Guardian

Guardian Capital Group Limited
Report to Shareholders

First Quarter 2018

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three months ended March 31, 2018. All per share figures disclosed below are stated on a diluted basis.

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2018**	2017
Net revenue	**$ 41,516**	$ 38,618
Operating earnings	**10,504**	12,458
Net gains (losses)[2]	**(15,932)**	25,871
Net earnings (loss) attributable to shareholders[2]	**(6,208)**	33,285
EBITDA [1]	**$ 12,471**	$ 13,306
Adjusted cash flow from operations [1]	**8,764**	10,122
Per share:		
Net earnings (loss) attributable to shareholders[2]	**$ (0.23)**	$ 1.14
EBITDA [1]	**0.44**	0.46
Adjusted cash flow from operations [1]	**0.31**	0.35

As at *($ in millions, except per share amounts)*	**2018 March 31**	2017 December 31	2017 March 31
Assets under management	**$ 29,457**	$ 27,250	$ 26,967
Assets under administration	**17,601**	17,795	16,958
Shareholders' equity	**624**	634	605
Securities	**648**	652	636
Per share:			
Shareholders' equity [1]	**$ 21.98**	$ 21.88	$ 20.58
Securities [1]	**22.84**	22.49	21.63

Summary

Effective January 1, 2018, the Company adopted a new accounting standard International Financial Reporting Standard 9 - *Financial Instruments,* on a retrospective basis. As described in the Company's previous disclosures, this new standard introduces significant volatility into the Company's Net gains (losses) and therefore its Net earnings (loss). In reviewing the Company's results, in addition to considering Net earnings (loss), it may therefore be beneficial for readers to consider other measures, such as operating earnings and EBITDA[1], which provide views of the Company's results without the volatility introduced by the new standard. Prior period figures have been restated to reflect the retrospective application of the new standard.

The Company closed, on January 2, 2018, the previously announced acquisition of a 70% interest in Alta Capital Management, LLC ("Alta"), a Utah-based, investment management firm with $3.2 billion USD in assets under management ("AUM"). The current quarter is the first reporting period to include the results of Alta.

The Company's operating earnings for the quarter ended March 31, 2018 were $10.5 million, compared to $12.5 million during the same quarter in the prior year. This decrease in operating earnings was due to several factors. Firstly, the operating earnings contribution from the MGA business decreased in the current quarter by $1.5 million compared to the prior year. As previously reported, this was largely the result of the prior year's operating earnings being unusually high as insurance sales volumes were higher due to incoming tax changes. Secondly, operating expenses were higher in both the Investment Management and the Financial Advisory Segments. The Investment Management Segment incurred a one-time expense of approximately $1 million related to the integration of Alta, and the Financial Advisory Segment incurred additional expenses related to its technology platform upgrade in the current quarter. Thirdly, operating earnings decreased in the Corporate Activities and Investments Segment by $0.7 million, largely due to the deconsolidation of earnings from the Global UCITS fund. Finally, these were partially offset by the operating earnings contribution from Alta of $1.9 million.

As a result of significant unrealized losses on securities, including the Bank of Montreal shares, the Company recorded $15.9 million in Net losses in the current quarter, compared to Net gains of $25.9 million in the prior year. In future periods, similar unrealized gains or losses will continue to be included in Net gains (losses) in arriving at the Company's Net earnings.

As a result of the Net losses described above, the Company is reporting Net losses attributable to shareholders in the current quarter of $6.2 million, compared to Net earnings attributable to shareholders of $33.3 million in the prior year.

The Company's AUM was $29.5 billion as at March 31, 2018, compared to $27.3 billion at the end of 2017 and $27.0 billion as at March 31, 2017. The increase in AUM is due largely to the addition of $4.2 billion ($3.2 billion USD) in client assets managed by Alta, partially offset by an outflow of assets and negative financial market performance. The Company's assets under administration were $17.6 billion as at March 31, 2018, compared to $17.8 billion at the end of 2017 and $17.0 billion as at March 31, 2017.

EBITDA[1] for the current quarter was $12.5 million, or $0.44 per share, compared to $13.3 million, or $0.46 per share for 2017. Adjusted cash flow from operations[1] for the current quarter was $8.8 million, or $0.31 per share, compared to $10.1 million, or $0.35 per share for 2017. These two non-IFRS financial measures used by the Company are defined in our quarterly and annual Management's Discussion and Analysis.

The Company's shareholders' equity as at March 31, 2018 was $624 million, or $21.98 per share, compared to $634 million, or $21.88 per share as at December 31, 2017, and $605 million, or $20.58 per share, as at March 31, 2017. The fair value of the Company's Securities as at March 31, 2018 was $648 million, or $22.84 per share, compared to $652 million, or $22.49 per share, as at December 31, 2017, and $636 million or $21.63 per share, as at March 31, 2017.

(1) These terms do not have standardized measures under International Financial Reporting Standard ("IFRS"). These non-IFRS measures used by the Company are defined in the quarterly Management's Discussion and Analysis, including a reconciliation of these measures to their most comparable IFRS measures.

(2) The Company adopted IFRS 9 – *Financial Instruments* on January 1, 2018 on a retrospective basis. The prior period figures have been restated to reflect the application of this new standard.

Commentary and Outlook

Market volatility returned in the first quarter of 2018, as the North American stock market indices entered 2018 with momentum from global economic growth and the added tailwind of U.S. President Trump's tax cuts in late 2017. The S&P 500 hit an all-time high on January 26, 2018. However, the markets dipped sharply in February on fears of a trade war, as Trump began implementing trade tariffs and U.S. trade partners retaliated. Bitcoin, the cryptocurrency supported by blockchain technology, lost the lustre that it had in 2017 and fell 50%, while other recent performance darlings also had corrections, including Canada's Cannabis stocks and the mega cap FAANG (Facebook, Amazon, Apple, Netflix, and Alphabet-Google). During the quarter, the S&P/TSX Composite generated a total return of negative 4.5%, and the S&P 500 generated a total return of negative 0.8%. Globally, most major developed markets had negative returns and, relative to the S&P 500, all of the key developed markets underperformed. Guardian continues to face headwinds in its core Canadian investment business, but GuardCap, our global fundamental team, and our newly acquired US Investment team at Alta Capital Management, had success in generating net sales. While not yet significant enough to materially offset some of the headwinds facing our traditional Canadian investment business, the signs are very promising that both these teams will have tremendous opportunity to provide much more meaningful contributions in the near future.

Guardian's core business continues to be Investment Management. Asset management firms with a focus on the Canadian equity market have faced constant headwind for the past number of years, owing to its historical overweight or bias toward its domestic market, investments in which have been consistently reduced by many institutional investors. Over the past twenty years, we have seen institutional investor asset allocation to Canadian equities reduced toward the low teens or even single-digit percentage allocations. The executive team at Guardian is constantly considering this threat and making investments that we feel will be able to withstand the challenges we face, and indeed flourish. Our primary goal over the last few years has been to diversify our investment management capabilities beyond our core Canadian competency. With the recent completion of our acquisition of US based Alta Capital Management, and our organic building of both a global systematic investment team in Toronto and a fundamental global and emerging market equity team in London, UK, we have built a meaningful amount of assets under management in non-Canadian investments. We believe that with a broad investment platform offering unique high-conviction and innovative multi-factor solutions, there will be considerable growth opportunities available across all of the platforms in the foreseeable future.

In addition to broadening our portfolio management capabilities, we have also been investing heavily to expand the distribution of our investment management capabilities. Through both proprietary and third-party distribution partnerships, we have broadened our geographic reach over the past number of years to add clients beyond Canada, including US, UK, Continental Europe and the Far East. We have also been expanding the client base across the three client groups we serve: institutional, retail intermediary and private wealth. Although progress can be observed, we are far from reaching our goals. We now have the capability to service a far greater client base than ever before. Institutionally, we have greater appeal to investors across the globe for our successful investment teams and solutions added over the last several years. In the retail intermediary market, we have significantly bolstered the roster of broker dealer partners in the US following the acquisition of Alta, as they were very successful in building such relationships. We are excited to focus our joint resources to grow our product offering and assets on those networks. Lastly, but certainly not any less important, Guardian's private wealth business unit has demonstrated consistent growth over several years and is well-positioned to benefit from the significant inter-generational wealth transfer which we have witnessed in recent years.

The expansion of our investment management business into other jurisdictions has made our business more complex, but we are better prepared today to deal with this complexity, due to our prudent organic investment over the years and the recent acquisition in the US. A tremendous intangible benefit gained over these years is the know-how and infrastructure to deal with these increased complexities. Overall, we have put in place the operational support and capacity to add assets under management and to expand the marginal fees we earn. Despite the industry challenges and the intense competition, we feel very excited that many of the investments we have made over the last few years will make our current business more resilient and position us for the opportunity for significant growth in the years ahead. In the first quarter, our Investment Management Segment delivered operating earnings of $5.1 million, a slight improvement over the prior year. The results for Q1 2018 do include a positive contribution from our recently acquired Alta business, but have been negatively affected by one-time costs related to integration of our sales teams, as well as by lower assets under management in our Canadian equity business. Given the effort, time and financial commitment that has been expended to date, we believe there will be a great deal more growth in the overall operating earnings of this business segment. However, the timing of this success is difficult to predict with any accuracy. We believe we are close to some transformational changes, but it is never lost on us that this business is one that requires the patience of time, as success is often years in the making. We will continue to monitor the strategy for this segment, and make the tactical investments we deem necessary to achieve the next meaningful increase in its operating earnings.

