

MANAGEMENT'S DISCUSSION AND ANALYSIS

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In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three and nine month periods ended September 30, 2022 and the comparative period in the year 2021, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2021 Annual Report. This discussion and analysis has been prepared as of November 11, 2022

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

Certain information included in this Management's Discussion and Analysis constitutes forward-looking information within the meaning of applicable Canadian securities laws. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Forward-looking information in this Management's Discussion and Analysis includes, but is not limited to, statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this Management's Discussion and Analysis is qualified by the following cautionary statements.

Although Guardian believes that the expectations reflected in such forward-looking information are reasonable, such information involves known and unknown risks and uncertainties which may cause Guardian's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include but are not limited to: general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, the duration and severity of the current COVID pandemic, the current conflict in the Ukraine, as well as those risk factors discussed or referred to in this Management's Discussion and Analysis and the other disclosure documents filed by Guardian with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this Management's Discussion and Analysis is provided as of the date of this Management's Discussion and Analysis and should not be relied upon as representing Guardian's views as of any date subsequent to the date of this Management's Discussion and Analysis. Guardian undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the investment and wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: Investment Management, Wealth Management, 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") and Guardian Smart Infrastructure Management Inc. ("GSIM"), the London, UK-based GuardCap Asset Management Limited ("GuardCap"), the Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta") and the Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt"). The Wealth Management business is operated through the following businesses: Guardian Capital Advisors LP ("GCA"), Guardian Partners Inc. ("GPI") and the newly acquired Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), 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 total client assets of \$74.6 billion, consisting of \$47.8 billion in assets under management ("AUM") and \$26.8 billion in assets under administration and advisement ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$648 million at the end of the current quarter.

KEY EVENTS

During the current quarter, Guardian closed the previously announced acquisition of 60% interest in Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), a Waterloo, Ontario-based private wealth management firm with over \$1 billion in assets under management. The purchase price for the 60% interest was \$7.2 million on closing, \$1.8 million due between two and four years from closing, subject to various adjustments, and additional earn-outs over a five-year period from closing. The current employees of The RaeLipskie will retain the remaining 40% ownership interest. This strategic acquisition continues to expand and enhance Guardian's wealth management offering.

USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, some of which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA attributable to shareholders, EBITDA attributable to shareholders per share, Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders, Adjusted cash flow from operations attributable to shareholder per share. 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.

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended September 30, (\$ in thousands, except per share amounts)	Three months		Nine months	
	2022	2021	2022	2021
Net revenue	\$ 72,226	\$ 72,384	\$ 221,400	\$ 207,038
Expenses	56,179	51,613	168,830	147,564
Operating earnings	16,047	20,771	52,570	59,474
Net gains (losses)	(19,835)	(8,146)	(117,945)	90,292
Net earnings (loss) before income taxes	(3,788)	12,625	(65,375)	149,766
Income tax expense	2,760	4,028	3,582	23,477
Net earnings (loss)	\$ (6,548)	\$ 8,597	\$ (68,957)	\$ 126,289
EBITDA	\$ 24,410	\$ 27,349	\$ 76,372	\$ 78,333
Adjusted cash flow from operations	17,743	23,219	56,177	65,571
Attributable to shareholders:				
Net earnings (loss)	\$ (7,608)	\$ 7,054	\$ (73,044)	\$ 121,817
EBITDA	22,396	24,703	69,284	70,622
Adjusted cash flow from operations	15,880	20,795	49,853	58,488
Per share amounts (diluted):				
Net earnings (loss)	\$ (0.31)	\$ 0.27	\$ (2.99)	\$ 4.53
EBITDA	0.93	0.93	2.67	2.63
Adjusted cash flow from operations	0.62	0.79	1.93	2.18

As at (\$ in millions, except per share amounts)	2022		2021	
	September 30	December 31	September 30	September 30
Shareholders' equity	\$ 743	\$ 839	\$ 781	\$ 781
Securities	648	752	689	689
Per share amounts (diluted):				
Shareholders' equity	\$ 28.88	\$ 31.53	\$ 29.40	\$ 29.40
Securities	25.16	28.27	25.91	25.91

