

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, 2020 and the comparative periods in the year 2019, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2019 Annual Report and 2020 Quarterly reports previously issued. This discussion and analysis has been prepared as of November 12, 2020.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be placed on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, the economic and global financial impact of COVID-19 pandemic, 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: Investment Management, Financial Advisory, and Corporate Activities and Investments. The institutional investment management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap") and Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta"). In addition, Private wealth management is operated through Guardian Capital Advisors LP ("GCA"), international private banking through Alexandria Bancorp Limited ("ABL"), and the recently-acquired digital-advisory business through Modern Advisor Canada Inc. ("Modern Advisor"). The financial advisory business is operated through IDC Worldsource Insurance Network Inc. ("IDC WIN") and Aurea Signature Inc. ("Aurea"), which was acquired on December 31, 2019, our insurance managing general agencies (together the "MGA"), and Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"). Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. As at September 30, 2020, Guardian had \$32.7 billion of assets under management ("AUM") and \$20.8 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$552 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, some of 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. In the Non-IFRS Measures section of this Management Discussion and Analysis a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

COVID-19 UPDATE

During the current quarter, Guardian eased some of its expenditure restrictions and cautiously moved toward certain planned initiatives and expenditures other than travel and entertainment. Guardian's Business Continuity Plan ("BCP") continues to operate effectively, with substantially all of its Associates being able to work from their homes. With the recent increase in the number of new COVID-19 infection cases in various parts of the world, including those cities where our Associates are located, we have reverted to allow only essential Associates into the office. Throughout the period of disruption caused by COVID-19, Guardian has been able to protect and retain substantially all of its Associates, who were instrumental in our ability to continue operating during the period.

Guardian continues to monitor the constantly evolving COVID-19 pandemic, including its recent rise in infection rates in various parts of the world. The continued increase in the infection rates could result in further lock-downs and restrictions, which would result in further significant negative impacts on the global financial markets and the worldwide economies. Guardian is prepared to respond to various scenarios which may unfold, but these future developments and their impact on Guardian's financial performance is highly uncertain and difficult to predict.

ACQUISITIONS SUBSEQUENT TO PERIOD END

Subsequent to the quarter-end, on October 1, 2020, Guardian closed the acquisition of a 70% interest in a US-based, fixed-income investment management firm, Agincourt Capital Management LLC ("Agincourt"). The acquisition will add approximately \$7.2 billion USD in AUM, will further enhance Guardian's distribution capabilities in the US institutional client market, and will complement Guardian's existing US subsidiary, Alta, its US equity investment offerings and retail distribution capabilities. Guardian paid \$13 million USD on closing, and further payments are estimated at up to \$4 million USD are due over the next four years.

Also on October 2, 2020, Guardian also closed the acquisition of Copoloff Insurance Agencies (Canada) Ltd. ("Copoloff"), a Quebec-based MGA, headquartered in Montreal, and servicing largely the Anglophone advisor community. This acquisition accelerates IDC WIN's expansion into the Quebec insurance market, and complements the prior acquisition of Aurea Signature Inc., which services largely the Francophone advisor community. The Copoloff purchase price was \$17.5 million, of which \$16.6 million was paid on closing, with the remainder to be paid six months from the closing date. On the same date, Aurea and Copoloff were amalgamated with IDC WIN, and their businesses are in the process of being integrated with IDC WIN.

More detailed descriptions of the above acquisitions are provided in Note 16 to Guardian's Third Quarter 2020 Consolidated Financial Statements.

