

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the periods ended September 30, 2017 and the comparative period in the year 2016, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2016 Annual Report. This discussion and analysis has been prepared as of November 9, 2017.

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedar.com.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Guardian may, from time to time, make "forward-looking statements" in annual and quarterly reports, and in other documents prepared for shareholders or filed with securities regulators. These statements, characterized by such words as "goal", "outlook", "intends", "expects", "plan", "prospects", "are confident", "believe" and "anticipate", are intended to reflect Guardian's objectives, plans, expectations, estimates, beliefs and intentions.

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be placed on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private wealth investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer and a securities dealer (together, the "Dealers"); and corporate activities and investments. Guardian is headquartered and operates in Canada and also operates through its subsidiaries GuardCap Asset Management Limited ("GuardCap") in the United Kingdom, Guardian Capital LLC ("GCLLC") in the United States and Alexandria Bancorp Limited ("Alexandria") in the Caribbean. As at September 30, 2017, Guardian had \$26.3 billion of investment management assets under management ("AUM") and \$17.3 billion of financial advisory assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which had a fair value of approximately \$621 million at the end of the quarter.

USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, which not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA per share, adjusted cash flow from operations, adjusted cash flow from operations per share, equity per share, and securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results. On page 25 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

CONSOLIDATED FINANCIAL RESULTS

The comparative financial results of Guardian on a consolidated basis are summarized in the following table:

For the periods ended September 30 (\$ in thousands, except per share amounts)	Three months		Nine months	
	2017	2016	2017	2016
Net revenue	\$ 36,315	\$ 35,185	\$ 112,141	\$ 104,446
Expenses	25,810	24,539	77,018	72,150
Operating earnings	10,505	10,646	35,123	32,296
Net gains	10,987	10,057	39,359	27,863
Net earnings before income taxes	21,492	20,703	74,482	60,159
Income tax expense	3,260	3,228	11,094	9,443
Net earnings	\$ 18,232	\$ 17,475	\$ 63,388	\$ 50,716
Net earnings available to shareholders	\$ 17,987	\$ 17,353	\$ 62,377	\$ 50,058
EBITDA	11,811	12,065	38,587	36,150
Adjusted cash flow from operations	4,785	9,293	20,061	28,311
Diluted per share amounts				
Net earnings available to shareholders	\$ 0.61	\$ 0.58	\$ 2.13	\$ 1.67
EBITDA	0.40	0.40	1.32	1.21
Adjusted cash flow from operations	0.17	0.31	0.69	0.95

CONSOLIDATED FINANCIAL RESULTS (continued)

As at (\$ in millions, except per share amounts)	2017		2016	
	September 30	December 31	September 30	
Shareholders' equity	\$ 608	\$ 580	\$ 545	
Fair value of corporate holding of securities	621	620	571	
Diluted per share				
Shareholders' equity	\$ 20.67	\$ 19.62	\$ 18.07	
Fair value of corporate holding of securities	21.12	20.97	18.94	

RESULTS OF OPERATIONS

For the quarter ended September 30, 2017, Guardian's operating earnings were \$10.5 million, substantially unchanged from \$10.6 million reported for the same quarter in 2016. The operating earnings in the current quarter were dampened mainly due to the lower average AUM resulting in reduced operating earnings in the Investment Management Segment, offset partially by increased operating earnings in the Financial Advisory and the Corporate Activities and Investments Segments.

The Investment Management Segment's operating earnings in the current quarter were \$4.7 million, a \$0.5 million decrease from \$5.3 million in the same quarter in the prior year. The rebalancing out of Canadian equities by our clients during the previous quarters resulted in lower average AUM, management fee revenue and operating earnings this quarter.

The Financial Advisory Segment's operating earnings in the current quarter were \$2.7 million, \$0.2 million higher than the same quarter in the prior year. The growth was driven by continued growth in insurance commissions, offset partially by the increased technology expenditures, in particular those costs associated with our planned current technology platform conversion, and increased marketing and promotional expenditures.

The Corporate Activities and Investments Segment's operating earnings for the current quarter were \$3.0 million, \$0.2 million higher than the same quarter in the prior year. The increase substantially resulted from higher dividend income earned from a growing portfolio of securities.

