

MANAGEMENT'S DISCUSSION AND ANALYSIS

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In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three month period ended September 30, 2021 and the comparative period in the year 2020, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2020 Annual Report. This discussion and analysis has been prepared as of November 10, 2021.

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, Wealth Management (formerly Financial Advisory), and Corporate Activities and Investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. The Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap"), Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta") and Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt"). The Wealth Management business is operated through the following businesses: Guardian Capital Advisors LP ("GCA") and Guardian Partners Inc. ("GPI"), which serve the wealth management and advisory needs of high and ultra-high net worth clients; Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"), which provide an independent platform for financial advisors to service their clients; IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency ("MGA"), which provides insurance advisory services; Modern Advisor Canada Inc. ("Modern Advisor") which is a digital-advisory operation which also serves as the technology platform for Guardian's digital strategy; and Alexandria Bancorp Limited ("ABL"), a Caribbean-based international private bank serving the wealth management needs of international clients. At the end of the current quarter, Guardian had \$53.1 billion of assets under management ("AUM") and \$30.0 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$689 million at the end of the current 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 attributable to shareholders, EBITDA attributable to shareholders per share, adjusted cash flow from operations attributable to shareholders, adjusted cash flow from operations attributable to shareholder per share, all of which have changed its names to add the words "attributable to shareholders" to better describe the measure. Other Non-IFRS measures are 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.

CHANGES TO SEGMENTED REPORTING

During the current year, Guardian realigned its segmented reporting structure to better align with its operating structure. The financial advisory segment has been renamed Wealth Management. This segment retains the two businesses previously included in the financial advisory segment, IDC WIN and the Dealers. It now also includes GPI, the newly acquired business referred to above, plus certain businesses previously included in the Investment Management Segment: GCA, the private wealth business; Modern Advisor, the digital-advisory business; and ABL, the international private bank. The above section, *Overview of Guardian's Business*, provides the list of businesses now included in the Investment Management Segment. The following discussions include restatement of prior periods to reflect the new alignment.

COVID-19 UPDATE

Guardian continues to monitor the constantly evolving COVID-19 pandemic, as the majority of Guardian's employees continue to work from home, but an increasing number of employees have started to return to the office under reduced capacity limits and other public health guidelines. In recent months there have been some encouraging signs as vaccination rates continue to rise, public health restrictions continue to ease and infection rates stabilize in various parts of the world. These are good signs that some form of normalcy may be near. However, another wave of increased infection rates could negatively impact the global economic recovery and increase volatility in the global financial markets. Guardian is prepared to respond to various scenarios which may unfold, but these future developments and their impact on Guardian's financial performance are highly uncertain and difficult to predict.

ACQUISITION

Subsequent to the quarter end, on October 4, 2021, Guardian's subsidiary, IDC WIN, acquired the life insurance MGA business assets of AFL Groupe Financier Inc., a leading MGA based in Quebec City, Quebec. The acquisition continues our strategic expansion into the Quebec insurance market and adds another \$0.5 billion in AUA. The purchase price consisted of \$6.3 million paid on closing and \$0.3 million due on the first anniversary date.

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	
	2021	2020	2021	2020
Net revenue	\$ 72,384	\$ 52,042	\$ 207,038	\$ 152,067
Expenses	51,613	39,934	147,564	115,719
Operating earnings	20,771	12,108	59,474	36,348
Net gains (losses)	(8,146)	35,739	90,292	(82,296)
Net earnings (loss) before income taxes	12,625	47,847	149,766	(45,948)
Income tax expense (recovery)	4,028	5,195	23,477	(4,933)
Net earnings (loss)	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Attributable to shareholders:				
Net earnings (loss)	\$ 7,054	\$ 42,201	\$ 121,817	\$ (43,681)
EBITDA	24,703	16,238	70,622	47,910
Adjusted cash flow from operations	20,795	10,507	58,488	39,230
Attributable to shareholders, diluted per share amounts:				
Net earnings (loss)	\$ 0.27	\$ 1.56	\$ 4.53	\$ (1.72)
EBITDA	0.93	0.60	2.63	1.78
Adjusted cash flow from operations	0.79	0.39	2.18	1.46
As at				
(\$ in millions, except per share amounts)	2021		2020	
	September 30	December 31	September 30	September 30
Assets under management	\$ 53,113	\$ 45,984	\$ 32,734	
Assets under administration	30,015	22,289	20,755	
Total client assets	83,128	68,273	53,489	
Shareholders' equity	781	700	632	
Securities	689	633	552	
Diluted per share				
Shareholders' equity	\$ 29.40	\$ 25.69	\$ 23.25	
Securities	25.91	23.23	20.30	

RESULTS OF OPERATIONS

For the quarter ended September 30, 2021, Guardian is reporting Operating earnings of \$20.8 million, an \$8.7 million or 72% increase from \$12.1 million reported in the same quarter of 2020. The growth reflects a combination of strong organic growth in both operating Segments, and to a lesser extent, the net contributions from acquired businesses, the most significant of which was Agincourt, acquired on October 1, 2020.