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2022		2021	
	September 30	December 31	September 30	September 30
Assets under management				
Institutional				
Global equities	\$ 21,532	\$ 27,298	\$ 24,677	\$ 24,677
Canadian equities	5,100	7,858	7,464	7,464
Fixed income	16,225	16,750	16,681	16,681
Institutional assets under management	42,857	51,906	48,822	48,822
Wealth management	4,957	4,435	4,291	4,291
	\$ 47,814	\$ 56,341	\$ 53,113	\$ 53,113
Assets under administration and advisement				
Dealers	\$ 15,358	\$ 18,055	\$ 16,689	\$ 16,689
MGA segregated	7,641	9,115	8,265	8,265
Outsourced Chief Investment Officer and other	3,787	4,338	5,061	5,061
	\$ 26,786	\$ 31,508	\$ 30,015	\$ 30,015
Total client assets	\$ 74,600	\$ 87,849	\$ 83,128	\$ 83,128

Guardian is reporting total client assets for the quarter ended September 30, 2022 of \$74.6 billion.

AUM was \$47.8 billion as at September 30, 2022, a 10% decrease from \$53.1 billion as at September 30, 2021, and a 15% decrease from \$56.3 billion as at December 31, 2021. Guardian benefited from the net positive inflow of new institutional asset during the current quarter, largely in Fixed-Income strategies, and the addition of \$1.1 billion wealth management client assets on the acquisition of RaeLipskie. However these gains were more than offset by the year-to-date impact of the negative performance of global financial markets and net outflow of institutional client assets in the first half of the year, which was due largely to the headwinds that have plagued this industry for some time, the continued shrinking allocation to the Canadian Equity asset class and the internalization of investment management functions by institutional clients. AUA was \$26.8 billion as at September 30, 2022, an 11% decrease from \$30.0 billion as at September 30, 2021, and a 15% decrease from \$31.5 billion as at December 31, 2021.

RESULTS OF OPERATIONS

The Operating earnings of Guardian's business segments are summarized in the following table:

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2022	2021	2022	2021
Investment management	\$ 8,890	\$ 13,444	\$ 29,548	\$ 34,315
Wealth management	6,066	6,148	19,346	20,668
Corporate activities and investments	1,091	1,179	3,676	4,491
	\$ 16,047	\$ 20,771	\$ 52,570	\$ 59,474

For the quarter ended September 30, 2022, Guardian is reporting Operating earnings of \$16.0 million, a \$4.7 million, or 23% decrease from the \$20.8 million reported in the same quarter of 2021. EBITDA for the current quarter was \$24.4 million (attributable to shareholders of \$22.4 million), a \$2.9 million, or 11% decrease from \$27.3 million (attributable to shareholders of \$24.7 million) in the same quarter of 2021. Net revenue in the current quarter decreased slightly to \$72.2 million, a \$0.2 million decrease from the same quarter in 2021. The decrease in Net management and advisor fees resulting from the decrease in AUM, were largely offset by increases in Administrative services income and Dividend and interest income. Expenses in the current quarter were \$56.2 million, an increase of \$4.6 million compared to the same quarter of 2021. The increase in expenses is due to a combination of continued investments into our business to support its current and future growth plans, the additional expenses associated with acquired businesses, as well as higher interest expenses resulting from rise in interest rates. Our multi-year strategic investments to support our future growth include strengthening our retail distribution capabilities, the build out of the recently formed Guardian Smart Infrastructure ("GSIM") team, the continued build out of GPI and the integration of the Modern Advisor technology platform. These investments accounted for \$0.5 million of the increase in expenses with nominal growth in revenue. The Operating loss incurred by these business units was \$2.5 million in the current quarter. The expenses associated with the acquired business of RaelLipskie in the current quarter and AFL Groupe Financier Inc. ("AFL") in Q4 2021, accounted for \$0.9 million in increased expenses.

Net losses in the current quarter were \$19.8 million, compared to Net losses of \$8.1 million in the same quarter in the prior year. The largest portion of the Net losses in the current quarter was attributable to the decreases in fair values of Guardian's securities holdings, which were impacted by the continued negative performance experienced in the global financial markets. Readers are encouraged to refer to Note 10 in Guardian's Third Quarter 2022 Consolidated Financial Statements for a breakdown of the Net gains (losses).

