

Guardian

GUARDIAN CAPITAL GROUP LIMITED Report to Shareholders

SECOND QUARTER
JUNE 30, 2021

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the periods ended June 30, 2021 and 2020. All per share figures disclosed below are stated on a diluted basis.

For the periods ended June 30, (\$ in thousands, except per share amounts)	Three months		Six months	
	2021	2020	2021	2020
Net revenue	\$ 69,960	\$ 50,124	\$ 134,654	\$ 100,025
Operating earnings	21,199	13,427	38,703	24,240
Net gains (losses)	56,467	43,254	98,438	(118,035)
Net earnings (loss) attributable to shareholders	65,138	50,486	114,763	(85,882)
Attributable to shareholders, per share:				
EBITDA ⁽¹⁾	\$ 24,708	\$ 17,302	\$ 45,919	\$ 31,672
Adjusted cash flow from operations ⁽¹⁾	19,201	15,403	37,693	28,723
Attributable to shareholders, per share:				
Net earnings (loss)	\$ 2.42	\$ 1.87	\$ 4.24	\$ (3.38)
EBITDA ⁽¹⁾	0.92	0.64	1.70	1.18
Adjusted cash flow from operations ⁽¹⁾	0.72	0.57	1.39	1.07
As at				
(\$ in millions, except per share amounts)	2021		2020	
	June 30	December 31	June 30	
Assets under management	\$ 51,641	\$ 45,984	\$ 31,196	
Assets under administration	29,902	22,289	20,010	
Shareholders' equity	780	700	596	
Securities	698	633	511	
Per share:				
Shareholders' equity ⁽¹⁾	\$ 29.09	\$ 25.69	\$ 22.07	
Securities ⁽¹⁾	26.03	23.23	18.92	

Summary

The Company is once again reporting historic highs in many key financial metrics for the quarter ended June 30, 2021, including Net revenue, Operating earnings, EBITDA attributable to shareholders, Adjusted cash flow from operations attributable to shareholders, assets under management ("AUM") and assets under administration ("AUA").

The Company's total client assets, which include AUM and AUA, increased to \$81.5 billion as at June 30, 2021, a 19% increase from \$68.3 billion as at December 31, 2020, and a 59% increase from \$51.2 billion as at June 30, 2020. AUM grew to \$51.6 billion as at June 30, 2021, a 12% increase from \$46.0 billion as at December 31, 2020, and a 66% increase from \$31.2 billion as at June 30, 2020. The continued recovery in the global financial markets, and the strong inflow of assets experienced by GuardCap Asset Management Limited ("GuardCap"), our UK-based investment management subsidiary, and the acquisition of Agincourt in Q4 2020 drove the growth in AUM. GuardCap's AUM has grown to \$15.0 billion as at June 30, 2021, representing a \$4.3 billion growth since the beginning of the current year. The Company's AUA grew to \$29.9 billion as at June 30, 2021, a 34% increase from \$22.3 billion as at December 31, 2020 and a 49% increase from \$20.0 billion as at June 30, 2020. The acquisition of a Canadian wealth management business on March 1, 2021, which was subsequently renamed Guardian Partners Inc., added \$5.4 billion in total client assets in the first quarter of 2021, of which \$5.1 billion was included in AUA and \$0.3 billion in AUM.

The Company is reporting Operating earnings of \$21.2 million for the quarter ended June 30, 2021, 58% or \$7.8 million higher than the \$13.4 million reported in the second quarter of 2020. The significant growth experienced by the Company's businesses was led by GuardCap, IDC Worldsour Insurance Network Inc., our MGA subsidiary and, to a lesser extent, the contributions from the businesses acquired over the past three quarters.

Net revenue for the current quarter grew to a historic high of \$70.0 million, 40% or \$19.9 million higher than the \$50.1 million reported in the same quarter in the prior year. The increase reflects largely our successful organic growth in revenues and, to a lesser extent, the addition of revenues from the acquired businesses over the same period.

Expenses in the current quarter were \$48.8 million, a \$12.1 million increase from \$36.7 million in the same quarter in the prior year. The higher expenses reflect the growth in our businesses, strategic investments being made in the Canadian Retail Asset Management initiative and the addition of \$5.3 million in new expenses from the acquired businesses over the same period.

Global equity markets continued to experience positive performance during the current quarter, resulting in Net gains of \$56.5 million in the current quarter.

As a result of the Net gains and Operating earnings described above, the Company's Net earnings attributable to shareholders in the current quarter were \$65.1 million, compared to \$50.5 million in the same quarter in 2020.

EBITDA attributable to shareholders⁽¹⁾ for the current quarter was \$24.7 million, compared to \$17.3 million in the same period in the prior year. Adjusted cash flow from operations attributable to shareholders⁽¹⁾ for the current quarter was \$19.2 million, compared to \$15.4 million in the same quarter in the prior year. The increases of 43% and 25%, respectively, in these measures are reflective of the growth delivered by the Company's operating businesses.

The Company's Shareholders' equity as at June 30, 2021 increased to \$780 million, or \$29.09 per share⁽¹⁾, from \$700 million, or \$25.69 per share⁽¹⁾ as at December 31, 2020, and \$596 million, or \$22.07 per share⁽¹⁾ as at June 30, 2020. The fair value of the Company's Securities as at June 30, 2021 increased to \$698 million, or \$26.03 per share⁽¹⁾, from \$633 million, or \$23.23 per share⁽¹⁾ as at December 31, 2020 and \$511 million, or \$18.92 per share⁽¹⁾ as at June 30, 2020.

The Board of Directors has declared a quarterly eligible dividend of \$0.18 per share, payable on October 18, 2021, to shareholders of record on October 11, 2021.

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

Commentary

Market Recap

The second quarter of 2021 continued the tendency of economic dataflow to persistently come in better than expected, despite the ongoing pandemic and its headwinds for the global economy. This time last year the upside surprises were largely the result of economic performance not being as bad as overly pessimistic forecasts. This year, so far, has seen outright positive surprises in economic activity and sentiment survey data that are still besting what have proven to be cautiously optimistic expectations. Gauges of economic surprises across both Developed Markets and Emerging Markets remained deeply entrenched in positive territory. Echoing this, earnings forecasts were revised higher too, providing fundamental support for global equities that already reside at all-time highs. Another important factor influencing the second quarter was that substantial increases in vaccinated populations in developed countries, combined with the impact of renewed targeted and broad lockdowns early in the spring in Europe, Canada and parts of Asia materially reduced new confirmed cases of COVID-19. This allowed optimism to spread, and assisted economic growth and stock market performance. During the Quarter, the Canadian benchmark S&P/TSX Composite Index had a total return of +8.5%, with a cumulative trailing-twelve-month total return of +33.9%. While in the US, the S&P 500 had a total return of +8.5% during the quarter, with a cumulative trailing-twelve-month total return of a scorching +40.8% (both in USD). Globally, the vast majority of developed markets had positive returns during the second quarter, but underperformed relative to the S&P 500. In the emerging markets space the BRIC markets (Brazil, Russia, India, and China) were generally strong during the quarter and outside of China, performed as well or better than the S&P500.

In other asset classes, most fixed income markets were able to recover some degree of their first quarter losses despite headlines that showed inflation increasing, and heightening potential of monetary policy tightening. However, monetary authorities have made sure to indicate that policy tightening may be visible, but is still a long way off, and the market has seemed to price in the scenario that inflationary pressures are transitory in nature, not a long-term risk. Real estate continues to appreciate in value and, in particular, throughout much of the world, residential real estate seems to be benefitting from households re-evaluating their requirements for their own living spaces in the face of COVID, and looking to upgrade their homes before prices get too far ahead of their ability to pay. Commercial and industrial real estate also seems to be benefitting from improved demand, and is continuing to appreciate in value.

It seems that none of the asset price appreciation described above would have been possible without the vast monetary and fiscal stimulus provided by governments and monetary authorities. What remains to be seen is if the vast pool of savings, accumulated by the public during the crisis will be able to take over and grow the economy when the monetary and fiscal stimulus is inevitably slowed.

The COVID-19 Pandemic Emergency

On March 16, 2020, Guardian's senior management decided that it would be prudent to ask all employees to work from home if they could do so. Guardian's Business Continuity Plan (BCP) was initiated and all of our physical workspaces across our operating business units were left almost completely vacated. We are pleased to report that our BCP continues to meet all of our requirements and expectations extremely well, and no significant problems have been encountered. The majority of our employees continue to work remotely, however as of the writing of this report, some of our locations have permitted reduced levels of staff to attend, at their option, based on the guidance of local health officials. Our service to our clients has transitioned seamlessly to remote working arrangements and while we are prepared to sustain such a work arrangement for a prolonged period of time, there are indications that some locations with well vaccinated populations may be permitted to slowly return to a more normal work environment within a matter of months. When the time comes to re-open a location, initially our employees will be allowed to return at their discretion, in consultation with management and Human Resources. Later on, our employees will be asked to come back to our physical workplaces in a phased manner and with some flexibility. At the current time, we mandate that, if allowed by local health officials, attendance at our offices be at a much reduced capacity, and we are prepared to reverse course, if and when necessary. While we look forward to welcoming our colleagues back to our workspaces, we feel it is necessary to approach this return with an abundance of caution on our part, and we are prepared to move back to work from home if conditions warrant such a decision. We extend our thanks to all our employees who are making it possible.