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended September 30 (\$ in thousands, except per share amounts)	Three months		Nine months	
	2020	2019	2020	2019
Net revenue	\$ 52,042	\$ 45,983	\$ 152,067	\$ 136,237
Expenses	39,934	33,878	115,719	100,366
Operating earnings	12,108	12,105	36,348	35,871
Net gains (losses)	35,739	(1,274)	(82,296)	72,566
Net earnings before income taxes	47,847	10,831	(45,948)	108,437
Income tax expense	5,195	1,879	(4,933)	13,785
Net earnings	\$ 42,652	\$ 8,952	\$ (41,015)	\$ 94,652
Net earnings (loss) attributable to shareholders	\$ 42,201	\$ 8,275	\$ (43,681)	\$ 92,333
EBITDA	16,238	16,036	47,910	46,783
Adjusted cash flow from operations	10,507	13,053	39,230	36,081
Diluted per share amounts				
Net earnings (loss) attributable to shareholders	\$ 1.56	\$ 0.31	\$ (1.72)	\$ 3.37
EBITDA	0.60	0.59	1.78	1.72
Adjusted cash flow from operations	0.39	0.48	1.46	0.33

As at (\$ in millions, except per share amounts)	2020		2019	
	September 30	December 31	September 30	September 30
Assets under management	\$ 32,734	\$ 31,147	\$ 30,243	\$ 30,243
Assets under administration	20,755	20,248	19,040	19,040
Shareholders' equity	632	683	654	654
Securities	552	682	664	664
Diluted per share				
Shareholders' equity	\$ 23.25	\$ 25.01	\$ 23.93	\$ 23.93
Securities	20.30	24.99	24.30	24.30

RESULTS OF OPERATIONS

For the quarter ended September 30, 2020, Guardian's Operating earnings were \$12.1 million, unchanged from the third quarter of 2019. The UK subsidiary, GuardCap, and the MGA subsidiary, IDC WIN, continued to contribute growing Operating earnings. This growth was offset by the continued significant investments being made into both the Investment Management and the Financial Advisory Segments, as described below.

With the continued recoveries in the global financial markets and the net inflows of client assets during the current quarter, Guardian's AUM increased to \$32.7 billion as at September 30, 2020. This is a 5% increase from \$31.1 billion as at December 31, 2019, and an 8% increase from \$30.2 billion as at September 30, 2019. Contributing to the growth in AUM was GuardCap's continued success in attracting significant inflow of new client assets into its investment strategies, pushing its AUM to \$8.0 billion at the end of the current quarter.

The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were \$7.0 million, a 9% increase from \$6.5 million in the same quarter in the prior year. The increased Operating earnings were mainly driven by the continued growth in UK subsidiary, GuardCap. It now represents over 50% of the Segment's Operating earnings. Partially offsetting the growth in GuardCap were lower Operating earnings in Guardian's existing Domestic business and \$1.2 million in Operating losses incurred in total in the newly-formed Canadian Retail Asset Management team and the newly acquired Modern Advisor. Both are part of our multi-year strategic plan to strengthen our distribution capabilities. Canadian Retail Asset Management team is focused on providing investment solutions to the retail market, while Modern Advisor is focused on enhancing its technology to provide Guardian with the foundation for its digital platform. We expect the Operating losses in these two businesses to continue and likely increase in the near term, before they generate meaningful revenues in future periods.

The Financial Advisory Segment's Operating earnings in the current quarter were \$3.8 million, a 16% increase from the \$3.3 million reported in the same quarter in the prior year. The increase can be attributed mainly to an increase in Operating earnings from IDC WIN, our MGA business. IDC WIN's Operating earnings grew to \$3.5 million, which includes \$0.3 million from Aurrea, from \$2.6 million in the same quarter in the prior year. The increased Operating earnings for the Segment were delivered while continuing to invest in the Dealers business. As discussed in prior periods, we expect elevated levels of expenses to continue in the Dealers near term, before they begin to generate growth in Operating earnings.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.3 million, compared to \$2.3 million during the same quarter in the prior year. The lower Operating earnings in the current quarter were due largely to lower dividend income earned on the Bank of Montreal ("BMO") shares, partially offset by lower interest expense. The disposal of 800,000 BMO shares in the first half of the year resulted in lower dividend income in the current quarter, compared to the same quarter in the prior year. The proceeds from the disposal of BMO shares were used to pay down a portion of the debt outstanding during the previous quarter. The lower debt levels and lower interest rates in the current quarter resulted in lower interest expenses.