Net gains for the current quarter were \$11.0 million, compared to a net gain of \$10.1 million in 2016. The net gains during the current quarter were related to gains realized on global equity securities within the consolidated investment funds and from the sale of 100,000 shares of the Bank of Montreal.

Net earnings available to shareholders were \$18.2 million in the current quarter, compared to \$17.4 million in the same quarter in the prior year. The increase was due largely to the increase in net gains.

EBITDA for the quarter was \$11.8 million, compared to \$12.1 million in the same period in 2016. The adjusted cash flow from operations for the quarter was \$4.8 million, compared to \$9.3 million in the same period in 2016, largely due to the payment of significant tax installments made this quarter.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

The following is a summary of the assets under management and administration:

As at (\$ in millions)	2017		2016	
	September 30	December 31	September 30	
Assets under management				
Institutional				
Canadian equities	\$ 12,006	\$ 13,294	\$ 13,141	
Global equities	3,636	3,306	3,346	
Fixed income	7,864	7,780	7,724	
	23,506	24,380	24,211	
Private client	2,829	2,900	3,058	
Total assets under management	\$ 26,335	\$ 27,280	\$ 27,269	
Assets under administration	\$ 17,271	\$ 16,489	\$ 16,134	

The AUM as at September 30, 2017 was \$26.3 billion, a decrease of 3% from \$27.3 billion at September 30, 2016, and December 31, 2016. The lower AUM in the current quarter compared to the prior periods was largely related to, as reported in prior periods, the rebalancing away from Canadian equities and internalization of co-advised funds by clients within the institutional investment management business and large partial withdrawals in our private wealth business resulting from client estate planning activities.

The AUA at September 30, 2017 was \$17.3 billion, a 5% increase from \$16.5 billion at December 31, 2016, and \$16.1 a 7% increase from billion at September 30, 2016.

REVENUES AND EXPENSES**Management Fee Income, Net**

Management fee income earned by the Investment Management Segment is generated by providing continuing investment management services to client AUM.

Management fee income, net of referral fees paid, for the quarter ended September 30, 2017 were \$17.3 million, a 3% decrease from \$17.7 million in the same quarter in the prior year. Both the institutional and private wealth units within the Investment Management Segment had some reduction in their management fees as a result of the lower average AUMs compared to the same quarter in 2016. Institutional management fees earned in the

current quarter were \$13.3 million, compared to \$13.4 million a year earlier. Private wealth and international private banking management fees, net of referral fees paid, earned in the current quarter amounted to \$4.0 million, compared to \$4.3 million a year earlier.

Financial Advisory Commission Revenue

Net commission revenue earned by the Financial Advisory Segment is generated from the sale of life insurance products, mutual funds and other securities, as well as from continuing trailer and servicing commissions related to AUA and in-force life insurance policies, net of commissions paid to advisors.

The net commission revenue for the current quarter was \$10.2 million, an increase of 13% compared to \$9.1 million a year earlier. Net commission revenue contributed by the Dealers business in the current quarter was \$3.3 million, equal to the same quarter in the prior year. The net commission revenue contributed by the MGA business in the current quarter was \$6.9 million, compared to \$5.8 million in the same quarter in the prior year. Included in the current quarter MGA revenue were \$2.7 million in life insurance service commissions, compared to \$2.4 million in the same quarter in the prior year, driven by higher premiums on in-force life insurance policies. The Premiums Sold in the current quarter were \$14.2 million and \$59.4 million for the nine months ended September 30, 2017, compared to \$19.1 million during the same quarter in the prior year and \$53.1 million for the nine months ended September 30, 2016. While Premiums Sold in the current quarter were lower, higher margins allowed for sales commission revenue to increase.

Administrative Services Income

Administrative services income is comprised of registered plan administration and other fees earned in the Financial Advisory Segment, trust and corporate administration and other related fees earned in the International Private Banking business, and fund administration fees earned from managed investment funds. This income amounted to \$3.3 million for the current quarter, no change from the same quarter a year earlier.

Dividend and Interest Income

The following is a summary of Guardian's dividend and interest income:

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2017	2016	2017	2016
Dividends on Bank of Montreal shares	\$ 3,420	\$ 3,602	\$ 10,372	\$ 10,927
Other dividends	1,637	1,117	5,526	3,656
Dividend income	5,057	4,719	15,898	14,583
Interest income	391	407	1,228	1,214
	\$ 5,448	\$ 5,126	\$ 17,126	\$ 15,797

The increase in dividend income in the current quarter compared to the same quarter in the prior year is due to higher dividends being earned on a larger portfolio of equity securities.

