

MANAGEMENT'S DISCUSSION AND ANALYSIS

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In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the period ended March 31, 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 2019 quarterly reports previously issued. This discussion and analysis has been prepared as of May 13, 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, 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 business is operated through Guardian Capital Advisors LP ("GCA"), international private bank through Alexandria Bancorp Limited ("ABL"), and the recently acquired robo-advisory business through Modern Advisor Canada Inc. (Modern Advisor). The financial advisory business is operated through IDC Worldsource Insurance Network Inc. ("IDC WIN"), our insurance managing general agency ("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 March 31, 2020, Guardian had \$27.5 billion of assets under management ("AUM") and \$18.2 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which had a fair value of \$524 million at the end of the quarter.

USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA per share, adjusted cash flow from operations, adjusted cash flow from operations per share, equity per share, and securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results. On pages 26 and 27 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

SIGNIFICANT EVENTS

During the current quarter, the COVID-19 pandemic caused a series of events which led to significant disruptions in the global financial markets and economies. The S&P/TSX Composite Index declined 20.9%, S&P 500 Total Return Index declined 19.6% (in USD) and MSCI World Index declined 21.05% (in USD) during the same period. Although Guardian was not immune to the negative impact, its operating segments have shown resiliency during this challenging period. The diversification of Guardian's businesses and revenue sources has helped to shield its Operating earnings from the full impact of the pandemic. Over 30% of Operating earnings is generated from IDC WIN, which is less influenced by the fluctuations in the financial markets, and a steady stream of dividend income provided by the Securities portfolio, reducing the effects of the negative market performance on revenues and Operating earnings from other businesses. In addition, the growth in the GuardCap subsidiary continued throughout the quarter, despite the challenging financial market environment, finishing the quarter with \$4.5 billion in Fundamental Global Equity AUM, an increase of \$0.5 billion during the quarter. As a result, GuardCap was able to deliver another historic high in both Net management fees and Operating earnings. The significant and rapid decline in the public equities markets towards the end of Q1 2020, especially its impact on the value of Bank of Montreal shares, posed the greatest stress to Guardian's financial position and results. The write down in the fair value of the Securities, resulted in significant Net losses being recorded in the current quarter. The Net losses in the current quarter were largely unrealized losses. The extent to which Guardian's business, financial condition and results of operations will continue to be impacted by the COVID-19 pandemic is highly uncertain and will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions.

On March 16, 2020, Guardian initiated its business continuity plan ("BCP") in response to the public health guidelines on physical distancing issued by the various levels of governments in Canada and abroad. To protect its employees, they were transitioned to work remotely from their homes at that time. As a result, substantially all of the employees continue to work safely from their homes and are fully operational. The transition to the BCP was smooth, with no material interruptions to our day-to-day operations.

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31 (\$ in thousands, except per share amounts)			
	2020		2019
Net revenue	\$	49,901	\$ 44,291
Expenses		39,088	33,115
Operating earnings		10,813	11,176
Net gains (losses)		(161,289)	65,883
Net earnings (loss) before income taxes		(150,476)	77,059
Income tax expense (recovery)		(15,565)	8,960
Net earnings (loss)	\$	(134,911)	\$ 68,099
Net earnings (loss) attributable to shareholders	\$	(136,368)	\$ 67,220
EBITDA		14,370	14,509
Adjusted cash flow from operations		13,320	10,504
Diluted per share amounts			
Net earnings (loss) attributable to shareholders	\$	(5.35)	\$ 2.43
EBITDA		0.53	0.53
Adjusted cash flow from operations		0.49	0.38
As at (\$ in millions, except per share amounts)			
	2020		2019
	March 31	December 31	March 31
Assets under management	\$ 27,527	\$ 31,147	\$ 29,621
Assets under administration	18,152	20,248	18,745
Shareholders' equity	563	683	656
Securities	524	682	674
Diluted per share			
Shareholders' equity	\$ 20.94	\$ 25.01	\$ 23.66
Securities	19.50	24.99	24.30