Net gains in the current quarter were \$35.7 million, compared to Net losses of \$1.3 million in the same quarter in the prior year. The continued positive performance in the global equities markets has contributed to the significant Net gains recorded in the current quarter.

The Net earnings attributable to shareholders were \$42.2 million, compared to \$8.3 million in the prior year. The increase was due largely to the significant Net gains in the current quarter, as described above.

EBITDA for the quarter was \$16.2 million, a 1% increase from \$16.0 million for the same period in 2019. Adjusted cash flow from operations for the quarter was \$10.5 million, compared to \$13.1 million in the same period in 2019. The decrease in Adjusted cash flow from operations was due largely

to higher income tax installments paid in the current period, compared to the prior period.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2020		2019	
	September 30	December 31	September 30	September 30
Assets under management				
Institutional				
Canadian equities	\$ 6,869	\$ 8,937	\$ 9,015	
Global equities	15,303	11,528	10,679	
Fixed income	7,256	7,465	7,380	
	29,428	27,930	27,074	
Private wealth and international private banking	3,306	3,217	3,169	
Total assets under management	\$ 32,734	\$ 31,147	\$ 30,243	
Assets under administration	\$ 20,755	\$ 20,248	\$ 19,040	

Guardian's AUM at the end of the current quarter was \$32.7 billion, a 5% growth from \$31.1 billion at December 31, 2019, and an 8% growth from the \$30.2 billion reported as at September 30, 2019. The current AUM level was achieved through a combination of market performance and successful addition of net new assets, especially in GuardCap. GuardCap's AUM at the end of the current quarter was \$8.0 billion, nearly doubling of its AUM since December 31, 2019.

The AUA at September 30, 2020 was \$20.8 billion, a 3% increase from \$20.2 billion at the end of 2019 and a 9% increase from \$19.0 billion as at September 30, 2019. Included in the current quarter is \$0.5 billion of AUA provided by Aurea. Adjusting for those assets, the AUA increase from September 30, 2019 would be approximately 6%.

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 for the quarter ended September 30, 2020 were \$28.8 million, an 18% increase from the \$24.3 million in the same quarter in the prior year.

The following analysis of Net management fees should be read in conjunction with note 13 (a) – Business Segments in Guardian's Third Quarter Consolidated Financial Statements as the totals for this Segment quoted below are before inter-segment transactions.

Institutional Net management fees earned in the current quarter were \$23.3 million, a 20% increase from \$19.4 million a year earlier. The increase in institutional Net management fees was driven largely by the growth in Global equities AUM managed by GuardCap, partially offset by lower revenues in the Domestic business. The Global equities AUM now represents over 50% of institutional AUM. These assets generally earn higher rates of fees than the other classes of AUM. All other Net management fees earned amounted to \$4.8 million in the current quarter, up 7% from the \$4.5 million earned in the prior year.

Net Commission Revenue

Net commission revenue earned by Guardian results from the sale of life insurance products, mutual funds and other securities, as well as from continuing trailer and renewal commissions, previously referred to as 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 \$14.4 million, a 22% increase from the \$11.8 million a year earlier.

The following analysis of Net commission revenue should be read in conjunction with note 13 (a) – Business Segments in Guardian's Third Quarter Consolidated Financial Statements, as the totals for this Segment quoted below are before inter-segment transactions.

Net commissions from IDC WIN, in the current quarter were \$11.5 million, a 30% increase compared to \$8.8 million in the same quarter a year earlier. The renewal commissions included in these Net commissions in the current quarter were \$5.3 million, up 27% from \$4.2 million in the same quarter in the prior year. Included in the current quarter are \$1.9 million of Net commissions from Aurea, of which \$0.7 million were renewal commissions. The contractual Premiums Sold were \$32 million in the current quarter, including \$6 million from Aurea, compared to \$20 million in the same period in the prior year. The renewal of the policies associated with Premiums Sold generate renewal commissions in each future period the policies are renewed. Net commissions from the Dealers business in the current quarter were \$4.1 million, up slightly from \$3.9 million in the same quarter of 2019.