Investment Management

In the second quarter, positive market performance in equities and in fixed-income, and net new inflows across the group, made roughly equal contributions to the growth in our Assets Under Management ("AUM") to \$51.6 billion from \$47.6 billion in the first quarter.

Returns for the diverse set of asset classes we manage, were broadly positive during the quarter. Strong returns in equities, particularly North American equities, were a positive driver of growth for Guardian's AUM. While our Fundamental Global equity strategy continued to take in the majority of our inflows with new client wins and positive client cash flows, we also experienced modestly positive inflows into our US equity strategies. Canadian equities continued to see redemptions in the quarter, however the outflows were substantially offset by the positive returns in this asset class. Fixed-income generally saw increases, both in market returns, and in positive cash in-flows, in Canada and in the US, as markets had some bounce back from the declines of the first quarter and, clients rebalancing into fixed income continued. Foreign exchange, particularly in the US dollar had a slight negative impact on our AUM.

Among the many investments we continue to make in order to grow our Investment Management Segment, the largest increase in expenditures initiated by Guardian recently, has been our initiative to build a dedicated Canadian retail distribution team. Since late 2019, we have worked to create new investment vehicles to serve the needs of financial advisors and their clients. Our efforts will leverage both the growing ecosystem within Guardian and the deep expertise in manufacturing to create focused solutions that are innovative and meet the changing investment needs of the retail client segment. Similar to our strategy in building GuardCap, our costs will increase as we resource this effort, and these costs will precede meaningful management fees from the new AUM that we plan on gathering. We are very aware that the market to serve the needs of Canadian financial advisors is quite competitive, however, we anticipate that a fresh, innovative approach to creating solutions from a leading independent asset manager will be a welcome entrant into the market. While we plan on garnering AUM for all of our investment management teams, an important part of our goal is to find new markets for our domestic asset management business, which has seen a secular decline in demand from institutions. If successful, Guardian will benefit from growth in AUM and higher average management fees. Our focus for the future is to highlight the best ideas of our asset management teams in as many formats as possible, including; broker dealer WRAP models, mutual funds, exchange traded funds ("ETF"), closed-end funds and insurance-wrapped products. Our near-term goals are focused on developing brand awareness of the concept of our "Prosperity Journey" with its attention to the two main investing phases in life, the accumulation phase and the decumulation phase, represented by our Guardian Create and Guardian Prosper brand positioning. We are also working to capitalize on Guardian's presence in the broker dealer WRAP channel to cross-sell ETFs and mutual funds to those advisors who already are familiar with us, and we are building on and leveraging our presence in the Worldsource channel to drive AUM growth. We have formed a small but growing and capable team to manage this initiative. To date, our team has launched nine ETFs to complement a diverse investment platform of 30 mutual funds we have been managing and, although new client flows are modest to date, we are encouraged with some early adoption into our ETFs, and substantial interest from advisors participating in our online seminars about our products. Our efforts to build this initiative organically is another test of our discipline to identify a strategy, hire the human resource talent, invest in additional operational infrastructure and allocate meaningful seed capital and operating working capital to patiently build out the track record. Patient capital, perseverance and confidence in the execution of the strategy, despite minimal early stage financial rewards, will be key to achieving our long term goals.

Wealth Management

To better reflect the business aim of this segment of our operations, we have re-named our Financial Advisory segment as “Wealth Management”, a description in line with many companies in the financial services industry. The largest part of this business is composed of the Worldsource companies, which have formed the bulk of this segment for many years. The Worldsource companies essentially serve two distinct types of independent financial advisors across Canada. This includes a mutual fund and a securities dealership (the “Dealers”), which focuses on servicing independent financial advisors and corporate partners, who offer investment advice to their clients, and also a life insurance Managing General Agency (the “MGA”) which is focused on servicing independent life insurance advisors. Over the course of the last few years, we have made significant upgrades to our management team, our technology capability, and our product offering. We are also more closely integrating the Worldsource companies with other related parts of our business, which are under common executive management and have been operating in tandem for some time. These associated business operations include two of our recent corporate acquisitions, our robo-advisor platform Modern Advisor Canada Inc. (“Modern Advisor”), and our “Outsourced Chief Investment Officer” (“OCIO”) operation Guardian Partners Inc. (“GPI”). In addition, two existing related businesses, Guardian Capital Advisors LP (“GCA”) and Alexandria Bancorp Limited (“ABL”), which provide services to our Private Wealth clients, have now been re-categorized into this Wealth Management business segment. At June 30, 2021, the segment had a total of \$29.9 billion of assets under administration (“AUA”) and \$4.0 billion of AUM, as described in the paragraphs below.

At June 30, the Dealers combined AUA increased to \$16.5 billion from \$15.1 billion at December 31, 2020 and \$13.9 billion at the end of June 30, 2020. We also wish to note that Guardian’s AUM from Worldsource advisors exceeds \$1.2 billion. Over the last few years, we have focused on upgrading our infrastructure to a modern and capable operating platform and a strong and evolving digital enablement strategy. These efforts have required increased expenses and dampened profitability, however with most of these initiatives now complete we have begun to shift more of our focus on our major initiatives at the Dealers including increasing penetration of Guardian’s investment solutions into Worldsource, and more aggressively recruiting independent advisors and corporate partners.

IDC WIN, our MGA business, continues to exhibit strength in the second quarter and is exceeding our expectations. Insurance and segregated fund sales, which result in long term recurring revenues have been very strong, as have leading indicators of future sales, such as life insurance application volumes which are up more than 30% year to date. We continue to have success in the recruitment of advisors with strong track records of production in the past, and increasingly we are viewed as a desirable strategic partner as we are continuously in contact with groups contemplating the sale of their smaller MGA businesses. The integration of the two Quebec-based businesses acquired in 2019 and 2020 has gone well. Once again, operating earnings and revenue in the quarter were meaningfully above the prior year. We believe that we have built a very comprehensive national MGA, including the latest effort to address a prior weakness by building Quebec as a strong regional contributor to the overall business. It is important to remember that roughly two-thirds of our MGA’s revenues are recurring commission payments on renewal of insurance products sold in prior years. In order to realize this revenue, insured clients must continue paying their premiums and hence we focus attention on maintaining our historical high persistency in renewals. We have also seen significant uptake of electronically-placed business, as insurance companies have made it easier to place business in this manner, leading us to expect improvements in the efficiency of our operations going forward. Sales of segregated funds continued their strength in the quarter, helped by overall demand for the products, but also assisted by the increased internal wholesaler support hired to assist our advisor base in identifying products suitable for their clients. We continue to be very pleased with the performance of this business. At June 30, IDC WIN’s total AUA was \$7.9 billion, consisting mainly of segregated fund assets, up from \$7.2 billion at December 31, 2020 and \$6.1 billion at June 30, 2020.

Our private client businesses, which offers an increasing depth of services to high net worth and ultra-high net worth clients is also a focus of future growth. The acquisition we made at the beginning of March of BNY Mellon’s Canadian OCIO subsidiary, renamed GPI, will be an ongoing focus for growth. We are very optimistic of the growth opportunity amongst the ultra-high net worth advisory/family office segment of the market, and with this acquisition, we have become a meaningful operator in this segment. GPI receives advisory fees from these clients, in return for selecting and overseeing investment advisors for their portfolios. Investment advisors undergo a rigorous due diligence process and are selected from among many available external managers, as the best fit for the client’s requirements. Over the mid to long term, we are confident of the viability of this market, and of our ability to grow our client base, but the first steps were to contact as many of our new clients as possible to introduce Guardian to them, and outline our commitment to this business. We have been successful in this endeavor and expect to retain the vast majority of these relationships. We are also evaluating the business, and are adding further capabilities and human resources, where beneficial. We do not expect a significant near-term contribution to our bottom line, but our plan is to grow GPI to become the leading OCIO serving ultra-high net worth and family offices, as we believe there is strong demand for these services. We believe that we have the opportunity to scale the business by adding capabilities and offerings, through internal and, possibly acquisitive growth and our goal is to ultimately build a diversified profitable business unit. Our other businesses serving the Wealth Management needs of high net worth clients, now part of the Wealth Management business segment, GCA and ABL, have been part of Guardian for a much longer time, and in aggregate contribute meaningful profitability to Guardian. Along with GPI, ABL and GCA provide a continuum of services to a spectrum of wealthy clients. The traditional GCA high net worth model provides proprietary in house wealth management services through individual portfolios and mutual funds provided to clients by GCA, the ultra-high net worth through Guardian Partners, and the international private clients through the offshore private bank ABL. At June 30, 2021, GPI had \$5.2 billion of AUA earning advisory fees, while GPI, GCA, ABL and Modern Advisor had \$4.0 billion of combined AUM.

Corporate Securities

In addition to our core operating businesses, Investment Management and Wealth Management, steady and reliable investment income from our corporate securities portfolio has been a meaningful contributor to Guardian’s profitability and long-term financial health. At quarter end, our investment portfolio was valued at \$698 million, up from \$633 million at the end of 2020, and it generated total dividend and interest income of \$5.0 million in the quarter.

During the current quarter we sold 30,000 shares of our position in Bank of Montreal (“BMO”), resulting in a quarter end position of 2,270,000 shares. Our holding of BMO stock has historically provided an important source of dividend income. However, it has been steadily decreasing in importance, as our cash flows from our operating businesses have grown strongly over the last decade, and we have been diversifying our investment portfolio into higher-growth, but generally lower-yielding investments.