RESULTS OF OPERATIONS

For the quarter ended March 31, 2020, Guardian's Operating earnings were \$10.8 million, a 3% decrease from the \$11.2 million reported for the same quarter in 2019. The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were \$5.3 million, substantially unchanged from the same quarter in the prior year. Our UK-based subsidiary, GuardCap, continued to experience a healthy inflow of new client assets and continued to contribute increasing Operating earnings. The new assets continue to diversify the geographic reach of this subsidiary's clients. Offsetting this increase were lower Operating earnings in other businesses within this Segment. The lower AUM caused by the significant market downturn resulted in lower revenues and lower Operating earnings within these businesses. Guardian's overall AUM were \$27.5 billion as at March 31, 2020, a 7% decrease from \$29.6 billion a year earlier.

The Financial Advisory Segment's Operating earnings in the current quarter were \$3.6 million, compared to \$3.3 million in the same quarter in the prior year. The increase in Operating earnings for this Segment can be attributed mainly to an increased contribution from the MGA, IDC WIN. IDC WIN's Net commission revenues were not significantly affected by the COVID-19 disruptions. The growth in annual servicing commission revenues helped drive the growth in Operating earnings. This revenue stream is earned on the renewal of life insurance policies sold in prior years, and is less influenced by the fluctuations in the financial markets. 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 near term, as we make enhancements to the technology platform and add additional resources to enhance advisor experience.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.9 million, compared to \$2.5 million during the same quarter in the prior year. The Segment's compensation expenses and costs associated with consolidated investment funds increased compared to the prior year. The compensation costs increased due largely to the additions of senior associates during the latter half of 2019 and in early 2020 to better support our operating businesses. The investment fund-related expenses are costs incurred by the investment funds Guardian has seeded to support the operating businesses.

Net losses in the current quarter were \$161.3 million, compared to a Net gain of \$65.9 million in the same quarter in the prior year. The downturn in the global financial markets in the current quarter, in reaction to the COVID-19 pandemic, caused a significant decrease in the fair value of the Securities portfolio. These losses were largely unrealized losses.

During the current quarter, Guardian reallocated a portion of its equity exposure in the Securities portfolio into short-term, fixed-income securities. This reallocation included disposing of 600,000 shares of the Bank of Montreal ("BMO") and investing the proceeds in treasury bills.

The Net loss attributable to shareholders were \$136.4 million, compared to Net earnings of \$67.2 million in the prior year. The decrease was largely due to the significant Net losses in the current quarter, as described above.

EBITDA for the quarter was \$14.4 million, largely unchanged from the \$14.5 million for the same period in 2019. Adjusted cash flow from operations for the quarter was \$13.3 million, a 27% increase compared to \$10.5 million in the same period in 2019. The increase in Adjusted cash flow from operations was due largely to lower income tax installments paid in the current quarter, compared to the prior year.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2020 March 31	December 31	2019 March 31
Assets under management			
Institutional			
Canadian equities	\$ 6,722	\$ 8,937	\$ 9,870
Global equities	10,996	11,528	9,728
Fixed income	6,794	7,465	6,957
	24,513	27,930	26,555
Private wealth and international private banking	3,014	3,217	3,066
Total assets under management	\$ 27,527	\$ 31,147	\$ 29,621
Assets under administration	\$ 18,152	20,248	18,745

Guardian's AUM at the end of the current quarter was \$27.5 billion, a decrease of 12% from \$31.1 billion at the end of 2019, and down 7% from \$29.6 billion as at March 31, 2019. The decrease in AUM in the current quarter can be attributed mainly to the market downturn caused by the COVID-19 pandemic. However, with approximately 45% of our institutional AUM now being invested in Global Equity strategies, we benefited from the appreciation of major global currencies against the Canadian dollar, partially shielding our AUM from the full impact of the equity market downturn. Guardian also benefited from 28% of the institutional AUM being invested in fixed-income strategies. During the quarter, there were some outflows, largely in retail intermediary assets. These were offset by a healthy inflow of new assets into the Fundamental Global Equity strategy, increasing the total AUM in this strategy by \$0.5 billion to \$4.5 billion at the end of the current quarter.

