

MANAGEMENT'S DISCUSSION AND ANALYSIS

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In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three month period ended March 31, 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 May 12, 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 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 total client assets of \$83.6, consisting of \$53.1 billion in assets under management ("AUM") and \$30.5 billion in assets under administration and advisement ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$741 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, 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 three months ended March 31, (\$ in thousands, except per share amounts)	2022		2021	
Net revenue	\$	75,065	\$	64,694
Expenses		55,699		47,190
Operating earnings		19,366		17,504
Net gains (losses)		(7,982)		41,971
Net earnings before income taxes		11,384		59,475
Income tax expense		5,569		8,614
Net earnings	\$	5,815	\$	50,861
EBITDA	\$	26,370	\$	23,489
Adjusted cash flow from operations		19,949		20,523
Attributable to shareholders:				
Net earnings	\$	4,262	\$	49,625
EBITDA		23,846		21,211
Adjusted cash flow from operations		17,755		18,492
Per share amounts (diluted):				
Net earnings	\$	0.16	\$	1.83
EBITDA		0.90		0.78
Adjusted cash flow from operations		0.67		0.68

As at (\$ in millions, except per share amounts)	2022		2021	
	March 31	December 31	March 31	March 31
Shareholders' equity	\$ 828	\$ 839	\$ 737	\$ 737
Securities	741	752	654	654
Diluted per share				
Shareholders' equity	\$ 31.27	\$ 31.53	\$ 27.14	\$ 27.14
Securities	27.97	28.27	24.05	24.05

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2022		2021	
	March 31	December 31	March 31	March 31
Assets under management				
Institutional				
Global equities	\$ 24,739	\$ 27,298	\$ 19,934	\$ 19,934
Canadian equities	7,919	7,858	7,762	7,762
Fixed income	16,054	16,750	16,064	16,064
Institutional assets under management	48,712	51,906	43,760	43,760
Wealth management	4,411	4,435	3,883	3,883
	\$ 53,123	\$ 56,341	\$ 47,643	\$ 47,643
Assets under administration and advisement				
Dealers	\$ 17,415	\$ 18,055	\$ 15,765	\$ 15,765
MGA segregated	8,839	9,115	7,474	7,474
Outsourced Chief Investment Officer and other	4,272	4,338	5,441	5,441
	\$ 30,526	\$ 31,508	\$ 28,680	\$ 28,680
Total client assets	\$ 83,649	\$ 87,849	\$ 76,323	\$ 76,323

Guardian is reporting total client assets for the quarter ended March 31, 2022 of \$83.6 billion.

AUM was \$53.1 billion as at March 31, 2022, a 6% decrease from \$56.3 billion as at December 31, 2021, and a 12% increase from \$47.6 billion as at March 31, 2021. The decrease in AUM during the current quarter was driven largely by the negative performance of global financial markets, partially offset by net inflow of new client assets, while the increase since March 31, 2021 was due to a combination of the net inflow of client assets throughout 2021 and the net positive performance in the global equities market. AUA was \$30.5 billion as at March 31, 2022, a 3% decrease from \$31.5 billion as at December 31, 2021, driven largely by the net negative performance of global financial markets. This was a 6% increase from \$28.7 billion as at March 31, 2021.

RESULTS OF OPERATIONS

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

For the three months ended March 31, (\$ in thousands)	2022	2021
Investment management	\$ 11,370	\$ 9,614
Wealth management	6,747	6,762
Corporate activities and investments	1,249	1,128
	\$ 19,366	\$ 17,504

For the quarter ended March 31, 2022, Guardian is reporting Operating earnings of \$19.4 million, a \$1.9 million, or 11% increase from the \$17.5 million reported in the same quarter of 2021. EBITDA for the current quarter was \$26.4 million, a \$2.9 million, or 12% increase from \$23.5 million in the same quarter of 2021. Driven largely by the growth in total client assets, Net revenue in the current quarter grew to \$75.1 million, a \$10.4 million increase from the same quarter in 2021. Expenses in the current quarter were \$55.7 million, an increase of \$8.5 million compared to the first quarter of 2021. The growth in Operating earnings and EBITDA were achieved while continuing to make multi-year strategic investments into strengthening our retail distribution capabilities, supporting the enhancement and integration of the recently acquired businesses and the initial buildout of the recently launched Guardian Smart Infrastructure Inc. ("GSIM"), a direct private infrastructure investment business. The Operating loss associated with these initiatives was \$2.3 million in the current quarter, a \$1.1 million increase from the prior year.