Overall, as we see demand for seeding of proprietary strategies and their respective investment vehicles, as well as any future operating business unit acquisitions or buybacks of Guardian stock under our normal course issuer bid, we have ample capacity to fund these initiatives with further sale of BMO shares, corporate cash flows, or through the use of borrowing. In the second quarter, BMO dividends contributed \$2.4 million to Guardian revenues, flat from the last quarter. At June 30, 2021, Guardian’s holding of BMO shares represented roughly 41% of our total securities, up from 35% at the end of 2020, due to strong relative performance in the holding.

The balance of our investment portfolio is invested largely in Global, Emerging Market and US Equity strategies managed by various in-house portfolio management teams, short-term fixed-income securities, and smaller but still significant holdings in our Canadian direct real estate fund, Canadian Equity and Fixed-Income portfolios and other public and private investments. We will continue to utilize our balance sheet to seed new strategies, and to support growth in our respective operating business segments.

Capital Allocation

Quality companies generate strong cash flows and, as we grow these financial metrics, Guardian is committed to balancing the distribution of these cash flows between investing sufficient funds into the business for future growth and returning an ever-increasing amount of cash to its shareholders. Through the first six months of the year, Guardian has returned roughly \$9.1 million to shareholders through dividends (\$4.8 million in the second quarter), while \$14.9 million was spent on share buybacks (\$13.4 million in the second quarter). Guardian has historically focused on, and will continue to allocate its free cash flow to a combination of, growth initiatives, dividend increases and share buybacks. Guardian's management team and Board of Directors remain committed to our buyback program, and feel that buying our shares has neither diminished the quality of our balance sheet, nor starved our company of capital to invest in future growth initiatives. We have tried to balance the above uses of capital with due consideration of all our constituents. In recent months, Guardian has been actively buying back shares for cancellation as part of our Normal Course Issuer Bid. If Guardian's shares continue to trade at what we believe to be a discount to their intrinsic value, absent significant requirements for growth initiatives, and acting as stewards for all shareholders invested for the long term, we will continue to buy more shares when the opportunity arises. With regard to dividends, the Board is pleased to report that we have declared another quarterly dividend of \$0.18 per share, payable on October 18, 2021 to the shareholders of record on October 11, 2021.

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

On behalf of the Board,

(signed) "James Anas"

Chairman of the Board

August 12, 2021

(signed) "George Mavroudis"

President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at (\$ in thousands)	June 30 2021	December 31 2020
ASSETS		
Current assets		
Cash	\$ 53,297	\$ 41,677
Interest-bearing deposits with banks	44,802	43,197
Accounts receivable and other	66,087	60,211
Receivables from clients and broker	59,820	77,313
Income taxes receivable	6,126	1,193
Securities backing third party investor liabilities (note 3)	102,586	59,063
	332,718	282,654
Securities (note 4)	698,144	632,571
Other assets		
Deferred tax assets	843	805
Intangible assets	161,631	161,186
Equipment	16,293	16,112
Goodwill	64,132	60,234
	242,899	238,337
Total assets	\$ 1,273,761	\$ 1,153,562
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 5)	\$ 109,075	\$ 95,737
Third party investor liabilities (note 3)	102,586	59,063
Client deposits	43,353	43,128
Accounts payable and accrued liabilities	62,496	65,825
Lease obligations	2,918	2,607
Income taxes payable	3,340	10,169
Payable to clients	59,820	77,313
	383,588	353,842
Lease obligations	10,933	10,816
Other liabilities (note 6)	31,813	31,093
Deferred tax liabilities	49,971	40,104
Total liabilities	476,305	435,855
EQUITY		
Shareholders' equity		
Capital stock (note 7a and 7b)	18,289	18,634
Treasury stock (note 8a)	(31,706)	(29,511)
Contributed surplus	23,564	22,136
Retained earnings	772,189	681,023
Accumulated other comprehensive income	(2,013)	7,328
	780,323	699,610
Other equity interests	17,133	18,097
Total equity	797,456	717,707
Total liabilities and equity	\$ 1,273,761	\$ 1,153,562

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

For the periods ended June 30, (\$ in thousands, except per share amounts)	Three months		Six months	
	2021	2020	2021	2020
Net revenue				
Commission revenue	\$ 48,010	\$ 38,729	\$ 94,489	\$ 79,247
Commissions paid to advisors	(29,622)	(24,397)	(58,071)	(50,371)
Net commission revenue	18,388	14,332	36,418	28,876
Management and advisory fees, gross	44,000	28,301	83,725	54,759
Fees paid to referring agents and other	(1,969)	(1,536)	(3,794)	(3,013)
Net management and advisory fees	42,031	26,765	79,931	51,746
Administrative services income	4,541	4,173	9,193	8,342
Dividend and interest income (note 9)	5,000	4,854	9,112	11,061
	69,960	50,124	134,654	100,025
Expenses				
Employee compensation and benefits	31,393	22,703	61,618	45,817
Amortization	5,183	4,427	10,157	8,759
Interest	351	373	696	1,295
Other expenses	11,834	9,194	23,480	19,914
	48,761	36,697	95,951	75,785
Operating earnings	21,199	13,427	38,703	24,240
Net gains (losses) (note 10)	56,467	43,254	98,438	(118,035)
Earnings (loss) before taxes	77,666	56,681	137,141	(93,795)
Income tax expense (recovery)	10,835	5,437	19,449	(10,128)
Net earnings (loss)	\$ 66,831	\$ 51,244	\$ 117,692	\$ (83,667)
Other comprehensive income (loss)				
Net change in foreign currency translation on foreign subsidiaries	(5,662)	(14,450)	(10,174)	12,461
Comprehensive income (loss)	\$ 61,169	\$ 36,794	\$ 107,518	\$ (71,206)
Net earnings (loss) attributable to:				
Shareholders	\$ 65,138	\$ 50,486	\$ 114,763	\$ (85,882)
Non-controlling interests	1,693	758	2,929	2,215
	\$ 66,831	\$ 51,244	\$ 117,692	\$ (83,667)
Net earnings (loss) attributable to shareholders per Class A and Common share (note 11)				
Basic	\$ 2.59	\$ 1.99	\$ 4.53	\$ (3.38)
Diluted	2.42	1.87	4.24	(3.38)
Comprehensive income (loss) attributable to:				
Shareholders	\$ 105,422	\$ 37,028	\$ 105,422	\$ (74,491)
Non-controlling interests	2,096	(234)	2,096	3,285
Comprehensive income (loss)	\$ 107,518	\$ 36,794	\$ 107,518	\$ (71,206)

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended June 30, (\$ in thousands)	Three months		Six months	
	2021	2020	2021	2020
Total equity, beginning of period	\$ 754,690	\$ 575,443	\$ 717,707	\$ 694,201
Shareholders' equity, beginning of period	737,363	562,821	699,610	682,777
Capital stock, beginning of period	18,599	18,646	18,634	18,705
Acquired and cancelled (note 7c)	(310)	--	(345)	(59)
Capital stock, end of period	18,289	18,646	18,289	18,646
Treasury stock, beginning of period	(32,206)	(30,724)	(29,511)	(28,129)
Acquired (note 8a)	--	--	(3,360)	(2,941)
Disposed of (note 8a)	500	--	1,165	346
Treasury stock, end of period	(31,706)	(30,724)	(31,706)	(30,724)
Contributed surplus, beginning of period	22,802	20,300	22,136	20,008
Stock-based compensation expense	762	676	1,428	1,314
Redemption of equity-based entitlements	--	--	--	(346)
Contributed surplus, end of period	23,564	20,976	23,564	20,976
Retained earnings, beginning of period	724,952	515,696	681,023	658,139
Net earnings (loss)	65,138	50,486	114,763	(85,882)
Dividends declared and paid (note 7d)	(4,813)	(4,260)	(9,087)	(8,267)
Capital stock acquired and cancelled (note 7c)	(13,088)	--	(14,510)	(2,060)
Other	--	--	--	(8)
Retained earnings, end of period	772,189	561,922	772,189	561,922
Accumulated other comprehensive income, beginning of period	3,216	38,903	7,328	14,054
Other comprehensive income (loss)	(5,229)	(13,458)	(9,341)	11,391
Accumulated other comprehensive income, end of period	(2,013)	25,445	(2,013)	25,445
Shareholders' equity, end of period	780,323	596,265	780,323	596,265
Other equity interests, beginning of period	17,327	12,622	18,097	11,424
Non-controlling interests, beginning of period	43,832	36,146	44,184	31,515
Net earnings	1,693	758	2,929	2,215
Other comprehensive income (loss)	(433)	(992)	(833)	1,070
Dividends declared and paid	(1,035)	(667)	(2,223)	(1,103)
Acquisition of subsidiary	--	--	--	1,530
Other	--	--	--	18
Non-controlling interests, end of period	44,057	35,245	44,057	35,245
Obligations to non-controlling interests, beginning of period	(26,505)	(23,524)	(26,087)	(20,091)
On acquisition of subsidiary	--	--	--	(648)
Change during period	(419)	558	(837)	(2,227)
Obligations to non-controlling interests, end of period	(26,924)	(22,966)	(26,924)	(22,966)
Other equity interests, end of period	17,133	12,279	17,133	12,279
Total equity, end of period	\$ 797,456	\$ 608,544	\$ 797,456	\$ 608,544