The AUA at March 31, 2020 was \$18.2 billion, a decrease of 10% from \$20.2 billion at the end of 2019 and a 3% decrease from \$18.7 billion as at March 31, 2020. Included in the current quarter's AUA figure is AUA of \$0.4 billion provided by Aurrea Signature which was acquired on December 31, 2019. Adjusting for those assets, the AUA decrease from March 31, 2019 would be approximately 5%. The decrease in AUA can primarily be attributed to the global financial market downturn during Q1 2020.

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 March 31, 2020 were \$25.0 million, a 13% increase from the \$22.2 million in the same quarter in the prior year. The following analysis of Net management fees should be read in conjunction with note 12 (a) – Business Segments in Guardian's first quarter Consolidated Financial Statements. The totals for the Segment quoted below are before inter-segment transactions.

Institutional Net management fees earned in the current quarter were \$20.4 million, a 16% increase from \$17.4 million a year earlier. The increase in institutional Net management fees was driven largely by the growth in fees earned on the Fundamental Global Equity strategy. The combination of the higher rate of fees earned on those assets and the significant growth in AUM for this strategy helped drive the growth. Partially offsetting this growth was the lower Net management fees earned in all other institutional asset management strategies due to the lower AUM within these businesses. Net management fees from our total Global equity AUM now accounts for 65% of total institutional Net management fees, compared to 55% in the same quarter in 2019. Net management fees earned in wealth investment management in the current quarter amounted to \$4.2 million, slightly lower than the \$4.4 million earned in the prior year. These include fees earned in our Private wealth, international private banking and the recently acquired Modern Advisor business. The fees were lower due to the lower AUM as a result of the market downturn in the current quarter.

It should be noted that while the COVID-19 pandemic had a negative impact on Guardian's Net management fee revenue in Q1 2020, it generally only impacted one month of revenue in the quarter, as most management fees are calculated on a monthly basis. If equity markets remain at March 31, 2020 levels throughout the second quarter, the reducing effect on Net management fees may be greater in the second quarter.

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 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 \$14.5 million, an 18% increase from the \$12.3 million a year earlier. The following analysis of Net commission revenue should be read in conjunction with note 12 (a) – Business Segments in Guardian's first quarter Consolidated Financial Statements. The totals for the Segment quoted below are before inter-segment transactions.

Net commissions from the MGA, IDC WIN, in the current quarter were \$11.2 million, a 20% increase compared to \$9.3 million in the same quarter a year earlier. Included in the current quarter are \$1.5 million of Net commissions from Aurrea Signature Inc. ("Aurrea"), which was acquired on December 31, 2019. Excluding Aurrea's Net commissions, the increase would have been 5%, or \$0.5 million. The driver behind the overall growth is a \$1.1 million increase in annual service commission revenue to \$5.6 million, a 25% increase from the same period in the prior year. The Premiums Sold were \$22 million in the current quarter, including \$3 million from Aurrea, compared to \$31 million in the same period in the prior year. This significant reduction, compared to Q1, 2019, resulted from a number of very large policies being sold in that quarter. Some of IDC WIN's top producing advisors sell very large policies, resulting in period fluctuations in Premiums Sold and Net commission revenue. Nevertheless, IDC WIN's sales levels have shown resiliency during the pandemic and the prospect of continued strong level of sales appears to be good, with a very healthy number and face value of new policies in the pipeline. Net commissions from the Dealers business in the current quarter were \$4.2 million, increase of \$0.6 million from \$3.6 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 \$4.2 million for the current quarter, as compared to \$4.0 million in the prior year. Both the Investment Management and Financial Advisory Segments contributed to the increase in fee revenue, with larger contribution coming from the Dealer business driven by increased number of registered client accounts opened than in the prior year.