Worldsource, our Financial Advisory Segment, which serves independent financial advisors across Canada, had another successful quarter with positive operating earnings. Our mutual fund and securities dealerships (Dealers) had good revenue and assets under administration growth but the operating earnings of the segment were adversely affected, as anticipated, by our implementation of a new leading-edge core technology platform in the mutual fund dealer. The new technology platform will offer us improved efficiencies for our advisor network, and automated tools that will allow us to improve our overall offering and lead to further success in maintaining and recruiting advisors for years to come. As with any major technology system implementation, there has been some disruption, and unanticipated extra costs, which are likely to continue throughout the first half of 2018, but we retain our conviction that the upgrade was necessary and the time was right to move forward. Our Managing General Agency (MGA), which supports independent life insurance agents' production of life insurance and related products, endured a decline in year over year revenues and earnings. This decline was anticipated, and is the result of a very strong demand for insurance products at the end of 2016 and into 2017, due to tax changes. Despite the return to more normalized life insurance policy sales in Q1 2018 after the tax induced volumes in late 2016 and early 2017, we do remain encouraged about the continuing growth of this business, as both organic growth and recruitment of new advisors have resulted in a significant increase in volume of life policies submitted for consideration, a leading indicator for future sales commissions. Overall, the Financial Advisory Segment contributed $2.9 million in operating earnings in Q1, representing roughly 27% of Guardian's total operating earnings in the quarter.

Over the past few years, we have demonstrated a very strong ability to attract advisors to our MGA, and to a lesser extent, our Dealers. As we complete our technology implementation program at our mutual fund dealership, we believe we can focus our efforts on recruiting for this platform, and will consider being slightly more aggressive in these efforts. Both the Dealers and the MGA are susceptible to the forces of technological changes. However, in both businesses, we believe that the value of trusted relationships, which have been built over many years by our advisors, will sustain and build this business. Through our network of advisors, Worldsource serves the needs of thousands of families. These relationships have taken years to acquire, and are not easily disrupted by the latest technology, as most clients prefer the guidance of a trusted advisor, particularly when their needs are not rudimentary solutions that can easily be advised through do-it-yourself solutions. The greatest competitive force to serving clients will be for advisor platforms such as Worldsource to embrace technology tools, which will combine the power of both elements to best serve the client.

In addition to the strength in our Investment Management and Financial Advisory Segments, steady and reliable investment income from our corporate securities portfolio is an important contributor in our overall profitability, Much of this income is derived from our holdings in the Bank of Montreal. In the quarter, we did not sell any BMO, and continue to hold 3,700,000 shares, with a fair market value of $360 million. This holding represents approximately 56% of our total corporate marketable securities portfolio, down from 61% a year earlier and roughly flat from year end. In Q1 2018, global equity markets displayed a fair amount of volatility but ultimately our portfolio was reasonably flat, ending the quarter at a value of $648 million, down slightly from $652 million at year end. We remain convinced that over the long term, having a good proportion of our corporate investment portfolio exposed to quality large-cap global companies is a prudent management of risk, by diversifying both the concentration risk and currency exposure of the portfolio. This diversification is even more compelling as we use our corporate investment portfolio to strategically invest in our new asset management capabilities, from which we expect to grow meaningful fee generating assets under management from new clients.

The combination of a diverse holding of financial service businesses and our strong liquid balance sheet has positioned us to fund strategic opportunities and further diversify our capabilities, while continuing to invest in maintaining and strengthening our existing core competencies. As a management team, we are constantly on the lookout for high quality individuals, teams and ideas that can help us achieve our goals of meeting our clients' objectives, providing best-in-class solutions, and being viewed as a highly respected independent investment and wealth management firm. In the last few years, our investment in human capital has included the successful recruitment of senior management talent across the organization, to provide the increased experience and depth required to tackle many of the growing opportunities and challenges for the group. We will continue to search for and hire bright, talented and dedicated people in all of our lines of business, who will be given the opportunity to learn new skills with us and critically create new ideas and new ways to bring success to our firm, our people and our clients.

Over the last few years, we have commented on the possibility of complementing our traditional organic growth approach by taking advantage of our strong financial position and good reputation to acquire businesses in the financial services industry. With our acquisition of a majority position in Alta, we feel that we have partnered with a team that has a very good opportunity to help us attain all three of our major goals for an acquisition, namely: 1) providing an opportunity to develop a sustainable, profitable business; 2) diversifying from our concentrated exposure to Canadian equities; and 3) contributing to building our global footprint. We anticipate that 2018 will be a year during which we focus our efforts to integrate our newly acquired business in the US and seek higher growth from all the organic investments we have been making over the last few years. There remains an interest across all of our businesses to consider growth by acquisition; however, we will, as always, remain cautious and disciplined when we look at complementary businesses, and will continually consider as potential partners only those who can deliver on one or more of these three key strategic objectives.

Quality companies generate strong free cash flows and, as we grow this financial metric, Guardian is committed to returning an ever-increasing amount of cash to its shareholders. Guardian returned over $13 million to shareholders by repurchasing and cancelling 511,000 shares in the first quarter of 2018. In addition, we paid out more than $2.8 million in dividends this quarter. In February, we announced our intention to increase our quarterly dividend from $0.10 per share to $0.125 per share, an increase of 25%, which was paid in April of this year. The Board is pleased to report that we have declared the next quarterly dividend of $0.125 per share, payable on July 18, 2018 to the shareholders of record on July 11, 2018.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. Clients, Shareholders, Employees, Partners and other Stakeholders of Guardian should be assured that from top to bottom, our organization embraces the responsibilities with which we are entrusted very seriously, and is continuously striving to make improvements to all aspects of how we do business. As long as we continue to live up to these expectations, all of our stakeholders should expect to benefit from our success.

On behalf of the Board,	May 10, 2018
(signed) "James Anas"	(signed) "George Mavroudis"
Chairman of the Board	President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	March 31 2018	Restated (note 2b) December 31 2017
ASSETS		
Current assets		
Cash	$ 38,016	$ 48,887
Interest-bearing deposits with banks	54,646	52,637
Accounts receivable and other	41,215	39,087
Receivables from clients and broker	49,182	63,366
Securities backing third party investor liabilities (note 3)	6,107	5,688
	189,166	209,665
Securities (note 4)	648,143	652,176
Other assets		
Deferred tax assets	1,548	1,557
Intangible assets	98,067	29,575
Equipment	4,452	4,497
Goodwill	45,356	15,014
	149,423	50,643
Total assets	$ 986,732	$ 912,484
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 5)	$ 128,457	$ 55,859
Third party investor liabilities (note 3)	6,107	5,688
Client deposits	53,283	52,653
Accounts payable and other	29,760	41,011
Income taxes payable	945	1,333
Payable to clients	49,182	63,366
	267,734	219,910
Other liabilities (note 6)	28,583	--
Deferred tax liabilities	59,353	51,370
Total liabilities	355,670	271,280
EQUITY		
Shareholders' equity		
Capital stock (note 7a and 7b)	19,500	19,871
Treasury stock (note 8a)	(25,645)	(23,764)
Contributed surplus	16,061	15,882
Retained earnings	595,305	617,179
Accumulated other comprehensive income	18,290	5,248
	623,511	634,416
Other equity interests	7,551	6,788
Total equity	631,062	641,204
Total liabilities and equity	$ 986,732	$ 912,484

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*		**2018**		Restated (note 2b) 2017
Revenue				
Gross commission revenue	$	34,720	$	33,966
Commissions paid to advisors		(24,313)		(22,507)
		10,407		11,459
Management fee income, net (note 9)		22,256		17,964
Administrative services income		3,434		3,704
Dividend and interest income (note 10)		5,419		5,491
Net revenue		41,516		38,618
Expenses				
Employee compensation and benefits		19,101		16,219
Amortization		2,266		1,026
Interest		620		208
Other expenses		9,025		8,707
		31,012		26,160
Operating earnings		10,504		12,458
Net gains (losses) (note 11)		(15,932)		25,871
Net earnings (loss) before income taxes		(5,428)		38,329
Income tax expense (recovery)		(149)		4,529
Net earnings (loss)		(5,279)		33,800
Other comprehensive income				
Net change in foreign currency translation on foreign subsidiaries		13,708		(902)
Comprehensive income	$	8,429	$	32,898
Net earnings (loss) attributable to:				
Shareholders	$	(6,208)	$	33,285
Non-controlling interests		929		515
	$	(5,279)	$	33,800
Net earnings (loss) attributable to shareholders per Class A and Common share (note 12)				
Basic	$	(0.23)	$	1.21
Diluted		(0.23)		1.14
Comprehensive income attributable to:				
Shareholders	$	6,834	$	32,383
Non-controlling interests		1,595		515
Comprehensive income	$	8,429	$	32,898

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31 *($ in thousands)*	2018	Restated (note 2b) 2017
Total equity, beginning of period	$ 641,204	$ 585,470
Shareholders' equity, beginning of period	634,416	580,177
Capital stock, beginning of period	19,871	20,268
Acquired and cancelled (note 7c)	(371)	(95)
Capital stock, end of period	19,500	20,173
Treasury stock, beginning of period	(23,764)	(22,342)
Acquired (note 8a)	(2,255)	(2,300)
Disposed of (note 8a)	374	15
Treasury stock, end of period	(25,645)	(24,627)
Contributed surplus, beginning of period	15,882	13,972
Stock-based compensation expense	529	432
Redemption of equity-based entitlements	(350)	(10)
Contributed surplus, end of period	16,061	14,394
Retained earnings, beginning of period	617,179	546,259
Net earnings (loss) available to shareholders	(6,208)	33,285
Dividends declared and paid (note 7d)	(2,836)	(2,456)
Capital stock acquired and cancelled (note 7c)	(12,830)	(3,107)
Retained earnings, end of period	595,305	573,981
Accumulated other comprehensive income, beginning of period	5,248	22,020
Other comprehensive income	13,042	(902)
Accumulated other comprehensive income, end of period	18,290	21,118
Shareholders' equity, end of period	623,511	605,039
Other equity interests, beginning of period	6,788	5,293
Non-controlling interests, beginning of period	6,788	5,293
Net earnings	929	515
Other comprehensive income	666	--
Acquisition of subsidiary (note 16)	21,596	--
Non-controlling interests, end of period	29,979	5,808
Obligations to non-controlling interests, beginning of period	--	--
On acquistion of subsidiary (note 6)	(21,596)	--
Change during period	(832)	--
Obligations to non-controlling interests, end of period	(22,428)	--
Other equity interests, end of period	7,551	5,808
Total equity, end of period	$ 631,062	$ 610,847

