

Guardian

GUARDIAN CAPITAL GROUP LIMITED
Report to Shareholders

THIRD QUARTER
SEPTEMBER 30, 2020

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the periods ended September 30, 2020. All per share figures disclosed below are stated on a diluted basis.

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
Operating earnings	12,108	12,105	36,348	35,871
Net gains (losses)	35,739	(1,274)	(82,296)	72,566
Net earnings (loss) attributable to shareholders	42,201	8,275	(43,681)	92,333
EBITDA ⁽¹⁾	\$ 16,238	\$ 16,036	\$ 47,910	\$ 46,783
Adjusted cash flow from operations ⁽¹⁾	10,507	13,053	39,230	36,081
Per share:				
Net earnings (loss) attributable to shareholders	\$ 1.56	\$ 0.31	\$ (1.72)	\$ 3.37
EBITDA ⁽¹⁾	0.60	0.59	1.78	1.72
Adjusted cash flow from operations ⁽¹⁾	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	
Assets under administration	20,755	20,248	19,040	
Shareholders' equity	632	683	654	
Securities	552	682	664	
Per share:				
Shareholders' equity ⁽¹⁾	\$ 23.25	\$ 25.01	\$ 23.93	
Securities ⁽¹⁾	20.30	24.99	24.30	

Summary

The Company is reporting Operating earnings of \$12.1 million for the quarter ended September 30, 2020, substantially unchanged from the \$12.1 million reported in the third quarter of 2019.

The Net revenue for the current quarter grew to \$52.0 million, \$6.0 million or 13% higher than the \$46.0 million reported in the same quarter in the prior year. Excluding the revenue contributions of \$2.0 million from Aurea Signature Inc. ("Aurea"), and Modern Advisor Canada Inc. ("Modern Advisor"), two businesses which were acquired subsequent to the third quarter of 2019, the growth in Net revenue was \$3.0 million. This organic growth was largely driven by growth in Guardcap Investment Management ("GuardCap") the UK investment management subsidiary and IDC Worldsource Insurance Network ("IDC WIN"), the life insurance managing general agency subsidiary.

Expenses in the current quarter were \$39.9 million, a \$6.0 million increase from \$33.9 million in the same quarter in the prior year. Included in the current quarter's expenses are the expenses of Aurea, Modern Advisor, and those involved with the expansion of the Canadian Retail Asset Management team, which is providing investment solutions for the Canadian retail market. The total expenses associated with these three businesses were \$2.9 million in the current quarter.

The Company's assets under management ("AUM") reached \$32.7 billion as at September 30, 2020, 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. The continued recovery in the global financial markets and the significant inflow of assets experienced by GuardCap drove the growth in AUM during the current quarter. The AUM managed by GuardCap has grown to \$8.0 billion by the end of the current quarter from \$4.0 billion at the end of 2019.

The Company's assets under administration ("AUA") were \$20.8 billion as at September 30, 2020, compared to \$20.2 billion at the end of 2019 and \$19.0 billion as at September 30, 2019. Included as at September 30, 2020 were \$0.5 billion of AUA provided by Aurea.

The global financial markets experienced continued recoveries during the third quarter from the significant decline in the first quarter, resulting in Net gains of \$35.7 million for the current quarter, compared to Net losses of \$1.3 million in the same quarter in the prior year.

As a result of the Net gains and Operating earnings described above, the Company's Net earnings attributable to shareholders in the current quarter were \$42.2 million, compared to \$8.3 million in the same quarter in 2019.

EBITDA ⁽¹⁾ for the current quarter was \$16.2 million, compared to \$16.0 million in the same period in the prior year. Adjusted cash flow from operations ⁽¹⁾ for the current quarter was \$10.5 million, compared to \$13.1 million in the same quarter in the prior year. The lower Adjusted cash flow from operations was due to significant tax installments being paid in the current quarter, compared to the prior year.

The Company's Shareholders' equity as at September 30, 2020 was \$632 million, or \$23.25 per share ⁽¹⁾, compared to \$683 million, or \$25.01 per share ⁽¹⁾ as at December 31, 2019, and \$654 million or \$23.93 per share ⁽¹⁾ as at September 30, 2019.

As the global equity markets continued to recover in the current quarter, the fair value of the Company's Securities experienced a continued increase in fair value. However, the fair value of the Company's Securities is still less than the December 31, 2019 value due to the disposal of a portion of the holdings of the Bank of Montreal ("BMO") share in the first half of the year and current share price of BMO remaining below the December 31, 2019 value. The fair value of the Company's Securities as at September 30, 2020 was \$552 million, or \$20.30 per share⁽¹⁾, compared to \$682 million, or \$24.99 per share⁽¹⁾ as at December 31, 2019 and \$664 million or \$24.30 per share⁽¹⁾ as at September 30, 2019.

The Board of Directors has declared a quarterly eligible dividend of \$0.16 per share, payable on January 18, 2021, to shareholders of record on January 11, 2021.

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

Commentary

Market Recap

As of the writing of this commentary, the US Presidential election has just concluded, and it appears that the global crisis stemming from the COVID-19 virus has yet to run its course. Generally speaking, a lull in the number of cases during the summer months, accompanied by a decrease in the severity of lockdown restrictions throughout the world, has been replaced by a steady growth in the number of cases, as autumn approached in the northern hemisphere. It has also become apparent that the massive fiscal and monetary stimulus throughout the world has helped forestall much more dramatic economic consequences. The massive rallies in the world's equity markets from the lows of late March, which characterized the second quarter, were more subdued in the third quarter but, generally, major markets, whether developed or emerging, had positive returns in the period. The economy also appears to have had a very strong rebound from the recession of the first half of the year, with substantial rebounds in global purchasing manager indexes, and total employment, along with declines in business inventories. There is reason for optimism going forward, as a multitude of vaccines are approaching fulfillment and will benefit from an expedited approval process, and there are no signs that authorities will tighten the fiscal or monetary stimulus that have kept the economy going during the worst of the lockdown. Currently, the number of active cases is climbing, but the world now has a better understanding of the ways the virus spreads, how to mitigate the spread, methods of treatment, and who is most susceptible to serious outcomes. We believe that further restrictions of the economy intended to slow the progress of the disease, will be more measured than the panic responses we saw in the first half of the year. However, we do not dismiss the potential impact to the economy of restrictions currently in place, or to be imposed in the future. As a result, though it is difficult to be certain of any prediction, we expect that the outcome of this ordeal will be much better than the market was discounting at the end of March.