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 \$4.3 million for the current quarter, as compared to \$4.1 million 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 (\$ in thousands)	Three months		Nine months	
	2020	2019	2020	2019
Dividends on Bank of Montreal shares	\$ 2,862	\$ 3,605	\$ 9,540	\$ 10,755
Other dividends	1,381	1,211	4,077	3,469
Dividend income	4,243	4,816	13,617	14,224
Operating activities	232	647	1,355	2,085
Investing activities	128	325	692	1,353
Interest income	360	972	2,047	3,438
	\$ 4,603	\$ 5,788	\$ 15,664	\$ 17,662

Dividend income declined in the current quarter by \$0.6 million, when compared to the same period one year earlier, largely due to lower dividend income earned on BMO shares. As part of the response to the pandemic-induced market downturn in the first half of the year, Guardian sold 800,000 shares of BMO and used the proceeds to lower debt on the balance sheet.

Interest income declined in the current quarter by \$0.6 million compared to the same period one year earlier. The Dealer business saw the biggest decline as lower interest rates reduced the interest spreads available on client cash balances. In the Corporate Activities and Investments Segment, interest income was lower due to lower balances of interest earning investments being held in the current quarter.

Expenses

Total expenses in the current quarter amounted to \$39.9 million, compared to \$33.9 million in the same quarter in 2019. The largest increase in expenses was incurred in GuardCap. In line with its growth in Net revenues and Operating earnings, the increase in variable compensation accounted for most of the increase in expenses. The expenses associated with three new businesses in 2020, Aurea, Modern Advisor and the Canadian Retail Asset Management group, combined to represent approximately half of the total increase in Guardian's expenses. The expenses in Canadian Retail Asset Management group include expenses related to the launch and ongoing support of a new family of ETFs launched during the quarter. The remaining increase was a modest \$0.5 million. This modest increase was the net result of increased staffing costs in the Corporate Activities and Investments Segment, the costs associated with newly consolidated investment funds, offset by lower travel and entertainment and interest expenses.

NET GAINS (LOSSES)

The following table summarizes the main components of net gains (losses) during the current periods, with the prior periods as a comparison.

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2020	2019	2020	2019
Bank of Montreal common shares	\$ 15,714	\$ (4,025)	\$ (87,942)	\$ 32,139
Other securities	19,449	3,197	8,035	37,854
Net gains (losses) on securities	35,163	(828)	(79,907)	69,993
Net gain on other financial liabilities	252	--	252	--
Disposal of intangible assets	285	341	1,164	809
Foreign exchange gains (losses)	39	(787)	(3,805)	1,764
	\$ 35,739	\$ (1,274)	\$ (82,296)	\$ 72,566

Equity markets continued to recover in the current quarter resulting in \$35.7 million in Net gains, a significant improvement from the \$1.3 million Net losses in the same quarter in the prior year. Although the equities markets continued to recover during the third quarter, the Net gains over the past two quarters were still insufficient to fully offset the Net losses recorded in the first quarter of the current year. This is partially due to BMO share price still being below the December 31, 2019 price and partially due to the disposal of 800,000 BMO shares during the first half of the year at prices lower than at December 31, 2019 prices.

During the current quarter, Guardian underwrote 200,000 call options on BMO common shares. Guardian utilized 200,000 of its holdings of the BMO shares to hedge the obligations on the call options. These option positions were closed out prior to the end of the quarter. The Net gain on other financial liabilities represents the net premiums earned and trading Net gain on these options. The underwriting of call options is expected to continue in the near term.