Expenses

Guardian's expenses increased to \$25.8 million in the current quarter, compared with \$24.5 million in the same quarter of 2016, largely as a result of our planned increased expenditures on technology, in particular the ongoing costs associated with the upcoming technology platform conversion in accordance with our strategic plan in the Financial Advisory Segment, and increased marketing and promotional expenditures in the MGA business.

NET GAINS

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2017	2016	2017	2016
Held for trading securities	\$ 4,948	\$ 4,438	\$ 24,851	\$ 8,372
Available for sale securities	6,180	5,571	13,998	18,658
Net gains on securities	11,128	10,009	38,849	27,030
Gains on disposal of intangible assets	149	292	531	824
Foreign exchange losses	(290)	(244)	(21)	9
Net gains	\$ 10,987	\$ 10,057	\$ 39,359	\$ 27,863

Net gains in the current quarter were \$11.0 million compared to \$10.1 million in the same quarter in 2016. The net gains in the current quarter were largely realized on global securities within the consolidated investment funds and on the sale of an additional 100,000 shares of Bank of Montreal common shares.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates; provide clients with a high comfort level; maintain appropriate levels of working capital in each of its areas of operation; make the necessary capital expenditures and investments to develop its businesses; and make appropriate use of borrowings, including financing the expansion of its businesses. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's balance sheet is supported by the substantial securities portfolio, as presented below:

As at (\$ in thousands, except per share amounts)	2017		2016	
	September 30	December 31	September 30	
Securities				
Proprietary investment strategies				
Short-term securities	\$ 9,777	\$ 12,567	\$ 9,002	
Fixed-income securities	15,313	10,484	10,189	
Canadian equities	20,948	13,507	18,952	
Global equities	190,462	161,153	146,405	
Real estate	11,480	23,759	19,646	
	247,980	221,470	204,194	
Bank of Montreal common shares	358,606	386,240	351,312	
Other securities	14,775	12,508	15,891	
Securities	\$ 621,361	\$ 620,218	\$ 571,397	
Total securities per share, diluted	\$ 21.12	\$ 20.97	\$ 18.94	

Guardian's securities as at September 30, 2017 had a fair value of \$621 million, or \$21.12 per share, diluted, compared with \$620 million, or \$20.97 per share, diluted, at the end of 2016. As at September 30, 2017, the securities were invested 58% in BMO shares and 42% largely in proprietary investment funds and strategies, compared with 62% and 38%, respectively, at the end of 2016. At the end of the current quarter, the non-Canadian equity exposure in the securities portfolio increased to 33%, compared to 28% at the end of 2016.

Guardian's shareholders' equity as at September 30, 2017 amounted to \$608 million, or \$20.67 per share, diluted, compared to \$580 million, or \$19.62 per share, diluted, at the end of 2016.

During the year, Guardian amended one of its credit facilities and increased its borrowing capacity from \$11.0 million to \$45.0 million. The amendment also enables the Company to offset certain cash balances against bank indebtedness for the calculation of interest. At the end of the current quarter, the total credit available, under various borrowing arrangements, amounted to \$137.0 million. Guardian's total bank borrowings at September 30, 2017 amounted to \$80.1 million, compared with \$62.7 million at the end of 2016; however, the debt balance for the purpose of calculating interest was offset by the cash held in certain of its operations, to a net balance of \$45.7 million.

Guardian's adjusted cash flow from operations for the current quarter was \$4.8 million, compared to \$9.3 million in the same quarter in 2016. The large decrease was largely the result of the payment of significant installments of the current year's taxes, which are expected to return to more normal levels in the next quarter. During the current quarter, Guardian made additional catchup tax installments. We expect the installment payments to return to more normal levels in the next quarter. Guardian primarily uses its adjusted cash flow from operations to fund its working capital, payment of quarterly dividends, share repurchases under its Normal Course Issuer Bid, redemption of equity based entitlements granted by the Employee Profit Sharing Plan and capital expenditures. Any excess adjusted cash flow from operations is used to either reduce debt or increase its investment in securities, while any shortfall is offset by either an increase in debt or the disposals of securities.