Update on COVID-19 Emergency

We are pleased to report that our Business Continuity Plan (BCP), which we declared in March in response to the COVID-19 emergency, has stood up to our requirements and expectations extremely well, and no significant problems have been encountered. All of the employees in all of our operating business units are safe, and substantially all continue to work from remote locations, as of the writing of this report. Our services to our clients transitioned seamlessly to remote working arrangements, and we are prepared to sustain such a work arrangement for a prolonged period of time. We have dedicated considerable effort to developing a phased approach to safely bringing our employees back to our physical workplaces. During the respite of COVID-19 cases in the summer, some strictly regulated mitigation of the rules regarding access to workplaces was carried out but, as the number of cases started to climb at the end of the quarter, we returned to allowing attendance by essential personnel only at our offices. The process of bringing our employees back was, and continues to be, based on government and health official guidelines, local conditions and an abundance of caution on our part, and we are prepared to change course if, and when, conditions warrant such a decision. We extend our thanks to all of our employees, who have been working with us to make these moves possible.

Investment Management

As at September 30th, aided by overall positive market performance for risk assets, and strong positive client flows into our Fundamental Global Equity strategy, Guardian's assets under management (AUM) amounted to \$32.7 billion, an increase of roughly 5% from the \$31.2 billion at the end of Q2. The \$32.7 billion excludes the AUM from the most recent acquisition of Agincourt Capital Management, which closed on October 1st, with estimated AUM of \$9.5 billion Canadian.

GuardCap, our UK-based asset management business, continues to lead the business segment in growing AUM, and has a strong pipeline for future flows. Total AUM for GuardCap as at September 30th were \$8.0 billion, up from \$6.5 billion at June 30th and \$4.0 billion at December 31, 2019. We anticipate that, after several years of patiently funding Operating losses in GuardCap, in the near term, the Investment Management Segment will benefit from this unit's meaningful and growing contributions to Operating earnings. The improved financial contribution of GuardCap allows us to more than offset the decrease in Operating earnings from our current Domestic Investment Management business and confidently continue to make the investments necessary in pursuing growth for the overall business segment.

Among the many investments we continue to make across the Investment Management Segment, our greatest allocation of increased expenditures over the last few months has been the strategic objective to build a dedicated Canadian retail distribution team, for which we can create new investment vehicles to serve the needs of financial advisors in both securities and mutual fund dealers. The focus of our efforts has been to leverage the growing ecosystem within the Group by creating investment solutions that innovate and meet the changing investment needs of the retail client segment. Similar to our strategy in building GuardCap, we expect to incur increased costs as we resource this effort, which will precede meaningful management fees from new assets under management. We are very aware of the competition involved in trying to serve the needs of Canadian financial advisors. However, we anticipate that a fresh, innovative approach to creating solutions from a leading independent asset manager will be a welcome entrant into the market. Ultimately, the goal is to improve on the quality of our domestic asset management business which, if successful, will garner higher average management fees. In the year-to-date, we have spent a great deal of time and capital resourcing and preparing for new investment solution launches. As was announced in the third quarter, we have launched a series of five Exchange-Traded Funds (ETFs) which will offer exclusively Guardian-managed solutions for investors with a variety of risk tolerance and income generation goals. One of the primary distribution channels we are targeting is composed of financial advisors dealing with an aging demographic client base. For this cohort of investors, it is important to focus on whether their wealth can sustain them for the balance of their lifetimes, knowingly managing their longevity risk. It is early in our effort to build more directly our presence with the financial advisor community, and one should expect several more waves of launches over the foreseeable future, as we assemble the roster of solutions to offer, driven by freshly-conceived branding campaigns. Our focus for the future is to highlight the best ideas of our asset management capabilities in as many formats as possible, including separately managed accounts, mutual funds, ETFs, closed-end funds and insurance wrapped products.

Financial Advisory

Worldsource, our Financial Advisory Segment, essentially serves two distinct types of independent financial advisors across Canada. It operates a mutual fund and securities dealership (the "Dealers") which focuses largely on independent financial advisors offering investment advice to their clients and a life insurance Managing General Agency (the "MGA") which is focused on servicing independent life insurance advisors. Over the course of the last few years, our Dealer business has devoted a great deal of time, energy and finances to upgrading our management team, our technology suite, and our service offering to our advisor partners. In 2018 we undertook the conversion of the main operating system supporting all MFDA registrant advisors in our Dealership, and in the fourth quarter of 2020 we expect to complete the operating system conversion for all IIROC advisors. While these investments have come at the expense of reduced earnings, we feel that our Dealers business has vastly improved its value proposition and we are in a position to start benefiting from the investments we have made. Furthermore, we envision that Modern Advisor, the digital advisor acquired earlier this year, will be able to be strategically integrated with our Dealers business, to offer a robust digital solution to all Worldsource advisors and accelerate the efficiency of their client books of business. With an improved operating platform and digital enablement strategy we will focus our major initiatives at the Dealers on increasing our penetration of Guardian's investment solutions into Worldsource, more aggressively recruiting independent advisors and corporate partners, and improving our pricing discipline when negotiating with new partners. The environment to actively recruit new independent advisors and corporate partners has been largely deferred into 2021 as COVID concerns have taken priority for all parties involved. However, we remain optimistic that our value proposition is very attractive, based on continuing discussions with prospective partners. In the third quarter, Worldsource assets

under administration increased to \$20.7 billion from \$20.0 billion on June 30, an increase which reflects both the efforts of Worldsource and the market rebound.

IDC WIN, our MGA business, had a satisfactory third quarter. Historically, summer months exhibit something of a slowdown in sales, and the third quarter of 2020 was no different, but September showed a strong sequential rebound indicative of another strong finish to the year. Revenues and operating earnings for the quarter were up strongly compared to the prior year, reflecting the addition of the Aurrea business. This Quebec-based business, which we acquired at year-end 2019, continues to meet expectations, and we were happy to announce the acquisition of Copoloff Insurance Agencies, another Quebec MGA, after the end of the quarter. While we recognize that we are still in the early days of this acquisition, we are happy to state that staff and advisors have reacted well to this transaction. A year ago, IDC WIN was a minor player in the province of Quebec, one of Canada's largest markets. However, with these two acquisitions in the past nine months, we have a substantial footprint in Quebec, making us one of the leading national players in the MGA business.

Corporate Securities

In addition to our core operating businesses, Investment Management and Financial Advisory, steady and reliable investment income from our corporate securities portfolio has been a meaningful contributor to Guardian's profitability and long-term financial health. At quarter end, our investment portfolio was valued at \$552 million, up from \$511 million at the end of the second quarter, and it generated total dividend and interest income of \$4.6 million in the quarter. During the first six months of the fiscal year, and in line with our strategy, Guardian sold in aggregate 800,000 shares of the Bank of Montreal ("BMO"), and also raised liquidity from seed investments in strategies which had performed relatively well during the market dislocation in the first quarter, in order to improve our financial flexibility and reduce risk during the pandemic. During the third quarter we did not sell any further BMO shares, and as of quarter-end hold 2,700,000 shares. Overall, as we see demand to seed proprietary investment strategies, for any future operating business acquisitions, or for the buyback of Guardian stock which we may continue to acquire under our normal course issuer bid, we expect to fund some of these initiatives with the further sale of BMO shares.