Net loss attributable to shareholders was \$7.6 million, compared to Net earnings attributable to shareholders of \$7.1 million in the same quarter in the prior year. The decrease was due to higher Net losses on Guardian's securities holdings in the current quarter, compared to the prior year, and to a lesser extent, by the decrease in Operating earnings over the same period.

Adjusted cash flow from operations for the quarter was \$17.7 million, a \$5.5 million decrease from \$23.2 million in the same period in 2021. The decreases is in line with lower Operating earnings in the current period compared to the same period in 2021.

Operating earnings by segment are described below.

Investment Management Segment

The Investment Management Segment's Operating earnings in the current quarter were \$8.9 million, a \$4.6 million, or a 34% decrease from \$13.4 million in the same quarter in the prior year. Included in the current quarter's Operating earnings are \$1.5 million in Operating losses incurred in the initial build out of the GSIM team and the continued build out of our retail distribution capabilities. The expenses and losses associated with both of these strategically important initiatives are expected to rise in the short-term, dampening our earnings, but with the aim of developing them into meaningful contributors to our earnings in the near future. EBITDA for the current quarter was \$11.4 million, a \$4.3 million, or 28% decrease from \$15.7 million in the same quarter in the prior year. Net revenue in the current quarter was \$36.0 million, a \$3.5 million, or 9% decrease from \$39.4 million reported in same quarter in the prior year. The expenses in the Segment increased 4% to \$27.1 million compared to the third quarter of 2021.

Wealth Management Segment

The Wealth Management Segment's Operating earnings in the current quarter were \$6.1 million, a \$0.1 million or 1% decrease from \$6.18 million in the same quarter in the prior year. Included in the current quarter's Operating earnings were a nominal earnings contribution from RaelLipskie in the month of September and \$0.9 million in Operating losses incurred in GPI and Modern Advisor. The Segment's EBITDA in the current quarter was \$10.0 million, a 4% increase from \$9.7 million in the comparative period. The current quarter's Net revenue increased 8% to \$31.3 million, compared to \$29.0 million in the same quarter in 2021. The increase was driven largely by the increases in Interest income and Administrative services income earned in the Dealers, while Net commissions and Net management and advisory fees were modestly lower. Expenses in the current quarter were 10% higher at \$25.3 million, compared to the prior year. Included in the current quarter's expenses are expenses associated with RaelLipskie and AFL, which were not included in the comparative period.

IDC WIN, our MGA business, delivered EBITDA of \$6.9 million (EBITDA attributable to shareholders of \$5.6 million) in the current quarter, a modest decrease from \$7.7 million (EBITDA attributable to shareholders of \$6.3 million) in the same quarter in 2021. Net commission revenue grew 2% to \$14.5 million in the current quarter, compared to the same quarter in 2021. The increase was largely due to a \$0.4 million increase in renewal commissions to \$6.7 million, partially offset by lower sales commissions. The sales volumes were more modest in the current quarter compared to the record sales volumes experienced throughout 2021. The contractual premiums on life insurance policies sold ("Premiums Sold"), which drive the sales commissions, were \$49 million in the current quarter, compared to \$47 million in the same quarter of 2021. Premiums Sold in the current period are good indicators of future revenue stream increases. As these policies are renewed, IDC WIN will earn renewal commissions in those future periods.

Corporate Activities and Investments Segment

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.1 million, a \$0.1 million decrease from the \$1.2 million earned in the same quarter in the prior year. The current quarter's Net revenue increased to \$5.3 million, from \$3.9 million in the same quarter in 2021. The growth in revenue was due largely to the increase in the dividend income earned on the Securities, including our holdings of BMO shares, which increased its dividends per share in the first quarter of 2022. The increase in Net revenue was offset by higher compensation costs and higher interest expenses resulting from increased borrowings as well as significantly higher interest rates on those borrowings.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates; provide clients with a high level of confidence and comfort; 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)	2022 September 30	2021 December 31	2021 September 30
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 17,278	\$ 19,589	\$ 19,502
Canadian equities	13,547	13,832	13,139
Global equities	261,874	335,460	308,061
Canadian real estate	41,944	28,216	24,959
	334,643	397,097	365,661
Bank of Montreal common shares	269,763	308,834	286,815
Short-term securities	9,365	8,227	8,101
Equities	33,738	37,727	28,033
Securities	\$ 647,509	\$ 751,885	\$ 688,610
Securities per share, diluted	\$ 25.16	\$ 28.27	\$ 25.91

