assets classified as Level 2 were approximately 5% of the total financial assets.

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist mainly of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. The financial assets classified as Level 3 were approximately 7% of the total fair value of financial assets.

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

As at December 31, 2019, Level 3 instruments are in various entities and industries. The real estate investments are made up of investments in private real estate companies, and in real estate income trusts and partnerships. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third party valuators or on recent transactions. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts and partnerships, the Company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and their subsequent distribution to the holders.

Liability for redeemable units

Liability for redeemable units represents the units in Senvest Master Fund, L.P., Senvest Technology Partners Master Fund, L.P. (formerly Senvest Israel Partners Master Fund, L.P.) and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter, however for a particular class the there is a maximum quarterly redemption of 17% of the investor units and a maximum annual redemption of 34% of the investor units. Redemptions made within the first 24 months will be subject to a redemption fee of 3% to 5% which is payable to Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

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

Income taxes

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

QUARTERLY RESULTS

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

Year	Total revenue and investment gains(losses)	Net income(loss)- Common shareholders	Earnings (loss) Per share
2019-4	354,560	85,508	31.98
2019-3	76,376	21,091	7.86
2019-2	(169,458)	(56,556)	(21.04)
2019-1	164,672	54,751	20.36
2018-4	(428,534)	(152,197)	(56.19)
2018-3	21,225	2,478	0.92
2018-2	67,359	19,337	7.10
2018-1	23,331	(9,704)	(3.55)

Commitments

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

In addition to the above, as required by certain of the Company's other equity investments and other holdings, the Company has capital commitments of $10,627 and has real estate equity investment capital commitments of $9,244.

SELECTED ANNUAL INFORMATION

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

	2019	2018	2017
Total Revenue and investment gains(losses)	426,150	(316,619)	488,972
Net income (loss) – common shareholders	104,794	(140,086)	165,967
Earnings (loss) per share	39.16	(51.72)	60.03
Total assets	2,884,999	2,756,970	2,976,026

The Company has had wide swings in profitability from quarter to quarter in the past two years, as seen above. The profit has fluctuated a significant amount quarter to quarter. The highest earning quarter showed a profit of over $85 million and the least profitable quarter had a loss of over $150 million. These wide swings are primarily due to the large quarterly mark to market adjustments in the Company's portfolio of public holdings. However, we expect the volatility and choppiness of the markets to result in wide profit swings from year to year and from quarter to quarter. Reference is made to the section on Investment risk above.

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

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

On August 14, 2019, Senvest commenced a new normal course issuer bid to purchase a maximum of 60,000 of its own common shares until August 13, 2020. This bid replaced last year's one that expired. There were 36,200 shares repurchased during the year under both the old and new bid. The number of common shares outstanding as at December 31, 2019 was 2,652,424 and as at March 26, 2020 was 2,634,124. There were no stock options outstanding as at December 31, 2019 and none have been issued since 2005.

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

New Accounting standards adopted in 2019

IFRS 16, 'Leases' replaces the requirements in IAS 17, Leases, and three related interpretations; it requires the lessees to recognize an asset and a liability reflecting a "right-of-use asset" and future lease payments for virtually all lease contracts. The Company adopted IFRS 16 on a modified retrospective basis whereby the adjustments are recorded on January 1, 2019 without adjustments to prior periods. Starting from that date, the Company recorded a right-of-use asset and a lease liability; lease expense is replaced by amortization of the right-of-use asset and interest expense on the lease liability and principal payments towards the lease liability are presented as financing cash outflows.

The Company's leasing activities include the rental of office space. The modified retrospective application of IFRS 16 allows for certain expedients to facilitate the implementation of the requirements. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

On January 1, 2019, the Company recorded a right-of-of use asset based on the corresponding operating lease liability which was measured at the net present value of the future lease payments. The right-of-use asset was adjusted for prepaid rents and lease incentives which were already recorded in the Company's consolidated statement of financial position. On January 1, 2019, the lease liability was $5,867 and the right-of-use asset was $5,686. The resulting additions and reclassification in the statement of financial position did not impact prior year results. On the consolidated statements of financial position the right-of-use asset is presented in Other assets and the lease liability is presented with Trade and other payables and in note 11.

When calculating the net present value of the future lease payments, the Company used its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.5%.

The following table reconciles the Company's lease obligations at December 31, 2018, as previously disclosed in the notes to the Company's consolidated financial statements, to the lease liability recognized on initial application of IFRS 16 at January 1, 2019.

Operating lease commitments at December 31 2018	$	7,066
Discounted using the incremental borrowing rate at January 1 2019		6,144
Variable lease payments that do not depend on an index or rate		(277)
Operating lease liability recognized at January 1, 2019	$	5,867

Related party transactions

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $23.2 million as at December 31, 2019 from $104.8 million as at December 31, 2018.

Significant Equity Investments

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

Subsequent events

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

FORWARD LOOKING STATEMENTS

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "likely", "think" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those Risk Factors listed in the Company's annual information form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of March 27, 2020 and will not be updated or revised except as required by applicable securities law.

OTHER FINANCIAL INFORMATION

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

INTERNAL CONTROLS

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including Senvest's President and CEO and Vice-President and CFO, to allow timely decisions regarding required disclosure. As at December 31, 2019, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2019.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our internal control over financial reporting as at December 31, 2019, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2019. There have been no changes during the year ended December 31, 2019 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial report.

Victor Mashaal
Chairman of the Board and President

March 27, 2020

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the year ended December 31, 2019, and should be read in conjunction with the 2019 annual filings. Readers are also requested to visit the SEDAR website at www.sedar.com for additional information. This MD&A also contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control may ultimately prove to be incorrect.)

Senvest Capital Inc.
Management's Report
December 31, 2019

The Consolidated financial statements for the fiscal year ended December 31, 2019 and December 31, 2018, were prepared by the management of Senvest Capital Inc., reviewed by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with International Financial Reporting Standards and are consistent with the Company's business.

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

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

Victor Mashaal

Chairman of the Board and President

Senvest Capital Inc.

March 27, 2020

Independent auditor's report

To the Shareholders of
Senvest Capital Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Senvest Capital Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jean-Luc Tremblay.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 27, 2020

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

Senvest Capital Inc.

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

(in thousands of Canadian dollars)

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	4	17,277	120,555
Restricted short-term investments	5(a)	465	462
Due from brokers	5(b)	183,848	357,754
Equity investments and other holdings	6	2,539,068	2,155,198
Investments in associates	7	20,361	20,479
Real estate investments	8	51,328	41,161
Investment properties	9	41,418	39,786
Income taxes receivable	12(b)	13,297	12,116
Deferred income tax assets	12(b)	-	11
Other assets	11(b)	17,937	9,448
Total assets		2,884,999	2,756,970
Liabilities			
Bank advances	5(a)	720	5,602
Trade and other payables	11	31,174	13,026
Due to brokers	5(b)	85,153	6,480
Securities sold short and derivative liabilities	6	507,867	748,964
Redemptions payable		70,194	5,755
Subscriptions received in advance		65	101,838
Income taxes payable	12(b)	438	918
Deferred income tax liabilities	12(b)	34,329	25,782
Liability for redeemable units	10	1,212,404	879,184
Total liabilities		1,942,344	1,787,549
Equity			
Equity attributable to common shareholders			
Share capital	13	22,051	22,341
Accumulated other comprehensive income		151,070	194,938
Retained earnings		746,269	647,357
Total equity attributable to common shareholders		919,390	864,636
Non-controlling interest	17	23,265	104,785
Total equity		942,655	969,421
Total liabilities and equity		2,884,999	2,756,970

Approved by the Board of Directors

Victor Mashaal
Director

Frank Daniel
Director

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

Senvest Capital Inc.