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended June 30, (\$ in thousands)	Three months		Six months	
	2021	2020	2021	2020
Operating activities				
Net earnings (loss)	\$ 66,831	\$ 51,244	\$ 117,692	\$ (83,667)
Adjustments for:				
Income taxes (paid)	(5,327)	(1,536)	(7,960)	(1,769)
Income tax expense (recovery)	10,835	5,437	19,449	(10,128)
Net (gains) losses	(56,467)	(43,254)	(98,438)	118,035
Amortization of intangible assets	4,001	3,353	7,912	6,629
Amortization of equipment	1,182	1,074	2,245	2,130
Stock-based compensation	762	676	1,428	1,314
Other non-cash expenses	12	--	24	--
	21,829	16,994	42,352	32,544
Net change in non-cash working capital items (note 13)	4,533	7,823	(9,933)	(3,477)
Net cash from operating activities	26,362	24,817	32,419	29,067
Investing activities				
Net disposition of securities	9,735	49,184	22,608	63,648
Income taxes (paid) refunded	(2,936)	--	(14,928)	(2,690)
Net (acquisition) of securities backing third party investor liabilities	(20,238)	(1,711)	(38,343)	(6,719)
Acquisition of intangible assets	(2,899)	(2,381)	(4,848)	(5,220)
Acquisition of equipment	(96)	(262)	(354)	(478)
Disposition of intangible assets	653	797	1,325	1,258
Acquisition of subsidiaries (note 15)	--	(177)	(8,819)	(15,430)
Net cash from (used in) investing activities	(15,781)	45,450	(43,359)	34,369
Financing activities				
Dividends paid to shareholders	(4,813)	(4,260)	(9,087)	(8,267)
Dividends paid to non-controlling interests	(1,035)	(667)	(2,223)	(1,103)
Acquisition and cancellation of capital stock	(13,398)	--	(14,855)	(2,119)
Acquisition of treasury stock	--	--	(3,360)	(2,941)
Disposition of treasury stock	500	--	1,165	346
Net proceeds (repayments) of bank loan and bankers' acceptances	(1,021)	(69,403)	17,029	(43,219)
Principal payments on lease obligations	(668)	(558)	(1,310)	(1,106)
Net subscriptions by third party investors	20,238	1,711	38,343	6,719
Acquisition of non-controlling interests	--	--	--	(995)
Issuance of non-controlling interests	--	--	--	--
Net cash from (used in) investing activities	(197)	(73,177)	25,702	(52,685)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	(309)	(477)	(455)	769
Net change in net cash	10,075	(3,387)	14,307	11,520
Net cash, beginning of period	32,704	35,438	28,472	20,531
Net cash, end of period	\$ 42,779	\$ 32,051	\$ 42,779	\$ 32,051
Net cash represented by:				
Cash			\$ 53,297	\$ 32,051
Net bank indebtedness			(10,518)	--
			\$ 42,779	\$ 32,051

See accompanying selected explanatory notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**1. REPORTING ENTITY**

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

2. ACCOUNTING POLICIES**(a) Basis of Preparation**

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2020. Certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, which are included in the Company's 2020 annual report.

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

Certain reclassifications have been made to the 2020 comparative financial information in order to conform to the current period's presentation. To reflect its current operating structure, the Company reclassified in note 12(a) Business segments, certain revenues, expenses, assets and liabilities from the Investment Management segment to the Wealth Management segment (formerly Financial Advisory).

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on August 12, 2021.

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

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

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

4. SECURITIES**(a) Classification of securities**

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

As at	June 30 2021	December 31 2020
Fair value through profit or loss:		
Short-term securities (i)	\$ 15,411	\$ 44,904
Fixed-income securities (i)	18,684	12,197
Bank of Montreal common shares (ii)	288,290	222,295
Other equity securities (i) (iii)	350,855	328,328
Canadian real estate (i) (iii)	24,904	24,847
	\$ 698,144	\$ 632,571

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

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Number of shares sold	30	200	30	800
Proceeds of disposition	\$ 3,819	\$ 14,656	\$ 3,819	\$ 53,964

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Canadian real estate fund managed by subsidiary				
Commitment, beginning of period	\$ 13,875	\$ 15,372	\$ 13,875	\$ 16,040
Called capital	--	--	--	(668)
Commitment, end of period	13,875	15,372	13,875	15,372
Private equity fund				
Commitment, beginning of period	17,731	10,031	8,320	10,031
Called capital	(1,477)	--	(4,687)	--
New commitments	--	--	12,621	--
Foreign exchange	(222)	--	(222)	--
Commitment, end of period	16,032	10,031	16,032	10,031
	\$ 29,907	\$ 25,403	\$ 29,907	\$ 25,403

(b) Fair value hierarchy

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

As at	June 30 2021	December 31 2020
Level 1	\$ 595,926	\$ 548,103
Level 2	74,936	67,910
Level 3	27,282	16,558
	\$ 698,144	\$ 632,571

During 2021 and 2020, there have been no transfers of securities between Levels.

(c) Analysis of Level 3 securities

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Securities categorized as Level 3, beginning of period	\$ 22,669	\$ 13,447	\$ 16,558	\$ 15,819
Increase (decrease) in fair value	3,264	335	6,279	(3,000)
Additions	1,477	--	4,687	--
Foreign exchange translation adjustments	(128)	(323)	(242)	640
Securities categorized as Level 3, end of period	\$ 27,282	\$ 13,459	\$ 27,282	\$ 13,459

5. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at	June 30 2021	December 31 2020
Bank indebtedness and loans	\$ 10,518	\$ 13,347
Bankers' acceptances payable: Canadian dollar	70,200	47,100
US dollar	28,357	35,290
	\$ 109,075	\$ 95,737

The bankers' acceptances have maturities of one month or less and bear interest at rates negotiated in the bankers' acceptance market plus 0.50% for Canadian dollar borrowings, and at LIBOR plus 0.50% for US dollar borrowings. Subsequent to current quarter end, the borrowings were renewed on similar terms and for similar amounts.

6. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at	June 30 2021	December 31 2020
Current (included in accounts payable and other):		
Acquisition related (i)	\$ 2,299	\$ --
Non-current:		
Acquisition related (i)	4,889	5,006
Obligations to non-controlling interests (ii)	26,924	26,087
	31,813	31,093
	\$ 34,112	\$ 31,093

- i) These are amounts owed by the Company relating to acquisitions completed to date. The non-current amount is payable in USD.
- ii) These are obligations of the Company to purchase the portion of certain subsidiaries which it does not wholly own, should the non-controlling shareholders exercise their option to sell their holdings to the Company. These liabilities relate to future transactions with non-controlling interest, acting in their capacity as owners, therefore all changes in fair values of these obligations are reflected in the statement of equity. Approximately \$26,619 (2020 - \$25,823) of these obligations are payable in USD.

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

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

(b) Issued and outstanding

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

For the three months ended June 30	2021		2020	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,805	\$ 17,902	24,863	\$ 17,947
Acquired and cancelled	(428)	(310)	--	--
Converted from Common	137	33	--	--
Outstanding, end of period	24,514	17,625	24,863	17,947
Common shares				
Outstanding, beginning of period	2,886	697	2,895	699
Converted into Class A	(137)	(33)	--	--
Outstanding, beginning and end of period	2,749	664	2,895	699
Total outstanding, end of period	27,263	\$ 18,289	27,758	\$ 18,646
For the six months ended June 30				
	2021		2020	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,845	\$ 17,935	24,944	\$ 18,006
Acquired and cancelled	(477)	(345)	(81)	(59)
Converted from Common	146	35	--	--
Outstanding, end of period	24,514	17,625	24,863	17,947
Common shares				
Outstanding, beginning of period	2,895	699	2,895	699
Converted into Class A	(146)	(35)	--	--
Outstanding, end of period	2,749	664	2,895	699
Total outstanding, end of period	27,263	\$ 18,289	27,758	\$ 18,646

(c) Issuer bid

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Shares purchased and cancelled				
Class A	428	--	477	81
Consideration paid	\$ 13,398	\$ --	\$ 14,855	\$ 2,119
Less average issue price, charged to share capital	310	--	345	59
Excess consideration charged to retained earnings	\$ 13,088	\$ --	\$ 14,510	\$ 2,060

Subsequent to June 30, 2021, the Company purchased 173 Class A shares for \$5,728 under the NCIB for cancellation.

A summary of the current NCIB, which commenced on November 21, 2020 and expires on November 20, 2021, is as follows:

Authorized to purchase and cancel				
Class A				1,715
Common				145
Purchased and cancelled				
Class A				495
Common				--

(d) Dividends

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Dividends declared and paid, per share	\$ 0.180	\$ 0.160	\$ 0.340	\$ 0.310

The Company has also declared dividends of \$0.18 per share payable on each of July 19, 2021 and October 18, 2021, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

8. TREASURY STOCK

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

(a) Changes in treasury stock

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

For the three months ended June 30	2021		2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,287	\$ 32,206	2,383	\$ 30,724
Acquired	--	--	--	--
Disposed	(74)	(500)	--	--
Balance, end of period	2,213	\$ 31,706	2,383	\$ 30,724

For the six months ended June 30	2021		2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,234	\$ 29,511	2,298	\$ 28,129
Acquired	121	3,360	109	2,941
Disposed	(142)	(1,165)	(24)	(346)
Balance, end of period	2,213	\$ 31,706	2,383	\$ 30,724

The treasury stock was disposed of for proceeds equal to their cost.

