MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 and nine month periods ended September 30, 2019 and the comparative periods in the year 2018, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2018 Annual Report and 2019 quarterly reports previously issued. This discussion and analysis has been prepared as of November 7, 2019.

On January 1, 2019, Guardian adopted IFRS 16 - Leases ("IFRS 16") on a modified retrospective basis. As permitted under this method, the prior period comparative figures were not restated and, as a result, they may not be entirely comparable. Readers are encouraged to refer to note 2(b) of Guardian's third quarter Consolidated Financial Statements for further discussion on the adoption of IFRS 16 and the impact on the current financial results.

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 September 30, 2019, Guardian had $30.2 billion of assets under management ("AUM") and $19.0 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which had a fair value of approximately $664 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 pages 26 and 27 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended September 30	Three months		Nine months	
($ in thousands, except per share amounts)	**2019**	2018	**2019**	2018
Net revenue	**$ 45,983**	$ 42,773	**$ 136,237**	$ 127,213
Expenses	**33,878**	30,329	**100,366**	92,963
Operating earnings	**12,105**	12,444	**35,871**	34,250
Net gains (losses)	**(1,274)**	28,481	**72,566**	33,349
Net earnings before income taxes	**10,831**	40,925	**108,437**	67,599
Income tax expense	**1,879**	5,846	**13,785**	11,554
Net earnings	**$ 8,952**	$ 35,079	**$ 94,652**	$ 56,045
Net earnings attributable to shareholders	**$ 8,275**	$ 34,320	**$ 92,333**	$ 53,497
EBITDA	**16,036**	15,562	**46,783**	41,346
Adjusted cash flow from operations	**13,053**	11,083	**36,081**	30,157
Diluted per share amounts				
Net earnings attributable to shareholders	**$ 0.31**	$ 1.21	**$ 3.37**	$ 1.89
EBITDA	**0.59**	0.55	**1.72**	1.46
Adjusted cash flow from operations	**0.48**	0.39	**1.33**	1.07

As at *($ in millions, except per share amounts)*	2019 September 30	2018 December 31	September 30
Assets under management	$ 30,243	$ 26,962	$ 29,185
Assets under administration	19,040	17,385	18,096
Shareholders' equity	654	599	670
Securities	664	627	688
Diluted per share			
Shareholders' equity	$ 23.93	$ 21.57	$ 23.57
Securities	24.30	22.58	24.20

RESULTS OF OPERATIONS

For the quarter ended September 30, 2019, Guardian's Operating earnings were $12.1 million, a 3% decrease from the $12.4 million reported for the same quarter in 2018. The main drivers of the Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were $6.5 million, a slight decrease compared to $6.6 million in the same quarter in the prior year. The slight decrease can largely be attributed to lower Operating earnings in the Domestic investment management business, stemming from outflows of Canadian equity assets over the past year. This decrease was largely offset by the growing positive Operating earnings contribution from the UK-based business, which grew its AUM to $3.5 billion as at September 30, 2019. Guardian's overall AUM were $30.2 billion as at September 30, 2019, a 4% increase from $29.2 billion in the prior year.

The Financial Advisory Segment's Operating earnings in the current quarter were $3.3 million, compared to $3.7 million in the same quarter in the prior year. The decrease in Operating earnings for this segment can mainly be attributed to increased expenses in our Dealers business, as we continue to reinvest into this business to leverage the new technology platform to improve advisor experience and prepare it for our next growth phase. The MGA business continues to perform well, albeit with Operating earnings increase at a more modest level this quarter than in prior quarters. The focus on recruitment of top-producing advisors has resulted in significantly larger but more variable levels of insurance policies being placed. This has increased fluctuations in both sales commissions and servicing commissions being earned in the MGA, quarter over quarter.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were $2.3 million, slightly up compared to $2.1 million during the same quarter in the prior year.

Net losses in the current quarter were $1.3 million compared to net gains of $28.3 million in the prior year. The current quarter's losses were partially related to changes in fair values of our corporate holdings of securities and partially to foreign currency exchange losses on the US dollar denominated loan, driven by the financial equity markets and foreign currency market fluctuations.