Dividend and Interest Income

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

For the three months ended March 31 (\$ in thousands)	2020	2019
Dividends on Bank of Montreal shares	\$ 3,710	\$ 3,650
Other dividends	1,328	878
Dividend income	5,038	4,528
Investing activities	254	855
Operating activities	915	464
Interest income	1,169	1,319
	\$ 6,207	\$ 5,847

Dividend income remained relatively consistent when comparing the current quarter to the same quarter in the prior year. Dividends on the BMO shares increased slightly as the dividend rate increased in the current quarter. Other dividends increased primarily as a result of dividends earned from the additional seed capital invested in the new 40-Act funds launched since Q1 of 2019. The lower interest income earned in the current quarter compared to the same quarter in the prior year is primarily due to the redemption of a portion of a preferred share investment during the second quarter of 2019.

During the current quarter, Guardian disposition of 600,000 shares of BMO, and another 100,000 shares subsequent to the quarter-end. The quarterly dividends on those shares were received in the current quarter prior to the disposition. Going forward, the dividend income on BMO shares will be lower, as a result.

Expenses

Guardian's expenses increased to \$39.1 million in the current quarter, a \$6.0 million increase from \$33.1 million in the same quarter in the prior year. Expenses in the Investment Management Segment increased by \$2.7 million over the prior year. The most significant increase occurred in the UK operations, relating to increased incentive compensation expenses and other marketing and distribution expenses. In addition, as part of our strategic objective to enhance our distribution capabilities within the Canadian retail segment, the current quarter includes the new costs associated with the buildout of this team. In the Financial Advisory Segment, the expenses increased by \$2.4 million, with \$1.6 million of the increase relating to the inclusion of Aurrea's expenses in IDC WIN. In the Dealers business, the expenses increased \$0.5 million from the same period in the prior year. As discussed in prior periods, we expect to incur elevated levels of expenses in this business in the near term, as we continue to invest into the business to better leverage the new technology platform and add additional staff to enhance the advisor experience.

NET GAINS (LOSSES)

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

For the three months ended March 31 (\$ in thousands)	2020	2019
Bank of Montreal common shares	\$ (107,065)	\$ 39,600
Other securities	(48,629)	24,854
Net gains (losses) on securities	(155,694)	64,454
Net gains on disposal of intangible assets	338	303
Net foreign exchange gains (losses)	(5,933)	1,126
	\$ (161,289)	\$ 65,883

With the significant retreat in the global financial markets in the current quarter, the fair values of Guardian's securities have experienced significant decline, resulting in Net losses of \$155.7 million being recorded, compared to Net gains of \$64.5 million in the same quarter in the prior year. In addition, Guardian recorded a \$5.9 million in Net foreign exchange losses related largely to the US dollar loan outstanding, resulting from the depreciation in the Canadian dollar against the US dollar during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

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

Guardian's balance sheet is supported by the substantial securities portfolio, as presented below:

As at (\$ in thousands, except per share amounts)	2020 March 31		2019 December 31		March 31
Securities, carried at fair value					
Proprietary investment strategies					
Fixed-income securities	\$	18,711	\$	18,049	\$ 18,119
Canadian equities		6,706		10,717	21,321
Global equities		181,619		243,703	194,004
Real estate		23,023		22,364	19,956
		230,059		294,833	253,400
Bank of Montreal common shares		205,378		351,750	359,460
Short-term securities		70,237		14,725	34,860
Equities		13,580		15,971	16,006
		519,254		677,279	663,726
Securities, carried at amortized cost		5,000		5,000	10,000
Securities	\$	524,254	\$	682,279	\$ 673,726
Total securities per share, diluted	\$	19.50	\$	24.99	\$ 24.30

Guardian's securities as at March 31, 2020 had a fair value of \$524.3 million, or \$19.50 per share, diluted, compared with \$682.3 million, or \$24.99 per share, diluted, at the end of 2019. Shareholders' equity as at March 31, 2020 amounted to \$562.8 million, or \$20.94 per share, diluted, compared to \$656.2 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 March 31, 2020, the total borrowings amounted to \$131.5 million, \$17.8 million higher compared to \$113.7 million at the end of 2019. Guardian's Adjusted cash flow from operations for the current quarter was \$13.3 million, a 27% increase compared to \$10.5 million in the same quarter in 2019. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, quarterly dividends, share repurchases under its Normal Course Issuer Bid, capital expenditures and, when possible, debt repayments. From time to time, Guardian may use a combination of debt and partial disposal of Securities to help finance temporary working capital requirements or capital expenditures.