Net losses in the current quarter were \$8.0 million, compared to Net gains of \$42.0 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 a portion of our securities holdings exposed to regions outside of Canada, which experienced negative returns. This was partially offset by an increase in the fair value of our BMO shares. Readers are encouraged to refer to Note 10 in Guardian's First Quarter 2022 Consolidated Financial Statements for a detailed breakdown of the Net gains (losses).

Net earnings attributable to shareholders were \$4.3 million, compared to \$49.6 million in the same quarter in the prior year. The decrease was due to a large swing to Net losses in the current quarter, compared to large Net gains in the prior year, partially offset by the increase in Operating earnings over the same period.

Adjusted cash flow from operations for the quarter was \$19.9 million, a 3% decrease from \$20.5 million in the same period in 2021. The decreases was due to higher tax installments paid in the current quarter, partially offset by the growth in Guardian's operating businesses.

Operating earnings by segment are described below.

Investment Management Segment

The Investment Management Segment's Operating earnings in the current quarter were \$11.4 million, a \$1.8 million, or 18% increase from \$9.6 million in the same quarter in the prior year. EBITDA for the current quarter was \$13.7 million, a \$2.0 million, or 17% increase from \$11.7 million in the same quarter in the prior year. Benefiting from the success in gathering net new inflow of client assets and the positive impact of global equity market performances on AUM in 2021, Net revenue increased 20% to \$39.9 million, compared to the same quarter in the prior year. Led by GuardCap, all businesses in this Segment delivered increased Net revenue in the current quarter. The expenses in the Segment grew by 21% to \$28.5 million over the same period, largely due to the growth in employee compensation expenses associated with the additional employees added to support the growth of the business since the first quarter of 2021. In addition, we continued to make strategic investments into the buildout of our retail distribution capabilities and, new in the current quarter, the initial buildout of our new GSIM business. The expenses associated with both of these 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. The expenses associated with these strategic investments were \$0.9 million higher than in the same quarter in the prior year.

Wealth Management Segment

The Wealth Management Segment's Operating earnings in the current quarter were \$6.7 million, substantially unchanged from the same quarter in the prior year. EBITDA in the current quarter was \$10.4 million, a 5% increase from \$9.9 million in the first quarter of 2021. The current quarter's Net revenue increased 10% to \$30.8 million, compared to the same quarter in 2021, consisting of \$19.7 million in Net commission revenue and \$7.2 million in Net management and advisory fees. Net commission revenue increased by \$1.0 million to \$19.7 million, with both the MGA and the Dealers businesses contributing to the growth. Net management and advisory fees increased by \$1.6 million to \$7.2 million. Expenses in the current quarter were 13% higher at \$24.0 million, compared to the prior year. Included in the current quarter's expenses are the ongoing strategic investments into the development of an ecosystem for wealth management, which aims to incorporate the Dealers' advisor network and Modern Advisors' technology platform to increase utilization of Guardian's investment solutions by independent advisors.

IDC WIN, our MGA business delivered EBITDA of \$7.9 million (EBITDA attributable to shareholders of \$6.5 million) in the current quarter, an increase of 2% compared to the same quarter in 2021. The Net commission revenue grew 3% to \$15.1 million in the current quarter, compared to the same quarter in 2021. Although the Net commission revenues increased, it was largely due to \$0.7 million increase in renewal commissions to \$7.2 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 \$39 million in the current quarter, compared to \$55 million in the first quarter of 2021. The 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 \$1.3 million, a slight increase from \$1.1 million earned in the same quarter in the prior year. The current quarter's Net revenue increased 26% to \$4.8 million, compared to 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 during the current quarter. This was partially offset by higher compensation costs, including the effects of additional employees hired since the first quarter of 2021 to support the growth of the operating businesses, and, to a lesser extent, higher interest expense resulting from increased interest rates on bank borrowings.