The Net earnings available to shareholders were $8.3 million, compared to $34.3 million in the prior year. The decrease was largely due to the decrease in Net gains (losses), as well as the decreases in Operating earnings, as described above.

EBITDA for the quarter was $16.0 million, 3% higher than the $15.5 million for the same period in 2018. Adjusted cash flow from operations for the quarter was $13.1 million, an 18% increase compared to $11.1 million in the same period in 2018. The increase in Adjusted cash flow from operations was largely due to lower income taxes paid in the current quarter, compared to the prior year. The adoption of IFRS 16 also resulted in both EBITDA and Adjusted cash flow from operations being higher by $0.7 million and $0.5 million respectively in the current quarter than they would have been under the previous accounting standard. Further discussion on the adoption of IFRS 16 is provided under Changes in Accounting Policies on page 26 of this report.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at *($ in millions)*	2019 September 30	2018 December 31	September 30
Assets under management			
Institutional			
Canadian equities	$ 9,008	$ 9,122	$ 10,269
Global equities	10,686	8,089	8,611
Fixed income	7,380	6,900	7,289
	27,074	24,111	26,169
Private wealth and international private banking	3,169	2,851	3,016
Total assets under management	$ 30,243	$ 26,962	$ 29,185
Assets under administration	$ 19,040	$ 17,385	$ 18,096

Guardian's AUM at the end of the current quarter reached $30.2 billion, an increase of 4% from $29.2 billion at the end of the third quarter in 2018, and 12% from $27.0 billion at the end of 2018. The growth in AUM can mainly be attributed to the financial market improvements and the continued inflow of new client assets into the Fundamental Global Equity strategy, managed by our UK subsidiary, offset partially by the outflow of assets from our domestic strategies. AUM at our UK subsidiary has now reached $3.5 billion, lifting our global equity AUM to $10.9 billion or approximately 40% of our institutional AUM.

The AUA at September 30, 2019 was $19.0 billion, a new historic high, up from $17.4 billion at the end of 2018 and $18.1 billion as at September 30, 2018. The positive global financial market performance, successful net recruitment of advisors in the past year and net sales contributed to the growth in AUA.

REVENUES AND EXPENSES

Net Management Fees

Management fees, net of fees paid to referring agents ("Net management fees") earned by Guardian is generated by providing continuing investment management services to client AUM. Net management fees generated for the quarter ended September 30, 2019 were $24.3 million, a 10% increase from the $22.0 million in the same quarter in the prior year. The following analysis of Net management fees should be read in conjunction with note 12 (a) – Business Segments in Guardian's third quarter Consolidated Financial Statements. The totals for the Segment quoted below are before inter-segment transactions.

Institutional Net management fees earned in the current quarter were $19.4 million, an 11% increase from the $17.5 million a year earlier. The increase in institutional Net management fees was driven largely by the growth in the Fundamental Global Equity management fees in our UK operations. Partially offsetting this was the lower Net management fees earned in the domestic business. As our Global equity strategies earn fees at higher rates, the recent growth in the Fundamental Global Equity strategy assets has continued to increase our average fees earned on client assets. This is evident in our revenue growth of 11%, while the AUM only grew by 3%, when comparing the current quarter to the same period in the prior year. Net management fees from our Global equity AUM now accounts for 60% of total institutional Net management fees, compared to 50% in the same quarter in 2018. Private wealth and international private banking Net management fees earned in the current quarter amounted to $4.5 million, substantially unchanged from $4.4 million in the prior year.

Net Commission Revenue

Net commission revenue earned by Guardian 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. Net commission revenue generated for the current quarter was $12.6 million, a 5% increase from $12.0 million a year earlier. The following analysis of net commission revenue should be read in conjunction with note 12 (a) – Business Segments in Guardian's third quarter Consolidated Financial Statements. The totals for the Segment quoted below are before inter-segment transactions.