CONTRACTUAL OBLIGATIONS

Guardian has contractual commitments for the payment of certain obligations over a period of time. A summary of those commitments, including a summary of the periods during which they are payable, is shown in the following table:

As at September 30, 2017 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 80,100	\$ 80,100	\$ --	\$ --	\$ --
Third party investor liabilities	164,700	164,700	--	--	--
Client deposits	51,638	51,638	--	--	--
Accounts payable and other	40,951	40,951	--	--	--
Payable to clients	64,426	64,426	--	--	--
Investment commitment - real estate fund	24,279	24,279	--	--	--
Operating lease obligations	16,806	2,027	4,231	4,328	6,220
Total contractual obligations	\$ 442,900	\$ 428,121	\$ 4,231	\$ 4,328	\$ 6,220

Guardian's contractual commitments are supported by its strong financial position, including its securities, referred to above under the heading "Liquidity and Capital Resources". The payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the receivable from clients and broker. Client deposits in the offshore banking subsidiary are supported by the interest-bearing deposits with banks. The third party investor liabilities are supported by securities backing third party investor liabilities.

SUMMARY OF QUARTERLY RESULTS

The following chart summarizes Guardian's financial results for the past eight quarters:

Three months ended (\$ in thousand, except per share amounts)	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
Net revenue	\$ 36,315	\$ 37,208	\$ 38,618	\$ 38,240	\$ 35,185	\$ 34,191	\$ 35,070	\$ 34,353
Operating earnings	10,505	12,160	12,458	12,371	10,646	10,300	11,350	10,256
Net gains (losses)	10,987	10,783	17,589	10,754	10,057	1,028	16,778	9,658
Net earnings	18,232	19,638	25,518	19,859	17,475	9,169	24,072	17,362
Net earnings available to shareholders	17,987	19,387	25,003	19,417	17,353	8,887	23,818	17,138
Shareholders' equity	608,013	603,428	605,039	580,177	545,339	513,939	497,656	504,255
Net earnings available to shareholders per Class A and Common share								
Basic	\$ 0.65	\$ 0.70	\$ 0.91	\$ 0.69	\$ 0.61	\$ 0.31	\$ 0.83	\$ 0.59
Diluted	0.61	0.67	0.86	0.65	0.58	0.30	0.79	0.56
Shareholders' equity per Class A and Common share								
Basic	\$ 21.87	\$ 21.75	\$ 21.81	\$ 20.75	\$ 19.11	\$ 18.08	\$ 17.51	\$ 17.37
Diluted	20.67	20.54	20.58	19.62	18.07	17.10	16.63	16.55
Dividends paid	\$ 0.100	\$ 0.100	\$ 0.085	\$ 0.085	\$ 0.085	\$ 0.085	\$ 0.075	\$ 0.075

Management fees earned in the investment management segment and net trailer commissions earned in the financial advisory segment are highly correlated to the level of average AUM and AUA, respectively, and generally not subject to seasonal fluctuations. However, some seasonality exists in the commission revenues in the MGA business, where the last quarter of the year sees an increase in revenues from "volume bonuses" earned from the life insurance companies as certain volume thresholds are achieved. These volume bonuses are increasing each year and are becoming more significant as the business continues to grow. The capital reallocation activities, including dispositions of Bank of Montreal shares, investments in the UCITS fund and changes in the investment in the real estate fund, have had the effect of changing the level and the frequency of dividend income earned on the corporate holding of securities. In addition, as Guardian continues to increase its non-domestic exposure within the securities portfolio, we are seeing an increase in dividend income in the second and the fourth quarters of each year, due to dividends from foreign equities being paid semi-annually during those periods.

The quarterly net revenue during the periods shown above has generally been affected by the following influences: firstly, the general growth trend in average AUM and improved margins has resulted in higher management fees in the investment management business, other than in the third quarter of 2017 where the lower average AUM reduced the management fee revenue for the quarter; secondly, there has been a significant growth in commissions earned in the financial advisory segment due to the strong growth in the life insurance MGA business as a result of the acquisitions made in recent years and continued success in recruitment of advisors, together with continuing growth in the Dealers; thirdly, the growth in net revenue during the quarters ended March 31, 2017 and December 31, 2016 reflected the significant increased sales of life insurance products by the MGA business; and finally a spike in net revenue during the first quarter of 2016 was due largely to an increase in fee revenue earned from increased transactional activities in the International Private Banking business.