Guardian's securities as at September 30, 2022 had a fair value of \$647.5 million, or \$25.16 per share, diluted, compared with \$751.9 million, or \$28.27 per share, diluted, at the end of 2021. Shareholders' equity as at September 30, 2022 amounted to \$743.3 million, or \$28.88 per share, diluted, compared to \$838.5 million, or \$31.53 per share, diluted, at the end of 2021. In the current quarter, Guardian returned to its shareholders \$6.2 million in dividends and \$2.9 million in share buybacks.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$175.0 million. As at September 30, 2022, the total borrowings amounted to \$135.4 million, compared to \$114.9 million at the end of 2021. Guardian's Adjusted cash flow from operations attributable to shareholders for the current quarter was \$15.9 million, compared to \$20.8 million in the same quarter in 2021. The decrease in the current quarter, compared to the same period one year earlier, was primarily due to lower Operating earnings. Guardian uses its Adjusted cash flow from operations attributable to shareholders primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, fund its capital expenditures and repay debt where possible. From time to time, Guardian may use a combination of Adjusted cash flow from operations attributable to shareholders, debt and disposal of Securities to help finance larger capital expenditures.

CONTRACTUAL OBLIGATIONS

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

As at September 30, 2022 (\$ in thousands)	Total	Payments due by period			
		Within one year	2 - 3 years	4 - 5 years	After five years
Bank loans and borrowings	\$ 135,448	\$ 135,448	\$ --	\$ --	\$ --
Third party investor liabilities	73,201	73,201	--	--	--
Client deposits	53,539	53,539	--	--	--
Accounts payable and other liabilities	148,005	133,449	14,556	--	--
Payable to clients	86,664	86,664	--	--	--
Commitments	13,166	13,166	--	--	--
Scheduled lease payments, undiscounted	13,780	3,617	5,483	3,140	1,540
Total contractual obligations	\$ 523,803	\$ 499,084	\$ 20,039	\$ 3,140	\$ 1,540

Guardian's contractual commitments are supported by its strong financial position, including its Securities, referred to above under the heading "Liquidity and Capital Resources". The Payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the Receivable from clients and broker. Client deposits in the offshore banking subsidiary are supported by the Interest-bearing deposits with banks. Third party investor liabilities are supported by Securities backing third party investor liabilities.

SUMMARY OF QUARTERLY RESULTS

The following chart summarizes Guardian's financial results for the past eight quarters:

	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
<i>As at (\$ in millions)</i>								
Assets under management	\$ 47,814	\$ 46,931	\$ 53,123	\$ 56,341	\$ 53,113	\$ 51,641	\$ 47,945	\$ 45,984
Assets under administration	26,786	27,626	30,526	31,508	30,015	29,902	28,376	22,289
Total client assets	74,600	74,557	83,649	87,849	83,128	81,543	76,321	68,273
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 72,226	\$ 74,109	\$ 75,065	\$ 78,049	\$ 72,384	\$ 69,960	\$ 64,694	\$ 63,724
Operating earnings	16,047	17,157	19,366	22,314	20,771	21,199	17,504	18,493
Net gains (losses)	(19,835)	(90,128)	(7,982)	52,331	(8,146)	56,467	41,971	80,983
Net earnings (losses)	(6,548)	(68,224)	5,815	64,451	8,597	66,831	50,861	87,083
Net earnings (loss) attributable to shareholders	(7,608)	(69,698)	4,262	62,421	7,054	65,138	49,625	86,039
<i>(in \$)</i>								
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share								
Basic	\$ (0.31)	\$ (2.85)	\$ 0.17	\$ 2.52	\$ 0.28	\$ 2.59	\$ 1.95	\$ 3.38
Diluted	(0.31)	(2.85)	0.16	2.35	0.27	2.42	1.83	3.17
Dividends paid on Class A and Common shares	\$ 0.24	\$ 0.24	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16
<i>As at</i>								
Shareholders' equity (\$ in thousands)	\$ 743,331	\$ 742,917	\$ 828,404	\$ 838,520	\$ 781,334	\$ 780,323	\$ 737,363	\$ 699,610
Per Class A and Common share (in \$)								
Basic	\$ 30.82	\$ 30.68	\$ 33.67	\$ 33.89	\$ 31.56	\$ 31.15	\$ 29.02	\$ 27.43
Diluted	28.88	28.74	31.27	31.53	29.40	29.09	27.14	25.69
Total Class A and Common shares outstanding (shares in thousands)	26,246	26,342	26,892	26,954	26,968	27,263	27,691	27,740