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31 *($ in thousands)*	2018	Restated (note 2b) 2017
Operating activities		
Net earnings (losses)	$ (5,279)	$ 33,800
Adjustments for:		
Income taxes paid	(3,529)	(3,235)
Income tax expense	(149)	4,529
Net (gains) losses	15,932	(25,871)
Amortization of intangible assets	2,041	847
Amortization of equipment	225	179
Stock-based compensation	529	432
Other non-cash expenses	117	94
	9,887	10,775
Net change in non-cash working capital items (note 14)	(15,268)	(11,161)
Net cash from (used in) operating activities	(5,381)	(386)
Investing activities		
(Acquisition) disposition of securities	(1,135)	9,665
(Acquisition) deposition of securities backing third party investor liabilities	70	(18,738)
Income taxes paid	(1,426)	(5,705)
Acquisition of intangible assets	(2,338)	(719)
Acquisition of equipment	(152)	(291)
Disposition of intangible assets	1,019	487
Acquisition of subsidiary (note 16)	(56,327)	425
Net cash used in investing activities	(60,290)	(14,876)
Financing activities		
Dividends	(2,836)	(2,456)
Acquisition and cancellation of capital stock	(13,201)	(3,202)
Acquisition of treasury stock	(2,255)	(2,300)
Disposition of treasury stock	374	15
Net proceeds (repayments) of bank loan and bankers acceptances	85,521	(5,950)
Net subscriptions (redemptions) from third party investors	(70)	18,738
Net cash from financing activities	67,533	4,845
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	191	(252)
Net change in net cash	2,052	(10,669)
Net cash, beginning of period	31,128	37,974
Net cash, end of period	$ 33,180	$ 27,305
Net cash represented by:		
Cash	$ 38,016	$ 37,388
Bank indebtedness	(4,836)	(10,083)
	$ 33,180	$ 27,305

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

Guardian Capital Group Limited ("Guardian") is a publicly traded company with its common and class A shares listed on the Toronto Stock Exchange. Guardian is incorporated under the laws of the Province of Ontario, and its principal business office is located at Suite 3100, 199 Bay Street, Toronto, Ontario. Guardian, through its subsidiaries, provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio.

2. ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2017, except for the adoption of IFRS 9 – Financial Instruments and IFRS 15 - *Revenue from Contracts with Customers* which were adopted on January 1, 2018. The new standards are discussed in more detail below. The prior period figures have been restated to reflect the retrospective application of IFRS 9. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017, which are included in the Company's 2017 annual report.

These consolidated interim financial statements are presented in Canadian dollars, which is Guardian's functional currency. In these notes, all dollar amounts and numbers of shares are stated in thousands. Per share amounts and option exercise prices are stated in dollars and cents.

Certain reclassifications have been made to the 2017 comparative financial information in order to conform to the current period's presentation.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on May 10, 2018.

(b) Changes in Accounting Policies

(i) Financial Instruments

On July 24, 2014, the ISAB issued the final version of IFRS 9 - *Financial Instruments* ("IFRS 9"), which replaces IAS 39 - *Financial Instruments: Recognition and Measurement*, with a more simplified guidance on the classification and measurement of financial instruments. The Company adopted IFRS 9 on January 1, 2018 and has elected to apply it on a retrospective basis with restatement of comparative amounts and balances.

In applying the new standard, there are no changes to how the carrying values of the Company's financial instruments held are determined. However, the recording of changes in fair values of certain financial instruments has changed. On transition, the Company's securities, previously classified as Available for Sale ("AFS") and Held for Trading ("HFT"), were reclassified as Fair Value Through the Profit or Loss ("FVTPL"). As AFS classification was eliminated upon transition, changes in fair value of those securities will no longer flow through other comprehensive income but rather through net earnings.

The implementation of IFRS 9 also resulted in the transfer of accumulated unrealized gains on AFS securities, net of taxes, from accumulated other comprehensive income to retained earnings.

The following tables summarize the effects of the adoption of IFRS 9 on the Company's consolidated financial statements:

The 2017 figures below reflect the adjustments from the previously reported balances, under the previous standard. The 2018 figures reflect the differences between the current balances under IFRS 9, compared with what the balances would have been under the previous standard.

As at ($ in thousands)	March 31, 2018	December 31, 2017	January 1, 2017
Increase (decrease) to previously reported amounts and effect in current period:			
Retained earnings	$ 211,267	$ 221,717	$ 218,590
Accumulated other comprehensive income	(211,267)	(221,717)	(218,590)
Shareholders' equity	$ --	$ --	$ --

For the three months ended March 31 ($ in thousands)	2018	2017
Increase (decrease) to previously reported amounts and effect in current period:		
Net gains (losses)	$ (12,197)	$ 8,991
Earnings (loss) before income taxes	(12,197)	8,991
Income tax expense (recovery)	(1,747)	709
Net earnings (loss)	(10,450)	8,282
Net earnings (loss) attributable to shareholders	(10,450)	8,282
Other comprehensive income (loss)	10,450	(8,282)
Comprehensive income (loss)	--	--
Comprehensive income (loss) attributable to shareholders	--	--

IFRS 9 also introduced two other major classifications of financial instruments: Amortized Cost; and Fair Value Through the Other Comprehensive Income. These classifications are largely limited to investments in debt instruments and are further limited by the contractual terms of the instrument and the business model used to manage the instrument. During the current period, the Company invested in a security (Note 4) which met the criteria to be classified as Amortized Cost and as a result, it will be measured at amortized cost using the effective interest rate method.

(ii) Revenue

On May 28, 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a new framework for the recognition of revenue earned from contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers, which reflects the payments to which it expects to be entitled.

The Company adopted IFRS 15 on January 1, 2018 and has elected to apply the standard, using the cumulative effect method with no restatement of the comparative periods.

In applying the new standard, there will be no impact on the manner in which the Company recognizes revenue. However, the incremental costs incurred in securing a new revenue stream ("Contract Costs") will result in the recognition of an asset and a liability on commencement of the revenue stream. The amortization period for Contract Costs will include the initial term of a contract and all anticipated renewal periods. The Company has estimated that this amortization period will be 10 to 15 years. Under the previous standard, these Contract Costs, which mainly consist of variable compensation costs to employees, were expensed and paid over the first year of a new revenue stream.

On January 1, 2018, the Company recognized Contract Costs and accrued liabilities of $795. The Company recorded amortization expense of $32 associated with the above Contract Costs during the current quarter. Under the previous standards, the Company would have recognized employee compensation costs of approximately $398.

In addition, the Company added Contract Costs of approximately $261 related to new revenue streams secured during the current quarter. Under the previous standards, the Company would have recognized employee compensation costs of approximately $65.

(c) Future Changes in Accounting Policies

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which is to replace IAS 17 *Leases*. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact IFRS 16 will have on its consolidated financial statements.

3. SECURITIES BACKING THIRD PARTY INVESTOR LIABILITIES AND THIRD PARTY INVESTOR LIABILITIES

Securities backing third party investor liabilities represent the third party investors' proportionate interest in the assets of the consolidated investment funds. These securities are classified as fair value through the profit or loss and are categorized as Level 1, based upon the fair value hierarchy.

Third party investor liabilities represent third party investors' proportionate ownership interest in the consolidated funds. The liabilities are payable on redemption of the units of the funds by the third party investors and will be settled with the proceeds from the disposition of securities backing third party investor liabilities. The value of the liabilities is equal to and varies with the value of the securities backing third party investor liabilities. These liabilities are classified as fair value through the profit or loss and are categorized as Level 1, based upon the fair value hierarchy.

4. SECURITIES

(a) Classification of securities

An analysis of the Company's securities by classifications and by the type of security is as follows:

As at	March 31 2018	December 31 2017
Fair value through profit or loss:		
Short-term securities (i)	$ --	$ 9,810
Fixed-income securities (i)	19,456	19,328
Bank of Montreal common shares (ii)	359,825	372,146
Other equity securities (i)	244,326	237,347
Real estate fund (iii)	14,536	13,545
	638,143	652,176
Amortized cost (iv)	10,000	--
	$ 648,143	$ 652,176

(i) These securities may include units of investment funds.

(ii) Details of the sales of Bank of Montreal common shares are as follows:

For the three months ended March 31	2018	2017
Shares sold	--	100
Proceeds	$ --	$ 10,294
Realized gains	--	6,669
Increase in income taxes payable	--	883

(iii) During the first quarter, the Company increased its investment in the Real Estate fund by a net amount of $980. As a result, the Company's remaining commitment to invest in the fund decreased to $21,504.

(iv) Amortized cost securities, which were acquired on January 2, 2018, are an investment in preferred shares which have a term of 8 years and a dividend yield of 9% per annum.

(b) Fair value hierarchy

The Company's securities, carried at fair value, have been categorized based upon a fair value hierarchy, as follows:

As at		March 31 2018		December 31 2017
Level 1	**$**	**568,692**	$	586,130
Level 2		**56,761**		54,141
Level 3		**12,691**		11,905
	$	**638,143**	$	652,176

During 2018 and 2017, there have been no transfers of securities between Levels.

(c) Changes in Level 3 securities

An analysis of the movements in securities categorized as Level 3 is as follows:

For the three months ended March 31		2018		2017
Securities categorized as Level 3, beginning of period	**$**	**11,905**	$	12,367
Increase (decrease) in fair value		**786**		1,308
Securities categorized as Level 3, end of period	**$**	**12,691**	$	13,675

5. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at		March 31 2018		December 31 2017
Bank indebtedness (i)	**$**	**4,836**	$	17,759
Bankers' acceptances payable		**123,621**		38,100
	$	**128,457**	$	55,859

i) The Bankers' acceptances payable include $45,000 USD borrowed on January 2, 2018 to finance the acquisition of a Utah-based investment management firm. This acquisition is further described in note 16.

6. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at		March 31 2018		December 31 2017
Deferred payment (i)	**$**	**6,155**	$	--
Obligations to non-controlling interests (ii)		**22,428**		--
	$	**28,583**	$	--

i) The amount represents a deferred payment arising from the January 2, 2018 acquisition of a U.S.-based investment management firm (see note 16). The amount is an estimated present value of the US dollar payments expected in future periods, discounted at 2.7%. The future payments are dependent upon the level of assets under management then achieved in certain investment strategies, to a maximum amount of $10,000 USD.

ii) Arising out of the 70% acquisition of the U.S.-based investment management firm, the minority partners of the business were granted options to sell their remaining interests in the firm to the Company in the future at prices determined based on the level of revenue achieved by the firm at that time. This option is exercisable between January 2, 2023 and January 2, 2033. The Obligations to non-controlling interests of $22,428 represents the present value of the estimated US dollar payments, which may be required on or about January 31, 2023, discounted at 3.0%, assuming the minority partners exercise their option. As these obligations relate to potential future transactions between equity interests, future changes in the obligation will be reflected in the statement of equity.

7. CAPITAL STOCK

(a) Authorized

i) Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, conditions and other provisions of which are to be determined by the Board of Directors.

ii) Unlimited Class A non-voting shares without par value, convertible into common shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows: if any person other than an insider of the Company acquires ownership, control or direction over in excess of 50% of the common shares, or makes an offer to all common shareholders to buy common shares, the Class A shares may be converted into common shares, unless holders of over 50% of the outstanding common shares do not accept the offer, or an equivalent offer is made to the holders of Class A shares.

iii) Unlimited common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(b) Issued and outstanding

A summary of the changes in the Company's capital stock is as follows:

For the three months ended March 31	2018		2017	
	Shares	**Amount**	Shares	Amount
Class A shares				
Outstanding, beginning of period	**26,334**	**$ 19,100**	26,686	$ 19,430
Acquired and cancelled	**(511)**	**(371)**	(132)	(95)
Outstanding, end of period	**25,823**	**18,729**	26,554	19,335
Common shares				
Outstanding, beginning of period	**3,189**	**771**	3,469	838
Acquired and cancelled	**--**	**--**	--	--
Outstanding, end of period	**3,189**	**771**	3,469	838
Total outstanding, end of period	**29,012**	**$ 19,500**	30,023	$ 20,173

(c) Issuer bid

A summary of the Company's activity under its Normal Course Issuer Bid ("NCIB") is as follows:

For the three months ended March 31	2018	2017
Shares purchased and cancelled		
Class A	**511**	132
Consideration paid	**$ 13,201**	$ 3,202
Less average issue price, charged to share capital	**371**	95
Excess consideration charged to retained earnings	**$ 12,830**	$ 3,107

Under the current NCIB, which commenced on November 21, 2017 and expires on November 20, 2018, the Company may purchase up to 173 common shares and 1,912 class A shares. Under this NCIB, the Company has purchased and cancelled 29 common shares and 886 class A shares.

(d) Dividends

The dividends the Company declared and paid on the common and Class A shares outstanding are as follows:

For the three months ended March 31	2018	2017
Dividends declared and paid, per share	**$ 0.100**	$ 0.085

The Company has also declared dividends of $0.125 per share payable on April 17, 2018 and July 17, 2018, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

8. TREASURY STOCK

The Company provides stock-based entitlements to certain senior employees of the Company through an Employee Profit Sharing Plan Trust (the "EPSP Trust"). The EPSP Trust purchases and holds shares of the Company related to the stock-based entitlements, which are in the form of either equity-based entitlements or option-like entitlements, and the shares are accounted for as treasury stock. The purchases are financed by a bank loan facility from a major chartered bank, which is secured by the shares held by the EPSP Trust and a guarantee issued by the Company.

(a) Changes in treasury stock

A summary of the changes in the Company's treasury stock is as follows:

For the three months ended March 31	2018		2017	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,178**	**$ 23,764**	2,192	$ 22,342
Acquired	**91**	**2,255**	92	2,300
Disposed	**(49)**	**(374)**	(2)	(15)
Balance, end of period	**2,220**	**$ 25,645**	2,282	$ 24,627

During the three months ended March 31, 2018, the Company disposed of 49 (2017 – 202) shares of the treasury stock for proceeds equal to their cost.

As at March 31, 2018, the treasury stock was composed of 30 common shares (2017 – 30) and 2,190 class A shares (2017– 2,148).

(b) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares of the Company from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions.

A summary of the changes in the number of shares under equity-based entitlements is as follows:

For the three months ended March 31	2018	2017
Equity-based entitlements, beginning of period	**1,011**	928
Provided	**91**	92
Exercised	**(47)**	(2)
Equity-based entitlements, end of period	**1,055**	1,018

Equity-based entitlements provided during the current year had a fair value of $2,255 (2017 - $2,300).

Equity-based entitlements are valued at the fair market value of the shares purchased by the EPSP Trust on the date of the provision of the entitlement. This value is recorded by the Company as compensation cost over the vesting period, and is credited to contributed surplus. On exercise of an entitlement, treasury stock and contributed surplus are reduced for the value of the entitlement exercised.

(c) Option-like entitlements

The option-like entitlements allow the employees to purchase shares of the Company from the EPSP Trust for an amount that is equal to the amount of borrowings pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

A summary of the changes in the option-like entitlements is as follows:

For the three months ended March 31	2018		2017	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	**1,167**	**$ 9.62**	1,264	$ 9.49
Exercised	**(2)**	**9.70**	--	--
Option-like entitlements, end of period	**1,165**	**$ 9.62**	1,264	$ 9.49

No option-like entitlements were provided during 2018 or 2017.

These entitlements are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised.

9. MANAGEMENT FEE INCOME, NET

Management fee income, net is composed of the following:

For the three months ended March 31		2018		2017
Management fee income, gross	$	23,726	$	19,030
Less: fees paid to referring agents		(1,470)		(1,066)
	$	22,256	$	17,964

10. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31		2018		2017
Dividends on Bank of Montreal shares	$	3,441	$	3,520
Other dividends		1,135		1,586
Dividend income		4,576		5,106
Interest income		843		385
	$	5,419	$	5,491

11. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

				Restated (note 2b)
For the three months ended March 31		2018		2017
Securities held at fair value through profit or loss(i)	$	(14,429)	$	25,634
On disposal of intangible assets		481		181
Foreign exchange (ii)		(1,984)		56
	$	(15,932)	$	25,871

(i) Net gains (losses) are a result of both, realized and unrealized, gains or losses related to the securities in this classification, securities backing third party investor liabilities, and the third party investor liabilities.

(ii) Foreign exchange gains/losses arise from monetary assets and liabilities denominated in currencies which are different from the functional currency of the Company or its individual subsidiaries.

12. EARNINGS PER SHARE

The calculations of net earnings per share are based on the following number of shares and net earnings:

For the three months ended March 31		2018		2017
Weighted average number of Class A and common shares outstanding:				
Basic		26,975		27,569
Effects of outstanding entitlements from stock-based compensation plans		--		1,630
		26,975		29,199
Net earnings available to shareholders:				
Basic	$	(6,208)	$	33,285
Effects of outstanding entitlements from stock-based compensation plans		--		61
	$	(6,208)	$	33,346

13. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Financial Advisory, which relates to the earning of commissions from the sale of life insurance products, mutual funds and other securities, and the continuing service commissions related to these products; and c) Corporate Activities and Investments, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures.

(a) Business segments

The following tables disclose certain information about the Company's operations by business segment (prior period figures have been restated to reflect the retrospective application of IFRS 9):

For the three months ended March 31	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue										
Gross commission revenue	$ --	$ --	$ 35,206	$ 34,161	$ --	$ --	$ (486)	$ (195)	$ 34,720	$ 33,966
Commissions paid to advisors	--	--	(24,313)	(22,507)	--	--	--	--	(24,313)	(22,507)
	--	--	10,893	11,654	--	--	(486)	(195)	10,407	11,459
Management fee income, net	22,121	17,955	--	--	--	--	135	9	22,256	17,964
Administrative services income	1,497	1,599	1,925	2,092	12	13	--	--	3,434	3,704
Dividend and interest income	64	78	345	168	4,764	5,221	246	24	5,419	5,491
Net revenue	23,682	19,632	13,163	13,914	4,776	5,234	(105)	(162)	41,516	38,618
Expenses										
Employee compensation and benefits	11,563	9,235	4,820	4,587	2,718	2,397	--	--	19,101	16,219
Amortization	1,243	92	907	832	116	102	--	--	2,266	1,026
Interest	355	12	23	20	242	196	--	(20)	620	208
Other expenses	5,432	5,420	4,555	4,121	(857)	(692)	(105)	(142)	9,025	8,707
	18,593	14,759	10,305	9,560	2,219	2,003	(105)	(162)	31,012	26,160
Operating earnings	5,089	4,873	2,858	4,354	2,557	3,231	--	--	10,504	12,458
Net gains (losses)	(1,909)	38	482	181	(14,505)	25,652	--	--	(15,932)	25,871
Net earnings (loss) before income taxes	3,180	4,911	3,340	4,535	(11,948)	28,883	--	--	(5,428)	38,329
Income tax expense	1,301	1,166	925	1,278	(2,375)	2,085	--	--	(149)	4,529
Net earnings (loss)	$ 1,879	$ 3,745	$ 2,415	$ 3,257	$ (9,573)	$ 26,798	$ --	$ --	$ (5,279)	$ 33,800
Net earnings (loss) attributable to:										
Shareholders	$ 1,308	$ 3,745	$ 2,057	$ 2,742	$ (9,573)	$ 26,798	$ --	$ --	$ (6,208)	$ 33,285
Non-controlling interests	571	--	358	515	--	--	--	--	929	515
	$ 1,879	$ 3,745	$ 2,415	$ 3,257	$ (9,573)	$ 26,798	$ --	$ --	$ (5,279)	$ 33,800
Capital expenditures on segment assets:										
Intangible assets	$ 66,529	$ --	$ 2,328	$ 719	$ 10	$ --	$ --	$ --	$ 68,867	$ 719
Equipment	47	24	26	4	80	263	--	--	152	291