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)	2020		2019	
	September 30	December 31	September 30	
Securities, carried at fair value				
Proprietary investment strategies				
Short-term and fixed-income securities	\$ 12,529	\$ 18,049	\$ 18,177	
Canadian equities	10,176	10,717	9,538	
Global equities	262,791	243,703	229,995	
Real estate	23,228	22,364	21,466	
	308,724	294,833	279,176	
Bank of Montreal common shares	209,844	351,750	341,425	
Short-term securities	16,625	14,725	--	
Equities	16,626	15,971	38,490	
	551,819	677,279	659,091	
Securities, carried at amortized cost	--	5,000	5,000	
Securities	\$ 551,819	\$ 682,279	\$ 664,091	
Total securities per share, diluted	\$ 20.30	\$ 24.99	\$ 24.30	

Guardian's securities as at September 30, 2020 had a fair value of \$551.8 million, or \$20.30 per share, diluted, compared with \$682.3 million, or \$24.99 per share, diluted, at the end of 2019. Shareholders' equity as at September 30, 2020 amounted to \$631.9 million, or \$23.25 per share, diluted, compared to \$682.8 million, or \$25.01 per share, diluted, at the end of 2019.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$160 million. As at September 30, 2020, the total borrowings amounted to \$66.3 million, compared to \$113.7 million at the end of 2019. Guardian's Adjusted cash flow from operations for the current quarter was \$10.5 million, compared to \$13.1 million in the same quarter in 2019. The decline in the current quarter was due to larger income tax installments paid in the current quarter. 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 disposal of Securities to help finance temporary working capital requirements or capital expenditures.

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, 2020 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 66,310	\$ 66,310	\$ --	\$ --	\$ --
Client deposits	38,039	38,039	--	--	--
Payable to clients	70,837	70,837	--	--	--
Accounts payable and accrued liabilities	57,128	57,128	--	--	--
Other liabilities	23,173	--	23,173	--	--
Investment commitments	23,692	23,692	--	--	--
Scheduled lease payments	13,330	2,734	4,842	3,338	2,416
Third party investor liabilities	48,518	48,518	--	--	--
Total contractual obligations	\$ 341,027	\$ 307,258	\$ 28,015	\$ 3,338	\$ 2,416

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:

	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
As at (\$ in millions)								
Assets under management	\$ 32,734	\$ 31,196	\$ 27,527	\$ 31,147	\$ 30,243	\$ 30,088	\$ 29,631	\$ 26,962
Assets under administration	20,755	20,010	18,152	20,248	19,040	18,784	18,745	17,385
For the three months ended (\$ in thousands)								
Net revenue	\$ 52,042	\$ 50,124	\$ 49,901	\$ 49,865	\$ 45,983	\$ 45,963	\$ 44,291	\$ 44,300
Operating earnings	12,108	13,427	10,813	13,030	12,105	12,590	11,176	12,137
Net gains (losses)	35,739	43,254	(161,289)	24,140	(1,274)	7,957	65,883	(89,001)
Net earnings (loss)	42,652	51,244	(134,911)	31,808	8,952	17,601	68,099	(69,652)
Net earnings (loss) attributable to shareholders	42,201	50,486	(136,368)	30,787	8,275	16,838	67,220	(70,449)
Net earnings (loss) attributable to shareholders: Per Class A and Common share (in \$)								
Basic	\$ 1.66	\$ 1.99	\$ (5.35)	\$ 1.20	\$ 0.32	\$ 0.65	\$ 2.57	\$ (2.63)
Diluted	1.56	1.87	(5.35)	1.13	0.31	0.62	2.43	(2.63)
Dividends paid (in \$)	\$ 0.160	\$ 0.160	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.125	\$ 0.125
As at								
Shareholders' equity (\$ in thousands)	\$ 631,863	\$ 596,265	\$ 562,821	\$ 682,777	\$ 653,983	\$ 647,983	\$ 656,167	\$ 599,311
Per Class A and Common share (in \$)								
Basic	\$ 24.80	\$ 23.50	\$ 22.18	\$ 26.73	\$ 25.49	\$ 25.26	\$ 25.14	\$ 22.85
Diluted	23.25	22.07	20.94	25.01	23.93	23.73	23.66	21.57
Total Class A and Common shares outstanding (shares in thousands)	27,758	27,758	27,758	27,839	27,956	27,956	28,405	28,405