As at June 30, 2021, the treasury stock was composed of 30 common shares (2020 – 30) and 2,183 class A shares (2020 – 2,204).

(b) Equity-based entitlements

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

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Equity-based entitlements, beginning of period	1,332	1,256	1,209	1,171
Provided	--	--	123	109
Exercised	--	--	--	(24)
Forfeited	--	(2)	--	(2)
Equity-based entitlements, end of period	1,332	1,254	1,332	1,254

During the six months ended June 30, 2021, the equity-based entitlements provided had a fair value of \$3,360 (2020 - \$2,941). No entitlements were provided during the three months to June 30, 2021.

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

(c) Option-like entitlements

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

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

For the three months ended June 30	2021		2020	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	955	\$ 9.63	1,127	\$ 9.64
Exercised	(74)	6.76	--	--
Option-like entitlements, beginning and end of period	881	\$ 9.87	1,127	\$ 9.64

For the six months ended June 30	2021		2020	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	1,023	\$ 9.64	1,127	\$ 9.64
Exercised	(142)	8.22	--	--
Option-like entitlements, end of period	881	\$ 9.87	1,127	\$ 9.64

No option-like entitlements were provided in 2021 or 2020.

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

9. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Dividends on Bank of Montreal shares	\$ 2,438	\$ 2,968	\$ 4,876	\$ 6,678
Other dividends	2,145	1,367	3,507	2,696
Dividend income	4,583	4,335	8,383	9,374
Operating activities	327	265	535	1,123
Investing activities	90	254	194	564
Interest income	417	519	729	1,687
	\$ 5,000	\$ 4,854	\$ 9,112	\$ 11,061

10. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Bank of Montreal common shares	\$ 34,647	\$ 3,409	\$ 69,814	\$ (103,656)
Other securities	21,015	37,215	26,932	(11,414)
Net gains (losses) on securities (i)	55,662	40,624	96,746	(115,070)
Disposal of intangible assets	510	541	1,157	879
Foreign exchange gains (losses) (iii)	295	2,089	535	(3,844)
	\$ 56,467	\$ 43,254	\$ 98,438	\$ (118,035)

- (i) Net gains (losses) on securities are a result of net amounts realized on disposal and changes in fair value of securities, securities backing third party investor liabilities, and the third party investor liabilities.
- (ii) Foreign exchange gains (losses) arise from monetary assets and liabilities denominated in currencies, which are different from the functional currency of Guardian or its subsidiaries.

11. CALCULATIONS OF EARNINGS (LOSS) PER SHARE

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Weighted average number of Class A and common shares outstanding:				
Basic	25,195	25,375	25,332	25,437
Effects of outstanding entitlements from stock-based compensation plans	1,787	1,632	1,765	--
Diluted	26,982	27,007	27,097	25,437
Net earnings (loss) attributable to shareholders:				
Basic	\$ 65,138	\$ 50,486	\$ 114,763	\$ (85,882)
Effects of outstanding entitlements from stock-based compensation plans	55	81	107	--
Diluted	\$ 65,193	\$ 50,567	\$ 114,870	\$ (85,882)

12. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Wealth Management, which primarily involves earning investment management and advisory fees for such services to high and ultra-high net worth clients, earning transactional and continuing commissions on life insurance products, mutual funds and other securities and other fees for related services; and c) Corporate Activities and Investments, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The segmented operating results below includes certain centralized costs which are allocated from Corporate Activities and Investments segment to operating segments to better reflect the costs associated with each of the segments.

To reflect its current operating structure, the Company reclassified in sub note (a) Business segments, certain prior year revenues, expenses, assets and liabilities from the Investment Management segment to the Wealth Management segment, formerly Financial Advisory.

(a) Business segments

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

For the three months ended June 30	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue										
Commission revenue	\$ --	\$ --	\$ 48,695	\$ 39,301	\$ --	\$ --	\$ (685)	\$ (572)	\$ 48,010	\$ 38,729
Commissions paid to advisors	--	--	(29,622)	(24,397)	--	--	--	--	(29,622)	(24,397)
Net commission revenue	--	--	19,073	14,904	--	--	(685)	(572)	18,388	14,332
Management fees	35,923	22,705	8,718	6,049	--	--	(641)	(453)	44,000	28,301
Fees paid to referring agents	(1,029)	(868)	(1,887)	(1,484)	--	(6)	947	822	(1,969)	(1,536)
Net management fees	34,894	21,837	6,831	4,565	--	(6)	306	369	42,031	26,765
Administrative services income	1,151	931	3,373	3,229	17	13	--	--	4,541	4,173
Dividend and interest income	--	12	350	287	4,527	4,422	123	133	5,000	4,854
	36,045	22,780	29,627	22,985	4,544	4,429	(256)	(70)	69,960	50,124
Expenses										
Employee comp. & benefits	17,395	11,318	12,801	10,033	1,197	1,352	--	--	31,393	22,703
Amortization	1,765	1,468	3,110	2,669	308	290	--	--	5,183	4,427
Interest	41	11	101	99	227	263	(18)	--	351	373
Other expenses	5,587	4,141	5,857	4,815	628	308	(238)	(70)	11,834	9,194
	24,788	16,938	21,869	17,616	2,360	2,213	(256)	(70)	48,761	36,697
Operating earnings	11,257	5,842	7,758	5,369	2,184	2,216	--	--	21,199	13,427
Net gains (losses)	(142)	60	624	750	55,985	42,444	--	--	56,467	43,254
Net earnings before income taxes	11,115	5,902	8,382	6,119	58,169	44,660	--	--	77,666	56,681
Income tax expense	2,554	1,124	2,262	1,505	6,019	2,808	--	--	10,835	5,437
Net earnings	\$ 8,561	\$ 4,778	\$ 6,120	\$ 4,614	\$ 52,150	\$ 41,852	\$ --	\$ --	\$ 66,831	\$ 51,244
Net earnings attributable to:										
Shareholders	\$ 7,886	\$ 4,558	\$ 5,102	\$ 4,076	\$ 52,150	\$ 41,852	\$ --	\$ --	\$ 65,138	\$ 50,486
Non-controlling interests	675	220	1,018	538	--	--	--	--	1,693	758
	\$ 8,561	\$ 4,778	\$ 6,120	\$ 4,614	\$ 52,150	\$ 41,852	\$ --	\$ --	\$ 66,831	\$ 51,244
Additions to segment assets:										
Intangible assets	\$ 383	\$ 274	\$ 2,456	\$ 2,107	\$ 27	\$ --	\$ --	\$ --	\$ 2,899	\$ 2,381
Equipment	56	12	815	154	991	90	--	--	1,862	256
Goodwill	--	--	--	--	--	--	--	--	--	--
As at June 30, 2021 and December 31, 2020										
	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment assets and liabilities:										
Assets	\$ 170,591	\$ 167,352	\$ 198,257	\$ 311,337	\$ 857,909	\$ 732,684	\$ 47,004	\$ (57,811)	\$ 1,273,761	\$ 1,153,562
Liabilities	62,637	62,867	116,203	231,456	250,461	199,343	47,004	(57,811)	476,305	435,855

For the six months ended June 30	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue										
Commission revenue	\$ --	\$ --	\$ 95,852	\$ 80,393	\$ --	\$ --	\$ (1,363)	\$ (1,146)	\$ 94,489	\$ 79,247
Commissions paid to advisors	--	--	(58,071)	(50,371)	--	--	--	--	(58,071)	(50,371)
Net commission revenue	--	--	37,781	30,022	--	--	(1,363)	(1,146)	36,418	28,876
Management and advisory fees	69,044	44,101	15,913	11,653	--	--	(1,232)	(995)	83,725	54,759
Fees paid to referring agents	(2,217)	(1,817)	(3,455)	(2,842)	--	(28)	1,878	1,674	(3,794)	(3,013)
Net management and advisory fees	66,827	42,284	12,458	8,811	--	(28)	646	679	79,931	51,746
Administrative services income	2,386	1,921	6,774	6,396	33	25	--	--	9,193	8,342
Dividend and interest income	1	11	577	1,202	8,325	9,500	209	348	9,112	11,061
	69,214	44,216	57,590	46,431	8,358	9,497	(508)	(119)	134,654	100,025
Expenses										
Employee comp. & benefits	33,881	22,392	24,941	20,517	2,796	2,908	--	--	61,618	45,817
Amortization	3,551	3,006	5,984	5,180	622	573	--	--	10,157	8,759
Interest	84	24	201	306	444	971	(33)	(6)	696	1,295
Other expenses	10,827	8,704	11,944	10,442	1,184	881	(475)	(113)	23,480	19,914
	48,343	34,126	43,070	36,445	5,046	5,333	(508)	(119)	95,951	75,785
Operating earnings	20,871	10,090	14,520	9,986	3,312	4,164	--	--	38,703	24,240
Net gains (losses)	(349)	(118)	1,336	646	97,451	(118,563)	--	--	98,438	(118,035)
Net earnings (loss) before income taxes	20,522	9,972	15,856	10,632	100,763	(114,399)	--	--	137,141	(93,795)
Income tax expense (recovery)	4,373	2,441	4,350	2,815	10,726	(15,384)	--	--	19,449	(10,128)
Net earnings (loss)	\$ 16,149	\$ 7,531	\$ 11,506	\$ 7,817	\$ 90,037	\$ (99,015)	\$ --	\$ --	\$ 117,692	\$ (83,667)
Net earnings (loss) attributable to:										
Shareholders	\$ 14,806	\$ 6,317	\$ 9,920	\$ 6,816	\$ 90,037	\$ (99,015)	\$ --	\$ --	\$ 114,763	\$ (85,882)
Non-controlling interests	1,343	1,214	1,586	1,001	--	--	--	--	2,929	2,215
	\$ 16,149	\$ 7,531	\$ 11,506	\$ 7,817	\$ 90,037	\$ (99,015)	\$ --	\$ --	\$ 117,692	\$ (83,667)
Additions to segment assets										
Intangible assets	\$ 860	\$ 467	\$ 9,745	\$ 11,169	\$ 27	\$ --	\$ --	\$ --	\$ 10,632	\$ 11,636
Equipment	81	38	1,718	229	1,013	255	--	--	2,812	522
Goodwill	--	--	4,702	--	--	--	--	--	4,702	--