With the continued positive performance in the global equity markets and the net inflows of client assets during the current quarter, Guardian is reporting another historic high in total client assets of \$83.1 billion, as at September 30, 2021, consisting of \$53.1 billion in AUM and \$30.0 billion in AUA. This is a 22% increase in total client asset from \$68.3 billion as at December 31, 2020 and a 55% increase from \$53.5 billion as at September 30, 2020.

The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were \$13.4 million, a \$7.3 million, or 119% increase from \$6.1 million in the same quarter in the prior year. The positive performance in the global equity markets and positive net inflows of client assets helped the Segment deliver this growth. All the businesses in the Segment delivered higher Operating earnings than during the same quarter in 2020, other than the Canadian Retail Asset Management, which incurred \$1.1 million in Operating loss this quarter. We expect the loss from this strategic initiative to continue in the near term as we buildout this multi-year strategy to strengthen our distribution capabilities to the retail market.

The Wealth Management Segment's Operating earnings in the current quarter were \$6.1 million, a \$1.5 million or 31% increase from the \$4.7 million reported in the same quarter in the prior year. The increase was driven largely by IDC WIN, our MGA business, and to a lesser extent the growth in GCA, our Private Wealth business. Partially offsetting the growth were \$0.7 million in Operating losses associated with our investments into Modern Advisor and the newly acquired GPI. As mentioned in prior periods, we expect the losses in these two businesses to continue while we build out and integrate them into our overall digital strategy and our Wealth Management offering.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.2 million, substantially unchanged from the same quarter in the prior year.

Net losses in the current quarter were \$8.1 million, compared to Net gains of \$35.7 million in the same quarter in the prior year. The largest portion of the Net losses in the current quarter were due to the decreases in fair values of a portion of our securities holdings exposed to the Emerging Market equities, which experienced negative returns, and the decrease in the fair value of the BMO shares.

The Net earnings attributable to shareholders were \$7.1 million, compared to \$42.2 million in the same quarter in the prior year. The decrease was due to a large swing to Net losses in the current quarter, compared to large Net gains in the prior year, partially offset by the increase in Operating earnings over the same period.

EBITDA attributable to shareholders for the quarter was \$24.7 million, a 52% increase from \$16.2 million for the same period in 2020. Consistent with Operating earnings, both operating Segments experienced growth in EBITDA attributable to shareholders compared to the same quarter in the prior year. The Investment Management Segment is reporting \$14.4 million and Wealth Management Segment is reporting \$8.4 million in EBITDA attributable to shareholders in the current quarter, 93% and 23% higher, respectively, than in the same quarter in the prior year. Included in Wealth Management is IDC WIN's EBITDA attributable to shareholders of \$6.3 million, compared to \$4.5 million in the same quarter in the prior year, which excludes the portions attributable to non-controlling interests of \$1.4 million, compared to \$1.0 million in the prior year. Adjusted cash flow from operations attributable to

shareholders for the quarter was \$20.8 million, a 98% increase from \$10.5 million in the same period in 2020. The increases in both metrics are reflective of the growth experienced in Guardian's operating businesses. The prior period Adjusted cash flow from operations attributable to shareholders was also negatively impacted by timing of tax installment payments.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2021 September 30		2020 December 31 September 30	
Assets under management				
Institutional				
Canadian equities	\$	7,464	\$	7,356
Global equities		24,677		18,510
Fixed income		16,681		16,630
Institutional assets under management		48,822		42,496
Wealth management		4,291		3,488
	\$	53,113	\$	45,984
			\$	32,734
Assets under administration				
Dealers	\$	16,689	\$	15,107
MGA segregated		8,265		7,182
Outsourced Chief Investment Officer and other		5,061		--
	\$	30,015	\$	22,289
			\$	20,755
Total client assets	\$	83,128	\$	68,273
			\$	53,489