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 are 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 contracted advisors. As IDC WIN has built a business with a significant number of top-producing advisors, and these advisors deal mainly in significantly larger and more sophisticated insurance policies, the timing of the placement of these policies can affect the timing and the level of the insurance commission revenue earned. In addition, some cyclicality of sales commissions and renewal commissions have developed in IDC WIN, as the second and third quarters of each year tends to have lower Net commission revenues than the other quarters. In the Corporate Activities and Investments Segment, some increases 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" midyear dividends. 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 first quarter of 2020 increased although the AUM and AUA decreased, due to the timing of the AUM and AUA decrease impacting only one month of revenue for the quarter, offset by growth in higher-fee earning AUM in our GuardCap subsidiary during the quarter. In addition, the insurance commission revenue increased, due to the inclusion of Aurea's commission revenue in this period for the first time. 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. 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 (losses), less dividends paid and shares repurchased.

RISK FACTORS

Guardian is exposed to a number of risk factors, including the key risk factors listed below. A key component of a successful business is its ability to manage its risk. Due to the nature of Guardian's businesses, its largest risk is tied to its exposure to financial markets. A significant portion of its revenue is derived from management of client assets or advisory on clients' wealth. During the current year, due to the ongoing pandemic disruptions, many of the risks listed below are heightened and may be more challenging to manage or mitigate. Readers are encouraged to refer to note 15 to Guardian's third quarter 2020 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

Market can have a significant effect on the value of both clients' portfolios and our earnings, since management fees, which make up a significant part of our revenues, are generally based on market values. In the Financial Advisory Segment, market fluctuations can significantly impact the amounts being invested by clients, thereby increasing or decreasing 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 securities 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 risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 15 of Guardian's third quarter of 2020 Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. As at September 30, 2020, Guardian holds \$210 million of BMO shares (December 31, 2019 – \$352 million), which represents 38% of Guardian's securities (2019 – 52%). 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 concentrated exposure over several years, having sold 2.3 million shares since the second quarter of 2013. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. At September 30, 2020, the corporate holding of securities consisted of 46% Canadian equities (December 31, 2019 – 57%), primarily consisting of Bank of Montreal shares, 49% of non-Canadian equities (December 31, 2019 – 37%) and 5% short-term investments and fixed-income securities (December 31, 2019 – 6%).

During the third quarter of 2020, Guardian underwrote call options on 200,000 BMO common shares as part of its covered-call option strategy. The risk of underwriting call options is the risk that the holder of the options may exercise their right to call those shares from the underwriter at the strike price when the market price is higher than the strike price. Under such a scenario, Guardian, as the underwriter, must acquire and deliver those shares to the option holder when the market price is higher than what the option holder is required to pay Guardian. To mitigate against such risk, Guardian hedges the obligations associated with these options by holding the same number of shares as the number of options underwritten.

The recent financial market disruptions and volatility caused by the COVID-19 pandemic has made valuing securities more challenging, especially those that are not traded on an active market. The assumptions and key inputs used in financial models to estimate fair values of those securities may not be appropriate or are not available. As a result, there is a higher risk that the estimated fair values may materially differ from actual amounts realized in an arm's length market transaction.

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 (losses), but are recorded in the "Net change in foreign currency translation on foreign subsidiaries" in Guardian's Consolidated Statements of Operations and 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 acquisition of Alta in 2018, Guardian now also recognizes obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, 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, in that they are not actively managed, due to the long-term nature of the 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 the foreign currency exchange rates compared to the Canadian dollar. From time to time, Guardian may record certain foreign exchange gains (losses) in Net earnings, such as on the current US Dollar borrowings outstanding which were used to finance the acquisition of Alta. This risk is mitigated by an offsetting, similar amount being recognized on the investment in Alta as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Guardian may also record gains (losses) in Net earnings on Canadian dollar cash balances held by foreign subsidiaries. These foreign exchange gains and losses result in similar offsetting Net gains (losses) being recorded in Other comprehensive income as discussed above. Readers are encouraged to refer to Note 15 in Guardian's Third Quarter 2020 Consolidated Financial Statements for further discussion and sensitivity analyses.