As at March 31, 2018 and December 31, 2017	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets and liabilities:										
Assets	$ 208,486	$ 90,457	$ 128,939	$ 144,393	$ 693,397	$ 720,020	$ (44,090)	$ (42,386)	$ 986,732	$ 912,484
Liabilities	164,583	71,647	111,087	128,956	124,090	113,063	(44,090)	(42,386)	355,670	271,280

(b) Geographic segments

The Company also operates in various geographic regions. The following tables disclose certain information about the Company's operations by geography:

	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
For the three months ended March 31								
Net revenue	$ 34,133	$ 35,496	$ 7,623	$ 3,454	$ (240)	$ (332)	$ 41,516	$ 38,618
As at March 31, 2018 and December 31, 2017								
Non-current assets:								
Intangible assets	$ 29,761	$ 28,683	$ 68,306	$ 892	$ --	$ --	$ 98,067	$ 29,575
Equipment	3,730	3,823	722	674	--	--	4,452	4,497
Goodwill	13,826	13,826	31,530	1,188	--	--	45,356	15,014

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

Net change in non-cash working capital items is comprised of the following:

For the three months ended March 31		2018		2017
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	$	(278)	$	8,926
Accounts receivable and other		(1,842)		1,163
Receivables from clients and broker		14,184		7,401
Increase (decrease) in non-cash working capital liabilities:				
Client deposits		(1,101)		(9,048)
Accounts payable and other		(12,048)		(12,202)
Payable to clients		(14,184)		(7,401)
	$	(15,268)	$	(11,161)

15. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Concentration risk
The Company is exposed to concentration risk associated with the $359,825 (December 31, 2017 – $372,146) investment in the Bank of Montreal shares, which represents 56% (December 31, 2017 – 57%) of the Company's securities. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $35,983 (December 31, 2017 - $37,215) being recorded in net gains.

(b) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, currency risk and interest rate risk.

i) Price risk
The Company is exposed to price risk with its investment in equity securities. Changes in the fair values of its securities are recognized in net gains (losses) and can have a significant impact on net earnings (loss) attributable to shareholders. This risk is managed through the use of professional in-house expertise, which takes a disciplined approach to investment management. The securities holdings, excluding the Bank of Montreal shares, are diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the gain or loss which would be recognized in net earnings as a result of a 10% change in the market prices:

		Securities at fair value, excluding Bank of Montreal shares and short-term securities and bonds		Gain or loss recognized from a 10% change in fair value
As at March 31, 2018				
Canada	**$**	**33,939**	**±$**	**3,394**
Rest of World		**224,923**		**22,492**
	$	**258,862**	**±$**	**25,886**
As at December 31, 2017				
Canada	$	35,364	±$	3,490
Rest of World		215,528		21,553
	$	250,892	±$	25,043

The price risk associated with Securities backing third party investor liabilities are equal to and offsetting with the price risk associated with the Third party investor liabilities. As a result, they have been excluded from the above analysis.

ii) Currency risk
The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $216,995 (December 31, 2017 - $188,085). Changes in the value of these investments caused by changes in the US dollar and UK pound exchange rates are reflected in other comprehensive income in the period in which the change occurs. With the recently closed acquisition described in note 16, the Company recognized Obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As described in note 6, the changes in the value of the obligation, including changes resulting from foreign exchange rate fluctuations, is recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in foreign subsidiaries. These foreign currency exposures are monitored by management but not actively managed, due to the long-term nature of these investments. As the Company expands globally, the foreign exchange rate fluctuations can have an increasingly more significant impact. A 5% change in the value of Canadian dollars against foreign currencies would change the operating earnings by approximately $30. In addition, the Company or a subsidiary may hold, from time to time, certain foreign currency balances which result in foreign exchange net gains (losses) being recognized in net earnings. These balances include the current $45,000 USD bank loan used to finance the acquisition in the US, and the Canadian dollar balances held by a foreign subsidiary. The resulting gains and losses have equal and offsetting gains and losses recorded in Net change in foreign currency translation on foreign subsidiaries. This is not considered to be a currency risk as there is no economic risk to the Company.

iii) Interest rate risk

The Company is exposed to interest rate risk through the following interest sensitive financial instruments:

As at		March 31 2018		December 31 2017
Interest rate sensitive assets:				
Interest-bearing deposits with banks	$	**54,646**	$	52,637
Fixed-income securities		**19,456**		19,328
Amortized cost securities		**10,000**		--
	$	**84,102**	$	71,965
Interest rate sensitive liabilities:				
Bank loans and borrowings	$	**128,457**	$	55,859
Client deposits		**53,283**		52,653
	$	**181,740**	$	108,512

The interest rate risk associated with the Company's investments in fixed-income securities are managed by monitoring the activities of the portfolio managers who manage this risk by positioning the investments for various interest rate environments. The interest rate risk on interest-bearing deposits with banks and the client deposits liability, both of which arise in the international banking operation, is considered to be low, as the risk is managed through the matching of interest rates and maturities. The bank loans and borrowings are short-term in nature and are subject to interest rate risks. The risk associated with these balances are partially offset by the bank balances which offset the indebtedness for interest calculation purposes. If interest rates increase, the Company's interest expense associated with the net indebtedness will increase and net earnings will decrease.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at		March 31 2018		December 31 2017
Cash	$	**38,016**	$	48,887
Interest-bearing deposits with banks		**54,646**		52,637
Accounts receivable and other		**41,215**		39,087
Receivables from clients and broker		**49,182**		63,366
Short-term securities		**--**		9,810
Fixed-income securities		**19,456**		19,328
Amortized cost securities		**10,000**		--
	$	**212,515**	$	233,115

The cash and interest-bearing deposits with banks, and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. Amortized cost securities are preferred shares of a private corporation. The Company manages the credit risk associated with this investment by reviewing the credit worthiness of the issuer prior to investing in the securities, and thereafter. From time to time, receivables may also include amounts arising from advances or commission reversals due from financial advisors of the Company's financial advisory segment. Management mitigates the credit risk associated with these receivables by reviewing and monitoring the advisors' ability to repay these amounts before and after they are advanced. The credit exposure on receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary, and there are controls on the amounts that these clients may borrow, depending upon the securities that are pledged as collateral. The credit risk associated with the Company's investments in fixed-income securities are managed by monitoring the activities of the portfolio managers who, through diversification and credit quality reviews of the investments, manage the credit risk. The short-term securities are investment-quality securities.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, which are substantially all due within one year. The Company manages this financial risk by monitoring and managing cash flows from various segments, maintaining a portfolio of securities and by arranging for significant borrowing facilities with major Canadian banks, which currently total $157,000.

16. ACQUISTION

On January 2, 2018, the Company acquired a 70% interest in Alta Capital Management, LLC ("Alta"), an investment management firm based in Salt Lake City, Utah, USA. On closing, Alta had in excess of $3.2 billion USD of asset under management ("AUM"). The primary reasons for acquiring Alta are to provide the Company with increased access to the US market to distribute its investment products and further diversify the sources of its AUM and revenues. The remaining 30% interest in Alta continues to be held by its key employees, who all have entered into employment agreements with the Company.

The total consideration for the transaction was approximately $62,298 ($49,770 USD) which is comprised of $56,327 ($45,000 USD) paid on closing and the present value of an estimated deferred payment, due over four years from closing. The deferred payment is calculated based on the level of AUM then achieved to a maximum of $10,000 USD.

The provisional accounting for the transaction is as follows:

Fair value of the consideration:		
Cash paid on closing	$	56,327
Deferred payment		5,932
Total consideration	$	62,259
Fair value of identifiable net assets acquired:		
Intangible assets	$	66,529
Deferred tax liability		(12,109)
		54,420
Less: Fair value of the non-controlling interests		(21,596)
Goodwill		29,435
	$	62,259

As part of the transaction, the Company agreed to provide an option to the minority shareholders of Alta to sell their interest in Alta, and the Company received an option to buy the remaining minority interest in Alta on the same terms and conditions. These options become exercisable commencing on the 5^{th} anniversary of the acquisition and expire on the 15^{th} anniversary of the acquisition. The Company has determined that the fair value of the non-controlling interests are equal to the present value of the expected exercise price of the options on the earliest date that the options become exercisable. The Company has determined that the non-controlling interests represents an equity interest. However, since the Put Option is considered to be an obligation of the Company, it reduces its equity accounts by this value.

The acquisition accounting is provisional as of the period end, as the Company is still in the process of finalizing the fair value of the identifiable net assets acquired, including the valuation of investment contracts, and determining any deferred tax liabilities and goodwill. The intangible assets acquired primarily represent Alta's existing investment contracts with clients. Goodwill represents the value of Alta arising from retention of key employees, access to established distribution networks in a key market, addition of new products and other potential synergies.

The costs associated with this transaction were approximately $600 and were included in the Company's 2017 statement of net earnings as part of other operating expenses.

Since its acquisition, Alta has contributed to the Company's results net revenues of $4,601 and net earnings of $1,579, of which $1,008 is attributable to shareholders of the Company. Included in the net earnings is $1,121 of amortization expense related to the intangible assets described in the above table.

17. FINANCIAL STATEMENT REVIEW

These interim consolidated financial statements have not been reviewed by the Company's auditors.

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 three months ended March 31, 2018 and the comparative period in the year 2017, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2017 Annual Report. This discussion and analysis has been prepared as of May 10, 2018.