Guardian is reporting another historic high in total client assets for the quarter ended September 30, 2021 of \$83.1 billion, a 22% increase from \$68.3 billion as at December 31, 2020, and a 55% increase from \$53.5 billion as at September 30, 2020. AUM at the end of the current quarter reached \$53.1 billion, a 16% increase from \$46.0 billion at December 31, 2020, and a 62% increase from the \$32.7 billion reported as at September 30, 2020. The strong growth in AUM over the period was achieved through a combination of continued success in attracting new assets, led by GuardCap, the addition of \$10.3 billion from Agincourt and GPI, which were acquired since September 30, 2020, and the positive global equity market returns. GuardCap's AUM at the end of the current quarter was \$16.2 billion, a 51% growth from \$10.7 billion at December 31, 2020. The AUA at September 30, 2021 grew to \$30.0 billion, a 35% increase from \$22.3 billion at the end of 2020 and a 45% increase from \$20.8 billion as at September 30, 2020. Approximately \$5.1 billion of the increase in AUA since September 30, 2020 was due to the acquisition of GPI and Copoloff since September 30, 2020.

During the quarter, approximately \$0.3 billion in client assets of GPI, previously included in AUA, were reclassified to AUM. All figures quoted in the above paragraphs reflect this reclassification on a retrospective basis.

REVENUES AND EXPENSES

Net Management and Advisory Fees

Management and advisory fees, net of fees paid to referring agents ("Net management and advisory fees") earned by Guardian are generated by providing continuing management and advisory services to clients' investment assets (AUM and AUA). The following analysis of Net management and advisory fees should be read in conjunction with note 12 (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 management and advisory fees earned by the operating segments for the quarter ended September 30, 2021 were \$45.4 million before inter-segment transactions. In the same quarter in the prior year, the Net management and advisory fees were \$28.4 million before inter-segment transactions.

Net management and advisory fees earned in the Investment Management Segment in the current quarter were \$38.1 million, a 61% increase from \$23.6 million a year earlier. The increase was driven by the growth in AUM, as described above, including the continued growth by GuardCap and the acquisition of Agincourt completed on October 1, 2020.

Net management and advisory fees earned in the Wealth Management Segment amounted to \$7.3 million in the current quarter, up 48% from the \$4.9 million earned in the prior year. The increase was driven by the growth in AUM in GCA, our private wealth business and the acquisition of GPI, which closed on March 1, 2021.

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, respectively, net of commissions paid to advisors. 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, as the totals for this Segment quoted below are before inter-segment transactions.

Net commission revenue earned in the current quarter was \$18.6 million before inter-segment transactions. In the same quarter in the prior year, the Net commission revenue was \$15.0 million before inter-segment transactions.

Net commissions from IDC WIN in the current quarter were \$14.2 million, a 26% increase compared to \$11.3 million in the same quarter a year earlier. The renewal commissions included above in the current quarter were \$6.3 million, up 19% from \$5.3 million in the same quarter in the prior year. Included in the current quarter are \$1.0 million of Net commissions from Copoloff, which was acquired in Q4 2020. The contractual premiums on life insurance policies sold ("Premiums Sold") were \$47 million in the current quarter, compared to \$32 million in the same period in the prior year. The Premiums Sold generate sales commissions in the period the life insurance policies are sold and also generate renewal commissions as they are renewed each subsequent year. The renewal commissions are approximately 2.50% of the annual premiums. These expected renewal commissions associated with the Premiums Sold in the current period are not reflected in the current results. Net commissions from the Dealers business in the current quarter were \$4.4 million, up 19% from \$3.7 million in the same quarter of 2020.

Administrative Services Income

Administrative services income is comprised of registered plan administration, trust and corporate administration and other fees earned in the Wealth Management Segment, 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 \$4.3 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	
	2021	2020	2021	2020
Dividends on Bank of Montreal shares	\$ 2,406	\$ 2,862	\$ 7,282	\$ 9,540
Other dividends	1,764	1,381	5,271	4,077
Dividend income	4,170	4,243	12,553	13,617
Operating activities	331	232	866	1,355
Investing activities	160	128	354	692
Interest income	491	360	1,220	2,047
	\$ 4,661	\$ 4,603	\$ 13,773	\$ 15,664

Dividend income was \$4.2 million, substantially unchanged, compared to the same period one year earlier. The dividend income earned on BMO shares decreased compared to the prior periods as lower number of shares were held in the current year. This was offset by the increased dividends earned from increased investments in proprietary investment strategies.