Over the past eight quarters presented above, Guardian's Net revenue has generally trended in the same direction as the changes in Total client assets. These fluctuations can also influence Operating earnings and are driven largely by the factors described below.

Investment management and advisory fees and trailer commissions are highly correlated to the changes in AUM and AUA, which are affected by the volatility of the global financial markets and additions and withdrawals of client assets. Offsetting this volatility are the significant insurance commissions earned in IDC WIN, which are less correlated to the volatility of the financial markets. However, fluctuations may arise in IDC WIN's revenue from the timing of large insurance policies placed by contracted advisors. As IDC WIN has built a business with a significant number of top-producing advisors, and these advisors deal mainly in significantly larger and more sophisticated insurance policies, the timing of the placement of these policies can affect the timing and the level of the insurance commission revenue earned. In addition, some cyclical of sales commissions and renewal commissions exist in IDC WIN, where the first and the fourth quarters of each year tend to have higher sales and as a result, higher Net commission revenues than the other quarters. In the Corporate Activities and Investments Segment, some increases in dividend income can be seen in the second quarter and, to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities, which pay semi-annual dividends and some "special" mid-year dividends. In addition, the timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend income recorded in the period.

The Net revenue for all three quarters in 2022 decreased from the high in Q4, 2022 as the total client assets decreased, largely driven by the negative performance in the global financial markets. During the third quarter of 2022, increased Administrative Services income and Dividend and Interest income partially offset some of the decrease in management and advisor fee revenue. Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the global financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly affects Net earnings (losses) attributable to shareholders. The global financial markets had continued positive performance for several quarters until Q3 2021, when our securities invested in Emerging Market equities, which experienced a negative return, decreased in fair value resulting in a net loss. In the first three quarters of 2022, negative performance in global financial markets caused the fair value of securities to decline in value. 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, with a smaller increase attributable to the acquisition of Rae & Lipskie in Q3 2022.

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

RISK FACTORS

Guardian is exposed to a number of risk factors, including the key risk factors listed below. A key component of a successful business is its ability to manage its risk. Due to the nature of Guardian's businesses, its largest risk is tied to its exposure to financial markets. A significant portion of its revenue is derived from management of client assets or advisory on clients' wealth. During the current year, due to the ongoing pandemic disruptions, many of the risks listed below are heightened and may be more challenging to manage or mitigate. Readers are encouraged to refer to Note 14 to Guardian's Third Quarter 2022 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 also impact the amounts being invested by clients, thereby increasing or decreasing our Net commission revenue. We manage the risk of market fluctuations

by having a diversified client base with different investment needs, and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other.

Guardian's securities holdings are managed independently of clients' assets, except for those of our assets that are invested in Guardian's investment funds.

Portfolio Value and Concentration Risks

Guardian's securities are subject to risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 14 of Guardian's Third Quarter 2022 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 independent custodians chosen by Guardian. As at September 30, 2022, Guardian holds \$270 million of BMO shares (December 31, 2021 – \$309 million), which represents 42% of Guardian's securities (December 31, 2021 – 41%). 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)	September 30 2022	December 31 2021
Bank of Montreal common shares	42%	41%
Other Canadian equity securities and real estate	8%	5%
Canadian equities and real estate	50%	46%
Non-Canadian equities	46%	50%
Short-term and Fixed income securities	4%	4%
	100%	100%

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings (losses), but are recorded in the Net change in foreign currency translation on foreign subsidiaries in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets.

With the acquisition of Alta and Agincourt, Guardian also recognizes obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries, in that they are not actively managed, due to the long-term nature of the investments, but are closely monitored by management.