(b) Geographic segments

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

	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
For the three months ended June 30								
Net revenue	\$ 46,226	\$ 37,426	\$ 23,724	\$ 14,528	\$ 10	\$ (1,830)	\$ 69,960	\$ 50,124
For the six months ended June 30								
Net revenue	\$ 90,424	\$ 76,519	\$ 44,231	\$ 26,964	\$ (1)	\$ (3,458)	\$ 134,654	\$ 100,025
As at June 30, 2021 and December 31, 2020								
Non-current assets:								
Intangible assets	\$ 90,984	\$ 85,312	\$ 70,647	\$ 75,874	\$ --	\$ --	\$ 161,631	\$ 161,186
Equipment	14,333	11,796	1,960	4,316	--	--	16,293	16,112
Goodwill	35,390	30,688	28,742	29,546	--	--	64,132	60,234

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the periods ended June 30,	Three months		Six months	
	2021	2020	2021	2020
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	\$ 388	\$ 8,299	\$ (3,159)	\$ 38,817
Accounts receivable and other	(3,927)	5,148	(4,011)	9,143
Receivables from clients and broker	14,884	61	17,493	(33,886)
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	(495)	(8,158)	1,648	(39,165)
Accounts payable and accrued liabilities	8,567	2,535	(4,411)	(12,182)
Payable to clients	(14,884)	(62)	(17,493)	33,796
	\$ 4,533	\$ 7,823	\$ (9,933)	\$ (3,477)

14. FINANCIAL RISK MANAGEMENT

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

(a) Concentration risk

The Company is exposed to concentration risk associated with the \$288,290 (December 31, 2020 – \$222,295) investment in the Bank of Montreal shares, which represents 41% (2020 – 35%) of the Company's securities. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in gain or loss of \$28,829 (December 31, 2020 - \$22,223) being recorded in net gains (losses).

(b) Market risk

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

i) Price risk

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

	Securities classified as fair value through the profit and loss	Gain or loss recognized from a 10% change in fair value
As at June 30, 2021		
Canada	\$ 38,708	±\$ 3,871
Rest of World	337,051	33,705
	\$ 375,759	±\$ 37,576
As at December 31, 2020		
Canada	\$ 45,031	±\$ 4,503
Rest of World	308,144	30,814
	\$ 353,175	±\$ 35,317

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

ii) Currency risk

Currency risk, the risk of a gain or loss resulting from changes in the price of a financial instrument due to changes in currency exchange rates, arises when the Company or one of its subsidiaries is party to financial instruments which are denominated in a currency which is different from its functional currency. The Company's most significant exposure to currency risk is as follows:

As at	June 30 2021	December 31 2020
USD currency exposure:		
Bank loans and borrowings	\$ 28,357	\$ 35,290

The Company's currency risk is primarily related to the bankers' acceptance payable, which are denominated in USD. This risk associated with these borrowings is mitigated by the USD cash flows that are generated by the Company's US-based subsidiaries. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of \$2,836 (December 31, 2020 – \$3,529) being recognized in net earnings.

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

iii) Interest rate risk

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

As at	June 30 2021	December 31 2020
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 44,802	\$ 43,197
Short term securities	15,411	44,904
Fixed-income securities	18,684	12,197
	\$ 78,897	\$ 100,298
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 109,075	\$ 95,737
Client deposits	43,353	43,128
	\$ 152,428	\$ 138,865

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

The Company holds \$18,684 (December 31, 2020 – \$12,197) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed-income securities is managed first by the Company, which selects appropriate fixed-income funds for various interest rate environments, and then by the subsidiary, which manages the funds selected in accordance with each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities.

(c) Credit risk

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

As at	June 30 2021	December 31 2020
Cash	\$ 53,297	\$ 41,677
Interest-bearing deposits with banks	44,802	43,197
Accounts receivable and other	66,087	60,211
Receivables from clients and broker	59,820	77,313
Short-term securities	15,411	44,904
Fixed-income securities	18,684	12,197
	\$ 258,101	\$ 279,499

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

(d) Liquidity risk

Liquidity risk, the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities arises when the Company has insufficient resources to meet its obligations as they come due. The Company is exposed to liquidity risk because it has significant obligations which are due within one year. The Company manages this financial risk by managing its cash flows from operations, maintaining a portfolio of liquid securities, and by arranging for significant borrowing facilities, which are secured by collateral, with two major Canadian banks. Earlier in the year, the Company took measures to reduce its liquidity risk by selling certain equity securities and using a portion of the proceeds to pay down bank borrowings. The Company now has \$50,925 available on its borrowing facilities with banks.

15. ACQUISITIONS**(a) Guardian Partners Inc.**

On March 1, 2021, the Company acquired a 100% interest in BNY Mellon Wealth Management, Advisory Services, Inc., BNY Mellon's Canadian based wealth management business, for a purchase price of \$10,000 in cash on closing and an adjustment for excess net working capital, was paid on July 14, 2021. The transaction expands the Company's wealth management capabilities in the ultra-high net worth and family office segment and adds in excess of \$5.0 billion of client assets. Subsequent to the transaction, the Company renamed the subsidiary Guardian Partners Inc. ("GPI"). The key employees of the subsidiary were retained as part of the transaction.

The provisional accounting for the transaction is as follows:

Fair value of the consideration:	
Cash	\$ 10,000
Estimated net working capital adjustment	2,299
	\$ 12,299
Fair value of the identifiable net assets acquired:	
Intangibles – customer relations	\$ 6,105
Net current assets, including \$1,181 of cash	2,637
Equipment & leased assets	692
Lease liability, non-current	(219)
Deferred taxes	(1,618)
	7,597
Goodwill	4,702
	\$ 12,299

The above accounting for the transaction is provisional as the fair value of the net assets acquired and the consideration for the net working capital has not yet been determined. Goodwill, which is not deductible for income tax purposes, represents the retention of the key employees, access to established distribution, networks in key markets, addition of new products and other potential synergies.

The costs associated with this transaction were approximately \$153. The cash used in this transaction was \$8,819, the \$10,000 paid on closing less the acquired cash of \$1,181.

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

Net revenue	\$ 2,116
Net (loss) and comprehensive (loss)	(255)
Net (loss) and comprehensive (loss) attributable to shareholders	(255)

If the acquisition date for the acquisition had been at the beginning of the year then the Company estimates that its reported results would have been as follows:

Net revenue	\$ 135,669
Net earnings	117,484

16. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three month period ended June 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 August 12, 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 \$51.6 billion of assets under management ("AUM") and \$29.9 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$698 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.

COVID-19 UPDATE

Guardian continues to monitor the constantly evolving COVID-19 pandemic, including signs of resurgence of infection cases in certain pockets of the world and the improving vaccination rates and gradual easing of restrictions in other parts of the world. The majority of Guardian's employees continue to work from home, but a small portion have started to return to the office under reduced capacity limits and other public health guidelines. Improving vaccination rates and the easing of restrictions 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.

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.

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended June 30, (\$ in thousands, except per share amounts)	Three months		Six months	
	2021	2020	2021	2020
Net revenue	\$ 69,960	\$ 50,124	\$ 134,654	\$ 100,025
Expenses	48,761	36,697	95,951	75,785
Operating earnings	21,199	13,427	38,703	24,240
Net gains (losses)	56,467	43,254	98,438	(118,035)
Net earnings (loss) before income taxes	77,666	56,681	137,141	(93,795)
Income tax expense (recovery)	10,835	5,437	19,449	(10,128)
Net earnings (loss)	\$ 66,831	\$ 51,244	\$ 117,692	\$ (83,667)
Attributable to shareholders:				
Net earnings (loss)	\$ 65,138	\$ 50,486	\$ 114,763	\$ (85,882)
EBITDA	24,708	17,302	45,919	31,672
Adjusted cash flow from operations	19,201	15,403	37,693	28,723
Attributable to shareholders, diluted per share amounts:				
Net earnings (loss)	\$ 2.42	\$ 1.87	\$ 4.24	\$ (3.38)
EBITDA	0.92	0.64	1.70	1.18
Adjusted cash flow from operations	0.72	0.57	1.39	1.07
As at				
(\$ in millions, except per share amounts)	2021		2020	
	June 30	December 31	June 30	
Assets under management	\$ 51,641	\$ 45,984	\$ 31,196	
Assets under administration	29,902	22,289	20,010	
Shareholders' equity	780	700	596	
Securities	698	633	511	
Diluted per share				
Shareholders' equity	\$ 29.09	\$ 25.69	\$ 22.07	
Securities	26.03	23.23	18.92	

RESULTS OF OPERATIONS

For the quarter ended June 30, 2021, Guardian is reporting record high Operating earnings of \$21.2 million, a \$7.8 million or 58% increase from \$13.4 million reported in the second quarter of 2020. The growth reflects a combination of strong organic growth, led by GuardCap, the UK-based subsidiary, and IDCWIN, the MGA subsidiary, and, to a lesser extent, the net contributions from the businesses acquired over the recent three quarters.