Expenses

Total expenses in the current quarter amounted to \$51.6 million, \$11.7 million higher than the \$39.9 million in the same quarter in 2020. Approximately \$5.4 million of the increase is associated with Agincourt, GPI and Copoloff, the businesses acquired since September 30, 2020. The remaining increase was largely associated with increased variable compensation costs in GuardCap, the increased strategic investments made into certain of the businesses and modest increases in the remaining businesses.

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	
	2021	2020	2021	2020
Bank of Montreal common shares	\$ (1,475)	\$ 15,714	\$ 68,339	\$ (87,942)
Other securities	(6,657)	19,701	20,275	8,287
Net gains (losses) on securities	(8,132)	35,415	88,614	(79,655)
Net gains on disposal of intangible assets	756	285	1,913	1,164
Foreign exchange gains (losses)	(770)	39	(235)	(3,805)
	\$ (8,146)	\$ 35,739	\$ 90,292	\$ (82,296)

Net losses in the quarter were \$8.1 million, compared to Net gains of \$35.7 million, a year earlier. After many consecutive quarters of positive returns in the global financial markets, certain segments of the markets experienced negative returns resulting in losses on securities with exposures to Emerging Markets. The fair value of BMO shares held also decreased during the current quarter, resulting in additional Net losses. The strengthening of the US dollar versus the Canadian dollar during the current quarter also resulted in foreign exchange losses on the Guardian's US dollar borrowings.

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 our substantial securities portfolio, as presented below:

As at (\$ in thousands, except per share amounts)	2021 September 30	December 31	2020 September 30
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 19,502	\$ 36,244	\$ 12,529
Canadian equities	13,139	11,422	10,176
Global equities	308,061	300,204	262,791
Canadian real estate	24,959	24,847	23,228
	365,661	372,717	308,724
Bank of Montreal common shares	286,815	222,295	209,844
Short-term securities	8,101	20,857	16,625
Equities	28,033	16,702	16,626
Securities	\$ 688,610	\$ 632,571	\$ 551,819
Securities per share, diluted	\$ 25.91	\$ 23.23	\$ 20.30

Guardian's securities as at September 30, 2021 had a fair value of \$688.6 million, or \$25.91 per share, diluted, compared with \$632.6 million, or \$23.23 per share, diluted, at the end of 2020. Shareholders' equity as at September 30, 2021 amounted to \$781.3 million, or \$29.40 per share, diluted, compared to \$699.6 million, or \$25.69 per share, diluted, at the end of 2020. Since December 31, 2020, Guardian returned to shareholders \$13.8 million in dividends and \$24.6 million in share buybacks. The growth in Shareholders' equity in 2021 is net of these amounts returned to shareholders.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$160.0 million. As at September 30, 2021, the total borrowings amounted to \$109.6 million, compared to \$95.7 million at the end of 2020. Guardian's Adjusted cash flow from operations attributable to shareholders for the current quarter was \$20.8 million, compared to \$10.5 million in the same quarter in 2020. The increase in the current quarter, compared to the same period one year earlier, was primarily due to improved Operating earnings and the negative impact of large tax payments being made in Q3 2020. Guardian uses its Adjusted cash flow from operations attributable to shareholders primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, fund its capital expenditures, including acquisitions, and repay debt where possible. 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, 2021 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 109,642	\$ 109,642	\$ --	\$ --	\$ --
Client deposits	54,665	54,665	--	--	--
Payable to clients	60,403	60,403	--	--	--
Accounts payable and accrued liabilities	84,024	84,024	--	--	--
Other liabilities	33,431	--	27,904	5,527	--
Investment commitments	30,008	30,008	--	--	--
Scheduled lease payments, undiscounted	15,431	3,472	6,099	4,157	1,703
Third party investor liabilities	113,065	113,065	--	--	--
Total contractual obligations	\$ 500,669	\$ 455,279	\$ 34,003	\$ 9,684	\$ 1,703