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 place 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 in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. As at March 31, 2018, Guardian had $29.5 billion of investment management assets under management ("AUM") and $17.6 billion of financial advisory assets under administration ("AUA"). Included in the AUM figure above are $4.2 billion ($3.2 billion USD) managed by Alta Capital Management, LLC ("Alta"), a 70% owned Utah-based investment management subsidiary, acquired on January 2, 2018. In addition, Guardian has a diversified portfolio of securities which had a fair value of approximately $648 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 are 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 24 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2018

On January 2, 2018, Guardian closed the previously announced acquisition of 70% interest in Alta. Consistent with our strategic plan, this acquisition further expands our presence in the US market and diversifies our revenue sources from the current Canadian equity concentration. The acquisition added $4.2 billion ($3.2 billion USD) in AUM and increased our non-domestic institutional AUM to 30% of total AUM as at March 31, 2018 from 16% as at December 31, 2017. It also added new high conviction US equity strategies to our product offering and enhanced our ability to market existing Guardian products in the US market through its established distribution network. The current quarter is the first reporting period to include the results of Alta.

Guardian's operating earnings for the quarter ended March 31, 2018 were $10.5 million, compared to $12.5 million during the same quarter in the prior year. This decrease in operating earnings was due to several factors. Firstly, the operating earnings contribution from the MGA business decreased in the current quarter by $1.5 million compared to the prior year. As previously reported, this was largely the result of the prior year's operating earnings being unusually high as insurance sales volumes were higher due to incoming tax changes. Secondly, both the Investment Management and the Financial Advisory Segments incurred increased expenses, which are temporary in nature. The Investment Management Segment incurred a one-time increased expense of approximately $1 million related to the integration of recently acquired Alta, and the Financial Advisory Segment incurred increased expenses related to the new technology platform to which it upgraded during the quarter. Thirdly, operating earnings decreased by $0.7 million in the Corporate Activities and Investments Segment, largely due to the deconsolidation of earnings from the Global UCITS fund. Finally, these were partially offset by the operating earnings contribution from Alta of $1.9 million.

Effective January 1, 2018, Guardian adopted a new accounting standard on *Financial Instruments*, on a retrospective basis. All prior period figures have been restated to reflect the new standard. As described in Guardian's previous disclosures, this new standard introduces significant volatility into the Company's Net gains (losses) and therefore its Net earnings (loss). In reviewing Guardian's results, in addition to considering Net earnings (loss), it may therefore be beneficial for readers to consider other measures, such as operating earnings and EBITDA(1), which provide views of Guardian's results without the volatility introduced by the new standard. As a result of significant unrealized losses on securities, including the Bank of Montreal shares, Guardian recorded $15.9 million in Net losses in the current quarter, compared to Net gains of $25.9 million in the prior year. In future periods, similar unrealized gains or losses will continue to be included in Net gains (losses) in arriving at Guardian's Net earnings.

As a result of the Net losses described above, the Company is reporting Net losses attributable to shareholders in the current quarter of $6.2 million, compared to Net earnings attributable to shareholders of $33.3 million in the prior year.

During the current quarter, the Dealers business, as part of its strategic plan, completed its initial phase of a technology platform upgrade. This upgraded technology is a key component of the growth plans for this business, providing an enhanced platform for digital capabilities, operational efficiencies and scalability.

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31 *($ in thousands, except per share amounts)*		**2018**		Restated (note 2b) 2017
Net revenue	**$**	**41,516**	$	38,618
Expenses		**31,012**		26,160
Operating earnings		**10,504**		12,458
Net gains (losses)[2]		**(15,932)**		25,871
Net earnings before income taxes		**(5,428)**		38,329
Income tax expense		**(149)**		4,529
Net earnings (loss)	**$**	**(5,279)**	$	33,800
Net earnings (loss) attributable to shareholders[2]	**$**	**(6,208)**	$	33,285
EBITDA		**12,471**		13,306
Adjusted cash flow from operations		**8,764**		10,122
Diluted per share amounts				
Net earnings (loss) attributable to shareholders[2]	**$**	**(0.23)**	$	1.14
EBITDA		**0.44**		0.46
Adjusted cash flow from operations		**0.31**		0.35

As at *($ in millions, except per share amounts)*		**2018** **March 31**		2017 December 31		2017 March 31
Shareholders' equity		**624**		634		605
Securities		**648**		652		636
Diluted per share						
Shareholders' equity	**$**	**21.98**	$	21.88	$	20.58
Securities		**22.84**		22.49		21.63

RESULTS OF OPERATIONS

For the quarter ended March 31, 2018, Guardian's operating earnings were $10.5 million, down from $12.5 million reported for the same quarter in 2017. The main drivers of the operating earnings by segment are described below.

The Investment Management Segment's operating earnings in the current quarter were $5.1 million, compared to $4.9 million in the same quarter in the prior year. The increase included an operating earnings contribution from Alta of $1.9 million, offset partially by a one-time expense of $1 million incurred to integrate Alta into the investment management business, and lower management fee revenue earned in the domestic investment management business, largely as the result of lower average AUM this quarter. The outflow of client assets, mainly in Canadian equity strategies, and negative performance in the Canadian equity market during the current quarter resulted in average domestic equity AUM being lower than in the prior year.

The Financial Advisory Segment's operating earnings in the current quarter were $2.9 million, compared to $4.4 million in the same quarter in the prior year. Both the MGA and the Dealers businesses saw their operating earnings decrease, compared to the prior year. The decrease in the MGA's operating earnings was due largely to the current quarter's life insurance sales volumes being at a more historic level, compared to the prior year, when the incoming tax legislation changes increased sales volumes up significantly. In the Dealers business, there were higher expenses related to the technology platform upgrade completed during the current quarter. Certain additional expenditures are expected to continue into the second quarter of 2018.

The Corporate Activities and Investments Segment's operating earnings for the current quarter were $2.6 million, compared to $3.2 million during the same quarter in the prior year. The deconsolidation of the Global UCITS fund at the end of 2017 eliminated the dividend income earned in the fund from Guardian's operating earnings. The increased investment into the fund by third-party investors resulted in lower operating earnings for this Segment, but higher management fees earned in the Investment Management Segment. This short-term decrease in operating earnings is in line with our plan to grow our investment management business using the support of our capital base.

As discussed in Highlights for the Quarter Ended March 31, 2018 above, the adoption of IFRS 9 resulted in higher Net losses being recognized this quarter than would have occurred under the previous standard. The decrease in the fair values of the securities, including BMO, resulted in $15.9 million in Net losses for the current quarter, compared to Net gains of $25.9 million in the prior year. In future periods, similar unrealized gains and losses will continue to increase volatility in Net gains (losses).

The Net losses on securities of $15.9 million was partially offset by the operating earnings of $10.5 million, resulting in Net losses attributable to shareholders of $6.2 million in the current quarter, compared to Net earnings attributable to shareholder of $33.3 million in the same quarter in the prior year.

EBITDA for the quarter was $12.5 million, compared to $13.3 million in the same period in 2017. The adjusted cash flow from operations for the quarter was $8.8 million, compared to $10.1 million in the same period in 2017. The decreases in both measures were largely due to the lower operating earnings in the current quarter, compared to the prior year.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at	2018	2017	
($ in millions)	**March 31**	December 31	March 31
Assets under management			
Institutional			
Canadian equities	**$ 10,539**	$ 12,246	$ 12,459
Global equities	**8,001**	3,887	3,627
Fixed income	**7,960**	8,146	7,846
	26,500	24,279	23,932
Private client	**2,957**	2,971	3,035
Total assets under management	**$ 29,457**	$ 27,250	$ 26,967
Assets under administration	**$ 17,601**	$ 17,795	$ 16,958

The AUM as at March 31, 2018 was $29.5 billion, an increase of 8% from $27.3 billion at December 31, 2017, and 10% from $27.0 billion at March 31, 2017. The increase in AUM in the current quarter was due largely to the inclusion of $4.2 billion ($3.2 billion USD) of AUM from Alta, offset partially by the reduction in Canadian equities AUM from net outflows of assets and negative market performance during the quarter. In line with our strategic plan to diversify our revenue sources, the addition of Alta's AUM has increased the non-domestic AUM to 30% of the institutional AUM, compared with 16% as at December 31, 2017.

The AUA at March 31, 2018 was $17.6 billion, a slight decrease from $17.8 billion at December 31, 2017, and up from $17.0 billion as at March 31, 2017.

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 March 31, 2018 was $22.3 million, a 24% increase from $18.0 million in the same quarter in the prior year. Institutional management fee income earned in the current quarter was $18.1 million, compared to $13.9 million a year earlier. The increase in institutional management fee income this quarter was mainly the result of the inclusion of Alta and the increase in management fee earned in our UK investment management business, offset by the decrease in revenue in the domestic investment management business. With the addition of Alta, Guardian's non-domestic management fee revenue reached approximately 50% of the institutional investment management revenue, consistent with our strategic plan to diversify our revenue sources. Private wealth and international private banking management fees, net of referral fees paid, earned in the current quarter amounted to $4.2 million, substantially unchanged from 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 $10.4 million, compared to $11.5 million a year earlier. Within the Segment, the net commission revenue contributed by the Dealers business in the current quarter was $3.4 million, substantially the same as in the prior year. The net commission revenue contributed by the MGA business in the current quarter was $7.0 million, compared to $8.0 million in the same quarter in the prior year. The decrease in net commission revenue was mainly due to the life insurance policy sales volumes returning to a more historic level, compared to the prior year when sales volumes were driven up significantly by incoming income tax changes. The premiums on life insurance policies sold were $16.6 million in the current quarter, compared to $29.4 million in the prior year. The decrease in life insurance sales commission revenue was partially offset by the increase in service commission revenue, which are earned as policies sold in prior years are renewed in the current year. The service commissions in the current quarter were $3.1 million, compared to $2.8 million in the same quarter in the prior year.

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 $3.4 million for the current quarter, down slightly from $3.7 million, in the prior year. The reduction mainly related to a lower level of transactional fee revenue earned in the Dealers and the International Private Banking businesses.