In the third quarter, BMO dividends contributed \$2.9 million to Guardian revenues, and \$9.5 million for the year to date. Our holding of BMO stock has historically provided us with an important source of dividend income. However, it has been steadily decreasing in importance, both as our cash flows from our operating businesses have grown strongly over the last decade, and we have been diversifying our investment portfolio into higher-growth, but generally lower yielding investments. As a result of the recent sales described above, roughly 38% of our securities position is held in BMO, down from 52% at the end of 2019. The balance of the portfolio is invested largely in Global, Emerging Market and US Equity strategies managed by various in-house portfolio management teams, short-term fixed-income securities, and smaller but still significant holdings in our Canadian direct real estate fund, Canadian Equity and Fixed-Income portfolios.

Capital Allocation

Quality companies generate strong cash flows and, as we grow these financial metrics, Guardian is committed to balancing the distribution of these cash flows between investing sufficient funds into the business for future growth and returning an ever-increasing amount of cash to its shareholders. Through the first nine months of the year, Guardian has returned roughly \$12.5 million to shareholders through dividends, while \$2.1 million was spent on share buybacks. Guardian has historically focused, and will continue to allocate its free cash flow to a combination of growth initiatives, dividend increases and share buybacks. Guardian's management team and Board of Directors remain committed to our buyback program and feel that buying our shares has not diminished the quality of our balance sheet, nor have we starved capital allocation for future growth initiatives. We have tried to balance all of the above, considering all of our constituents. If Guardian's shares continue to trade at what we believe to be a discount to their intrinsic value and we conclude that, absent significant regulatory opposition, as stewards for all shareholders invested for the long-term, we will strategically continue to buy more shares when the opportunity arises. The Board is pleased to report that we have declared another quarterly dividend of \$0.16 per share, payable on January 18, 2021 to the shareholders of record on January 11, 2021.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. Clients, Shareholders, Employees, Partners and other stakeholders of Guardian should be assured that, from top to bottom, our organization embraces the responsibilities with which we are entrusted very seriously, and is continuously striving to make improvements to all aspects of how we do business. The current uncertainty surrounding COVID-19 continues to challenge us to best plan for all eventualities. Based on our core values, we are determined to maintain stability for all of our stakeholders and, in particular, for the approximately five hundred employees across Guardian, all of whom have had the opportunity to continue working with us throughout this crisis. The safety and support of our employees will remain a priority as we continue to focus on serving the best interests of our clients. The consistency of delivering on our stated objectives along with the balancing of all stakeholders' interests through both good and challenging times is one further measure of the quality of institution we expect Guardian to represent. As long as we continue to live up to these expectations, all of our stakeholders should expect to benefit from our successes.

On behalf of the Board,

(signed) "James Anas"

Chairman of the Board

November 12, 2020

(signed) "George Mavroudis"

President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at <i>(\$ in thousands)</i>	September 30 2020	December 31 2019
ASSETS		
Current assets		
Cash	\$ 43,364	\$ 34,198
Interest-bearing deposits with banks	39,304	107,253
Accounts receivable and other	49,680	62,542
Receivables from clients and broker	70,837	37,984
Income taxes receivable	722	1,163
Securities backing third party investor liabilities (note 3)	48,518	14,252
	252,425	257,392
Securities (note 4)	551,819	682,279
Other assets		
Deferred tax assets	1,225	1,328
Intangible assets	134,780	129,808
Equipment	16,176	18,513
Goodwill (note 5)	41,230	40,643
	193,411	190,292
Total assets	\$ 997,655	\$ 1,129,963
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 6)	\$ 66,310	\$ 113,729
Third party investor liabilities (note 3)	48,518	14,252
Client deposits	38,039	106,430
Accounts payable and accrued liabilities	53,416	70,929
Lease obligations	2,706	2,694
Income taxes payable	3,712	2,060
Payable to clients	70,837	38,073
	283,538	348,167
Lease obligations	10,544	12,364
Other liabilities (note 7)	23,173	20,091
Deferred tax liabilities	37,227	55,140
Total liabilities	354,482	435,762
EQUITY		
Shareholders' equity		
Capital stock (note 8a and 8b)	18,646	18,705
Treasury stock (note 9a)	(29,670)	(28,129)
Contributed surplus	21,605	20,008
Retained earnings	599,862	658,139
Accumulated other comprehensive income	21,420	14,054
	631,863	682,777
Other equity interests	11,310	11,424
Total equity	643,173	694,201
Total liabilities and equity	\$ 997,655	\$ 1,129,963

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

For the periods ended September 30 (\$ in thousands, except per share amounts)	Three months		Nine months	
	2020	2019	2020	2019
Net revenue				
Commission revenue	\$ 40,194	\$ 36,708	\$ 119,441	\$ 110,203
Commissions paid to advisors	(25,799)	(24,896)	(76,170)	(73,457)
Net commission revenue	14,395	11,812	43,271	36,746
Management fees	30,313	25,909	85,072	74,577
Fees paid to referring agents	(1,531)	(1,616)	(4,544)	(4,755)
Net management fees	28,782	24,293	80,528	69,822
Administrative services income	4,262	4,090	12,604	12,007
Dividend and interest income (note 10)	4,603	5,788	15,664	17,662
	52,042	45,983	152,067	136,237
Expenses				
Employee compensation and benefits	24,112	20,057	69,929	58,486
Amortization	4,464	3,595	13,223	10,281
Interest	299	1,027	1,594	3,282
Other expenses	11,059	9,199	30,973	28,317
	39,934	33,878	115,719	100,366
Operating earnings	12,108	12,105	36,348	35,871
Net gains (losses) (note 11)	35,739	(1,274)	(82,296)	72,566
Earnings (loss) before taxes	47,847	10,831	(45,948)	108,437
Income tax expense (recovery)	5,195	1,879	(4,933)	13,785
Net earnings (loss)	\$ 42,652	\$ 8,952	\$ (41,015)	\$ 94,652
Other comprehensive income (loss)				
Net change in foreign currency translation on foreign subsidiaries	(4,434)	1,398	8,027	(13,892)
Comprehensive income (loss)	\$ 38,218	\$ 10,350	\$ (32,988)	\$ 80,760
Net earnings (loss) attributable to:				
Shareholders	\$ 42,201	\$ 8,275	\$ (43,681)	\$ 92,333
Non-controlling interests	451	677	2,666	2,319
	\$ 42,652	\$ 8,952	\$ (41,015)	\$ 94,652
Net earnings (loss) attributable to shareholders per Class A and Common share (note 12)				
Basic	\$ 1.66	\$ 0.32	\$ (1.72)	\$ 3.57
Diluted	1.56	0.31	(1.72)	3.37
Comprehensive income (loss) attributable to:				
Shareholders	\$ 38,176	\$ 9,374	\$ (36,315)	\$ 79,180
Non-controlling interests	42	976	3,327	1,580
Comprehensive income (loss)	\$ 38,218	\$ 10,350	\$ (32,988)	\$ 80,760