Consolidated Statements of Income (Loss)

For the years ended December 31, 2019 and 2018

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

	Note	2019 $	2018 $
Revenue			
Interest income		20,059	15,991
Dividend income		13,257	10,755
Other income		3,067	1,250
		36,383	27,996
Investment gains (losses)			
Net change in fair value of equity investments and other holdings		396,564	(368,796)
Dividend expense on securities sold short		(5,195)	(6,186)
Net change in fair value of real estate investments		7,298	2,088
Net change in fair value of investment properties		(1,862)	2,379
Share of profit of associates	7	1,856	7,325
Foreign exchange gain (loss)		(8,894)	18,575
		389,767	(344,615)
Total revenue and net investment gains (losses)		426,150	(316,619)
Operating costs and other expenses			
Employee benefit expense		35,102	29,211
Interest expense		47,766	36,165
Transaction costs		13,476	13,572
Other operating expenses		14,942	15,287
		111,286	94,235
Change in redemption amount of redeemable units		186,254	(232,312)
Income (loss) before income tax		128,610	(178,542)
Income tax expense (recovery)	12(a)	11,946	(14,145)
Net income (loss) for the year		116,664	(164,397)
Net income (loss) attributable to:			
Common shareholders		104,794	(140,086)
Non-controlling interest		11,870	(24,311)
Earnings (loss) per share attributable to common shareholders			
Basic and diluted	14	39.16	(51.72)

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

Senvest Capital Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

	2019 $	2018 $
Net income (loss) for the year	116,664	(164,397)
Other comprehensive income (loss)		
Currency translation differences	(46,801)	82,118
Comprehensive income (loss) for the year	69,863	(82,279)
Comprehensive income (loss) attributable to:		
Common shareholders	60,926	(67,167)
Non-controlling interest	8,937	(15,112)

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

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

Senvest Capital Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

		Equity attributable to owners of the parent					
	Note	Share capital $	Accumulated other comprehensive income(loss) $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance – December 31, 2017		22,751	122,019	798,718	943,488	119,897	1,063,385
Net loss for the year		-	-	(140,086)	(140,086)	(24,311)	(164,397)
Other comprehensive income		-	72,919	-	72,919	9,199	82,118
Comprehensive income (loss) for the year		-	72,919	(140,086)	(67,167)	(15,112)	(82,279)
Repurchase of common shares	13	(410)	-	(11,275)	(11,685)	-	(11,685)
Balance – December 31, 2018		22,341	194,938	647,357	864,636	104,785	969,421
Net income for the year		-	-	104,794	104,794	11,870	116,664
Other comprehensive income		-	(43,868)	-	(43,868)	(2,933)	(46,801)
Comprehensive income (loss) for the year		-	(43,868)	104,794	60,926	8,937	69,863
Repurchase of common shares	13	(290)	-	(5,882)	(6,172)	-	(6,172)
Distributions to non-controlling interests	17	-	-	-	-	(90,457)	(90,457)
Balance – December 31, 2019		22,051	151,070	746,269	919,390	23,265	942,655

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

Senvest Capital Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(in thousands of Canadian dollars)

	Note	2019 $	2018 $
Cash flows provided by (used in)			
Operating activities			
Net income (loss) for the year		116,664	(164,397)
Adjustments for non-cash items	15(a)	(206,718)	104,266
Purchase of equity investments and other holdings held for trading		(1,459,036)	(2,143,846)
Purchase of securities sold short and derivative liabilities		(2,904,343)	(4,061,860)
Proceeds on sale of equity investments and other holdings held for trading		1,525,274	2,315,794
Proceeds from securities sold short and derivative liabilities		2,595,692	3,901,138
Dividends and distributions received from real estate investments		7,813	9,663
Changes in working capital items	15(b)	250,091	(58,060)
Net cash used in operating activities		(74,563)	(97,302)
Investing activities			
Transfers to restricted short-term investments		(25)	36
Purchase of real estate investments		(12,917)	(14,869)
Purchase of investment properties		(6,824)	(9,909)
Purchase of equity investments and other holdings at fair value through profit or loss		(69,704)	(60,149)
Proceeds on sale of equity investments and other holdings at fair value through profit or loss		1,198	13,228
Proceeds from investments in associates		973	972
Net cash used in investing activities		(87,299)	(70,691)
Financing activities			
Increase (decrease) in bank advances		(4,713)	2,970
Payment of lease liability	11(b)	(1,082)	-
Repurchase of common shares		(6,172)	(11,685)
Proceeds from issuance of redeemable units		133,758	265,950
Amounts paid on redemption of redeemable units		(59,503)	(29,536)
Net cash provided by financing activities		62,288	227,699
Increase (decrease) in cash and cash equivalents during the year		(99,574)	59,706
Effect of changes in foreign exchange rates on cash and cash equivalents		(3,704)	7,727
Cash and cash equivalents – Beginning of year		120,555	53,122
Cash and cash equivalents – End of year	4	17,277	120,555
Amounts of cash flows classified in operating activities:			
Cash paid for interest		41,277	38,853
Cash paid for dividends on securities sold short		4,527	6,401
Cash received on interest		14,617	14,859
Cash received on dividends		7,942	9,301
Cash paid for income taxes		4,113	4,599

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

(in thousands of Canadian dollars unless otherwise stated)

1 General information

Senvest Capital Inc. (the "Company") was incorporated under Part I of the *Canada Corporations Act* on November 20, 1968 under the name Sensormatic Electronics Canada Limited, and was continued under the *Canada Business Corporations Ac*t under the same name effective July 23, 1979. On April 21, 1991, the Company changed its name to Senvest Capital Inc. The Company and its subsidiaries hold investments in equity and real estate holdings that are located predominantly in the United States. The Company's head office and principal place of business is located at 1000 Sherbrooke Street West, Suite 2400, Montréal, Quebec H3A 3G4. The Company's shares are traded on the Toronto Stock Exchange under the symbol "SEC". Refer to note 17 for the composition of the Company.

2 Summary of significant accounting policies

Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Certain comparative figures in the notes have been reclassified to conform with the presentation of the consolidated financial statements for the current year. These reclassifications had no impact on the Company's profit or loss or total assets and liabilities.

The Board of Directors (Board) approved these consolidated financial statements for issue on March 27, 2020.

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

New and amended accounting standards adopted in 2019

IFRS 16, 'Leases' replaces the requirements in IAS 17, Leases, and three related interpretations; it requires the lessees to recognize an asset and a liability reflecting a "right-of-use asset" and future lease payments for virtually all lease contracts. The Company adopted IFRS 16 on a modified retrospective basis whereby the adjustments are recorded on January 1, 2019 without adjustments to prior periods. Starting from that date, the Company recorded a right-of-use asset and a lease liability; lease expense is replaced by amortization of the right-of-use asset and interest expense on the lease liability and principal payments towards the lease liability are presented as financing cash outflows.