Net commissions from the MGA business in the current quarter were $8.7 million, a 7% increase compared to $8.1 million a year earlier, benefiting from continued organic growth and the successful advisor recruitments completed in 2018, albeit at a tempered pace from the growth earlier this year. Included in this growth is a $0.5 million increase, compared to the prior year, in annual service commission revenue to $4.2 million, a 13% increase. Although up from the prior year, this is down from $4.9 million reported in the second quarter of 2019. As we continue to focus on recruiting top-producing advisors with larger books of business, depending on the timing of these policies being placed, the contractual premiums on life insurance policies sold ("Premiums Sold"), and the resulting commission revenue, will fluctuate quarter-to-quarter. The Premiums Sold were $20 million in the current quarter, compared to $21 million in the same period in the prior year. As these policies are renewed in subsequent years, our MGA will receive additional annual service commissions associated with these premiums. Net commissions from the Dealers business in the current quarter were $3.9 million, consistent with 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 in the Investment Management Segment. This income amounted to $3.9 million for the current quarter, as compared to $3.5 million in the prior year. Both the Investment Management and Financial Advisory Segments contributed to the increase in fee revenue, with larger contribution coming from the Dealer business driven by increased number of registered client accounts opened than in the prior year.

Dividend and Interest Income

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

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2019**	2018	**2019**	2018
Dividends on Bank of Montreal shares	**$ 3,605**	$ 3,552	**$ 10,755**	$ 10,434
Other dividends	**1,211**	1,155	**3,469**	3,934
Dividend income	**4,816**	4,707	**14,224**	14,368
Interest income	**972**	1,040	**3,438**	2,954
	$ 5,788	$ 5,747	**$ 17,662**	$ 17,322

Dividend income remained relatively consistent when comparing the current quarter to the same quarter in the prior year. Dividends on the BMO shares increased slightly as the dividend rate increased since the third quarter of 2018, partially offset by the lower number of BMO shares held in the current quarter. The lower interest income earned in the current quarter compared to the same quarter in the prior year is primarily due to the partial redemption of a preferred share investment at the end of the second quarter.

Expenses

Guardian's expenses increased to $34.0 million in the current quarter, compared to $30.3 million in the same quarter in the prior year. Expenses in the Investment Management Segment increased by $2.4 million over the prior year. The most significant increase occurred in the UK operations relating to increased incentive compensation expenses and other marketing and distribution expenses. In the Financial Advisory Segment, the expenses increased by $1.4 million, largely in the Dealers business, as we continue to invest into the business to better leverage the new technology platform and add additional staff to enhance the advisor experience and improve operational efficiencies. This increased level of expenses in the Dealers is expected to continue over the short term.

NET GAINS (LOSSES)

The following chart summarizes the main components of net gains during the current period, with the prior year as a comparison.

For the periods ended September 30	Three months		Nine months	
	2019	2018	**2019**	2018
Bank of Montreal common shares	**$ (4,025)**	$ 18,352	**$ 32,139**	$ 22,052
Other securities	**3,197**	8,926	**37,854**	12,703
Net gains on securities	**(828)**	27,278	**69,993**	34,755
Disposal of intangible assets	**341**	148	**809**	753
Foreign exchange gains (losses)	**(787)**	1,055	**1,764**	(2,159)
	$ (1,274)	$ 28,481	**$ 72,566**	$ 33,349

With the increased volatility in the global financial markets, the fair values of Guardian's securities have experienced significant fluctuations, resulting in significant volatility in Net gains (losses). In the current quarter, Net losses of $1.3 million were recorded, compared to $28.5 million in net gains in the same quarter in the prior year. In the current quarter, the losses resulted largely from the decrease in the fair value of the BMO shares, partially offset by $3.2 million in increase in fair value of investments in proprietary investment funds. In addition, Guardian recorded a $0.8 million in foreign exchange losses related largely to the US dollar loan outstanding, resulting from the depreciation in Canadian dollar against the US dollar during the quarter.

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	**2019**	2018	
($ in thousands, except per share amounts)	**September 30**	December 31	September 30
Securities, carried at fair value			
Proprietary investment strategies			
Fixed-income securities	**$ 18,177**	$ 20,746	$ 20,141
Canadian equities	**9,538**	13,159	14,983
Global equities	**229,995**	182,954	216,211
Real estate	**21,466**	19,560	18,041
	279,176	236,419	269,376
Bank of Montreal common shares	**341,425**	329,670	394,198
Other securities	**38,490**	51,131	14,701
	659,091	617,220	678,275
Securities, carried at amortized cost	**5,000**	10,000	10,000
Securities	**$ 664,091**	$ 627,220	$ 688,275
Total securities per share, diluted	**$ 24.30**	$ 22.58	$ 24.20

Guardian's securities as at September 30, 2019 had a fair value of $664 million, or $24.30 per share, diluted, compared with $627 million, or $22.58 per share, diluted, at the end of 2018. Shareholders' equity as at September 30, 2019 amounted to $654 million, or $23.92 per share, diluted, compared to $599 million, or $21.57 per share, diluted, at the end of 2018.