Operating earnings have been influenced by the growth in revenues described above, offset by the additional expenditures associated with Guardian's strategic plan to invest in the business in the form of additional resources, technology investments and other expenditures.

Net gains (losses) can fluctuate from quarter to quarter for several reasons. Net gains (losses) on held for trading securities, mainly the securities held within the consolidated mutual funds, can fluctuate depending on the level of investment activities and the movements in equity markets. On available for sale securities, they can fluctuate based on the timing of the disposition of securities. The more significant disposals of available for sale securities occurred in the quarters ended September 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, March 31, 2016 and December 31, 2015, when Guardian disposed of some of its holdings of BMO shares. In addition, net gains (losses) may fluctuate due to the exchange rate movements on non-functional currencies held.

The quarterly fluctuations in Shareholders' equity shown above have been largely caused by changes in the value of securities, including the investment in the BMO common shares, less the provision for deferred income taxes and the effects of changes in foreign currency rates on the net assets of foreign subsidiaries.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 14 to Guardian's third quarter Consolidated Financial Statements for additional information on financial risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since management fees are generally based on market values. In the financial advisory business, market fluctuations can have a significant impact on the amounts being invested by the clients, increasing or reducing our commission revenues. We manage the risk of market fluctuations by having a diversified client base with different investment needs and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's security holdings are managed independently of clients' assets, except for those of our assets that are invested in Guardian's investment funds.

Portfolio Value and Concentration Risks

Guardian's securities are subject to price risk. The potential impact of market fluctuations on the value of the securities is provided in note 14 to Guardian's third quarter 2017 Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. Guardian currently holds \$359 million in Bank of Montreal shares, which represents 58% (December 31, 2016 – 62%) of Guardian's securities. Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its exposure over time, disposing over 1.1 million shares of the bank since the second quarter of 2013. With the exception of the investment in the Bank of Montreal shares, the securities are diversified from both an asset class and a geographical perspective. At the end of the current quarter, the corporate holding of securities consisted of 63% (December 31, 2016 - 68%) Canadian equities, consisting mainly of the Bank of Montreal shares, 33% (December 31, 2016 – 28%) non-Canadian equities and 3% (December 31, 2016 – 4%) fixed income securities. All securities are held by well-known independent custodians chosen by Guardian.

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings, but are recorded as changes in the "foreign currency translation adjustment" in Guardian's Statements of Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets. In addition, the operating results of these subsidiaries can fluctuate with the change in the foreign currency exchange rates against the Canadian dollars. These foreign currency exposures are not actively managed, due to the long-term nature of these investments, but is closely monitored by management. From time to time, the foreign subsidiaries hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, Guardian recognizes equal and offsetting gains or losses in "Other comprehensive income". This is not considered to be a currency risk as there is no economic risk to Guardian.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds is managed by the monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manage the funds' credit risk. From time to time, advisors in the Financial Advisory segment may owe to the Dealers or the MGA, advances received or amounts resulting from reversal of commissions. The credit risk associated with these amounts are mitigated by management's review of the advisors' ability to repay the advances or the potential commission reversals, particularly in the MGA business, before amounts are paid to the advisors.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks. The interest rate risks associated with Guardian's investment in fixed-income mutual funds and bonds are managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from operations, by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total \$137 million through three credit facilities, and leveraging the support of its significant security portfolio. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations, the securities holdings and the borrowing facilities provide sufficient cash resources to manage its liquidity risk.

Regulatory and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of certain of Guardian's subsidiaries, they may, from time to time, be subject to claims or complaints from investment clients and sanctions from governing bodies. These risks are mitigated by maintaining relevant in-house competence in laws and regulations, compliance and product review oversight, adequate insurance coverage and, where appropriate, utilizing assistance from external advisors.

Financial Advisory Risk

Because of the number of advisors who publicly represent each of the Worldsource operating entities, there are risks associated in their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of the Worldsource organization, significant management oversight and insurance coverage carried by both Worldsource and the advisors.