The Company's leasing activities include the rental of office space. The modified retrospective application of IFRS 16 allows for certain expedients to facilitate the implementation of the requirements. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

(in thousands of Canadian dollars unless otherwise stated)

On January 1, 2019, the Company recorded a right-of-of use asset based on the corresponding operating lease liability which was measured at the net present value of the future lease payments. The right-of-use asset was adjusted for prepaid rents and lease incentives which were already recorded in the Company's consolidated statement of financial position. On January 1, 2019, the lease liability was $5,867 and the right-of-use asset was $5,686. The resulting additions and reclassification in the statement of financial position did not impact prior year results. On the consolidated statements of financial position the right-of-use asset is presented in Other assets and the lease liability is presented with Trade and other payables and in note 11.

When calculating the net present value of the future lease payments, the Company used its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.5%.

The following table reconciles the Company's lease obligations at December 31, 2018, as previously disclosed in the notes to the Company's consolidated financial statements, to the lease liability recognized on initial application of IFRS 16 at January 1, 2019.

Operating lease commitments at December 31 2018	$	7,066
Discounted using the incremental borrowing rate at January 1 2019		6,144
Variable lease payments that do not depend on an index or rate		(277)
Operating lease liability recognized at January 1, 2019	$	5,867

Basis of measurement

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

Consolidation

Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

(in thousands of Canadian dollars unless otherwise stated)

Subsidiaries

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

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

Investments in associates

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

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

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

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

Liability for redeemable units

Liability for redeemable units represents the units in Senvest Master Fund, L.P., Senvest Technology Partners Master Fund, L.P. and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter, however for a particular class there is a maximum quarterly redemption of 17% of the investor units and a maximum annual redemption of 34% of the investor units. Redemptions made within the first 24 months will be subject to a redemption fee of 3% to 5% which is payable to Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption.

(in thousands of Canadian dollars unless otherwise stated)

Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that can be redeemed semi-annually with a 120 day notice. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

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

Non-controlling interests

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

Foreign currency translation

Functional currency

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

Transactions and balances

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

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

Consolidation and foreign operations

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

When an entity disposes of its interest in a foreign operation, or loses control or significant influence over a foreign operation, the foreign exchange gains or losses accumulated in other comprehensive income (loss)

(in thousands of Canadian dollars unless otherwise stated)

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

Presentation currency

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

Cash and cash equivalents

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

Financial assets and liabilities

Classification and measurement

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

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

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

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

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

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

(in thousands of Canadian dollars unless otherwise stated)

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

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

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

i) Financial assets and financial liabilities held for trading

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

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

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

ii) Financial assets managed as fair value through profit or loss

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

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

(in thousands of Canadian dollars unless otherwise stated)

Recognition, derecognition and measurement

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

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

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

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

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

Financial assets at amortized cost

Classification

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

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

Recognition and measurement

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

(in thousands of Canadian dollars unless otherwise stated)

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

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

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

Financial liabilities at amortized cost

Classification

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

Recognition and measurement

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

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

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

Impairment

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

Hedging

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

(in thousands of Canadian dollars unless otherwise stated)

Due from and to brokers

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

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

Investment properties

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

Provision

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

Income tax

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

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

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

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

(in thousands of Canadian dollars unless otherwise stated)

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

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

Interest income and dividend income

Interest income

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

Dividend income

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

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment.

Transaction costs related to financial assets and financial liabilities at fair value through profit or loss are expensed as incurred. Transaction costs for all other financial instruments are capitalized.

Employee benefits

Post-employment benefit obligations

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

Share capital

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

Dividend distribution

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

(in thousands of Canadian dollars unless otherwise stated)

Earnings per share

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

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive instruments. The Company currently does not have any dilutive instruments.

Accounting standards and amendments issued but not yet adopted

The Company presents the developments that are relevant to its activities and transactions. The following revised standards and amendments are not mandatory for the December 31, 2019 reporting periods and the Company has not early adopted these standards and amendments.

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

3 Critical accounting estimates and judgments

Critical accounting estimates

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

Fair value of financial instruments

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

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

Refer to note 16 for risk sensitivity information for the Company's financial instruments.

(in thousands of Canadian dollars unless otherwise stated)

Fair value of investment properties

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

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

Refer to note 9 for risk sensitivity information for the Company's investment properties

Income taxes

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

Critical accounting judgments

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

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

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

(in thousands of Canadian dollars unless otherwise stated)

4 Cash and cash equivalents

	2019 $	2018 $
Cash on hand and on deposit	11,877	117,587
Short-term investments	5,400	2,968
	17,277	120,555

5 Credit facilities and due from and due to brokers

a) Credit facilities

Bank advances

In 2014, the Company renegotiated its credit facility with a bank and has available a demand revolving loan (credit facility) and a guarantee facility. The credit facility is in the amount of $3,000 and is payable on demand. As at December 31, 2019, $720 was outstanding (2018 – $5,602). Under the credit facility, the Company may, upon delivery of a required notice, opt to pay interest at the bank's prime rate plus 0.25%, the bank's US base rate plus 0.25% or LIBOR plus 1.75% per annum. All of the credit facility available is also available by way of banker's acceptances plus a stamping fee of 1.75% per annum, or by US dollar advances.

Guarantee facility

The Company also has available a EUR 450 thousand guarantee facility (2018 – EUR 450 thousand) to issue standby letters of credit. A fee of 1.00% per annum on the face amount of each standby letter of credit applies. All amounts paid by the bank under the guarantee facility are payable on demand. As at December 31, 2019, no standby letters of credit were outstanding; however, the Company has provided a $465 (2018 – $462) term deposit to guarantee future letters of credit. This term deposit has been disclosed in restricted short-term investments on the consolidated statement of financial position.

In addition, a first-ranking movable hypothec in the amount of $30,000 on all of the Company's assets has been granted as collateral for both the credit and guarantee facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. As at December 31, 2019 and 2018, the Company had met the requirements of all the covenants.

b) Due from and due to brokers

The Company has margin facilities with its prime brokers. As at December 31, 2019 and 2018, the Company's amounts due to brokers have no specific repayment terms, and they are governed by the margin terms set forth in the prime brokerage agreements. As at December 31, 2019, listed equity securities and due from brokers amounting to $2,460,813 have been pledged as collateral (2018 – $2,290,774). The fair value of the collateral-listed equity securities is calculated daily and compared to the Company's margin limits. The prime brokers can at any time demand full or partial repayment of the margin balances and any interest thereon or demand the delivery of additional assets as collateral.