As at September 30, 2019, BMO represented 51.4% of the total securities (Dec. 31, 2018 – 52.6%).

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of $155 million. As at September 30, 2019, the total borrowings amounted to $120.4 million, $18.5 million lower compared to $138.9 million at the end of 2018. Guardian's Adjusted cash flow from operations for the current quarter was $13.1 million, an 18% increase compared to $11.1 million in the same quarter in 2018. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, quarterly dividends, share repurchases under its Normal Course Issuer Bid, capital expenditures and, when possible, debt repayments. From time to time, Guardian may use a combination of debt and partial disposal of Securities to help finance temporary working capital requirements or capital expenditures.

During the current quarter, using its Adjusted cash flow from operations, Guardian funded its working capital needs, paid dividends of $4.0 million and reduced borrowing s by $5.7 million.

CONTRACTUAL OBLIGATIONS

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

As at September 30, 2019 ($ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 120,393	$ 120,393	$ --	$ --	$ --
Client deposits	41,743	41,743	--	--	--
Payable to clients	48,879	48,879	--	--	--
Accounts payable and accrued liabilities	49,344	49,344	--	--	--
Other liabilities	19,893	--	--	19,893	--
Investment commitments	26,055	26,055	--	--	--
Scheduled lease payments	15,095	2,751	5,174	4,049	3,121
Third party investor liabilities	11,658	11,658	--	--	--
Total contractual obligations	$ 333,060	$ 300,823	$ 5,174	$ 23,942	$ 3,121

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:

For the three months ended ($ in thousands)	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Net revenue	**$ 45,983**	$ 45,963	$ 44,291	$ 44,300	$ 42,773	$ 42,924	$ 41,516	$ 39,097
Operating earnings	**12,105**	12,590	11,176	12,137	12,444	11,302	10,504	13,046
Net gains (losses)	**(1,274)**	7,957	65,883	(89,001)	28,481	20,800	(15,932)	38,186
Net earnings (loss)	**8,952**	17,601	68,099	(69,652)	35,079	26,245	(5,279)	44,466
Net earnings (loss) attributable to shareholders	**8,275**	16,838	67,220	(70,449)	34,320	25,385	(6,208)	43,982
Shareholders' equity	**653,983**	647,983	656,167	599,311	670,382	644,956	623,511	634,416
Per Class A and Common share (in $)								
Net earnings (loss) attributable to shareholders								
Basic	**$ 0.32**	$ 0.65	$ 2.57	$ (2.63)	$ 1.28	$ 0.95	$ (0.23)	$ 1.59
Diluted	**0.31**	0.62	2.43	(2.63)	1.21	0.90	(0.23)	1.51
Shareholders' equity								
Basic	**$ 25.49**	$ 25.26	$ 25.14	$ 22.85	$ 24.98	$ 24.06	$ 23.27	$ 23.20
Diluted	**23.93**	23.73	23.66	21.57	23.57	22.74	21.98	21.88
Dividends paid	**$ 0.150**	$ 0.150	$ 0.125	$ 0.125	$ 0.125	$ 0.125	$ 0.100	$ 0.100
As at								
Total Class A and Common shares outstanding (in thousands of shares)	**27,956**	27,956	28,405	28,405	29,012	29,012	29,012	29,523

Over the past 8 quarters presented above, Guardian's Net revenue has generally shown an upward trend, although it has 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 changes in AUM and AUA, which are affected by the volatility of the financial markets and additions and withdrawals of client assets. Offsetting this volatility is the significant insurance commissions earned in the MGA business, which are less correlated to the volatility of the financial markets. However, the volatility in the MGA revenue can also arise from the timing of large insurance policies being placed by the advisors. With the focus on recruiting top-producing advisors, these advisors deal in significantly larger insurance policies which can influence the timing and the level of the insurance commission revenue earned, depending on when these policies are placed. 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 can also have an impact on the level of dividend income recorded in the period.