Information Technology and Cybersecurity Risk

Guardian uses information technology and the internet to streamline business operations and to improve client and advisor experience. However, with the use of information technology, including the use of mobile devices, and the use of internet, such as emails and other online capabilities, Guardian is exposed to information security and other technology disruptions risks that could potentially have an adverse impact on its business. Guardian actively monitors this risk and continues to develop controls to protect against such threats that are becoming more sophisticated and pervasive.

Competition Risk

Guardian operates in a highly competitive environment, with competition based on a variety of factors including investment performance, the type and quality of products offered, business reputation and financial strength. Loss of client assets to competition will result in losses of revenue and earnings to Guardian. Guardian attempts to mitigate this risk by developing and maintaining a competitive product line and competitive relative performance of its products, through the recruitment and retention of high quality investment professionals and a high quality management team. Our ability to compete is also enhanced by our large capital base, which provides Guardian with the financial strength to invest in the development or acquisition of businesses. It also provides existing and future clients with comfort which allows Guardian to better compete in winning and retaining these clients.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, and amendments to existing standards, have been issued by the International Accounting Standards Board ("IASB"), which are effective for Guardian's consolidated financial statements in future periods. Two standards in particular are effective for Guardian's annual periods beginning on January 1, 2018, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

Guardian's initial review and assessment of the potential impact of adopting these two standards are provided in the notes to the Consolidated Financial Statements contained in Guardian's Third Quarter 2017 Report to Shareholders. The review and assessment phase for these two standards is expected to be completed in early fourth quarter of this year and the implementation phase to commence in the same quarter.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's December 31, 2016, Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities which are classified as level 3 within the fair value hierarchy. These valuation approaches are most sensitive to the levels of AUA and annual service fees for goodwill and the level of AUM for the determination of fair value of level 3 securities. No changes to the valuation methodologies were made during the current quarter.

NON-IFRS MEASURES**EBITDA and EBITDA per share**

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses, less amounts attributable to non-controlling interests. EBITDA per share is calculated using the same average shares outstanding as are used in calculating net earnings available to shareholders per share. Guardian believe these are important measures, as it allows management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measures are "Net earnings" and "Net earnings available to shareholders per share, diluted", which are disclosed in Guardian's Consolidated Statements of Operations.

The following is a reconciliation of the IFRS measures to the non-IFRS measures:

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2017	2016	2017	2016
Net earnings, as reported	\$ 18,232	\$ 17,475	\$ 63,388	\$ 50,716
Add (deduct):				
Income tax expense	3,260	3,228	11,094	9,443
Net losses (gains)	(10,987)	(10,057)	(39,359)	(27,863)
Stock-based compensation	520	463	1,468	1,270
Interest expense	191	192	586	633
Amortization	1,051	1,040	3,129	3,115
Non-controlling interests	(456)	(276)	(1,719)	(1,164)
EBITDA	\$ 11,811	\$ 12,065	\$ 38,587	\$ 36,150

Adjusted cash flow from operations and adjusted cash flow from operations per share

Adjusted cash flow from operations and the per share amount are used by management to measure the amount of cash either provided by or used in Guardian's operating activities available to shareholders, without the distortions caused by fluctuations in its working capital. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. Adjusted cash flow from operations per share is calculated using the same average shares outstanding as are used in calculating net earnings available to shareholders per share.

The following is a reconciliation of the IFRS measure to the non-IFRS measures:

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2017	2016	2017	2016
Net cash from operating activities, as reported	\$ 11,924	\$ 9,929	\$ 20,374	\$ 27,673
Add (deduct):				
Net change in non-cash working capital items	(6,644)	(475)	998	1,447
Non-controlling interests	(495)	(161)	(1,311)	(809)
Adjusted cash flow from operations	\$ 4,785	\$ 9,293	\$ 20,061	\$ 28,311

Shareholders' equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which is created by Guardian's operations. The most comparable IFRS measure is Shareholders equity, which is disclosed in Guardian's Consolidated Balance Sheet. Shareholders' equity per share is calculated by dividing shareholders' equity by the number of shares and dilutive shares outstanding as at period end.

Securities per share

Securities per share is used by management to indicate the value available to shareholders created by Guardian's investment in securities, without the netting of debt or deferred income taxes associated with the unrealized gains. The most comparable IFRS measure is Securities which is disclosed in Guardian's Consolidated Balance Sheet. Securities per share is calculated by dividing securities by the number of shares and dilutive outstanding as at period end.