(in thousands of Canadian dollars unless otherwise stated)

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

			2019
	Gross amounts due from brokers $	**Gross amounts due to brokers $**	**Net amount $**
Due from brokers	260,102	76,254	183,848
Due to brokers	30,023	115,176	(85,153)

			2018
	Gross amounts due from brokers $	**Gross amounts due to brokers $**	**Net amount $**
Due from brokers	602,012	244,258	357,754
Due to brokers	19,054	25,534	(6,480)

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

Equity investments and other holdings

	Note	**2019 $**	**2018 $**
Assets			
Financial assets at fair value through profit or loss			
Held for trading			
Equity securities		2,274,271	1,930,810
Debt securities		70,179	92,931
Derivative financial assets	6(a)	32,885	29,588
		2,377,335	2,053,329
Financial assets at fair value through profit or loss			
Other			
Equity securities		110,681	94,921
Debt securities		51,052	6,948
		2,539,068	2,155,198
Current portion		2,377,335	2,053,329
Non-current portion		161,733	101,869

(in thousands of Canadian dollars unless otherwise stated)

Securities sold short and derivative liabilities

	Note	2019 $	2018 $
Liabilities			
Financial liabilities			
Held for trading			
Securities sold short			
Listed equity securities (proceeds of $463,058; 2018 – $768,378)		419,618	637,121
Debt securities (proceeds of $59,209; 2018 – $71,025)		62,449	69,275
Derivative financial liabilities (proceeds of $1,073; 2018 – $390)	6(a)	25,800	42,568
		507,867	748,964

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

				As at December 31, 2019	For the year ended December 31, 2019
	Notional value $	Fair value of derivative financial assets $	Notional value $	Fair value of derivative financial liabilities $	Net change in fair value $
Equity swaps	114,123	18,235	87,597	24,364	7,883
Equity options	1,064	4	21,162	1,436	2,767
Warrants and rights	81,765	11,656	-	-	2,076
Foreign currency futures contracts	143,000	2,990	-	-	7,374
	339,952	32,885	108,759	25,800	20,100

(in thousands of Canadian dollars unless otherwise stated)

			As at December 31, 2018		For the year ended December 31, 2018
	Notional value $	**Fair value of derivative financial assets $**	**Notional value $**	**Fair value of derivative financial liabilities $**	**Net change in fair value $**
Equity swaps	148,986	16,775	66,955	37,843	(39,840)
Equity options	4,229	75	9,660	504	6,829
Warrants and rights	39,382	12,738	-	-	731
Foreign currency options	-	-	-	-	(32)
Foreign currency futures contracts	193,000	-	-	4,221	(14,418)
Foreign currency forward contracts	-	-	-	-	(3,715)
	385,597	29,588	76,615	42,568	(50,445)

7 Investments in associates

The following have been included in the consolidated financial statements using the equity method.

	2019 $	**2018 $**
Grant and Geary Partners LP(i)	18,777	19,128
Other immaterial associates	1,584	1,351
	20,361	20,479
The Company's share of:		
Net income and comprehensive income		
Grant and Geary Partners LP(i)	1,050	6,271
Other immaterial associates	806	1,054
	1,856	7,325

i) Grant & Geary Partners LP is a limited partnership in which the company has an approximate 28.5% economic interest in the underlying property, which is commercial real estate property held in the United States. The Company's share of Grant & Geary Partners LP's assets and liabilities are approximately 28.5% of assets totalling $82,830 (2018 – $87,284) and liabilities totalling $16,947 (2018 – $20,139).

Commitments, contingent liabilities and borrowing arrangements of associates

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

(in thousands of Canadian dollars unless otherwise stated)

8 Real estate investments

Real estate investments comprise the following:

	Note	2019 $	2018 $
Financial assets at fair value through profit or loss			
Investments in private entities	8(a)	18,131	19,467
Investments in real estate income trusts and partnerships	8(b)	33,197	21,694
		51,328	41,161
Non-current portion		51,328	41,161

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

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

9 Investment properties

	Note	2019 $	2018 $
Opening balance as at January 1		39,786	26,738
Purchases		3,144	8,494
Capitalized subsequent expenditure		3,680	1,416
Net gain (loss) from fair value adjustment		(1,862)	2,379
Currency translation adjustments		(3,330)	759
Closing balance as at December 31		41,418	39,786
Non-current portion		41,418	39,786

a) Amounts recognized in profit or loss for investment properties

	2019 $	2018 $
Rental income	4,365	3,599
Direct operating expenses from property that generated rental income	3,195	2,939
Direct operating expenses from property that does not generate rental income	1,064	1,163
Net change in fair value of investment properties	(1,862)	2,379

(in thousands of Canadian dollars unless otherwise stated)

b) Contractual obligations

Refer to note 19 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

c) Leasing arrangements

The investment properties are leased to tenants under short-term month-to-month operating leases with rentals payable monthly.

d) Fair value measurements

Investment properties are measured at fair value in these consolidated financial statements. Assumptions and estimates are made in determining the fair values of the investment properties. Based on the source of the inputs used in determining the fair value, the Company has classified its investment properties in Level 3 of the fair value hierarchy (a description of the levels is provided in note 16). There was no transfers between levels for recurring fair value measurements of investment properties during the years ended December 31, 2019 and 2018.

i) Valuation techniques used to determine Level 3 fair values

The Company obtains independent valuations for its investment properties annually. At the end of each reporting period, the managers update their assessment of the fair value of each property, taking into account the most recent independent valuations. The managers determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active markets for similar properties. Where such information is not available the independent valuators consider information from a variety of sources including:

- current prices in active markets for similar properties in similar markets and in less active market, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and
- capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

(in thousands of Canadian dollars unless otherwise stated)

ii) Fair value measurements using significant unobservable inputs (Level 3)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring Level 3 fair value measurement. See (i) above for the valuation technique adopted.

Description	**Fair value 2019 $**	**Valuation technique**	**Significant unobservable inputs**	**Weighted average input $**	**Reasonably possible shifts +/−**	**Change in value $**
Leased buildings and land –Storage facilities	30,707	Comparable sales approach	Value/m^2	1,097	10%	+/-3,061
	10,711	Recent Transaction	Value/m^2	570	-	-

Description	**Fair value 2018 $**	**Valuation technique**	**Significant unobservable inputs**	**Weighted average input $**	**Reasonably possible shifts +/−**	**Change in value $**
Leased buildings and land –Storage facilities	39,786	Comparable sales approach	Value/m^2	1,144	10%	+/-4,000

(in thousands of Canadian dollars unless otherwise stated)

10 Financial instruments by category and related income, expenses and gains and losses

	Assets (liabilities) at fair value through profit or loss				2019
	Held for trading $	**Other $**	**Financial Assets at amortized cost $**	**Financial liabilities at amortized cost $**	**Total $**
Assets (liabilities) as per consolidated statement of financial position					
Cash and cash equivalents	-	-	17,277	-	17,277
Restricted short-term investments	-	-	465	-	465
Due from brokers	-	-	183,848	-	183,848
Equity investments and other holdings	2,377,335	161,733	-	-	2,539,068
Real estate investments	-	51,328	-	-	51,328
Other assets*	-	-	8,079	-	8,079
Bank advances	-	-	-	(720)	(720)
Trade and other payables	-	-	-	(31,174)	(31,174)
Due to brokers	-	-	-	(85,153)	(85,153)
Securities sold short and derivative liabilities	(507,867)	-	-	-	(507,867)
Redemptions payable	-	-	-	(70,194)	(70,194)
Subscriptions received in advance	-	-	-	(65)	(65)
Liability for redeemable units	-	-	-	(1,212,404)	(1,212,404)
	1,869,468	213,061	209,669	(1,399,710)	892,488
Amounts recognized in consolidated statement of income					
Net change in fair value	398,354	5,508	-	-	403,862
Interest income (expense)	(11,595)	29	870	(16,586)	(27,282)
Net dividend income	7,454	608	-	-	8,062
	394,213	6,145	870	(16,586)	384,642

* Includes other financial receivables but excludes capital assets and other non-financial assets.