Net revenue in the fourth quarter of 2018 increased although the AUM and AUA decreased, due to the increase in insurance commission revenues offsetting the reduction in other revenues during the period. The most significant increase was in the annual service commission revenue which is not correlated to the financial markets. In 2018, the increases in net revenue included the contributions from Alta, which was acquired on January 1, 2018. Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the financial markets in which Guardian's securities trade. The volatility of Net 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 Guardian's Net earnings (loss), less dividends paid and shares repurchased.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 14 to Guardian's third quarter 2019 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

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

Portfolio Value and Concentration Risks

Guardian's securities are subject to price risk. The potential impact of market fluctuations on the value of the securities is provided in note 14 to Guardian's third quarter 2019 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 $341 million in Bank of Montreal shares, which represents 51% (December 31, 2018 – 53%) of Guardian's securities at fair value. 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, having sold over 1.46 million shares of the bank since the third 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 57% (December 31, 2018 - 59%) domestic equities, consisting mainly of the Bank of Montreal shares, 36% (December 31, 2018 – 31%) non-Canadian equities and 6% (December 31, 2018 – 10%) short-term investments and 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. Following the 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, are recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries. These 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 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 substantially offsetting Net gains (losses) being recorded in Other comprehensive income. Readers are encouraged to refer to note 14 in Guardian's third 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 monitoring of activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manage the funds' credit risk. The credit risk associated with the investment in amortized cost securities is managed by monitoring the issuer's operations through discussions with the issuer's management. From time to time, advisors in the Financial Advisory segment may owe to the Dealers or the MGA, advances made or amounts resulting from the reversal of commissions. The credit risk associated with these amounts is 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. The interest rate risk associated with the investment in amortized cost securities is not actively managed, as it is a long-term investment, but monitored by management.

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 $155 million through two 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, the use of information technology can also introduce operational risk related to its use by employees, which may result in errors and lead to financial loss to Guardian. In addition, through 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 disruption risks that could potentially have an adverse impact on its business. Guardian actively monitors these risks 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, 2019, Guardian adopted IFRS 16 – *Leases.* The new standard provides a single lease accounting model for lessees, under which substantially all leases will be accounted for as asset acquisitions, financed by lease obligations. The Right of use assets and Lease obligations recognized will be equal to the present value of the contractual lease payments adjusted for certain items. The Right of use assets are amortized over their useful lives, which will generally be the lease terms. Lease payments will be accounted for as repayments of the Lease obligation, and interest will be recorded on the obligation. This differs from the prior standard, under which most of Guardian's leases did not result in the recognition of an asset or a lease obligation, and Guardian's lease payments were expensed over the term of the leases as part of Other expenses.

IFRS 16 was implemented on a modified retrospective basis, which resulted in the effects of the initial application of the new standard being recorded only in the current period, with no restatement of prior period results. Therefore, current period results may not be entirely comparable to prior periods.

The adoption of IFRS 16 did not have a significant impact on Guardian's Operating earnings. However, it resulted in the reclassification of expenses from Other expenses to Amortization and Interest expenses, and the reclassification of cash flows from Operating activities to Financing activities. The reclassification of expenses and cash flows resulted in increases in both EBITDA and Adjusted cash flow from operations under the new standard by $0.7 million and $0.5 million, respectively, in the current quarter. The adoption of IFRS 16 is discussed in further detail in note 2 (b) of Guardian's third quarter 2019 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, 2018, 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 to income, to calculate 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 distortions caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measures are "Net earnings" and "Net earnings available to shareholders per share, diluted", which are disclosed in Guardian's Consolidated Statements of Operations.