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2020	2019	2020	2019
Total equity, beginning of period	\$ 608,544	\$ 658,453	\$ 694,201	\$ 611,979
Shareholders' equity, beginning of period	596,265	647,983	682,777	599,311
Capital stock, beginning of period	18,646	18,734	18,705	19,060
Acquired and cancelled (note 8c)	--	--	(59)	(326)
Capital stock, end of period	18,646	18,734	18,646	18,734
Treasury stock, beginning of period	(30,724)	(28,230)	(28,129)	(25,235)
Acquired (note 9a)	--	--	(2,941)	(2,995)
Disposed of (note 9a)	1,054	20	1,400	20
Treasury stock, end of period	(29,670)	(28,210)	(29,670)	(28,210)
Contributed surplus, beginning of period	20,976	18,762	20,008	17,600
Stock-based compensation expense	682	650	1,996	1,812
Redemption of equity-based entitlements	(53)	(20)	(399)	(20)
Contributed surplus, end of period	21,605	19,392	21,605	19,392
Retained earnings, beginning of period	561,922	625,562	658,139	560,479
Initial application of new accounting standard	--	--	--	767
Adjusted balance, beginning of period	561,922	625,562	658,139	561,246
Net earnings (loss)	42,201	8,275	(43,681)	92,333
Dividends declared and paid (note 8d)	(4,261)	(4,024)	(12,528)	(11,525)
Capital stock acquired and cancelled (note 8c)	--	--	(2,060)	(10,035)
Transactions with non-controlling interests	--	--	(8)	(2,206)
Retained earnings, end of period	599,862	629,813	599,862	629,813
Accumulated other comprehensive income, beginning of period	25,445	13,155	14,054	27,407
Other comprehensive income (loss)	(4,025)	1,099	7,366	(13,153)
Accumulated other comprehensive income, end of period	21,420	14,254	21,420	14,254
Shareholders' equity, end of period	631,863	653,983	631,863	653,983
Other equity interests, beginning of period	12,279	10,470	11,424	12,668
Non-controlling interests, beginning of period	35,245	29,606	31,515	31,674
Initial application of new accounting standard	--	--	--	96
Adjusted balance, beginning of period	35,245	29,606	31,515	31,770
Net earnings	451	677	2,666	2,319
Other comprehensive income (loss)	(409)	299	661	(739)
Dividends declared and paid	(804)	(715)	(1,907)	(2,131)
Transactions with non-controlling interests	--	--	18	(1,352)
Acquisition of subsidiary (note 16)	--	--	1,530	--
Non-controlling interests, end of period	34,483	29,867	34,483	29,867
Obligations to non-controlling interests, beginning of period	(22,966)	(19,136)	(20,091)	(19,006)
On acquisition of subsidiary	--	--	(648)	--
Change during period	(207)	(756)	(2,434)	(886)
Obligations to non-controlling interests, end of period	(23,173)	(19,892)	(23,173)	(19,892)
Other equity interests, end of period	11,310	9,975	11,310	9,975
Total equity, end of period	\$ 643,173	\$ 663,958	\$ 643,173	\$ 663,958

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30 (\$ in thousands)	Three months		Nine months	
	2020	2019	2020	2019
Operating activities				
Net earnings (loss)	\$ 42,652	\$ 8,952	\$ (41,015)	\$ 94,652
Adjustments for:				
Income taxes (paid)	(6,187)	(2,056)	(7,956)	(7,827)
Income tax expense (recovery)	5,195	1,879	(4,933)	13,785
Net (gains) losses	(35,739)	1,274	82,296	(72,566)
Amortization of intangible assets	3,397	2,746	10,026	7,776
Amortization of equipment	1,067	848	3,197	2,505
Stock-based compensation	682	650	1,996	1,812
Other non-cash expenses	--	(40)	--	(116)
	11,067	14,253	43,611	40,021
Net change in non-cash working capital items (note 14)	11,285	8,496	7,808	(3,331)
Net cash from operating activities	22,352	22,749	51,419	36,690
Investing activities				
Net (acquisition) disposition of securities	(10,161)	(1,652)	53,487	21,180
Income taxes (paid) refunded	(2,017)	--	(4,707)	--
Net (acquisition) disposition of securities backing third party investor liabilities	(9,977)	6,418	(16,696)	(11,255)
Acquisition of intangible assets	(1,054)	(1,195)	(6,274)	(8,383)
Acquisition of equipment	(146)	(322)	(624)	(718)
Disposition of intangible assets	194	344	1,452	1,946
Acquisition of subsidiaries (note 16)	--	--	(15,430)	--
Net cash from (used in) investing activities	(23,161)	3,593	11,208	2,770
Financing activities				
Dividends paid to shareholders	(4,261)	(4,024)	(12,528)	(11,525)
Dividends paid to non-controlling interests	(804)	(715)	(1,907)	(2,131)
Acquisition and cancellation of capital stock	--	--	(2,119)	(10,361)
Acquisition of treasury stock	--	--	(2,941)	(2,995)
Disposition of treasury stock	1,054	20	1,400	20
Net proceeds (repayments) of bank loan and bankers' acceptances	6,426	(9,136)	(36,793)	(18,721)
Principal payments on lease obligations	(586)	(533)	(1,692)	(1,529)
Net subscriptions (redemptions) by third party investors	9,977	(6,418)	16,696	11,255
Acquisition of non-controlling interests	--	--	(995)	(4,462)
Issuance of non-controlling interests	--	--	--	904
Net cash from (used in) investing activities	11,806	(20,806)	(40,879)	(39,545)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	316	77	1,085	(47)
Net change in net cash	11,313	5,613	22,833	(132)
Net cash, beginning of period	32,051	19,432	20,531	25,177
Net cash, end of period	\$ 43,364	\$ 25,045	\$ 43,364	\$ 25,045
Net cash represented by:				
Cash			\$ 43,364	\$ 34,126
Net bank indebtedness			--	(9,081)
			\$ 43,364	\$ 25,045

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

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

2. ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2019. Certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019, which are included in the Company's 2019 annual report.

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

Certain reclassifications have been made to the 2019 comparative financial information in order to conform to the current period's presentation. In note 13(a) Business segments, the Company reclassified certain Other expenses to Employee compensation and benefits. The items reclassified were recoveries by the Corporate Activities and Investments segment from the other two business segments pertaining to employee compensation and benefits.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on November 12, 2020.

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

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

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

4. SECURITIES

(a) Classification of securities

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

As at	September 30 2020	December 31 2019
Fair value through profit or loss:		
Short-term securities (i)	\$ 16,850	\$ 14,725
Fixed-income securities (i)	12,304	18,049
Bank of Montreal common shares (ii)	209,844	351,750
Other equity securities (i) (iii)	289,593	270,391
Real estate fund (iii)	23,228	22,364
	551,819	677,279
Amortized cost securities (iv)	--	5,000
	\$ 551,819	\$ 682,279

(i) These securities may include units of investment funds in addition to individual securities.