(in thousands of Canadian dollars unless otherwise stated)

	Assets (liabilities) at fair value through profit or loss				2018
	Held for trading $	Other $	Financial Assets at amortized cost $	Financial liabilities at amortized cost $	Total $
Assets (liabilities) as per consolidated statement of financial position					
Cash and cash equivalents	-	-	120,555	-	120,555
Restricted short-term investments	-	-	462	-	462
Due from brokers	-	-	357,754	-	357,754
Equity investments and other holdings	2,053,329	101,869	-	-	2,155,198
Real estate investments	-	41,161	-	-	41,161
Other assets*	-	-	4,420	-	4,420
Bank advances	-	-	-	(5,602)	(5,602)
Trade and other payables	-	-	-	(13,026)	(13,026)
Due to brokers	-		-	(6,480)	(6,480)
Securities sold short and derivative liabilities	(748,964)	-	-	-	(748,964)
Redemptions payable	-	-	-	(5,755)	(5,755)
Subscriptions received in advance	-	-	-	(101,838)	(101,838)
Liability for redeemable units	-	-	-	(879,184)	(879,184)
	1,304,365	143,030	483,191	(1,011,885)	918,701
Amounts recognized in consolidated statement of income					
Net change in fair value	(368,990)	(350)	-	-	(369,340)
Interest income (expense)	15,477	68	453	(36,020)	(20,022)
Net dividend income	4,195	374	-	-	4,569
	(349,318)	92	453	(36,020)	(384,793)

* Includes other financial receivables but excludes capital assets and other non-financial assets.

11 Trade and other payables

		2019 $	2018 $
Trade payables		206	684
Employee benefits accrued		10,724	4,283
Mortgages	a)	7,361	3,524
Lease Liability	b)	4,695	-
Interest payable		4,407	2,044
Other		3,781	2,491
		31,174	13,026

a) Mortgages of $7,361 (2018 – $3,524) are on investment properties. The terms of the mortgages range from four to seven years and bear interest rates of 0.8% to 1.25%. Investment properties of $26,727 (2018 – $25,735) are pledged as collateral against the mortgages.

(in thousands of Canadian dollars unless otherwise stated)

b) Lease liabilities of $4,695 represent future lease payments for the Company's office spaces. Total lease payments during the year totaled $ 1,082 including interest of $223. The right-of-use asset resulting from the Company's leases is valued at $4,602, which is net of accumulated amortization of $880. The right-of-use asset is grouped with other assets in these financial statements

12 Income taxes

a) Income tax expense

	2019 $	2018 $
Current tax		
Current tax on income for the year	3,248	8,791
Adjustments in respect of prior years	(1,306)	(2,510)
	1,942	6,281
Deferred tax		
Origination and reversal of temporary differences	10,004	(20,426)
	11,946	(14,145)

The tax on the Company's income before income tax differs from the theoretical amount that would arise using the federal and provincial statutory tax rate applicable to income of the consolidated entities. The statutory tax rate for 2019 decreased from 26.7% to 26.6% (2018 – from 26.8% to 26.7%). This decrease is in line with Quebec's tax rate reduction from 11.7% to 11.6%. The difference between the Company's income tax and theoretical tax is as follows:

	2019 $	2018 $
Income (loss) before income tax	128,610	(178,542)
Income tax expense (recovery) based on statutory rate of 26.6% (2018 – 26.7%)	34,210	(47,671)
Prior year adjustments	(1,127)	(516)
Difference in tax rate	1,337	3,863
Portion of income (loss) recoverable in hands of non-controlling interests	(3,151)	5,933
Non-taxable dividend	55	(604)
Non-taxable portion of capital gains	(11,075)	9,568
Non-deductible expenses	70	77
Foreign exchange	(9,778)	15,172
Unrecognized deferred income tax assets	726	473
Other	679	(440)
Income tax expense (recovery)	11,946	(14,145)

(in thousands of Canadian dollars unless otherwise stated)

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

	2019 $	2018 $
Deferred income tax assets		
Deferred tax assets to be recovered		
After more than 12 months	-	11
Within 12 months	-	-
Deferred income tax assets	-	11
Deferred income tax liabilities		
Deferred tax liabilities to be settled		
After more than 12 months	34,329	25,782
Within 12 months	-	-
Deferred income tax liabilities	34,329	25,782

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

Deferred income tax assets	Equity investments and other holdings $	Investments in associates $	Real estate investments $	Deferred Performance Compensation $	Tax loss carry-forward $	Total $
As at December 31, 2017	659	-	79	-	-	738
Charged to consolidated statement of income	1,407	6,495	706	-	1,015	9,623
Foreign exchange differences	132	344	44	-	-	520
As at December 31, 2018	2,198	6,839	829	-	1,015	10,881
Charged to consolidated statement of income	(990)	(2,399)	722	1,160	2,659	1,152
Foreign exchange differences	(84)	(280)	(55)	-	(105)	(524)
As at December 31, 2019	1,124	4,160	1,496	1,160	3,569	11,509

(in thousands of Canadian dollars unless otherwise stated)

Deferred income tax liabilities	Equity investments and other holdings $	Investments in associates $	Real estate investments $	Investment properties $	Other $	Total $
As at December 31, 2017	4,011	38,432	1,596	-	184	44,223
Charged (credited) to consolidated statement of income	(1,395)	(10,224)	(723)	1,015	516	(10,811)
Foreign exchange differences	277	2,818	102	-	43	3,240
As at December 31, 2018	2,893	31,026	975	1,015	743	36,652
Charged (credited) to consolidated statement of income	1,467	8,083	2,290	(532)	(122)	11,186
Foreign exchange differences	(170)	(1,661)	(97)	(39)	(33)	(2,000)
As at December 31, 2019	4,190	37,448	3,168	444	588	45,838

Deferred income tax assets for temporary differences totalling $9,865 (2018 – $9,584), non-expiring capital loss carry-forwards totalling $9,889 (2018 – $9,837) and non-expiring operating loss carry-forwards of $4,374 (2018 – $6,012) have not been recognized in the consolidated financial statements. Deferred income tax assets of $444 (2018 – $1,015) not recognized at the time of a business combination have been recognized in 2019 and recorded against deferred income tax liability of $444 (2018 – $1,015) resulting from unrealized gains on investment properties.

Deferred income tax liabilities have not been recognized on unremitted earnings totalling $55,347 as at December 31, 2019 (2018 – $84,950) with respect to the investment in subsidiaries, branches and associates and interest in joint arrangements because the Company controls whether the liability will be incurred, and it is satisfied that it will not be incurred in the foreseeable future. During the year, the Company distributed earnings of $33,035 from its Subsidiaries. All distributions were paid out of substantially pre-taxed surplus which resulted in no tax to the Company.