OUTLOOK

According to the International Monetary Fund (IMF), real GDP growth has accelerated globally in 2017, the first uptick in the rate of expansion of the world economy since the initial, post crisis snapback, in 2010 and the momentum is projected to be sustained into 2018. A big reason for this upward trajectory is the fact that, just as this economic expansion finishes celebrating its eighth birthday, more countries are joining the growth party. All 45 major economies tracked by the Organisation for Economic Co-operation and Development are projected to grow in 2017, the first time there has been such a degree of synchronized growth in a decade. Moreover, of the 191 economies tracked by the IMF, 179 are projected to expand this year, also the highest share in a decade, and that tally is expected to continue to increase next year. Expansions are stronger when they are broadly-based because such an environment can help create a "virtuous cycle" of growth, rising demand in one economy creates rising demand for another country's exports, which in turn supports domestic demand there and further supports more exports. It is no coincidence that this breadth of synchronized economic improvement comes at a time when growth in global trade flows are accelerating. However, the rate of acceleration in global growth is likely going to be fairly tepid by historical standards. Absent some sort of catalyst to drive a productivity surge, it is highly unlikely that we will return to growth rates that will rival the Tech Boom of the 1990s in the foreseeable future. This is because, while the breadth of growth is improving, not all growth is created equal. Thanks to the rapid maturation of the major Emerging Market economies (China and India, in particular), the world is no longer getting the lift from 10% annual growth rates from countries that carry enough weight to really significantly improve growth rates. Globally, most asset classes appear expensive relative to their historical norms, but in a period of very low interest rates and inflation it is to be expected that valuations can appear high. Central banks are starting to look to withdraw from the emergency monetary stimulus brought on by the housing crash, and the various crises that followed, the Bank of Canada, the Federal Reserve and the Bank of England have started slowly increasing rates while the European Central Bank is hinting they will start removing accommodation as well. Fortunately, prevailing low rates of inflation, and a fear on the part of central banks of making big mistakes, means not much urgency and expectations that there are still good returns available to investors who are able to pick their spots wisely. Risks certainly remain with potential friction on trade between the USA, its NAFTA partners and even China. Analysts and the public are also worried about geopolitical risks, particularly concerning North Korea, and to a lesser extent, Iran. Absent any problems in these areas, we continue to expect reasonable stability in the markets.

The performance of the S&P/TSX Composite Index remains the external factor having the greatest effect on Guardian's performance, as the majority of our AUM or AUA are exposed to it. Guardian's efforts to diversify its investment solutions by building its systematic global investment capabilities over the past decade have served to offset a portion of its current high concentration on Canadian equity solutions. We are also investing in additional global capabilities, with the presence of our UK-based fundamental investment team which, together with our global systematic capabilities, reflect our desire to establish new abilities, outside of our existing specialty in managing Canadian assets. The establishment of our UK office and the hiring of a distribution team in the US reflects our desire to tap into new markets for our next phase of growth. To support these growth plans we have also invested over \$200 million of our own capital into our proprietary strategies to give them greater scale and better align our interests with those of our clients and prospective clients, with the expectation that it will accelerate the growth in those strategies. Although we continue to incur operating losses with our business in the UK, we are encouraged by the frequent and high quality discussions we are having with existing and prospective clients, and the steady trickle of new assets into these investment capabilities.

As we continue to increase our exposure to Global equities in both our underlying AUM and corporate securities portfolio, Guardian's performance will increasingly be better diversified from the concentrated risks and economic variables impacting the Canadian equity market, towards the broader characteristics of the overall global equity market.

The Canadian equity markets are also a significant factor for Guardian's Financial Advisory Segment and its AUA. However the segment's financial contribution from its Managing General Agency, which has lower correlation to the equity markets than our Dealers business, and the generally balanced allocation of AUA throughout the advisor books of business, better positions this segment to absorb negative impacts, should Canadian markets suffer a decline.

Both the Investment Management and Financial Advisory businesses have the financial strength of Guardian's balance sheet to support their patient, long-term strategic business objectives of becoming even more meaningful contributors to operating profit for Guardian. As we succeed in executing our operating business growth plans, we also intend to continue rewarding our shareholders, by paying out cash in the form of both dividends and share buybacks.