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

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2019**	2018	**2019**	2018
Net earnings, as reported	**$ 8,952**	$ 35,079	**$ 94,652**	$ 56,045
Add (deduct):				
Income tax expense	**1,879**	5,846	**13,785**	11,554
Net (gains) losses	**1,274**	(28,481)	**(72,566)**	(33,349)
Stock-based compensation	**650**	669	**1,812**	1,483
Interest expense	**1,027**	1,192	**3,282**	2,623
Amortization	**3,595**	2,714	**10,281**	7,388
Non-controlling interests	**(1,341)**	(1,457)	**(4,463)**	(4,398)
EBITDA	**$ 16,036**	$ 15,562	**$ 46,783**	$ 41,346

The adoption of IFRS 16 on January 1, 2019 resulted in an increase in EBITDA by $0.7 million in the quarter, due to a reduction in other expenses and an increase in Interest and Amortization expenses.

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 to income, to calculate the dilutive effect.

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

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2019**	2018	**2019**	2018
Net cash from operating activities, as reported	**$ 22,749**	$ 18,101	**$ 36,690**	$ 29,597
Add (deduct):				
Net change in non-cash working capital items	**(8,496)**	(5,721)	**3,331**	4,309
Non-controlling interests	**(1,200)**	(1,297)	**(3,940)**	(3,749)
Adjusted cash flow from operations	**$ 13,053**	$ 11,083	**$ 36,081**	$ 30,157

The adoption of IFRS 16 on January 1, 2019 resulted in an increase in Adjusted cash flow from operations by $0.5 million in the quarter, as a portion of the lease payments made were reclassified from Other expenses to Interest and Amortization expenses and Cash flows were reclassified from Operating activities to Financing activities.

Shareholders' equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which has been 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 shares outstanding as at period end.

OUTLOOK

Trade frictions remains the wild card in determining the market outlook, it is arguable that the balance of risks appear to be somewhat tilted to the upside as two of the main issues clouding the outlook (the China/US trade conflict and Brexit) have recently shown indications of abating, while the renewed push toward adding stimulus by central banks around the world means the risks of a monetary-policy driven downturn are next to zero any time soon. Economic growth globally remains positive, but shows signs of moderating, and the inversion of the US Treasury yield curve creates a cautious signal for growth in the mid to long term, but accommodative central bank monetary policy is "ahead of the curve" and may be able to forestall any longer term pressure on the economy. The expectation of continued positive but slowing growth trends combine with benign inflationary pressures to support expectations of positive performance in risk assets, there is, however, no expectation that market volatility is set to subside, with recent political developments in the US all but assuring that event/tweet risks are going to remain ever-present for the foreseeable future.

For Guardian, the performance of equity and fixed income markets is a very important factor in our short-term financial performance, both because of our company-owned investments, and because much of our revenue is tied to fees based on the size of our AUM or AUA. The performance of the markets is also a totally exogenous factor, which we have no way of controlling. As a result, we must focus on investing in the growth of our business, while containing costs as much as practical. In order to succeed in growing our business, we must continually innovate and raise awareness of our capabilities. To assist us in our goal, we continuously take advantage of our strong portfolio management capability and our balance sheet to seed, incubate and develop new strategies, which in the fullness of time, have a chance to become strong revenue-generating parts of our business. We will continue to invest in these new products, in the hope that we will be able to offer more and better investment solutions to clients, and prospective clients.

Strong investment track records are definitely helpful in finding clients, and there are certainly some instances of prospective clients finding us in a database and initiating contact with us, but in order to truly maximize our potential, we need to increase awareness of the Company and our capabilities. Over the past few years, Guardian has focused on restructuring and improving our sales and marketing capabilities, both within Canada and in other parts of the world. We will continue to seek capable and seasoned people to assist us in our efforts to raise awareness of our firm, and ultimately increase our net sales.

We also expect to continue considering inorganic growth with potential acquisitions in the Investment Management business segment, the MGA space or any other investment that will broaden or improve the offering of our existing business lines. Firm-wide, we will continue to explore and invest in technology improvements in order to offer the best solutions for management, employees, clients and our partner advisors. We will focus on developing strategies to assist our advisor-partners in managing their client assets efficiently and winning new business. Over time, we expect we will strategically raise cash from operations, through existing available credit facilities, partial sale of our BMO position and other investments on our balance sheet to pursue any opportunity that arises, whether it is seeding new products, making acquisitions, or opportunistic share buybacks.

Our history. Your future.

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