(in thousands of Canadian dollars unless otherwise stated)

13 Share capital

Authorized
Unlimited number of common shares, without par value

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

	2019		2018	
	Number of shares	Amount $	Number of shares	Amount $
Balance – Beginning of year	2,688,624	22,341	2,739,724	22,751
Shares repurchased	(36,200)	(290)	(51,100)	(410)
Balance – End of year	2,652,424	22,051	2,688,624	22,341

In 2019, the Company began a normal course issuer bid to purchase a maximum of 60,000 of its own common shares before August 13, 2020. In 2019, the Company purchased 36,200 common shares (2018 – 51,100) for a total cash consideration of $6,173 (2018 – $11,685. The excess of the consideration paid over the stated capital was charged to retained earnings in the consolidated statement of changes in equity.

No dividends were declared in 2019 and 2018.

14 Earnings per share

a) Basic

	2019	2018
Net income (loss) attributable to common shareholders	$104,794	$(140,086)
Weighted average number of outstanding common shares	2,675,723	2,708,761
Basic earnings (loss) per share	39.16	(51.72)

b) Diluted

For the years ended December 31, 2019 and 2018, there were no dilutive instruments.

(in thousands of Canadian dollars unless otherwise stated)

15 Supplementary information to consolidated statements of cash flows

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

	Note	2019 $	2018 $
Net change in fair value of equity investments and other holdings		(396,564)	368,796
Net change in fair value of real estate investments		(7,298)	(2,088)
Net change in fair value of investment properties		1,862	(2,379)
Share of profit (loss) of associates, adjusted for distributions received		(1,856)	(7,325)
Amortization and depreciation	11(b)	880	-
Change in redemption amount of redeemable units		186,254	(232,312)
Deferred income tax	12(a)	10,004	(20,426)
		(206,718)	104,266

b) Changes in working capital items are as follows:

	2019 $	2018 $
Decrease (increase) in		
Due from brokers	160,134	(29,942)
Income taxes receivable	(1,799)	2,716
Other assets	(8,818)	(3,789)
Increase (decrease) in		
Trade and other payables	20,332	(16,737)
Due to brokers	80,687	(11,180)
Income taxes payable	(445)	872
	250,091	(58,060)

(in thousands of Canadian dollars unless otherwise stated)

16 Financial risks and fair value

Financial risk factors

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

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

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

Market risk

Fair value and cash flow interest rate risks

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

The majority of the Company's debt is based on floating rates, which exposes the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at December 31, 2019, the Company has listed equity securities of $ 2,277,480 (2018 – $1,933,139). It can sell these securities to reduce its floating rate debt. As at December 31, 2019, a 1% (2018 – 1%) increase or decrease in interest rates, with all other variables remaining constant, would impact interest expense by approximately $859 over the next 12 months (2018 – $121).

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

	2019	2018
Cash and cash equivalents	Between nil and 2.53%	Between nil and 2.50%
Restricted short-term investments	Between 0.60% and 1.47%	Between 0.50% and 0.60%
Debt securities	Between 0.75% and 12.50%	Between 0.75% and 12.50%
Credit facilities		
Bank advances	Prime rate plus 0.25%	Prime rate plus 0.25%
Guarantee facility	1.00%	1.00%
Trade and other payables	Non-interest bearing	Non-interest bearing
Due to brokers	0.00% to 2.86%	0.00% to 2.15%
Mortgages	0.8% to 1.25%	0.80% to 1.00%

The Company holds held for trading financial assets in debt securities $ 70,179 (2018 – $92,931) and held for trading financial liabilities in debt securities of $62,449 (2018 – $69,275).

(in thousands of Canadian dollars unless otherwise stated)

Debt securities are usually highly sensitive to interest rate changes. Theoretically, when interest rates rise, it causes the value of debt securities to decline. The opposite generally happens when interest rates fall, then debt securities usually rise in value. A change of 100 basis points in the yield to maturity will affect the fair value of the debt securities held for trading as follows.

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

	2019	
	Financial assets Held for trading Debt securities $	**Financial liabilities Held for trading Debt securities $**
An increase of 100 basis points in the yield to maturity	(2,571)	4,171
A decrease of 100 basis points in the yield to maturity	2,757	(4,513)

	2018	
	Financial assets Held for trading Debt securities $	**Financial liabilities Held for trading Debt securities $**
An increase of 100 basis points in the yield to maturity	(2,681)	5,830
A decrease of 100 basis points in the yield to maturity	2,848	(6,469)

Currency risk

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

				2019
	Financial assets $	**Financial liabilities $**	**Net exposure $**	**Net effect of a 10% increase or decrease $**
Canadian dollar	827	(188,941)	(188,114)	(18,811)
Euro	31,747	(29,254)	2,493	249
British pound sterling	-	(4,378)	(4,378)	(438)
Israeli shekel	331	(5,703)	(5,372)	(537)
Swedish Krone	-	(7,827)	(7,827)	(783)
	32,905	(236,103)	(203,198)	(20,320)

(in thousands of Canadian dollars unless otherwise stated)

	2018			
	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Canadian dollar	1,334	(185,650)	(184,316)	(18,432)
Euro	18,245	(5,037)	13,208	1,321
British pound sterling	1,712	-	1,712	171
Israeli shekel	321	(6681)	(6,360)	(636)
Swedish Krone	-	(6,998)	(6,998)	(700)
	21,612	(204,366)	(182,754)	(18,276)

Equity price risk

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

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

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

(in thousands of Canadian dollars unless otherwise stated)

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

			2019
	Fair value $	Estimated fair value with a 30% price increase $	Estimated fair value with a 30% price decrease $
Equity investments and other holdings	2,295,719	2,984,435	1,607,003
Listed equity securities and derivatives	(445,418)	(579,043)	(311,793)
Equities sold short and derivative liabilities			
Pre-tax impact on net income		555,091	(555,091)

			2018
	Fair value $	Estimated fair value with a 30% price increase $	Estimated fair value with a 30% price decrease $
Equity investments and other holdings			
Listed equity securities and derivatives	1,949,989	2,534,985	1,364,993
Equities sold short and derivative liabilities	(675,468)	(878,108)	(472,828)
Pre-tax impact on net income		382,356	(382,356)

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

Credit risk

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

The Company is exposed to credit risk from cash and cash equivalents, due from broker and debt investments. Credit risk arising from funds held at financial institutions are managed by only investing with financial institutions with a minimum A rating The Company manages its credit risk exposure from debt securities by closely monitoring the debt issuer and the ratings issued by various bond rating agencies. All debt security investments measured at fair value through profit or loss are traded over stock exchanges therefore exiting a position with increased risk is relatively easy if the credit worthiness of an issuer falls below the company's threshold for credit risk exposure. All non-trading convertible debt securities are convertible into equity of the issuer and are measured at fair value using independent third party appraisals. The Company closely monitors the debt issuer in order to identify when the credit risk falls below the company's threshold at which point the company may exercise its option to redeem its debt holdings or dispose of it in the less liquid private markets.