Dividend and Interest Income

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

For the three months ended March 31 *($ in thousands)*	2018	2017
Dividends on Bank of Montreal shares	$ 3,441	$ 3,520
Other dividends	1,135	1,586
Dividend income	4,576	5,106
Interest income	843	385
Total dividend and interest income	$ 5,419	$ 5,491

The decrease in dividend income in the current quarter, compared to the same quarter in the prior year is mainly due to the dividend income earned within the Global UCITS fund, no longer being consolidated. To a lesser extent, the dividend income earned on BMO was lower as fewer number of shares were held in the current quarter, compared to the prior year. The higher interest income earned in the current quarter, compared to the same quarter in the prior year, is due to the reallocation of part of the securities portfolio to higher interest earning securities, and higher interest-spread income being earned in the Dealer business as interest rates increased,

Expenses

Guardian's expenses increased to $31.0 million in the current quarter, compared to $26.2 million in the same quarter in the prior year. The increase in the Investment Management Segment is largely due to the inclusion of Alta's expenses in the current quarter and a one-time cost associated with integrating Alta into the Segment. In the Financial Advisory Segment, the initial phase of the technology platform upgrade was completed in the current quarter, resulting in increased expenses, including some temporary increases in costs during the transition to the new platform. This temporary increase in expenses is expected to continue into the next quarter. The increased expenses in the Corporate Activities and Investments Segment was due to additional resources being added to better support the global expansion of the operating businesses.

NET GAINS (LOSSES)

For the three months ended March 31 *($ in thousands)*	2018	Restated (note 2b) 2017
Fair value through profit or loss	$ (14,429)	$ 25,634
On disposal of intangible assets	481	181
Foreign exchange gains (loss)	(1,984)	56
Net gains (losses)	$ (15,932)	$ 25,871

Guardian recorded Net losses of $15.9 million, compared to net gains of $25.9 million in the same quarter in 2017. The significant fluctuation in Net gains (losses) was largely affected by the new accounting standard, IFRS 9, adopted on January 1, 2018. The adoption of the new standard resulted in the changes in fair value of substantially all the securities being recorded in Net gains (losses) compared with, under the previous standard, the changes in fair value of Available for Sale securities were recorded in Other comprehensive income. The Net gains (losses) on securities are expected to continue to be more volatile under the new standard. Included in the current quarter Net losses are $2.0 million in foreign exchange losses, largely associated with the $45 million USD loan used to fund the acquisition of Alta. Equal and offsetting foreign exchange gains associated with the acquisition were recorded in Net change in foreign currency translation on foreign subsidiary and included in Other comprehensive income.

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)*	2018 March 31	2017 December 31	 March 31
Securities, carried at fair value			
Proprietary investment strategies			
Short-term securities	$ --	$ 9,810	$ 11,456
Fixed-income securities	19,456	19,328	14,744
Canadian equities	19,403	21,819	11,807
Global equities	212,076	203,474	172,842
Real estate	14,536	13,545	23,759
	265,471	267,976	234,608
Bank of Montreal common shares	359,825	372,146	387,387
Other securities	12,847	12,054	13,747
	638,143	652,176	635,743
Securities, carried at amortized cost	10,000	--	--
Securities	$ 648,143	$ 652,176	$ 635,743
Total securities per share, diluted	$ 22.84	$ 22.49	$ 21.63

Guardian's securities as at March 31, 2018 had a fair value of $648 million, or $22.84 per share, diluted, compared with $652 million, or $22.49 per share, diluted, at the end of 2017. On January 2, 2018, Guardian reallocated $10 million of its short-term securities into preferred shares of a private corporation, paying dividends of 9% per annum. Shareholders' equity as at March 31, 2018 amounted to $624 million, or $21.98 per share, diluted, compared to $634 million, or $21.88 per share, diluted, at the end of 2017.

In addition to the strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of $157 million. As at March 31, 2018, the total bank borrowing amounted to $128.5 million, compared with $55.9 million at the end of 2017. The increase in borrowing was mainly due to an additional $45 million USD borrowed to finance the Alta acquisition.

Guardian's adjusted cash flow from operations for the current quarter was $8.8 million, compared to $10.1 million in the same quarter in 2017. 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, and capital expenditures.

During the current quarter, Guardian returned $2.8 million in dividends and $13.2 million in share buy-backs, using a combination of adjusted cash flow and bank borrowings.

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 March 31, 2018 *($ in thousands)*	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 128,457	$ 128,457	$ --	$ --	$ --
Client deposits	53,283	53,283	--	--	--
Payable to clients	49,182	49,182	--	--	--
Accounts payable and other	30,705	30,705	--	--	--
Other liabilities	28,583	--	6,155	--	22,428
Investment commitment - real estate fund	21,504	21,504	--	--	--
Operating lease obligations	16,201	2,122	4,418	4,377	5,284
Third party investor liabilities	6,107	6,107	--	--	--
Total contractual obligations	$ 334,022	$ 291,360	$ 10,573	$ 4,377	$ 27,712

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 (all prior period figures have been restated to reflect the retrospective application of IFRS 9):

For the three months ended ($ in thousands)	**Mar 31, 2018**	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Net revenue	**$ 41,516**	$ 39,097	$ 36,315	$ 37,208	$ 38,618	$ 38,240	$ 35,185	$ 34,191
Operating earnings	**10,504**	13,046	10,505	12,160	12,458	12,371	10,646	10,300
Net gains (losses)	**(15,932)**	38,186	4,068	(3,603)	25,871	45,511	26,492	14,831
Net earnings (loss)	**(5,279)**	44,466	12,555	7,493	33,800	49,514	32,197	21,234
Net earnings (loss) attributable to shareholders	**(6,208)**	43,982	12,310	7,242	33,285	49,072	32,075	20,952
Shareholders' equity	**623,511**	634,416	608,013	603,428	605,039	580,177	545,339	513,939
Per Class A and Common share (in $)								
Net earnings (loss) attributable to shareholders								
Basic	**$ (0.23)**	$ 1.59	$ 0.44	$ 0.26	$ 1.21	$ 1.74	$ 1.13	$ 0.74
Diluted	**(0.23)**	1.51	0.42	0.25	1.14	1.65	1.07	0.70
Shareholders' equity								
Basic	**$ 23.27**	$ 23.20	$ 21.87	$ 21.75	$ 21.81	$ 20.75	$ 19.11	$ 18.08
Diluted	**21.98**	21.88	20.67	20.54	20.58	19.62	18.07	17.10
Dividends paid	**$ 0.100**	$ 0.100	$ 0.100	$ 0.100	$ 0.085	$ 0.085	$ 0.085	$ 0.085
As at period end								
Total Class A and Common shares outstanding, including treasury shares (in thousands of shares)	**29,012**	29,523	30,023	30,023	30,023	30,023	30,155	30,729

Over the past 8 quarters presented above, Guardian's net revenue has generally shown an upward trend, although they have fluctuated from time to time. These fluctuations have influenced operating earnings and have been driven largely by the factors described below.

Management fees earned in the Investment Management Segment and trailer commissions earned on mutual funds and segregated funds in the Financial Advisory Segment are highly correlated to the change in AUM and AUA, which are correlated to the volatility of the financial markets. Dampening this correlation is the growing significance of insurance commissions earned in the MGA business, which are less correlated to the volatility of the financial markets. In the Corporate Investing and Activities Segment, some fluctuations in dividend income can be seen in the second quarter and to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities, which pay semi-annual dividends and some "special" dividends mid-year during those periods. In addition, the timing of consolidation or deconsolidation of certain investment funds in Guardian's results can also have an impact on the level of dividend income recorded in the period.

The adoption of IFRS 9 changed the method of recognizing Net gains (losses) on securities. All prior period figures have been restated to reflect the adoption of the new standard. Under the new standard, the Net gains (losses) from securities will be much more volatile and, as a result, will also cause Net earnings (losses) attributable to shareholders to be much more volatile. The adoption of IFRS 9 is described in note 2 (b) to Guardian's first quarter 2018 Consolidated Financial Statements.

In addition to the various influences described above, the net revenue in the fourth quarter of 2016 and the first quarter of 2017 included significant increases in insurance commissions arising from sales of life insurance policies, driven by changes to income tax legislation that came into effect at the end of 2016. In the first quarter of 2018, the increase in net revenue was due largely to the inclusion of Alta. However, the operating earnings in the quarter were lower due to one-time cost associated with the integration of Alta and increased expenses in the Dealer business, arising from the transition to the new technology platform. With the adoption of IFRS 9, applied retrospectively, the net gains (losses) reflect realized and unrealized gains (losses) on securities during each period. This volatility of these net gains (losses) reflect the volatility of the financial markets in which Guardian's securities trade. The volatility of gains (losses) also directly impacted net earnings (losses) attributable to shareholders during those periods.

The quarterly fluctuations in shareholders' equity shown above are caused largely by the changes in the value of Guardian's securities, less the provision for deferred income taxes thereon.

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 15 to Guardian's first 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 15 to Guardian's first quarter 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 $360 million in Bank of Montreal shares, which represents 56% (December 31, 2017 – 57%) 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 1.2 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 61% (December 31, 2017 - 62%) Canadian equities, consisting mainly of the Bank of Montreal shares, 36% (December 31, 2017 – 34%) non-Canadian equities and 3% (December 31, 2017 – 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 (loss), but are recorded as changes in the "foreign currency translation adjustment" in Other Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets. With the recently closed acquisition of Alta, Guardian recognized Obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are transactions between equity interests, the changes in the value of the obligation, including changes resulting from foreign exchange rate fluctuations, is recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in foreign subsidiaries. These foreign currency exposures are not actively managed, due to the long-term nature of these investments, but are closely monitored by management. As Guardian continues to expand into foreign jurisdictions and the revenue and earnings sources grow and diversify into other currencies, the operating results can fluctuate with the changes in foreign currency exchange rates compared to the Canadian dollar. As the foreign operations grow, Guardian will be increasingly exposed to foreign currency risks. From time to time, Guardian may record certain foreign exchange Net gains (losses), such as on the current USD borrowing used to finance the recent acquisition of Alta or the Net gains (losses) on Canadian dollar cash balances recorded by foreign subsidiaries. However, these foreign exchange gains and losses result in equal and offsetting Net gains (losses) being recorded in Other comprehensive income. These are not considered to be currency risks, as there is no economic risk to Guardian. Readers are encouraged to refer to note 15 in Guardian's first quarter Consolidated Financial Statements for further discussion and sensitivity analysis.