The strength of Guardian's balance sheet played an important role in navigating its way through the pandemic-induced financial market disruptions during the current quarter. The first quarter of every year has the highest cash requirements due to the payments of annual performance bonuses for employees and the acquisition of Treasury Stock to provide stock-based compensation. These cash requirements were compounded by the additional required payments associated with various acquisitions completed in the current and prior quarters of \$15.3 million. Details of these required payments are described in note 16 of Guardian's Q1 2020 Consolidated Financial Statements. In addition, during the first half of the quarter, Guardian returned a total of \$6.1 million to shareholders in a combination of dividends and share buybacks. The obligations were paid using a combination of Adjusted cash flow from operations, debt and partial disposition of investments from the Securities portfolio.

As the COVID-19 pandemic started to disrupt the global financial markets, Guardian began to de-risk the large equity exposure on our balance sheet. Guardian disposed of approximately \$78 million of its equity investments in the Securities portfolio during the month of March, including 600,000 shares of BMO, and invested a portion of the proceeds into treasury bills, to secure liquidity during the market disruptions. The ability to quickly raise and secure such large amount of liquidity provided confidence that any further deterioration in the financial markets can be managed despite the length of volatility of the markets.

Subsequent to the quarter-end, Guardian used approximately \$69.4 million from the proceeds of disposition of the treasury bills and Bank of Montreal common shares to reduce its bank borrowing. With the repayments, Guardian currently has approximately \$100 million of borrowing capacity available under its various arrangements.

CONTRACTUAL OBLIGATIONS

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

As at March 31, 2020 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 131,504	\$ 131,504	\$ --	\$ --	\$ --
Client deposits	79,393	79,393	--	--	--
Payable to clients	71,931	71,931	--	--	--
Accounts payable and accrued liabilities	45,399	45,399	--	--	--
Other liabilities	23,524	--	23,524	--	--
Investment commitments	25,403	25,403	--	--	--
Scheduled lease payments	14,862	2,838	5,035	3,782	3,207
Third party investor liabilities	9,594	9,594	--	--	--
Total contractual obligations	\$ 401,610	\$ 366,062	\$ 28,559	\$ 3,782	\$ 3,207

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:

	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
<i>As at (\$ in millions)</i>								
Assets under management	\$ 27,527	\$ 31,147	\$ 30,243	\$ 30,088	\$ 29,631	\$ 26,962	\$ 29,185	\$ 29,731
Assets under administration	18,152	20,248	19,040	18,784	18,745	17,385	18,096	17,980
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 49,901	\$ 49,865	\$ 45,983	\$ 45,963	\$ 44,291	\$ 44,300	\$ 42,773	\$ 42,924
Operating earnings	10,813	13,030	12,105	12,590	11,176	12,137	12,444	11,302
Net gains (losses)	(161,289)	24,140	(1,274)	7,957	65,883	(89,001)	28,481	20,800
Net earnings (loss)	(134,911)	31,808	8,952	17,601	68,099	(69,652)	35,079	26,245
Net earnings (loss) attributable to	(136,368)	30,787	8,275	16,838	67,220	(70,449)	34,320	25,385
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share (in \$)								
Basic	\$ (5.35)	\$ 1.20	\$ 0.32	\$ 0.65	\$ 2.57	\$ (2.63)	\$ 1.28	\$ 0.95
Diluted	(5.35)	1.13	0.31	0.62	2.43	(2.63)	1.21	0.90
Dividends paid (in \$)	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.125
<i>As at</i>								
Shareholders' equity (\$ in thousands)	\$562,821	682,777	653,983	647,983	656,167	599,311	670,382	644,956
Per Class A and Common share (in \$)								
Basic	\$ 22.18	\$ 26.73	\$ 25.49	\$ 25.26	\$ 25.14	\$ 22.85	\$ 24.98	\$ 24.06
Diluted	20.94	25.01	23.93	23.73	23.66	21.57	23.57	22.74
Total Class A and Common shares outstanding (shares in thousands)	27,758	27,956	27,956	27,956	28,405	28,405	29,012	29,012