(in thousands of Canadian dollars unless otherwise stated)

Credit ratings are presented using Standard & Poor's rating scale as follows:

Financial assets	Rating	2019 $	2018 $
Cash and cash equivalents	A	17,277	120,555
Restricted short-term investments	A	465	462
Due from brokers	A	183,848	357,754
Debt securities	B-	-	4,592
Debt securities	CCC and below	121,231	88,339

Liquidity risk

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

All financial liabilities other than equities sold short, derivative liabilities, mortgages, lease liabilities and liability for redeemable units as at the consolidated statement of financial position date mature or are expected to be repaid within one year (2018 – one year). The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

Capital risk management

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

	2019	2018
Net total liabilities	1,758,496	$1,429,795
Total equity	$942,655	$969,421
Debt-to-capital ratio	1.87	1.47

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

(in thousands of Canadian dollars unless otherwise stated)

Fair value estimation

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – Inputs that are not based on observable market data.

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

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

The following tables analyze within the fair value hierarchy the Company's financial assets and financial liabilities measured at fair value as at December 31, 2019 and 2018:

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

(in thousands of Canadian dollars unless otherwise stated)

				2018
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	1,929,381	1,429	-	1,930,810
Debt securities	-	92,931	-	92,931
Derivative financial assets	-	29,588	-	29,588
Other				
Equity securities	2,014	8,425	84,482	94,921
Debt securities	-	2,824	4,124	6,948
Real estate investments	-		41,161	41,161
	1,931,395	135,197	129,767	2,196,359
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	637,121	-	-	637,121
Debt securities	-	69,275	-	69,275
Derivative liabilities	4,221	38,347	-	42,568
	641,342	107,622	-	748,964

Financial instruments in Level 1

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

Financial instruments in Level 2

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

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

(in thousands of Canadian dollars unless otherwise stated)

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

Financial instruments in Level 3

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

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

As at December 31, 2019 and 2018, Level 3 instruments are in various entities and industries.

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

(in thousands of Canadian dollars unless otherwise stated)

The following tables present the changes in Level 3 instruments:

			2019
	Real estate investments $	**Unlisted securities $**	**Total $**
As at December 31, 2018	41,161	88,606	129,767
Transferred out of Level 3 i)	-	(20,093)	(20,093)
Purchases ii)	12,917	69,962	82,879
Sales proceeds		(1,488)	(1,488)
Distributions	(7,813)	(383)	(8,196)
Gains (losses) recognized in net income			
On financial instruments held at end of year	7,298	(8,930)	(1,632)
On financial instruments disposed of during the year	-	1,488	1,488
Currency translation adjustments	(2,235)	(5,103)	(7,338)
As at December 31, 2019	51,328	124,059	175,387

			2018
	Real estate investments $	**Unlisted securities $**	**Total $**
As at December 31, 2017	30,789	72,991	103,780
Transferred out of Level 3 i)	-	(30,626)	(30,626)
Purchases ii)	14,869	56,209	71,078
Sales proceeds	-	(13,556)	(13,556)
Distributions	(9,663)	(252)	(9,915)
Gains (losses) recognized in net income			
On financial instruments held at end of year	2,088	(3,545)	(1,457)
On financial instruments disposed of during the year	-	540	540
Currency translation adjustments	3,078	6,845	9,923
As at December 31, 2018	41,161	88,606	129,767

i. During the year the company's private holdings in equity securities in the financial services industry were transferred out of level 3 pursuant to public offerings. The fair value of these investments became available through quotes prices from the active markets however due to restrictions on trading they have been classified as level 2.

ii. During the year the company made investments in private holdings in the cannabis and biotechnology industries totaling $61,621; (2018 financial and biotechnology industries – $55,288). There is no established market for these holdings. The most likely disposal of these investments is through a disposition or a listing of these holdings on a public stock exchange.

(in thousands of Canadian dollars unless otherwise stated)

The table below presents the investments whose fair values are measured using valuation techniques classified as Level 3 as at December 31, 2019.

Description	Fair value (rounded) 2019 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts +/−	Change in value $
Unlisted private equity holdings Pharmaceuticals -Equity securities	13,000	Backsolve option pricing model	Expected volatility	80%	10%	+/-300
Unlisted private equity holdings Pharmaceuticals -Convertible Pref	30,000	Recent transaction	none	-	-	-
Unlisted private equity holdings Pharmaceuticals -Equity securities	3,000	Backsolve option pricing mode	Expected volatility	60%	10%	+/-130
Unlisted private equity holdings – -Financial services	9,000	Recent transaction	none	-	-	-
Unlisted private equity holdings – Food and beverage -Equity securities	13,000	Comparable company approach	Revenue estimate Revenue multiple EBITA multiple	31,474 1.97 15.03	$1M 10% 10%	+/-500 +/-1,000 +/-500
Unlisted private equity holdings – Food and beverage -Convertible bonds	22,000	Mark-to-Model Comparable Bond Methodologies	Discount rate	24%	1%	+/-288
Unlisted private equity holdings – Food and beverage -Convertible bonds	5,000	Mark-to-Model Comparable Bond Methodologies	Discount rate	7.3%	1%	+/-52
Unlisted private equity holdings – Food and beverage -Convertible bonds	20,000	Mark-to-Model Comparable Bond Methodologies	Merger arbitration adjustment Liquidity discount	10% 7.7%	25% 25%	+/-250 +/-450
Unlisted private equity Holdings Software developers	1,000	Comparable company approach	Revenue estimate Revenue multiple	1,000 7.4	200 10%	+/-200 +/-200
Unlisted private equity holdings – Other	8,000	Recent transaction	none	-	-	-
REITs and partnerships	15,000	Discounted cash flows	Discount rate Cash flow term Capitalization rate	8.1%-9.7% 5-10 years 4.5%-7.4%	The inputs disclosed cover the range used for all the real estate holdings in the REITs. A general analysis of the change in inputs would not reveal a fair change in value.	
REITs and partnerships	18,000	Recent transactions	none	-	-	-
Real estate investments in private entities	18,000	Capitalization model	Rate of return	7.0%	1.0%	+3,000 -2,200

(in thousands of Canadian dollars unless otherwise stated)

The table below presents the investments whose fair values are measured using valuation techniques classified as Level 3 as at December 31, 2018.

Description	Fair value (rounded) 2018 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts +/−	Change in value $
Unlisted private equity holdings Pharmaceuticals -Equity securities	13,500	Comparable company approach	Average change in indices	-1.15%	50%	+/-40
			Median change in benchmark market cap	-33.94%	10%	+/-190
Unlisted private equity holdings – Pharmaceuticals -Convertible Pref	27,300	Recent Transaction	none	-	-	-
Unlisted private equity holdings – Financial services	28,000	Comparable company approach	Average market cap/BV	1.44	10%	+/-1,900
		Recent Transaction	none	-	-	-
Unlisted private equity holdings – Food and beverage	14,000	Comparable company approach	Revenue estimate	$24.911M	$1M	+/-500
			Revenue multiple	1.83	10%	+/-700
			EBITA multiple	12.74	10%	+/-600
Unlisted private equity holdings – Software developers -Convertible bonds	3,000	Comparable company approach	YTM	41.043%	20%	+/-45
		Black Scholes option pricing	Revenue estimate	$1.280M	$.250M	+/-100
			Revenue Multiple	4.69	10%	+/-100
			Volatility	37.66%	20%	+/-35
Unlisted private equity holdings – Other	2,800	Comparable company approach	Revenue estimate	$92.550M	$5M	+/-40
			Revenue multiple	0.89	10%	+/-75
REITs and partnerships	9,700	Discounted cash flows	Discount rate	8.0%-18.2%	The REITs and partnerships consist of numerous investments in commercial and residential properties, each with different unobservable inputs tailored to best estimate their fair value. The inputs disclosed cover the range used for all the real estate holdings in the REITs. A general analysis of the change in inputs would not reveal a fair change in value.	
			Capitalization rate	4.5%-8.5%		
			Discounted cash flow term	5-10 years		
			Rental growth rate	0%- 10%		
	12,000	Recent transactions	none	-	-	-
Real estate investments in private entities	19,500	Capitalization model	Rate of return	7.0%	1.0%	+2,300 -1,700