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

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Number of shares sold	--	--	800	200
Proceeds of disposition	\$ --	\$ --	\$ 53,964	\$ 20,384

(iii) The Company's outstanding capital commitments for future investments are as follows:

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Real Estate fund managed by subsidiary				
Commitment, beginning of period	\$ 15,372	\$ 16,854	\$ 16,040	\$ 17,886
Called capital	--	(814)	(668)	(1,846)
Commitment, end of period	15,372	16,040	15,372	16,040
Private equity fund				
Commitment, beginning of period	10,031	10,288	10,031	10,370
Called capital	(1,711)	(174)	(1,711)	(256)
Commitment, end of period	8,320	10,114	8,320	10,114
	\$ 23,692	\$ 26,154	\$ 23,692	\$ 26,154

(iv) Amortized cost securities, which were term-preferred shares yielding 9% per annum, were called by the issuer on June 30, 2020 for cash proceeds of \$5,000.

(b) Fair value hierarchy

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

As at	September 30 2020	December 31 2019
Level 1	\$ 472,468	\$ 596,065
Level 2	62,869	65,395
Level 3	16,482	15,819
	\$ 551,819	\$ 677,279

During 2020 and 2019, there have been no transfers of securities between Levels.

(c) Analysis of Level 3 securities

The change in the fair value of Level 3 securities is as follows:

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Securities categorized as Level 3, beginning of period	\$ 13,459	\$ 15,641	\$ 15,819	\$ 14,726
Increase (decrease) in fair value	1,457	(1,145)	(1,543)	139
Foreign exchange translation adjustments	(145)	139	495	(312)
Additions	1,711	174	1,711	256
Securities categorized as Level 3, end of period	\$ 16,482	\$ 14,809	\$ 16,482	\$ 14,809

5. GOODWILL

Due to the significant downturn in the global financial markets caused by the COVID-19 pandemic and the resulting decrease in the Company's Assets Under Management ("AUM") during the first quarter, the Company conducted an assessment of its goodwill associated with its investment management business as at March 31, 2020. Based on its value in use assessment, the Company determined that the unit was not impaired at that time. During the second and the third quarters, global financial markets continued to recover, resulting in increases in the Company's AUM. Based on the results of its first quarter assessment, and the significant recovery in AUM since then, the Company determined that indications of impairment did not exist and, therefore, another impairment assessment was not required as at September 30, 2020.

6. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at	September 30 2020	December 31 2019
Bank indebtedness	\$ --	\$ 13,667
Bankers' acceptances payable: Canadian dollar	42,400	52,601
US dollar	23,910	47,461
	\$ 66,310	\$ 113,729

The bankers' acceptances have maturities of one month or less and bear interest at rates negotiated in the bankers' acceptance market plus 0.50% for Canadian dollar borrowings, and at LIBOR plus 0.50% for US dollar borrowings. During the first quarter of 2020, the Company increased borrowing limits of one of its facilities by \$5,000 and as a result the total borrowing capacity increased to \$160,000 (2019 - \$155,000). Other terms remained unchanged. Subsequent to current quarter end, the borrowings were renewed on similar terms and for similar amounts, except for the US dollar bankers' acceptances payable which were increased by \$12,000 USD.

7. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at	September 30 2020	December 31 2019
Obligations to the non-controlling interests of the below subsidiaries:		
Alta (i)	\$ 22,468	\$ 20,091
Modern Advisor (ii)	705	--
	\$ 23,173	\$ 20,091

- i) The minority shareholders of Alta Capital Management, LLC ("Alta") may sell their interests in Alta to the Company in the future, at prices determined based on the level of revenue achieved by Alta at that time. The obligation is an estimated present value of the payments potentially required on the earliest date the option becomes exercisable and due, discounted at 11.6%. The options are exercisable at certain times between January 2, 2023 and January 2, 2038.
- ii) The minority shareholders of the recently acquired Modern Advisor Canada Inc. ("Modern Advisor") may sell their interests in Modern Advisor to the Company in the future, at prices determined based on certain earnings before interest, taxes, depreciation and amortization achieved by Modern Advisor at that time. The obligation is an estimated present value of the payments potentially required on the earliest date the option becomes exercisable and due, discounted at 15.5%. The options are exercisable on March 31st of each year, between March 31, 2025 and March 31, 2035.

8. CAPITAL STOCK**(a) Authorized**

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

(b) Issued and outstanding

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

For the three months ended September 30	2020		2019	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,863	\$ 17,947	24,828	\$ 17,978
Acquired and cancelled	--	--	--	--
Outstanding, end of period	24,863	17,947	24,828	17,978
Common shares				
Outstanding, beginning and end of period	2,895	699	3,128	756
Total outstanding, end of period	27,758	\$ 18,646	27,956	\$ 18,734
For the nine months ended September 30	2020		2019	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,944	\$ 18,006	25,186	\$ 18,282
Acquired and cancelled	(81)	(59)	(449)	(326)
Converted from Common	--	--	91	22
Outstanding, end of period	24,863	17,947	24,828	17,978
Common shares				
Outstanding, beginning of period	2,895	699	3,219	778
Converted into class A	--	--	(91)	(22)
Outstanding, end of period	2,895	699	3,128	756
Total outstanding, end of period	27,758	\$ 18,646	27,956	\$ 18,734

(c) Issuer bid

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

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Shares purchased and cancelled				
Class A	--	--	81	449
Consideration paid	\$ --	\$ --	\$ 2,119	\$ 10,361
Less average issue price, charged to share capital	--	--	59	326
Excess consideration charged to retained earnings	\$ --	\$ --	\$ 2,060	\$ 10,035

Under the current NCIB, which commenced on November 21, 2019 and expires on November 20, 2020, the Company may purchase up to 156 common shares and 1,883 class A shares. In addition to the shares purchased and canceled in the current period, the Company had purchased and cancelled 117 common shares under the current NCIB in the period prior to December 31, 2019.

(d) Dividends

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

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Dividends declared and paid, per share	\$ 0.160	\$ 0.150	\$ 0.470	\$ 0.425

The Company has also declared dividends of \$0.16 per share payable on October 19, 2020 and January 18, 2021, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

9. TREASURY STOCK

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

(a) Changes in treasury stock

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

For the three months ended September 30	2020		2019	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,383	\$ 30,724	2,303	\$ 28,230
Acquired	--	--	--	--
Disposed	(108)	(1,054)	(1)	(20)
Balance, end of period	2,275	\$ 29,670	2,302	\$ 28,210

For the nine months ended September 30	2020		2019	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,298	\$ 28,129	2,173	\$ 25,235
Acquired	109	2,941	130	2,995
Disposed	(132)	(1,400)	(1)	(20)
Balance, end of period	2,275	\$ 29,670	2,302	\$ 28,210

The treasury stocks were disposed of for proceeds equal to their cost.

As at September 30, 2020, the treasury stock was composed of 30 common shares (2019 – 30) and 2,353 class A shares (2019 – 2,273).