With the continued positive performance in the global equity markets and the net inflows of client assets during the current quarter, Guardian's AUM reached a historic high of \$51.6 billion as at June 30, 2021. This is a 12% increase from \$46.0 billion as at December 31, 2020, and a 66% increase from \$31.2 billion as at June 30, 2020. GuardCap's success continued into the current quarter, growing its AUM to \$15.0 billion from \$10.7 billion at the end of 2020.

Guardian's AUA increased to \$29.9 billion, a 34% increase from \$22.3 billion as at December 31, 2020 and a 49% increase from \$20.0 billion as at June 30, 2020.

The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were \$11.3 million, a \$5.5 million, or 95% increase from \$5.8 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. Once again the growth was led by GuardCap, which continued to succeed in attracting new client assets into its Fundamental Global Equity strategy. The higher Operating earnings were partially offset by investments being made into the Canadian Retail Asset Management strategic initiative which incurred \$1.4 million in Operating losses this quarter. We expect the losses 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 \$7.8 million, a \$2.4 million or 44% increase from the \$5.4 million reported in the same quarter in the prior year. The increase can be attributed mainly to the increase in Operating earnings from IDC WIN, our MGA business, and to lesser extents the growths in GCA and the Dealers. Partially offsetting the growth were \$1.1 million in Operating losses in Modern Advisor, ABL and the newly acquired GPI. As mentioned in prior periods, we expect the losses in Modern Advisor to continue while we build out our digital strategy in the Wealth Management Segment. We also expect to incur Operating losses in GPI in the near term while we invest to upgrade, rebuild and integrate this business into our overall Wealth Management offering.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$2.2 million, substantially unchanged from the same quarter in the prior year.

Net gains in the current quarter were \$56.5 million, compared to \$43.3 million in the same quarter in the prior year.

The Net earnings attributable to shareholders were \$65.1 million, compared to \$50.5 million in the prior year. The increase was due to the combination of the significant improvements in Operating earnings and stronger Net gains on securities as compared to the same quarter in the prior year.

EBITDA attributable to shareholders for the quarter was \$24.7 million, a 43% increase from \$17.3 million for the same period in 2020. Consistent with Operating earnings, GuardCap and IDCWIN are the two largest contributors, accounting for 62% of Guardian's EBITDA attributable to shareholders this quarter. IDC WIN's EBITDA attributable to shareholders for the current quarter was \$7.0 million, which excludes a portion attributable to non-controlling interest of \$1.5 million. Adjusted cash flow from operations attributable to shareholders for the quarter was \$19.2 million, a 25% increase from \$15.4

million in the same period in 2020. The increases in both metrics are reflective of the growth experienced in Guardian's operating businesses.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2021 June 30	2020 December 31	2020 June 30
Assets under management			
Institutional			
Canadian equities	\$ 7,647	\$ 7,356	7,048
Global equities	23,112	18,510	13,632
Fixed income	16,879	16,630	7,253
Institutional assets under management	47,638	42,496	27,933
Wealth management	4,003	3,488	3,263
Total assets under management	\$ 51,641	\$ 45,984	\$ 31,196
Assets under administration			
Dealers	\$ 16,528	\$ 15,107	\$ 13,927
MGA segregated	7,833	7,182	6,083
Outsourced Chief Investment Officer and other	5,541	--	--
Total assets under administration	\$ 29,902	\$ 22,289	\$ 20,010

Guardian is reporting total client assets for the quarter ended June 30, 2021 of \$81.5 billion, a 19% increase from \$68.3 billion as at December 31, 2020, and a 59% increase from \$51.2 billion as at June 30, 2020. AUM at the end of the current quarter reached another historic high of \$51.6 billion, a 12% increase from \$46.0 billion at December 31, 2020, and a 65% increase from the \$31.2 billion reported as at June 30, 2020. The strong growth in AUM was achieved through a combination of continued success in attracting new assets by GuardCap, the addition of \$9.0 billion from Agincourt, acquired during the fourth quarter of 2020, the addition of \$0.3 billion from GPI, acquired on March 1, 2021, and the continued positive global equity market returns. GuardCap's AUM at the end of the current quarter was \$15.0 billion, a 40% growth from \$10.7 billion at December 31, 2020.

The AUA at June 30, 2021 also grew to another historic high of \$29.9 billion, a 34% increase from \$22.3 billion at the end of 2020 and a 49% increase from \$20.0 billion as at June 30, 2020. Approximately \$5.1 billion of the increase in AUA since December 31, 2020 was due to the acquisition of GPI on March 1, 2021 and another \$0.4 billion increase since June 30, 2020 was due to the acquisition of Copoloff.

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 Second 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 June 30, 2021 were \$41.7 million before inter-segment transactions. In the same quarter in the prior year, the Net management and advisory fees were \$26.4 million before inter-segment transactions.

Net management and advisory fees earned in the Investment Management Segment in the current quarter were \$34.9 million, a 62% increase from \$21.8 million a year earlier. The increase was driven largely by the growth in GuardCap, which once again more than doubled its Net management fees, and the addition of Net management fees earned by Agincourt, which was acquired during Q4 2020.

Net management and advisory fees earned in the Wealth Management Segment amounted to \$6.8 million in the current quarter, up 47% from the \$4.6 million earned in the prior year. The increase was due largely to the combination of growth in GCA and the contribution of \$1.6 million from GPI, acquired 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, 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 \$19.1 million before inter-segment transactions. In the same quarter in the prior year, the Net commission revenue was \$14.9 million before inter-segment transactions.

Net commissions from IDC WIN in the current quarter were \$15.1 million, a 34% increase compared to \$11.3 million in the same quarter a year earlier. The renewal commissions included above in the current quarter were \$6.7 million, up 18% from \$5.7 million in the same quarter in the prior year. Included in the current quarter are \$1.0 million of Net commissions from Copoloff, of which \$0.5 million were renewal commissions. The contractual premiums on life insurance policies sold ("Premiums Sold") were \$49 million in the current quarter, including \$3.8 million from Copoloff, compared to \$26 million in the same period in the prior year. The renewal of the policies associated with Premiums Sold generate renewal commissions in future periods when the policies are renewed. Net commissions from the Dealers business in the current quarter were \$4.0 million, up 11% from \$3.6 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 \$4.5 million for the current quarter, as compared to \$4.2 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 June 30, (\$ in thousands)	Three months		Six months	
	2021	2020	2021	2020
Dividends on Bank of Montreal shares	\$ 2,438	\$ 2,968	\$ 4,876	\$ 6,678
Other dividends	2,145	1,367	3,507	2,696
Dividend income	4,583	4,335	8,383	9,374
Operating activities	327	265	535	1,123
Investing activities	90	254	194	564
Interest income	417	519	729	1,687
	\$ 5,000	\$ 4,854	\$ 9,112	\$ 11,061

Dividend income increased in the current quarter by \$0.2 million, compared to the same period one year earlier, due largely to increased dividends earned from increased investments in proprietary investment strategies in the current quarter. The increase in dividends from these investments was partially offset by lower dividend income earned on BMO shares as a result of a portion of these shares being sold throughout 2020.

Interest income declined in the current quarter by \$0.1 million compared to the same period one year earlier. The Dealers and ABL saw modest increases in interest income, however this was offset by lower interest earned on interest-earning investments in the Corporate Activities and Investments Segment.

Expenses

Total expenses in the current quarter amounted to \$48.8 million, \$12.1 million higher than the \$36.7 million in the same quarter in 2020, reflecting the growth of the business and the investments in strategic initiatives. The increase resulting from the new businesses acquired since the second quarter of 2020, which includes GPI, Agincourt and Copoloff, amounted to \$5.3 million. The remaining increase in expenses can mainly be attributed to higher compensation expenses in GuardCap, in line with the growth of the business, and the increased strategic investments made in the Canadian Retail Asset Management initiatives and Modern Advisor.

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 June 30, (\$ in thousands)	Three months		Six months	
	2021	2020	2021	2020
Bank of Montreal common shares	\$ 34,647	\$ 3,409	\$ 69,814	\$ (103,656)
Other securities	21,015	37,215	26,932	(11,414)
Net gains (losses) on securities	55,662	40,624	96,746	(115,070)
Net gains on disposal of intangible assets	510	541	1,157	879
Foreign exchange gains (losses)	295	2,089	535	(3,844)
	\$ 56,467	\$ 43,254	\$ 98,438	\$ (118,035)

Net gains in the quarter were \$56.5 million, compared to Net gains of \$43.3 million, a year earlier. The most significant factor influencing the levels of Net gains (losses) in the current quarter was the change in fair market value of BMO common shares. The BMO common share experienced greater increase in price during the current quarter, along with the Canadian equities market, whereas in the prior year the increase was more modest. The current quarter also benefited from the continued positive performance in the global equity markets, which recovered at a slower pace during the second quarter of 2020, when they did so at a faster pace than the Canadian equities market.