(in thousands of Canadian dollars unless otherwise stated)

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

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

17 Disclosure of the composition of the Company

Principal subsidiaries and structured entities

The consolidated financial statements include the accounts of the Company and all of its subsidiaries and structured entities as at December 31, 2019 and 2018. The principal operating subsidiaries and structured entities and their activities are as follows.

Name	Country of incorporation	% Interest held		Nature of business
		2019	2018	
Senvest Global (KY) L.P.	Cayman Islands	100	100	Investment company
Senvest Global L.P.	United States	100	100	Investment company
RIMA Senvest Master Fund GP, L.L.C.	United States	-	-	General partner of Senvest Master Fund, L.P.
Senvest Technology Partners GP, L.L.C.	United States	-	-	General partner of Senvest Technology Partners Master Fund L.P.
Argentina Capital Inc.	Canada	100	100	Real estate
Pennsylvania Properties Inc.	United States	100	100	Real estate
Senvest Equities Inc.	Canada	100	100	Investment company
Senvest Fund Management Inc.	United States	-	100	Investment company
Senvest Management L.L.C.	United States	-	-	Investment manager of the Funds
Senvest Master Fund, L.P.	Cayman Islands	32	41	Investment fund
Senvest Technology Partners Master Fund, L.P.	Cayman Islands	49	53	Investment fund
Senvest Cyprus Recovery Investment Fund, L.P.	Cayman Islands	73	73	Investment fund
Coldstream SL	Spain	100	100	Real estate

The total non-controlling interest for the year is a gain of $8,937; (2018 – loss of $15,112), which is mostly attributed to Senvest Management L.L.C. The change in redemption amount of liability for redeemable units for the year is an increase of $186,254; (2018 – a decrease of $232,312), all of which is attributed to the Funds.

During the year the Company's subsidiary, Senvest Fund Management Inc. was dissolved and liquidated.

(in thousands of Canadian dollars unless otherwise stated)

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

Summarized balance sheets	**Senvest Management L.L.C.**	
	2019 $	**2018 $**
Assets	13,313	96,954
Liabilities	13,055	7,087
Net assets	258	89,867
Accumulated NCI	258	89,867

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

Summarized statements of comprehensive income (loss)	**2019 $**	**2018 $**
Revenue and net investment gains	19,139	(9,698)
Expenses	12,480	12,969
Net income (loss)	6,659	(22,667)
Other comprehensive income (loss)	(2,191)	8,250
Comprehensive income (loss)	4,468	(14,417)
Net income (loss) allocated to NCI	6,659	(22,667)

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

	2019 $	**2018 $**
Distribution paid to NCI	90,457	-

Summarized statements of cash flows	**2019 $**	**2018 $**
Cash used in operating activities	(18)	(1,902)
Cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(18)	(1,902)

On April 1 2019, Senvest Management L.L.C. redeemed, on an in-kind basis, a net amount of $90,457 of its equity in Senvest Master Fund L.P. and Senvest Technology Master Fund L.P. and the executive minority owner of Senvest Management L.L.C. redeemed a like amount from its equity. The $90,457 redemption was invested back in Senvest Master Fund L.P. and Senvest Technology Master Fund L.P. under the executive's personal name. As such there was a reallocation on the Company's consolidated statement of financial position out of Non-controlling interest and into Liability for redeemable units. There was no cash withdrawal out of any of the

(in thousands of Canadian dollars unless otherwise stated)

entities as the net effect was solely a transfer of ownership of the investments in Senvest Master Fund L.P. and Senvest Technology Partners L.P. from Senvest Management L.L.C. to its executive minority owner. The total equity attributable to common shareholders of the Company remained unchanged as a result of this transaction.

No guarantees or collateral were provided to the subsidiaries and structured entities except for the lease liabilities of Senvest Management L.L.C. The amounts in question have been included in trade and other payables, note 11(b). The Company is not liable for any other contingent liabilities arising in its subsidiaries and structured entities and will not settle any other liabilities on their behalf.

18 Related party transactions

Key management compensation

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

	2019 $	2018 $
Salaries and other short-term employee benefits	8,557	7,681
Post-employment benefits – Defined contribution	27	27
	8,584	7,708

Management fees

Certain employees and related parties that have invested in the Funds do not pay management fees that are charged to outside investors. The amount invested by these participants in 2019 totals $191,377 (2018 – $86,727).

19 Commitments

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

In addition to the above, as required by certain of the Company’s other equity investments and other holdings, the Company has capital commitments of $10,627 and has real estate equity investment capital commitments of $9,244.

(in thousands of Canadian dollars unless otherwise stated)

20 Segmented and geographical information

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

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

2019

	United States $	Canada $	European Union $	Argentina $	Other $	Total $
Revenue						
Interest income	14,295	1,040	4,724	-	-	20,059
Dividend income	12,157	614	234	237	15	13,257
Other income	745	526	1,796	-	-	3,067

2018

	United States $	Canada $	European Union $	Argentina $	Other $	Total $
Revenue						
Interest income	12,543	1,184	2,261	-	3	15,991
Dividend income	7,573	1,422	671	216	873	10,755
Other income	106	442	702	-	-	1,250

21 Subsequent Events

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

Board of Directors

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

*Ronald G. Assaf
Business Executive

Frank Daniel
Secretary-Treasurer
Senvest Capital Inc.

*David E. Basner
Business Executive

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

Richard Mashaal
Vice-President
Senvest Capital Inc.

*Member of the Audit Committee

Officers

Victor Mashaal
Chairman of the Board & President

Frank Daniel
Secretary-Treasurer

Richard Mashaal
Vice-President

George Malikotsis
Vice-President, Finance

Investor Information

AUDITORS
PricewaterhouseCoopers L.L.P.
Montréal (Canada)

LEGAL COUNSEL
Howard M. Levine
Blake, Cassels & Graydon L.L.P.
1 Place Ville-Marie
Suite 3000
Montréal (Québec) H3B 4N8

TRANSFER AGENT & REGISTRAR
Computershare Trust Company of Canada
1500 Robert-Bourassa Boulevard
7th Floor
Montréal (Québec) H3A 3S8

Computershare Trust Company of Canada
100 University Street
Toronto (Ontario) M5J 2Yl

Senvest Capital Inc.
1000 Sherbrooke street West
Suite 2400
Montréal (Québec) H3A 3G4
(514) 281-8082