(b) Equity-based entitlements

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

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

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Equity-based entitlements, beginning of period	1,254	1,175	1,171	1,045
Provided	--	--	109	130
Exercised	(4)	(1)	(28)	(1)
Forfeited	(1)	(2)	(3)	(2)
Equity-based entitlements, end of period	1,249	1,172	1,249	1,172

During the nine months ended September 30, 2020, the equity-based entitlements provided had a fair value of \$2,941 (2019 - \$2,995).

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

(c) Option-like entitlements

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

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

For the three months ended September 30	2020		2019	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	1,127	\$ 9.64	1,128	\$ 9.64
Exercised	(104)	9.69	--	--
Option-like entitlements, beginning and end of period	1,023	\$ 9.64	1,128	\$ 9.64

For the nine months ended September 30	2020		2019	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	1,127	\$ 9.64	1,128	\$ 9.64
Exercised	(104)	9.69	--	--
Option-like entitlements, end of period	1,023	\$ 9.64	1,128	\$ 9.64

No option-like entitlements were provided in 2020 or 2019.

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

10. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended September 30	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

11. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the periods ended September 30	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 (i)	35,163	(828)	(79,907)	69,993
Net gain on other financial liabilities (ii)	252	--	252	--
Disposal of intangible assets	285	341	1,164	809
Foreign exchange gains (losses) (iii)	39	(787)	(3,805)	1,764
	\$ 35,739	\$ (1,274)	\$ (82,296)	\$ 72,566

- (i) Net gains (losses) on securities are a result of net amounts realized on disposal and changes in fair value of securities, securities backing third party investor liabilities, and the third party investor liabilities.
- (ii) Net gains on other financial liabilities are the result of the net gains realized on the call options the Company underwrote on 200 common shares of Bank of Montreal ("BMO"). The Company hedged its obligation on these options using 200 of the Company's holdings of BMO common shares. At the end of the current quarter, all options written were, either bought back or expired.
- (iii) Foreign exchange gains (losses) arise from monetary assets and liabilities denominated in currencies, which are different from the functional currency of Guardian or its subsidiaries.

12. CALCULATIONS OF EARNINGS (LOSS) PER SHARE

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

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Weighted average number of Class A and common shares outstanding:				
Basic	25,387	25,654	25,420	25,856
Effects of outstanding entitlements from stock-based compensation plans	1,686	1,685	--	1,640
Diluted	27,073	27,339	25,420	27,496
Net earnings (loss) attributable to shareholders:				
Basic	\$ 42,201	\$ 8,275	\$ (43,681)	\$ 92,333
Effects of outstanding entitlements from stock-based compensation plans	54	127	--	384
Diluted	\$ 42,255	\$ 8,402	\$ (43,681)	\$ 92,717

13. BUSINESS SEGMENTS

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

(a) Business segments

The following tables disclose certain information about the Company's operations by business segment:

For the three months ended September 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue										
Commission revenue	\$ --	\$ --	\$ 41,193	\$ 37,505	\$ --	\$ --	\$ (999)	\$ (797)	\$ 40,194	\$ 36,708
Commissions paid to advisors	--	--	(25,799)	(24,896)	--	--	--	--	(25,799)	(24,896)
Net commission revenue	--	--	15,394	12,609	--	--	(999)	(797)	14,395	11,812
Management fees	30,595	26,327	--	--	--	--	(282)	(418)	30,313	25,909
Fees paid to referring agents	(2,530)	(2,413)	--	--	--	--	999	797	(1,531)	(1,616)
Net management fees	28,065	23,914	--	--	--	--	717	379	28,782	24,293
Administrative services income	1,882	1,638	2,356	2,439	24	13	--	--	4,262	4,090
Dividend and interest income	15	130	243	562	4,209	4,930	136	166	4,603	5,788
	29,962	25,682	17,993	15,610	4,233	4,943	(146)	(252)	52,042	45,983
Expenses										
Employee comp. & benefits	15,146	12,667	7,367	6,560	1,599	830	--	--	24,112	20,057
Amortization	1,800	1,590	2,360	1,722	304	283	--	--	4,464	3,595
Interest	36	77	68	228	195	788	--	(66)	299	1,027
Other expenses	5,969	4,884	4,373	3,804	863	697	(146)	(186)	11,059	9,199
	22,951	19,218	14,168	12,314	2,961	2,598	(146)	(252)	39,934	33,878
Operating earnings										
Operating earnings	7,011	6,464	3,825	3,296	1,272	2,345	--	--	12,108	12,105
Net gains	(92)	72	285	341	35,546	(1,687)	--	--	35,739	(1,274)
Net earnings before income taxes	6,919	6,536	4,110	3,637	36,818	658	--	--	47,847	10,831
Income tax expense	1,500	1,115	1,120	1,056	2,575	(292)	--	--	5,195	1,879
Net earnings	\$ 5,419	\$ 5,421	\$ 2,990	\$ 2,581	\$ 34,243	\$ 950	\$ --	\$ --	\$ 42,652	\$ 8,952
Net earnings attributable to:										
Shareholders	\$ 5,457	\$ 5,015	\$ 2,501	\$ 2,310	\$ 34,243	\$ 950	\$ --	\$ --	\$ 42,201	\$ 8,275
Non-controlling interests	(38)	406	489	271	--	--	--	--	451	677
	\$ 5,419	\$ 5,421	\$ 2,990	\$ 2,581	\$ 34,243	\$ 950	\$ --	\$ --	\$ 42,652	\$ 8,952
Additions to segment assets:										
Intangible assets	\$ 590	\$ 511	\$ 911	\$ 656	\$ 139	\$ 28	\$ --	\$ --	\$ 1,054	\$ 1,195
Equipment	21	877	--	31	233	46	--	--	254	954
Goodwill	--	--	--	--	--	--	--	--	--	--