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 June 30	December 31	2020 June 30
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 18,916	\$ 36,244	\$ 24,776
Canadian equities	12,803	11,422	9,389
Global equities	310,608	300,204	224,041
Canadian real estate	24,904	24,847	23,065
	367,231	372,717	281,271
Bank of Montreal common shares	288,290	222,295	194,130
Short-term securities	15,179	20,857	22,159
Equities	27,444	16,702	13,591
Securities	\$ 698,144	\$ 632,571	\$ 511,151
Securities per share, diluted	\$ 26.03	\$ 23.23	\$ 18.92

Guardian's securities as at June 30, 2021 had a fair value of \$698.1 million, or \$26.03 per share, diluted, compared with \$632.6 million, or \$23.23 per share, diluted, at the end of 2020. Shareholders' equity as at June 30, 2021 amounted to \$780.3 million, or \$29.09 per share, diluted, compared to \$699.6 million, or \$25.69 per share, diluted, at the end of 2020.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$160.0 million. As at June 30, 2021, the total borrowings amounted to \$109.1 million, compared to \$95.7 million at the end of 2020. Guardian's Adjusted cash flow from operations for the current quarter was \$19.2 million, compared to \$15.4 million in the same quarter in 2020. The increase in the current quarter, compared to the same period one year earlier, was due to improved Operating earnings. Guardian uses its Adjusted cash flow from operations 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 June 30, 2021 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 109,075	\$ 109,075	\$ --	\$ --	\$ --
Client deposits	43,353	43,353	--	--	--
Payable to clients	59,820	59,820	--	--	--
Accounts payable and accrued liabilities	65,836	65,836	--	--	--
Other liabilities	31,813	--	26,975	4,838	--
Investment commitments	29,907	29,907	--	--	--
Scheduled lease payments, undiscounted	14,807	3,259	5,792	3,848	1,908
Third party investor liabilities	102,586	102,586	--	--	--
Total contractual obligations	\$ 457,197	\$ 413,836	\$ 32,767	\$ 8,686	\$ 1,908

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:

	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
<i>As at (\$ in millions)</i>								
Assets under management	\$ 51,641	\$ 47,643	\$ 45,984	\$ 32,734	\$ 31,196	\$ 27,527	\$ 31,147	\$ 30,243
Assets under administration	29,902	28,680	22,289	20,755	20,010	18,152	20,248	19,040
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 69,960	\$ 64,694	\$ 63,724	\$ 52,042	\$ 50,124	\$ 49,901	\$ 49,865	\$ 45,983
Operating earnings	21,199	17,504	18,493	12,108	13,427	10,813	13,030	12,105
Net gains (losses)	56,467	41,971	80,983	35,739	43,254	(161,289)	24,140	(1,274)
Net earnings (loss)	66,831	50,861	87,083	42,652	51,244	(134,911)	31,808	8,952
Net earnings (loss) attributable to shareholders	65,138	49,625	86,039	42,201	50,486	(136,368)	30,787	8,275
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share (in \$)								
Basic	\$ 2.59	\$ 1.95	\$ 3.38	\$ 1.66	\$ 1.99	\$ (5.35)	\$ 1.20	\$ 0.32
Diluted	2.42	1.83	3.17	1.56	1.87	(5.35)	1.13	0.31
Dividends paid on Class A and Common shares (in \$)								
	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.15	\$ 0.15
<i>As at</i>								
Shareholders' equity (\$ in thousands)	\$ 780,323	\$ 737,363	\$ 699,610	\$ 631,863	\$ 596,265	\$ 562,821	\$ 682,777	\$ 653,983
Per Class A and Common share (in \$)								
Basic	\$ 31.15	\$ 29.02	\$ 27.43	\$ 24.80	\$ 23.50	\$ 22.18	\$ 26.73	\$ 25.49
Diluted	29.09	27.14	25.69	23.25	22.07	20.94	25.01	23.93
Total Class A and Common shares outstanding (shares in thousands)								
	27,263	27,691	27,740	27,758	27,758	27,758	27,839	27,956

Over the past eight 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.

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 cyclicity 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). Large increases in AUM in Q4 of 2020 and AUA in Q1 of 2021 reflect the acquisitions of Agincourt 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 Second 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 Second 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 June 30, 2021, Guardian holds \$288 million of BMO shares (December 31, 2020 – \$222 million), which represents 41% 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 second 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)	June 30 2021	December 31 2020
Bank of Montreal common shares	41%	35%
Other Canadian equity securities and real estate	5%	6%
Canadian equities and real estate	46%	41%
Non-Canadian equities	48%	50%
Short-term and Fixed income securities	5%	9%
	99%	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 Second 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 June 30, (\$ in thousands)	Three months		Six months	
	2021	2020	2021	2020
Net earnings (loss), as reported	\$ 66,831	\$ 51,244	\$ 117,692	\$ (83,667)
Add (deduct):				
Income tax expense (recovery)	10,835	5,437	19,449	(10,128)
Net (gains) losses	(56,467)	(43,254)	(98,438)	118,035
Stock-based compensation	762	676	1,428	1,314
Interest expense	351	373	696	1,295
Amortization	5,183	4,427	10,157	8,759
Non-controlling interests	(2,787)	(1,601)	(5,065)	(3,936)
EBITDA attributable to shareholders	\$ 24,708	\$ 17,302	\$ 45,919	\$ 31,672

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 June 30, (\$ in thousands)	Three months		Six months	
	2021	2020	2021	2020
Net cash from operating activities, as reported	\$ 26,362	\$ 24,817	\$ 32,419	\$ 29,067
Add (deduct):				
Net change in non-cash working capital items	(4,533)	(7,823)	9,933	3,477
Non-controlling interests	(2,628)	(1,591)	(4,659)	(3,821)
Adjusted cash flow from operations attributable to shareholders	\$ 19,201	\$ 15,403	\$ 37,693	\$ 28,723

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 year and a half has marked unique and unprecedented challenges for the entirety of humankind. While the world remains in the midst of its largest public health crisis in at least a century, recent developments give hope that we are in the latter stages of the pandemic. The biggest source of progress has been on the vaccine front. After an initial lag in the rollout as logistical issues were addressed and production brought up to speed, the inoculation effort has gained significant momentum in recent months. As vaccination rates increased, infections, hospitalizations and death rates initially began to decline, but new variants, in particular, the Delta variant, started to cause an uptick in cases. The main motivation behind government stringency measures, however, is not so much to prevent the spread of infection as it is to prevent health care systems from becoming overwhelmed. Generally, a rise in infections comes with an uptick in severe cases that require intensive treatment, so governments do their best to contain the contagion and ease the pressure on health care systems. The current example of the UK, appears to provide early evidence that vaccines are helping to blunt the severity of infection, keeping hospitalizations, and death rates low even as new variants start to spread. This gives us hope that restrictions can still be eased, and if they become necessary again, will not need to come back as strong as before. The relaxing of restrictions is an important factor underpinning growth prospects given the implications for both supply and demand.

If we are correct that renewed restrictions, if any, will be lighter than they have been in the past year, there is plenty of evidence that the global economy is headed for a period of strong growth. Sentiment among consumers has become very positive, as have household finances, corporate earnings estimates for the next three years have been consistently increasing, and there is expected to be significant pent up demand from both consumers and businesses. While some pressures are building in inflation numbers, and there are concerns about unfilled job positions, we suspect that as we slowly transition to a near normal fiscal, and economic environment these pressures will show evidence of abating. While there have been fears that monetary policy accommodation will be withdrawn early due to the inflation pressures, monetary authorities have been quick to signal that tightening is not to be expected any time soon. Given the above, we expect strong economic growth to continue, and believe risk assets will also continue to have strong returns.

Guardian is fortunate to operate in the investment and wealth management segments of the economy. During the ongoing Global Pandemic we have not been forced to shut down operations, our revenues to date have not been negatively impacted, and perhaps even assisted, by the monetary and fiscal stimulus in response to COVID-19. Despite the uncertainty of the pandemic, Guardian has demonstrated its ability to “stay the course” by announcing new acquisitions, and hiring new people, as well as launching and supporting new initiatives.

In most advanced economies, the signs are that the crisis is being contained by vaccination along with other preventative measures, but we know it is not yet over. Guardian is in a position to focus on identifying new avenues of growth for the company, as well as supporting those initiatives we have already embarked on. Our goal is to have the flexibility to continue prudently investing in our growth initiatives, our people, and service levels to our clients and partners, without being forced to make unpleasant decisions as market, economic and business conditions fluctuate. With the growing numbers of vaccinated people, the worst of the pandemic in most of the developed world seems to be behind us, we look forward to the time we can safely and methodically transition our company back to more normal operations. We are proud that we have been able to keep our employees active and safe; our clients well taken care of; and have had the ability to provide some degree of stability and certainty to all of our stakeholders during this period of heightened anxiety. We will always do our utmost to support all of our business lines, but particular focus is likely to be required on our two newest initiatives. Our recently acquired Ultra High Net Worth / Outsourced Chief Investment Officer operations and the Canadian Retail Asset Management initiative will likely need us to make a variety of investments to improve their capabilities before they become meaningful contributions to our earnings. Our healthy, liquid balance sheet gives us confidence that we can sustain all needed initiatives, and we expect to manage any exogenous factors 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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