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's most significant exposure to interest rate risk is through its bank loans and borrowings. The interest rates on these borrowings are short-term and, Guardian's interest expense and net earnings will fluctuate with the changes in short-term rates. 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 risk associated with Guardian's investment in fixed-income mutual funds is 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.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2018, Guardian adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers, as discussed in prior quarter's financial statements and the management's discussions and analysis. IFRS 9 had the greatest impact on Guardian's results this quarter. The new standard eliminated Available for Sale and Held for Trading classifications for financial instruments, which resulted in substantially all of the securities being classified as Fair Value Through the Profit or Loss ("FVTPL"), including the shares of Bank of Montreal ("BMO"). All changes in fair values of FVTPL securities are recognized in Net gains (losses) in the Statement of Operations. Under the previous standard, any changes in fair values of Available for Sale securities were recognized in Other comprehensive income. The decreases in fair value of securities in the current quarter, including BMO, resulted in significant Net losses being recognized in the Statement of Operations. As discussed in previous quarters, this new standard will result in greater volatility in Net gains (losses), and therefore Net earnings (losses) attributable to shareholders. The adoption of IFRS 9 and IFRS 15 is discussed further in note 2 (b) of Guardian's first quarter 2018 Consolidated Financial Statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which is to replace IAS 17 *Leases*. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Guardian is currently evaluating the impact IFRS 16 will have on its consolidated financial statements.

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, 2017, 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 method, which is used to determine net earnings available to shareholders per share, including any adjustment to the average number of shares outstanding or income for the dilutive effect. Guardian believe these are important measures, as they allow 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 three months ended March 31		Restated (note 2b)
($ in thousands)	**2018**	2017
Net earnings (loss), as reported	**$ (5,279)**	$ 33,800
Add (deduct):		
Income tax expense	**(149)**	4,529
Net (gains) losses	**15,932**	(25,871)
Stock-based compensation	**529**	432
Interest expense	**620**	208
Amortization	**2,266**	1,026
Non-controlling interests	**(1,448)**	(818)
EBITDA	**$ 12,471**	$ 13,306

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

Guardian defines Adjusted cash flow from operations as net cash from operating activities, net of changes in non-cash working capital items and non-controlling interests. 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 method, which is used to determine net earnings available to shareholders per share, including any adjustment to the average number of shares outstanding or income for the dilutive effect.

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

For the three months ended March 31		Restated (note 2b)
($ in thousands)	**2018**	2017
Net cash from (used in) operating activities, as reported	**$ (5,381)**	$ (386)
Add (deduct):		
Net change in non-cash working capital items	**15,268**	11,161
Non-controlling interests	**(1,123)**	(653)
Adjusted cash flow from operations	**$ 8,764**	$ 10,122

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

Equity markets started off extremely strong at the beginning of the new year but, in late January, the markets entered a corrective phase. The correction was brought about or worsened, in part, by rumours regarding the on going special investigation into the Trump campaign's possible collusion with foreign intelligence, bellicose words and threats regarding trade, North Korea, and the Syrian government, but probably the most important factor was the need for a pause from a runup in markets that had lasted for more than a year in a ten-year aging bull market. In 2017, a number of Central Banks began tightening rates and reducing monetary stimulus, and in the first quarter of 2018, the Federal Reserve and the Bank of Canada both proceeded with 25 basis point interest rate increases. It is expected that the Fed will be more aggressive than the Bank of Canada in raising rates in the near term, but overall liquidity is clearly slowly being reduced. The Canadian economy is generally performing well, despite trade concerns, with the manufacturing PMI strengthened marginally and the unemployment rate edged down in the first quarter. However, the net change in employment through January and February reporting shows reduced jobs as full-time employment gains have been more than offset by part-time job losses. During the first quarter, the S&P/TSX Composite generated a total return of negative 4.5%, with a cumulative return of positive 1.7% for the trailing twelve month period. The S&P 500 generated a total return of negative 0.8% during the quarter, with a cumulative return of positive 14.0% for the trailing twelve month period (all figures are in local currencies).

We have been bullish since the 4th quarter of 2012, the underlying premise of our bullishness being that stocks were inexpensive relative to interest rates and would benefit from P/E multiple expansion, as the memory of the financial crisis faded. We continue to be bullish into 2018, but we are cognizant of the risk that rising interest rates will pose. We are now at a stage in the equity market and interest rate cycle where earnings growth is in a race against rising interest rates, and little more benefit can be expected from stock market multiple expansions. We believe that earnings will win out for a period of time, so for now, we remain bullish on stocks. Because interest rates remain low, stocks are cheap relative to interest rates, though they are no longer as obviously cheap as they were a few years ago. Volatility is showing signs of increasing, as would be expected in an environment where corporate profit growth is competing against tightening monetary policy to determine the level and direction of equity valuations. There may be many small-to-medium sized equity corrections while this race is taking place, given that the dynamics of rising rates and their eventual impact on the economy and earnings are difficult to predict. As we go further into 2018, we will monitor how quickly Central Banks raise rates and reduce their bond holdings (accumulated through quantitative easing). We are now in the first real period of tightening since the financial crisis. We will monitor interest rates and the shape of the yield curve. Rising short term interest rates will begin to impact economic growth, and a negative yield curve (short rates higher than long rates) often portends a coming recession; both factors tend to signal declining earnings to come. Another thing to be somewhat concerned about is that a global trade war may break out. In this eventuality, the stock market could have a sizeable correction or even enter a bear market, as trade wars, instead of interest rates, could end the economic cycle. For now, it appears that a trade war will not get out of hand – President Trump's pronouncements are mostly to better his bargaining position - but trade tensions are certainly a possible catalyst to slow global growth and introduce inflationary pressures. For the time being, however, we anticipate that the secure growth footing underlying the U.S. economy will help drive earnings in both the U.S. and Canada. Ultimately, if bond yields continue to rise enough to crimp valuations and the yield curve inverts, it will likely put pressure on earnings, causing a slowdown or recession. We continue to expect China to muddle its way through a soft-landing, maintaining growth of 6% to 6.5%, and then tapering off over the next few years. While we had anticipated that the uncertainty related to Brexit would cause the EU economies to slow, we do note that the economies in Europe are accelerating during this interim period in response to a long period of monetary ease finally having an effect. Overall, we remain bullish on stocks and are constructive on the more important components of the global economy in 2018. However, we are at a time when Central Bank tightening has started and, as such, the pace at which earnings grow relative to an increase in long rates, and the changing shape of the yield curve (a flattening, or turning negative) will be factors that could change our view sometime in the near future.

Guardian has historically been highly levered to Canadian equities, across its main business segments as well as its corporate investment portfolio. While we have gradually been increasing exposure to other non-Canadian assets, our overall exposure to Canadian equities remains high. For the last few years, Guardian has been focusing on increasing our investment management capabilities, both within and beyond Canada. With our acquisition of a 70% stake in Alta, we have added a high-quality team of US-focused investment professionals whose skill set and investment processes align with and compliment those of our Canada and UK-based teams. Guardian will focus on cross marketing our existing product line, in particular our global capabilities, through Alta's distribution channels, and reciprocally, introducing Alta and their US investment expertise to our pre-existing channels. Alta generates very respectable levels of profitability, which we expect will contribute to Guardian's bottom line in 2018. Another promising sign is that our UK-based global team is slowly gaining sales traction in their asset class, giving us hope and confidence that our non-Canadian investment capabilities will, over time, represent a more significant portion of our overall business.
Guardian's management will continue to use its strong balance sheet to assist in our growth plans, by creating and seeding new strategies to gain a track record of performance and test our theories on optimizing our investment management processes. We have found that substantial investments in newly-offered products can help us to gain clients in the early stages of our product development. Two recent examples of this are in our Real Estate and our Fundamental Global Equity strategies, where substantial commitments of our own capital accelerated attracting third party investors. Investing in our own products also serves the purpose of slowly and methodically diversifying from our core holding of shares in the Bank of Montreal, as well as potentially diversifying from our large exposure to Canadian equities in general.

Another benefit of our balance sheet is to enable us to consider growth through acquisition opportunities. While much of our focus in 2018 will be on implementing our strategy with respect to Alta, we will continue to explore and evaluate opportunities in a range of investments related to financial service businesses.

Guardian's Financial Advisory subsidiary, Worldsource Wealth Management ("WWM"), continued to generate meaningful revenue and profit for us in the quarter. However, year over year growth was constrained by a very strong first quarter of 2017 in IDC WIN, our insurance managing general agency, and putting recruitment on hold in our investment advisor channel as we proceeded to implement a new technology platform during the quarter. Going forward, our plan is to continue to invest in increasing the scale of these businesses through recruitment of new advisors, as well as prudently considering acquisitions, if they become available. Guardian has made some strides in the past few years in creating and distributing market-competitive investment products that are attractive to our partners throughout WWM. Our longer-term plan for WWM includes continuing to improve our offering and increasing our assets under management administered by our WWM partners.

Over the past several years, Guardian has had a great deal of success in growing and improving the profitability of its businesses in Canada. Going forward, while we feel that there are still opportunities to succeed in the Canadian investment management market, it is a capacity constrained market and we acknowledge that we need to find other niches to continue to grow. In order to accelerate our growth in the long term, Guardian plans to continue to invest in our global investment management capabilities and, equally important, to continue to invest in expanding our distribution capabilities, in order to seek new clients in Canada, in the United States and internationally. We believe that investing in distribution and continuing expanding our offering will give Guardian a diverse set of opportunities to grow over the longer term.

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Our history. Your future.

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