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. 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, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
<i>As at (\$ in millions)</i>								
Assets under management	\$ 53,113	\$ 51,960	\$ 47,945	\$ 45,984	\$ 32,734	\$ 31,196	\$ 27,527	\$ 31,147
Assets under administration	30,015	29,583	28,376	22,289	20,755	20,010	18,152	20,248
Total client assets	83,128	81,543	76,321	68,273	53,489	51,206	45,679	51,395
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 72,384	\$ 69,960	\$ 64,694	\$ 63,724	\$ 52,042	\$ 50,124	\$ 49,901	\$ 49,865
Operating earnings	20,771	21,199	17,504	18,493	12,108	13,427	10,813	13,030
Net gains (losses)	(8,146)	56,467	41,971	80,983	35,739	43,254	(161,289)	24,140
Net earnings (losses)	8,597	66,831	50,861	87,083	42,652	51,244	(134,911)	31,808
Net earnings (loss) attributable to shareholders	7,054	65,138	49,625	86,039	42,201	50,486	(136,368)	30,787
<i>(in \$)</i>								
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share								
Basic	\$ 0.28	\$ 2.59	\$ 1.95	\$ 3.38	\$ 1.66	\$ 1.99	\$ (5.35)	\$ 1.20
Diluted	0.27	2.42	1.83	3.17	1.56	1.87	(5.35)	1.13
Dividends paid on Class A and Common shares	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.15
<i>As at</i>								
Shareholders' equity (\$ in thousands)	\$ 781,334	\$ 780,323	\$ 737,363	\$ 699,610	\$ 631,863	\$ 596,265	\$ 562,821	\$ 682,777
Per Class A and Common share (in \$)								
Basic	\$ 31.56	\$ 31.15	\$ 29.02	\$ 27.43	\$ 24.80	\$ 23.50	\$ 22.18	\$ 26.73
Diluted	29.40	29.09	27.14	25.69	23.25	22.07	20.94	25.01
Total Class A and Common shares outstanding (shares in thousands)	26,968	27,263	27,691	27,740	27,758	27,758	27,758	27,839

Over the past eight quarters presented above, Guardian's Net revenue has generally shown an upward trend, although it can fluctuate, from time to time. These fluctuations can also influence Operating earnings and are driven largely by the factors described below.

Investment management and advisory fees and trailer commissions 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 have grown in significance, and are less correlated to the volatility of the financial markets. However, volatility may arise in the MGA revenue 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 cyclical of sales commissions and renewal commissions exist in IDC WIN, where the first and the fourth quarters of each year tend to have higher sales and as a result, higher 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" mid-year dividends. In addition, the timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend income recorded in the period.

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 impacts Net earnings (losses) attributable to shareholders. In Q1 of 2020, the pandemic-induced bear market had a negative effect on Guardian's fair value of securities, resulting in Net (losses). The global financial markets have had continued positive performance since then until Q3 2021, when a portion of our securities exposed to the Emerging Market equities, which experienced a negative return, decreased in fair value. Large increases in AUM in Q4 of 2020 and AUA in Q1 of 2021 reflect the acquisitions of Agincourt, Copoloff and GPI completed in those periods.

The quarterly fluctuations in shareholders' equity shown above are caused largely by Guardian's Net earnings (losses), attributable to shareholders, 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 14 to Guardian's Third Quarter 2021 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

Markets can have a significant effect on the value of both clients' portfolios and our earnings, since investment management and advisory fees, which make up a significant part of our revenues, are generally based on market values. In the Wealth Management 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 14 of Guardian's Third Quarter 2021 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, 2021, Guardian holds \$287 million of BMO shares (December 31, 2020 – \$222 million), which represents 42% of Guardian's securities (December 31, 2020 – 35%). 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 2.7 million shares since the Third quarter of 2013. The remainder of Guardian's securities portfolio is more diversified, from both an asset class and a geographical perspective. The concentration risks by type as a percentage of total securities is summarized in the following table:

As at (as a percentage of securities)	September 30 2021	December 31 2020
Bank of Montreal common shares	42%	35%
Other Canadian equity securities and real estate	5%	6%
Canadian equities and real estate	47%	41%
Non-Canadian equities	49%	50%
Short-term and Fixed income securities	4%	9%
	100%	100%

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 and Agincourt, Guardian 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 foreign acquisitions such as Alta and Agincourt. This risk is mitigated by an offsetting, similar amount being recognized on the investment in these foreign subsidiaries as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Guardian may also record Net gains (losses) 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 14 in Guardian's Third Quarter 2021 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 Dealers or the MGA businesses 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 Interest-bearing deposits with banks. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from operations, by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total \$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 provides 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 and services 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.

Advisory Risk

Because of the number of in-house and independent advisors who publicly represent the Dealers and the MGA businesses, there are risks associated in their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of these businesses, significant management oversight and insurance coverage carried by both these businesses and the independent 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 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 the latest known cyber threats to enhance security controls, where appropriate.

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, 2020, 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 Investment Management Segment goodwill is most sensitive to the levels of AUM within the Segment. The valuation approach to Wealth Management Segment goodwill is most sensitive to the levels of AUA and annual service fees within the Segment. The goodwill in all units are tested annually for impairment. In addition, Guardian reviews goodwill for indications of impairment at the end of each reporting period, and if indications of impairment exist, the goodwill is then assessed for impairment in that period.