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 in the Dealers business, which are secured by marketable securities in margin accounts. 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, manages the funds' credit risk. From time to time, advisors in the Financial Advisory segment may owe advances received or amounts resulting from reversal of commissions to the Dealer or the MGA. The credit risk associated with these amounts is mitigated by management's review of the advisors' abilities 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, largely 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 \$160 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 Management 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.

Certain financial market events may cause disruptions, as recently witnessed with the global COVID-19 pandemic, and cause a tightening of liquidity in the market, making it difficult or more expensive for Guardian to borrow under its facilities. Guardian's large portfolio of liquid securities can offset some of the risk of tightening of market liquidity.

Product Performance Risk

Product performance risk is the risk that we will not perform as well as the market, our peers, or in line with our clients' expectations. The nature of this risk is both relative and absolute. We manage this risk by having a disciplined approach to investment management, and by ensuring that our compliance capabilities are strong. With respect to clients' expectations, we also seek to ensure that we are aware of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

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.

Regulatory and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of Guardian's and certain of its subsidiaries' operations, it may, from time to time, be subject to changes in regulations, 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.

Key Personnel Risk

The success of Guardian is highly dependent on key personnel, including its senior management and investment professionals. The loss of any of these individuals, or an inability to retain these individuals and attract the best of the brightest talent, could have a negative impact on Guardian. To mitigate this risk, Guardian monitors the industry to competitively compensate these individuals, invests into the business to create an environment where both Guardian and these individuals can succeed, and evaluates, on an ongoing basis, the succession plans in place for these key individuals. Guardian's financial strength provides resources necessary to competitively compensate these individuals and to allow us to invest in the business.

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 or remote connections to internal data centres, 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.

The cyber security risk has increased during the current period while the majority of Guardian's employees are working remotely and connecting to Guardian's data centres as part of its Business Continuity Plan. Guardian has heightened its monitoring of the internal network traffic and the monitoring of developments in latest known cyber threats.

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, 2019, 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. The valuation approach to level 3 securities is most sensitive to the level of AUM associated with the issuer of the security. The valuation approach to Financial Advisory Segment goodwill is most sensitive to the levels of AUA and annual service fees within the Segment. No changes to the valuation methodologies were made during the current quarter for these assets. For the Investment Management Segment, impairment assessment on goodwill was conducted in the first quarter of 2020 as the Segment's AUM declined along with the global equities markets. The assessment concluded that goodwill was not impaired at that time. With the significant recoveries in the global equities markets during the second and the third quarter, Guardian concluded that there were no indications of impairment, and as a result, another assessment was not required this quarter. More detailed discussion of the impairment assessment is described in note 5 to Guardian's Third Quarter 2020 Consolidated Financial Statements.

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 believes 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 (\$ in thousands)	Three months		Nine months	
	2020	2019	2020	2019
Net earnings, as reported	\$ 42,652	\$ 8,952	\$ (41,015)	\$ 94,652
Add (deduct):				
Income tax expense (recovery)	5,195	1,879	(4,933)	13,785
Net (gains) losses	(35,739)	1,274	82,296	(72,566)
Stock-based compensation	682	650	1,996	1,812
Interest expense	299	1,027	1,594	3,282
Amortization	4,464	3,595	13,223	10,281
Non-controlling interests	(1,315)	(1,341)	(5,251)	(4,463)
EBITDA	\$ 16,238	\$ 16,036	\$ 47,910	\$ 46,783

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 (\$ in thousands)	Three months		Nine months	
	2020	2019	2020	2019
Net cash from operating activities, as reported	\$ 22,352	\$ 22,749	\$ 51,419	\$ 36,690
Add (deduct):				
Net change in non-cash working capital items	(11,285)	(8,496)	(7,808)	3,331
Non-controlling interests	(560)	(1,200)	(4,381)	(3,940)
Adjusted cash flow from operations	\$ 10,507	\$ 13,053	\$ 39,230	\$ 36,081