As Guardian continues to expand into foreign jurisdictions and the revenue and earnings sources grow and diversify into other currencies, the operating results can fluctuate with the changes in the foreign currency exchange rates compared to the Canadian dollar. From time to time, Guardian may record certain foreign exchange gains (losses) in Net earnings, such as on the current US Dollar borrowings outstanding, which were used to finance foreign acquisitions such as Alta and Agincourt. This risk is mitigated by offsetting amounts being recognized on the investment in these foreign subsidiaries as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Guardian may also record Net gains (losses) on Canadian dollar cash balances held by foreign subsidiaries. These foreign exchange gains and losses result in similar offsetting Net gains (losses) being recorded in Other comprehensive income as discussed above. Readers are encouraged to refer to Note 14 in Guardian's Third Quarter 2022 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 \$175 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 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, 2021, 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, EBITDA attributable to shareholders and EBITDA attributable to shareholders per share**

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses. EBITDA attributable to shareholders as EBITDA 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 measure to the non-IFRS measures:

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2022	2021	2022	2021
Net earnings (loss)	\$ (6,548)	\$ 8,597	\$ (68,957)	\$ 126,289
Add (deduct):				
Income tax expense	2,760	4,028	3,582	23,477
Net (gains) losses	19,835	8,146	117,945	(90,292)
Stock-based compensation	1,112	771	2,893	2,199
Interest expense	1,496	351	2,944	1,047
Amortization	5,755	5,456	17,965	15,613
EBITDA	24,410	27,349	76,372	78,333
Non-controlling interests	(2,014)	(2,646)	(7,088)	(7,711)
EBITDA attributable to shareholders	\$ 22,396	\$ 24,703	\$ 69,284	\$ 70,622

Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders and Adjusted cash flow from operations attributable to shareholders per share

Guardian defines Adjusted cash flow from operations as net cash from operating activities and net of changes in non-cash working capital items. Adjusted cash flow from operations attributable to shareholders as Adjusted cash flow from operations less non-controlling interests. Adjusted cash flow from operations 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. 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.

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

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2022	2021	2022	2021
Net cash from operating activities	\$ 25,954	\$ 38,058	\$ 52,935	\$ 70,477
Add (deduct):				
Net change in non-cash working capital items	(8,211)	(14,839)	3,242	(4,906)
Adjusted cash flow from operations	17,743	23,219	56,177	65,571
Non-controlling interests	(1,863)	(2,424)	(6,324)	(7,083)
Adjusted cash flow from operations attributable to shareholders	\$ 15,880	\$ 20,795	\$ 49,853	\$ 58,488

Shareholders' equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which has been created by Guardian's operations. The most comparable IFRS measure is Shareholders equity, which is disclosed in Guardian's Consolidated Balance Sheet. Shareholders' equity per share is calculated by dividing shareholders' equity by the number of shares and dilutive shares outstanding as at period end.

Securities per share

Securities per share is used by management to indicate the value available to shareholders created by Guardian's investment in securities, without the netting of debt or deferred income taxes associated with the unrealized gains. The most comparable IFRS measure is Securities, which is disclosed in Guardian's Consolidated Balance Sheet. Securities per share is calculated by dividing Securities by the number of shares and dilutive shares outstanding as at period end.

OUTLOOK

From a global macroeconomic perspective, not much has changed since we last reported to shareholders. Inflation and the conflict in Ukraine continue to persist and tensions are running high in other parts of the world, notably in East Asia. Monetary tightening continues apace, with guidance indicating that further tightening is coming in the months ahead and rates will remain elevated for longer. No more zero rates or gradual tightening can be expected any time soon. These factors have combined to further constrain growth momentum, which was already on track to slow as the economic cycle graduated from last year's strong recovery to the "expansion" phase. As a result, there have been increasingly sharp downgrades to growth forecasts for this year and, more notably, 2023. Embedded in the waning growth expectations are rising odds that policymakers will be unable to navigate a soft landing, an outcome where inflation would be tamed and growth sustained, instead piloting a harder fall, where economic activity declines outright. The prospect of a broad and sustained downturn is clearly less than ideal, and the increasing prevalence of the word "recession" in commentaries and discussions no doubt has been a factor behind sentiment among both consumers and businesses falling sharply so far this year.