As at September 30, 2020 and December 31, 2019	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment assets and liabilities:										
Assets	\$ 191,532	\$ 251,369	\$ 210,160	\$ 172,613	\$ 642,443	\$ 756,709	\$ (46,480)	\$ (50,728)	\$ 997,655	\$ 1,129,963
Liabilities	102,955	165,908	150,915	122,574	147,092	198,008	(46,480)	(50,728)	354,482	435,762
For the nine months ended September 30										
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue										
Commission revenue	\$ --	\$ --	\$ 122,201	\$ 112,373	\$ --	\$ --	\$ (2,760)	\$ (2,170)	\$ 119,441	\$ 110,203
Commissions paid to advisors	--	--	(76,170)	(73,457)	--	--	--	--	(76,170)	(73,457)
Net commission revenue	--	--	46,031	38,916	--	--	(2,760)	(2,170)	43,271	36,746
Management fees	85,873	75,537	--	--	--	--	(801)	(960)	85,072	74,577
Fees paid to referring agents	(7,304)	(6,923)	--	--	--	--	2,760	2,168	(4,544)	(4,755)
Net management fees	78,569	68,614	--	--	--	--	1,959	1,208	80,528	69,822
Administrative services income	5,542	5,155	7,013	6,814	49	38	--	--	12,604	12,007
Dividend and interest income	401	502	1,070	1,759	13,709	15,064	484	337	15,664	17,662
	84,512	74,271	54,114	47,489	13,758	15,102	(317)	(625)	152,067	136,237
Expenses										
Employee comp. & benefits	43,321	36,638	22,100	19,367	4,508	2,481	--	--	69,929	58,486
Amortization	5,375	4,604	6,971	4,837	877	840	--	--	13,223	10,281
Interest	110	227	325	825	1,166	2,568	(7)	(338)	1,594	3,282
Other expenses	16,527	14,880	12,984	11,998	1,772	1,726	(310)	(287)	30,973	28,317
	65,333	56,349	42,380	37,027	8,323	7,615	(317)	(625)	115,719	100,366
Operating earnings	19,179	17,922	11,734	10,462	5,435	7,487	--	--	36,348	35,871
Net gains (losses)	(451)	139	1,172	799	(83,017)	71,628	--	--	(82,296)	72,566
Net earnings (loss) before income taxes	18,728	18,061	12,906	11,261	(77,582)	79,115	--	--	(45,948)	108,437
Income tax expense (recovery)	4,392	3,751	3,484	3,150	(12,809)	6,884	--	--	(4,933)	13,785
Net earnings (loss)	\$ 14,336	\$ 14,310	\$ 9,422	\$ 8,111	\$ (64,773)	\$ 72,231	\$ --	\$ --	\$ (41,015)	\$ 94,652
Net earnings (loss) attributable to:										
Shareholders	\$ 13,252	\$ 13,048	\$ 7,840	\$ 7,054	\$ (64,773)	\$ 72,231	\$ --	\$ --	\$ (43,681)	\$ 92,333
Non-controlling interests	1,084	1,262	1,582	1,057	--	--	--	--	2,666	2,319
	\$ 14,336	\$ 14,310	\$ 9,422	\$ 8,111	\$ (64,773)	\$ 72,231	\$ --	\$ --	\$ (41,015)	\$ 94,652
Additions to segment assets										
Intangible assets	\$ 8,125	\$ 1,395	\$ 5,012	\$ 6,905	\$ 139	\$ 83	\$ --	\$ --	\$ 13,276	\$ 8,383
Equipment	103	877	185	88	488	385	--	--	776	1,350
Goodwill	--	--	--	--	--	--	--	--	--	--

(b) Geographic segments

The Company's business units operate in various geographic regions. The Company attributes revenues generated by a business unit to the geographic region based on where that business unit resides. The following tables disclose certain information about the Company's operations by geography:

	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
For the three months ended September 30								
Net revenue	\$ 38,341	\$ 36,322	\$ 15,754	\$ 10,864	\$ (2,053)	\$ (1,203)	\$ 52,042	\$ 45,983
For the nine months ended September 30								
Net revenue	\$ 114,860	\$ 109,395	\$ 42,718	\$ 29,741	\$ (5,511)	\$ (2,899)	\$ 152,067	\$ 136,237
As at September 30, 2020 and December 31, 2019								
Non-current assets:								
Intangible assets	\$ 75,530	\$ 68,966	\$ 59,250	\$ 60,842	\$ --	\$ --	\$ 134,780	\$ 129,808
Equipment	12,496	14,289	3,680	4,224	--	--	16,176	18,513
Goodwill	20,740	20,709	20,490	19,934	--	--	41,230	40,643

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	\$ 27,815	\$ 1,360	\$ 66,632	\$ 18,188
Accounts receivable and other	(2,706)	168	6,437	(5,462)
Receivables from clients and broker	1,033	(4,941)	(32,853)	13,171
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	(27,963)	(1,267)	(67,128)	(18,025)
Accounts payable and accrued liabilities	14,138	7,612	1,956	(3,935)
Payable to clients	(1,032)	5,564	32,764	(7,268)
	\$ 11,285	\$ 8,496	\$ 7,808	\$ (3,331)

15. FINANCIAL RISKS MANAGEMENT

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

(a) Concentration risk

The Company is exposed to concentration risk associated with the \$209,844 (December 31, 2019 – \$351,750) investment in the Bank of Montreal shares, which represents 38% (December 31, 2019 – 52%) of the Company's securities. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in gain or loss of \$20,984 (December 31, 2019 – \$35,175) being recorded in net gains.

(b) Market risk

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

i) Price risk

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

	Securities classified as fair value through the profit and loss	Gain or loss recognized from a 10% change in fair value
As at September 30, 2020		
Canada	\$ 41,469	±\$ 4,147
Rest of World	271,352	27,135
	\$ 312,821	±\$ 31,282
As at December 31, 2019		
Canada	\$ 39,437	±\$ 3,944
Rest of World	253,318	25,332
	\$ 292,755	±\$ 29,276

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

The impact of COVID 19 pandemic on the world economies and financial markets have made valuation of certain securities more difficult, especially the level 3 securities, those with little or no market transactional volumes. In such circumstances, normal market assumptions may not be reasonable. As such, estimated fair values of certain securities held by the Company, at the end of the current period, may be materially different from those that may be realized in an arm's length market transaction.

ii) Currency risk

Currency risk, the risk that the fair value of a financial instrument will fluctuate due to movements in currency exchange rates, arises when the Company or one of its subsidiaries is party to financial instruments which are denominated in a currency which is different from its functional currency. The Company's most significant exposure to currency risk is as follows:

As at	September 30 2020	December 31 2019
USD currency exposure:		
Bank loans and borrowings	\$ 23,910	\$ 47,461

The Company's currency risk is primarily related to the bankers' acceptance payable, which are denominated in USD. This risk associated with these borrowings is mitigated by the USD cash flows that are generated by the Company's US-based subsidiary, which was acquired in 2018. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of \$2,391 (2019 – \$4,746) being recognized in net earnings.

From time to time, a foreign subsidiary may hold an unhedged position in financial instruments denominated in Canadian dollars, which can result in foreign exchange gains or losses in that subsidiary. Upon translation of their results on consolidation, the Company will recognize an equal and offsetting foreign currency translation adjustment in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

iii) Interest rate risk

Interest rate risk, the risk of increased or decreased income and expense or gain or loss resulting from changes in interest rates, arises when the Company is party to an interest-bearing financial instrument. The Company's significant exposure to interest rate risk is as follows:

As at	September 30 2020	December 31 2019
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 39,304	\$ 107,253
Short term securities	16,850	14,725
Fixed-income securities	12,304	18,049
Amortized cost securities	--	5,000
	\$ 68,458	\$ 145,027
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 66,310	\$ 113,729
Client deposits	38,039	106,430
	\$ 104,349	\$ 220,159

The Company's most significant exposure to interest rate risk is through its bank loans and borrowings as detailed above. The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. The Company's investment in short-term securities partially offsets this risk.

The Company holds \$12,304 (2019 – \$18,049) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed-income securities is managed first by the Company, which selects appropriate fixed-income funds for various interest rate environments, and then by the subsidiary, which manages the funds selected in accordance with each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities.