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

Throughout the world, the COVID-19 pandemic continues to cause unique shocks to pre-existing economic, fiscal, social and, healthcare systems. Aggregate output across the G7 economies (Canada, France, Germany, Italy, Japan, US and UK) collapsed by a record-setting 12% in the first half of 2020, more than double the peak-to-trough drop in the aftermath of the financial crisis in 2008/2009. However, the easing of restrictions across many regions starting in late April, showed that activity in some segments of the economy can return to something akin to normal in fairly short-order. The massive amounts of fiscal stimulus and other government initiatives have played a significant role in helping those unable to return to work keep their heads above water. The result has been a robust economic rebound across the globe over the summer, which has all but assured that the COVID-19-induced global recession will stand as one of the shortest in history. Current consensus forecasts put the G7 economies on track to post their biggest one-quarter gain on record in Q3, but these gains do not recapture everything. Plenty of slack still remains as evidenced by unemployment rates, which, though off their peaks, remain at historically elevated levels. While that suggests the scope for growth rates to remain above the trends that prevailed prior to this public health and economic crisis, expectations are for future growth to be much more moderate than the torrid pace recorded over the last few months. Part of the reason for slowing growth expectations is that much of the growth in the last several months has been from a spike in consumer spending that essentially replaced spending forgone during the depths of the crisis. It was not new demand; it was primarily deferred demand. Another factor arguing for a slowdown in growth is the fact that services, which are nearly two-thirds of consumer spending cannot rebound as fast as retail spending. There might have been a rush for everyone to get a haircut, or a meal at a restaurant as the lockdown loosened, but people aren't going to get their hair cut every week going forward to replace the ones missed in the preceding months. The resurgence of COVID-19 contagion following lulls over the summer has paused reopening plans, and in several cases resulted in a reversal of some easing of restrictions. While it is unlikely that we will see many economies totally shutting down again, there is certainly evidence that the second wave will have the ability to slow things again. All this to say that it is unlikely that economic activity in the G7 will regain the heights attained prior to the pandemic much before the end of 2021.

Guardian is fortunate in that, since it operates in the investment and wealth management segments of the economy, our operations have not been forced to shut down, and our revenues to date have been resilient. Our revenues, earnings, and the value of our balance sheet will experience fluctuations based on prevailing asset prices but, absent the unlikely scenario of an enduring economic collapse, we will be able to continue to operate on a relatively normal basis. We are also fortunate that not all of our sources of revenue are correlated to equity and other financial markets. Financial market levels

directly affect our revenue from AUM and AUA, but do not affect the commissions we earn from insurance companies for our clients, nor does it necessarily mean that dividends and interest payments from our investment portfolio will be reduced. That being said, during the early stages of the COVID-19 pandemic management took the decision to moderately reduce our market exposure in order to reduce our bank lines and further de-risk Guardian. These times are unprecedented, and while we believe the global economy will be resilient, we certainly do not rule out the possibility of further fluctuations in asset prices as the crisis continues to unfold. Over the past few months, Guardian has demonstrated its ability to “stay the course” by announcing new acquisitions, hiring new people, and launching and supporting new initiatives. We will continue to do our best to identify new avenues of growth for Guardian, as well as supporting those initiatives on which we have already embarked. Our goal is to have the flexibility to continue prudently investing in our growth initiatives, our people, and our service level to our clients and partners, without being forced to make unpleasant decisions if things do temporarily get worse. We consider ourselves very fortunate at this stage that we have been able to keep our employees active; our clients well taken care of; execute the business continuity plan to keep our employees safe; and have the ability to provide some degree of stability and certainty to all of our stakeholders during this period of heightened anxiety. Clearly, the longer the disruption lasts the more difficult it will be. We are preparing for more challenges, but our healthy, liquid balance sheet gives us resilience, and while exogenous factors may come into play, we expect to manage these headwinds to allow us to strive for continued positive operating earnings and free cash flow generation in future quarters.



Our history. Your future.

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