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

Management fees earned in the Investment Management Segment and trailer commissions earned on mutual funds and segregated funds in the Financial Advisory Segment are highly correlated to the changes in AUM and AUA, which are affected by the volatility of the financial markets and additions and withdrawals of client assets. Offsetting this volatility is the significant insurance commissions earned in the MGA business, which are less correlated to the volatility of the financial markets. However, the volatility in the MGA revenue can also arise from the timing of large insurance policies being placed by the advisors. With the focus on recruiting top-producing advisors, these advisors deal in significantly larger insurance policies which can influence the timing and the level of the insurance commission revenue earned, depending on when these policies are placed. In the Corporate Investing and Activities Segment, some fluctuations in dividend income can be seen in the second quarter and, to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities, which pay semi-annual dividends and some "special" dividends mid-year during those periods. In addition, the timing of consolidation or deconsolidation of certain investment funds can also have an impact on the level of dividend income recorded in the period.

Net revenue in the first quarter of 2020 increased although the AUM and AUA decreased, due to the timing of the AUM and AUA decrease only impacting 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 Aurrea's commission revenue in this period. Net revenue in the fourth quarter of 2018 increased although the AUM and AUA decreased, due to the increase in insurance commission revenues offsetting the reduction in other revenues during the period. The most significant increase was in the annual service commission revenue which is not correlated to the financial markets. In 2018, the increases in net revenue included the contributions from Alta, which was acquired on January 1, 2018. Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly impacted Net earnings (losses) attributable to shareholders during those periods.

The quarterly fluctuations in shareholders' equity shown above are caused largely by Guardian's Net earnings (loss), less dividends paid and shares repurchased.

RISK FACTORS

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 period due to the pandemic disruptions, many of the risks listed below are heightened and are more challenging to manage or mitigate. Readers are encouraged to refer to note 15 to Guardian's first quarter 2020 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

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

Portfolio Value and Concentration Risks

Guardian's securities are subject to risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 15 of Guardian's first 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 March 31, 2020, Guardian holds \$205 million of BMO shares (December 31, 2019 – \$352 million), which represents 39% 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 2.1 million shares, including 600,000 shares in the first quarter, 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 March 31, 2020, the corporate holding of securities consisted of 49% Canadian equities (December 31, 2019 – 57%), primarily consisting of Bank of Montreal shares, 34% of non-Canadian equities (December 31, 2019 – 37%) and 17% short-term investments and fixed-income securities (December 31, 2019 – 6%).

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 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 first 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. The credit risk associated with the investment in amortized cost securities is managed by monitoring the issuer's operations through discussions with the issuer's management. From time to time, advisors in the Financial Advisory segment may owe 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.

During the current financial market disruptions caused by the COVID-19 pandemic, certain market events may 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 impairment assessment of the Investment Management Segment goodwill, Guardian applied two different methodologies, as required under IFRS when the result of one methodology implies impairment exists. The AUM based methodology resulted in net book value of the cash generating unit being higher than the estimated fair value of the unit. However, using a second method, a discounted cash flow method, which reflects the value in use, the estimated recoverable value of the cash generating unit was higher than the net book value. More detailed discussion of the impairment assessment is described in note 5 to Guardian's first 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 believe these are important measures, as they allow management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortions caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measures are "Net earnings" and "Net earnings available to shareholders per share, diluted", which are disclosed in Guardian's Consolidated Statements of Operations.