(c) Credit risk

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

As at	September 30 2020	December 31 2019
Cash	\$ 43,364	\$ 34,198
Interest-bearing deposits with banks	39,304	107,253
Accounts receivable and other	49,680	62,542
Receivables from clients and broker	70,837	37,984
Short-term securities	16,850	14,725
Fixed-income securities	12,304	18,049
Amortized cost securities	--	5,000
	\$ 232,339	\$ 279,751

The Cash and Interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The Accounts receivable and other are generally amounts due from customers, and the credit risk is low due to the nature of the Company's customers. The accounts receivable may also include amounts that the Company is owed from advisors for advances or commission reversals. The credit risk associated with these amounts is mitigated by management's review of the advisors' ability to repay the advances or commission reversals, particularly, before amounts are paid to the advisors. The credit exposure on Receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in fixed-income securities are managed by the periodic monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manages the fund's credit risk. The short-term securities are government treasury bills, investments in money market funds which hold government treasury bills or investment-quality securities with very short duration and low credit risk.

(d) Liquidity risk

Liquidity risk, the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities arises when the Company has insufficient resources to meet its obligations as they come due. The Company is exposed to liquidity risk because it has significant obligations which are due within one year. The Company manages this financial risk by managing its cash flows from operations, maintaining a portfolio of liquid securities, and by arranging for significant borrowing facilities, which are secured by collateral, with two major Canadian banks. Earlier in the year, the Company took measures to reduce its liquidity risk by selling certain equity securities and using a portion of the proceeds to pay down bank borrowings. The Company now has \$99,690 available on its borrowing facilities with banks.

16. ACQUISITIONS**(a) Modern Advisor Canada Inc.**

On February 28, 2020, the Company acquired an approximately 71% interest in Modern Advisor Canada Inc. ("Modern Advisor"), a leading Canadian digital platform. The primary reason for acquiring Modern Advisor is to obtain an established digital platform, which will allow the Company to service clients and distribute investment products in this increasingly important medium. The key employees of Modern Advisor have entered into new employment agreements with the Company.

The total consideration for the transaction was \$3,722, which was comprised of \$3,545 paid on closing and a deferred payment of \$177, which was paid at the end of April 2020.

The provisional accounting for the transaction is as follows:

Fair value of consideration		
Cash	\$	3,545
Deferred payment		177
	\$	3,722
<hr/>		
Fair value of the identifiable net assets acquired		
Intangibles - software	\$	5,309
Intangibles - customer relations and other		1,759
Net working capital and other (including cash of \$28)		59
Right of use asset		44
Lease obligation		(46)
Deferred taxes		(1,873)
Fair value of the identifiable net assets acquired		5,252
Non-controlling interests		(1,530)
	\$	3,722

The non-controlling interests: The above balance represents the Non-controlling interests' proportionate share of the fair value of the identifiable net assets acquired

As part of the transaction, the Company provided an option to the minority shareholders of Modern Advisor to sell their remaining interests in Modern Advisor, and the Company received an option to buy the remaining minority interest in Modern Advisor on the same terms and conditions. These options become exercisable commencing on the fifth anniversary of the acquisition and expire on the 10th anniversary of the acquisition, and have exercise prices which are determined based on the level of certain earnings before interest, taxes and depreciation and amortization achieved by Modern Advisor. The Company has recognized a liability of \$648 in respect of the options held by the non-controlling interests, based on the estimated present value of the expected payment required by the Company on the earliest date the options become exercisable.

Modern Advisor's contribution to the Company since acquisition is as follows:

For the periods ended September 30, 2020	Three months	Nine months
Net revenues	\$ 120	\$ 287
Net loss & comprehensive loss	(463)	(862)
Net loss & comprehensive loss attributable to shareholders	(291)	(597)

Had this acquisition occurred on January 1, 2020, the Company's estimated consolidated net revenue and net loss for the nine months to September 30, 2020 would have been \$152,436 and \$42,123 respectively.

(b) Cash used in acquisitions

Details of cash used in acquisition of subsidiaries during the periods ended September 30 are as follows:

For the periods ended September 30	Three months		Nine months	
	2020	2019	2020	2019
Alta Capital Management LLC	\$ --	\$ --	6,492	\$ --
Aurrea Signature Inc.	--	--	5,244	--
Modern Advisors	177	--	3,722	--
Less cash acquired	--	--	(28)	--
	\$ 177	\$ --	15,430	\$ --

(c) Acquisitions completed subsequent to quarter end

On October 1, 2020, the Company made the following acquisitions:

i) Agincourt Capital Management LLC

The Company acquired a 70% interest in Agincourt Capital Management LLC ("Agincourt"), a fixed-income investment management firm, based in Richmond, Virginia, USA. On closing, Agincourt had assets under management ("AUM") of approximately \$7,200,000 USD. The acquisition provides the Company with further diversification of its revenue sources by product and by geography, improved distribution capabilities in the key US markets, and increased scale to its fixed-income business. The management and its key employees retained the remaining 30% interest in Agincourt and continued their employment with Agincourt.

The consideration for the transaction will be comprised of \$17,280 (\$13,000 USD) paid on closing, deferred payments due between 2 and 4 years after closing, which range up to \$5,317 (\$4,000 USD) plus net working capital adjustments. The estimated deferred payment is contingent on the level of AUM achieved by Agincourt on certain dates between 2 and 4 years after closing.

As part of the transaction, the Company provided an option to the minority shareholders of Agincourt to sell their remaining interests in Agincourt to the Company, and the Company received an option to buy the remaining minority interest in Agincourt on the same terms and conditions. These options become exercisable commencing on the fifth anniversary of the acquisition and expire on the fifteenth anniversary of the acquisition, and have exercise prices which are determined based on the level of revenue achieved by Agincourt.

The Company will complete the initial accounting for this transaction during the fourth quarter and as a result, the Company has not disclosed in these financial statements the following information regarding this transaction: the fair value of the consideration provided and assets and liabilities acquired, including any goodwill, and the amount of the non-controlling interest recognized.

ii) Copoloff Insurance Agencies (Canada) Ltd.

The Company acquired Copoloff Insurance Agencies (Canada) Ltd. ("Copoloff"), a managing general agency (MGA) headquartered in Montreal, Quebec. The transaction, which follows the Company's acquisition of Aurea Signature Inc. at the end of 2019, accelerates the Company's expansion into the Quebec market.

The consideration for the transaction is approximately \$17,500 and is comprised of \$16,625 paid on closing, and \$875, subject to certain adjustments payable within six months.

The Company will complete the initial accounting for this transaction during the fourth quarter and as a result, the Company has not disclosed in these financial statements the following information regarding this transaction: the fair value of the consideration provided and assets and liabilities acquired, including any goodwill.

17. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three 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 Aurea, 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 premium earned and trading Net gains 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		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
<i>As at (\$ in millions)</i>								
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
<i>For the three months ended (\$ in thousands)</i>								
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
<i>As at</i>								
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 fluctuation 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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