NON-IFRS MEASURES**EBITDA attributable to shareholders (formerly EBITDA) and EBITDA attributable to shareholders per share (formerly EBITDA per share)**

Guardian defines EBITDA attributable to shareholders as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses, less amounts attributable to non-controlling interests. EBITDA attributable to shareholders per share is calculated using the same method, which is used to determine net earnings attributable 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	
	2021	2020	2021	2020
Net earnings (loss), as reported	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Add (deduct):				
Income tax expense (recovery)	4,028	5,195	23,477	(4,933)
Net (gains) losses	8,146	(35,739)	(90,292)	82,296
Stock-based compensation	771	682	2,199	1,996
Interest expense	351	299	1,047	1,594
Amortization	5,456	4,464	15,613	13,223
Non-controlling interests	(2,646)	(1,315)	(7,711)	(5,251)
EBITDA attributable to shareholders	\$ 24,703	\$ 16,238	\$ 70,622	\$ 47,910

Adjusted cash flow from operations attributable to shareholders (formerly Adjusted cash flow from operations) and Adjusted cash flow from operations attributable to shareholders per share (formerly Adjusted cash flow from operations per share)

Guardian defines Adjusted cash flow from operations attributable to shareholders as net cash from operating activities, net of changes in non-cash working capital items and non-controlling interests. Adjusted cash flow from operations attributable to shareholders 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 attributable to shareholders 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	
	2021	2020	2021	2020
Net cash from operating activities, as reported	\$ 38,058	\$ 22,352	\$ 70,477	\$ 51,419
Add (deduct):				
Net change in non-cash working capital items	(14,839)	(11,285)	(4,906)	(7,808)
Non-controlling interests	(2,424)	(560)	(7,083)	(4,381)
Adjusted cash flow from operations attributable to shareholders	\$ 20,795	\$ 10,507	\$ 58,488	\$ 39,230

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

The last 18 months have been difficult for people all over the world, and while plenty of uncertainty persists, it appears the winds of change may finally be blowing. The end of the pandemic appears to be finally on the horizon. Vaccination rates worldwide have increased sharply over the last three months as doses have become more widely available, particularly among emerging market (EM) economies. Combining these increasing levels of vaccination with the development of highly effective therapeutics, the worst of the pandemic is likely behind us. With the resultant broader resumption of activity, the economic cycle is slated to evolve from a 'recovery' to an 'expansion' phase. While that maturation comes with a moderation in the pace of growth, the further absorption of slack over the coming year should still mean stronger growth rates than prevailed over the decade prior to the pandemic, with growing indications that the trajectory of the global economy is on a positive track. Inflationary pressures are also building, however, resulting in a shifting approach to fiscal and monetary policy, with policymakers turning their focus from supporting an economic recovery to maintaining expansion. While, we can anticipate crisis-era stimulus to fade in the months ahead, monetary policy is, set to remain on the 'easy' side of the dial for the foreseeable future as unwinding the stimulus is likely to be gradual. That said, the broad trend for market interest rates is likely to be higher from their current historically depressed levels. Against this backdrop, core fixed income strategies will likely face more headwinds relative to the generally constructive, albeit still challenging, outlook for risk assets that may continue to benefit from an environment of strong economic growth and ample liquidity.

It has been very promising to see the vaccination progress in developed countries, as well as the strong headway made in emerging economies on this front in recent months. As such, we are growing more confident that the emergency is coming closer to ending. During the pandemic, Guardian was able to continue to execute its growth plans, making acquisitions, investing in technology and initiating new organic growth initiatives. We continue to focus on identifying new avenues of growth for the company, as well as supporting those initiatives we have already embarked on. We have shown the flexibility to continue prudently investing in our growth initiatives, our people and our service levels to our clients and partners, without being forced to make unpleasant decisions as market, economic and business conditions fluctuate. As case numbers stabilize in Canada and other locations in which

Guardian operates, we look forward to the time we can safely and methodically transition our operations back to more of a norm. We are proud that we have been able to keep our employees active and safe and our clients well taken care of, as well as our ability to provide some degree of stability and certainty to all of our stakeholders during this period of heightened anxiety.

Our healthy, liquid balance sheet gives us confidence that we can sustain all needed initiatives, and manage any exogenous factor and allow us to strive for continued growth in operating earnings and cash flow generation in the foreseeable future.