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

For the three months ended March 31 (\$ in thousands)	2020	2019
Net earnings (loss), as reported	\$ (134,911)	\$ 68,099
Add (deduct):		
Income tax expense (recovery)	(15,565)	8,960
Net (gains) losses	161,289	(65,883)
Stock-based compensation	638	523
Interest expense	922	1,126
Amortization	4,332	3,313
Non-controlling interests	(2,335)	(1,629)
EBITDA	\$ 14,370	\$ 14,509

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 three months ended March 31 (\$ in thousands)	2020	2019
Net cash from (used in) operating activities, as reported	\$ 4,250	\$ (5,327)
Add (deduct):		
Net change in non-cash working capital items	11,300	17,264
Non-controlling interests	(2,230)	(1,433)
Adjusted cash flow from operations	\$ 13,320	\$ 10,504

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

From an economic perspective, it is important to consider that the current crisis is the result of an exogenous shock and thus represents a different type of downturn than experienced in recent history. The last two global recessions were precipitated by significant imbalances in the marketplace - the tech bubble in the late 1990s/early-2000s and the housing and credit bubble in 2007/08 - with each of these events triggered during a period of tightening monetary policy. The duration of these types of recessions is dependent on how long it takes for these imbalances to get back to an equilibrium, as seen in the aftermath of the housing market crash which put countless households in financial difficulty. This adjustment process can mean a long and drawn out period for demand, and the labour market, to recover. In contrast, a downturn that results from an unforeseen event like a natural disaster or public health crisis, can result in a supply-side shock. In these circumstances, demand has not materially eroded, but there are sudden outside factors inhibiting the ability of businesses to return to normal. Once those external forces have subsided it is possible for activity to normalize fairly quickly, resulting in a quick rebound in economic momentum. Most of the layoffs announced in the past few months have really been more about workers furloughed than being fired, and if all goes well these workers will be able to step back into their old jobs as soon as the "all clear" has been signaled. The most comparable situation, the Spanish flu outbreak that inflicted nearly a third of the world's population and killed 40 million people globally, induced a downturn in 1918/19 which stands among the shortest recessions on record. The present global economy is dramatically different than what existed a century ago, but recent signs that such a rapid rebound can occur are coming from parts of Asia, as societal lockdowns put in place at the end of January have gradually lifted. In China, the epicenter of this pandemic, estimates indicate that the economy is back to running at about 85% of normal, and is expected to further recover in short order, as limitations on activity are further rolled back throughout the country.

Beyond the growth impact from idle activity coming back online, there are other factors at play that could support a rapid, though not necessarily full, rebound once life is cleared to safely resume in a near-normal way. Policymakers around the world have introduced significant policies intended to help lessen the economic hit of COVID-19-related shutdowns on households and businesses. Governments for the G7 economies have announced packages of direct spending, tax deferrals, loans and guarantees that vary from country to country, but in total are equivalent to more than 10% of their gross domestic products. These measures are designed to provide a funding stop-gap to bridge citizens and their erstwhile employers over until they can get back to work. Clearly predicting the future of the economy and financial markets is an inexact process, but there is reason to believe that the worst case scenarios often found in the financial press are not the most likely end results of this crisis.

Guardian and other companies in the investment and wealth management segments are in a very fortunate position relative to companies in many other industries. While businesses globally have been forced to shut down some or all of their operations and lay off employees, Guardian benefits from the fact that our business is still operating and serving client needs, allowing us to earn most of our revenues relatively uninterrupted for the assets under administration, assets under management and the in force life insurance policies sold in prior periods. We are also fortunate that our sources of revenue are diversified. While changes in the levels of market valuations across assets may reduce our revenue from AUM and AUA, it is not highly correlated with commissions we earn from insurance companies for business written in the past, nor does it necessarily mean that dividends and interest payments from our investment portfolio will suffer the same fate. Another positive offset for us at this stage is the fact that a growing percentage of our revenue is denominated in foreign currencies, particularly the US dollar which has been quite strong versus our base reporting currency, the Canadian dollar. Volatility in a cross section of currencies may introduce greater fluctuations in our results; however, we believe this form of diversification is helpful over the long term. The volatility in the global financial markets had a significant impact on our Securities portfolio this quarter and could continue to be significant in future periods. Certainly, the revenues we receive have been, and will continue to be affected by the crisis. However, we consider ourselves very fortunate at this stage to have limited impairment to our active businesses which allows us to keep our employees active; our clients well taken care of; the business continuity plan to keep our employees safe; and ability to provide stability and certainty to all of our employees during a 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 in to 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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