Despite the experiences of the last two decades, a downturn in growth does not necessarily have to represent a significant shock that carries lasting implications. Instead, it can just be a temporary lull in the cycle. Generally, recessions are the result of significant financial imbalances and excesses. In these scenarios, central bank-induced increases in costs of capital make overextended financial positions untenable and force an unwinding, which creates negative spillovers, with the extent of the hit a function of the magnitude of the imbalances. As things currently stand, central banks are for sure playing their role by aggressively tightening monetary policy, but there are limited indications of significant imbalances. There have absolutely been pockets of excess but no signs of the type of systemic misallocations of capital that preceded either the "Tech Wreck" or the "Global Financial Crisis". The apparent absence of significant imbalances could mean that things are not likely to result in a significant shock to the economy if growth gets pushed off track, mitigating the risk of a deep and long-lasting recession that weighs on markets.

It should be evident at this point that the road ahead is largely going to be determined by how consumers are able to manage in the months ahead. One positive for the outlook is that underlying cost pressures are showing signs of subsiding. Commodity prices, while remaining elevated, have fallen more than 20% in aggregate from the highs hit in the second quarter. Especially positive for Europeans, who were facing enormous energy bills this winter, is that energy prices have fallen sharply in recent months after governments met their commitment to build inventories early to protect against Russia-related supply shutdowns ahead of times of peak usage. There are growing indications that the pressures on other links within the global supply chain are easing as well. Production is increasingly able to run at higher capacity as public health restrictions are scaled back globally, and goods are flowing more freely as shipping bottlenecks subside (easing shipping costs) and transportation hubs face less congestion. The aggregate gauge of global supply chain pressures compiled by the Federal Reserve Bank of New York has moderated notably in recent months and is within reach of historically "normal" levels. These trends support the view that inflation is either at its peak or past it and appears likely to trend lower to something more broadly consistent with central bank inflation targets through the next year.

Housing is one area where the impact of rising interest rates has been most evident, but most indicators of current business activity and profits outside of real estate have proven surprisingly resilient to this point. However, forward-looking gauges may indicate growing concerns for the road ahead. Business sentiment has declined from their peaks and purchasing managers' indexes across sectors and regions have taken notable turns for the worse in recent months, pointing to a considerable loss of momentum. Considering that central banks are trying to tap the brakes on the economy, this slowing is not inherently a negative development, as much as an indication that things are going according to plan so far.

Guardian's results are significantly affected by the level and performance of global stock and bond markets. We were able to benefit from the strong markets generated from worldwide government support of their citizens and economies while the pandemic was at its worst. Likewise, we are adversely affected by market declines resulting from recent monetary tightening. Inflation fears are a significant issue, and it is vital that inflation expectations are brought to heel before they start to become entrenched but, despite the tumultuous last couple of years, corporations are generally in good shape. They have been generating record earnings which have been used to strengthen balance sheets, while also taking advantage of the previously benign financial conditions to raise funds at low rates for extended terms. The net result is that firms in aggregate have high liquidity, low leverage and negligible interest burdens, positive fundamentals that suggest capacity to weather a potential hit to profitability without setting off a particularly harsh downswing in the credit cycle which would cause firms to aggressively scale back investment intentions or employment. While it may take a while to reach the goal of crushing inflation, we are heartened to see signs that previous tightening seems to be reducing it. A continuing slowdown in inflation pressures should put a floor under the equity and bond markets, ready for a strong rebound when the need for tight monetary conditions abate. In the meantime, even if markets remain at levels lower than a year ago, Guardian's strong balance sheet, combined with the diversity in our sources of profitability, allow us the comfort of making long-term plans that are not necessarily reliant on the cooperation of events outside our control.

We will continue upon our long-held path of innovating new product lines created from existing teams at Guardian, in addition to identifying new capabilities we wish to add and bringing in human and technological assets that will permit us to execute on those capabilities. Success in creating new products that can be sold through our existing platforms gives us an efficient way to grow Guardian's assets under management, generating revenue and profitability. We have a number of organic initiatives that fit well with this strategy, but we will continue to evaluate potential acquisition opportunities that can strengthen aspects of our business or accelerate our growth plans. We continue to believe in our strategy of combining organic initiatives with acquisitions, to create ongoing growth. Over the long term, shareholders can expect to experience the benefits of both strategies.



Our history. Your future.

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