LIQUIDITY AND CAPITAL RESOURCES

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

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

As at (\$ in thousands, except per share amounts)	2022 March 31	December 31	2021 March 31
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 19,048	\$ 19,589	\$ 21,366
Canadian equities	14,087	13,832	11,737
Global equities	299,650	335,460	300,181
Canadian real estate	29,669	28,216	24,847
	362,454	397,097	358,131
Bank of Montreal common shares	333,917	308,834	257,462
Short-term securities	8,266	8,227	15,122
Equities	36,516	37,727	22,814
Securities	\$ 741,153	\$ 751,885	\$ 653,529
Securities per share, diluted	\$ 27.97	\$ 28.27	\$ 24.05

Guardian's securities as at March 31, 2022 had a fair value of \$741.2 million, or \$27.97 per share, diluted, compared with \$751.9 million, or \$28.27 per share, diluted, at the end of 2021. Shareholders' equity as at March 31, 2022 amounted to \$828.4 million, or \$31.27 per share, diluted, compared to \$838.5 million, or \$31.53 per share, diluted, at the end of 2021. Since December 31, 2021, Guardian returned to shareholders \$4.7 million in dividends and \$2.3 million in share buybacks. The change in Shareholders' equity in 2022 is net of these amounts returned to shareholders.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$175.0 million, which was increased by \$10 million during the current quarter. As at March 31, 2022, the total borrowings amounted to \$139.1 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 \$17.8 million, compared to \$18.5 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 higher tax payments, partially offset by the improved 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 March 31, 2022 (\$ in thousands)	Total	Payments due by period			
	Total	Within one year	1 - 3 years	4 - 5 years	After five years
Bank loans and borrowings	\$ 139,115	\$ 139,115	\$ --	\$ --	\$ --
Third party investor liabilities	79,210	79,210	--	--	--
Client deposits	59,643	59,643	--	--	--
Accounts payable and other liabilities	115,503	109,213	--	6,290	--
Payable to clients	105,210	105,210	--	--	--
Investment commitments	25,199	25,199	--	--	--
Scheduled lease payments, undiscounted	15,459	3,734	6,058	3,789	1,878
Total contractual obligations	\$ 539,339	\$ 521,324	\$ 6,058	\$ 10,079	\$ 1,878

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:

	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
<i>As at (\$ in millions)</i>								
Assets under management	\$ 53,123	\$ 56,341	\$ 53,113	\$ 51,960	\$ 47,945	\$ 45,984	\$ 32,733	\$ 31,200
Assets under administration	30,526	31,508	30,015	29,582	28,376	22,289	20,755	20,010
Total client assets	83,649	87,849	83,128	81,542	76,321	68,273	53,488	51,210
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 75,065	\$ 78,049	\$ 72,384	\$ 69,960	\$ 64,694	\$ 63,724	\$ 52,042	\$ 50,124
Operating earnings	19,366	22,314	20,771	21,199	17,504	18,493	12,108	13,427
Net gains (losses)	(7,982)	52,331	(8,146)	56,467	41,971	80,983	35,739	43,254
Net earnings	5,815	64,451	8,597	66,831	50,861	87,083	42,652	51,244
Net earnings attributable to shareholders	4,262	62,421	7,054	65,138	49,625	86,039	42,201	50,486
<i>(in \$)</i>								
Net earnings attributable to shareholders:								
Per Class A and Common share								
Basic	\$ 0.17	\$ 2.52	\$ 0.28	\$ 2.59	\$ 1.95	\$ 3.38	\$ 1.66	\$ 1.99
Diluted	0.16	2.35	0.27	2.42	1.83	3.17	1.56	1.87
Dividends paid on Class A and Common shares	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
<i>As at</i>								
Shareholders' equity (\$ in thousands)	\$ 828,404	\$ 838,520	\$ 781,334	\$ 780,323	\$ 737,363	\$ 699,610	\$ 631,863	\$ 596,265
Per Class A and Common share (in \$)								
Basic	\$ 33.67	\$ 33.89	\$ 31.56	\$ 31.15	\$ 29.02	\$ 27.43	\$ 24.80	\$ 23.50
Diluted	31.27	31.53	29.40	29.09	27.14	25.69	23.25	22.07
Total Class A and Common shares outstanding (shares in thousands)	26,892	26,954	26,968	27,263	27,691	27,740	27,758	27,758

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

Investment management and advisory fees and trailer commissions are highly correlated to the changes in AUM and AUA, which are affected by the volatility of the global financial markets and additions and withdrawals of client assets. Offsetting this volatility are the significant insurance commissions earned in the MGA business, which are less correlated to the volatility of the financial markets. However, fluctuations 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 cyclicalities 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 decreased in the first quarter of 2022 as the total client assets decreased from the preceding quarter driven by the negative performance in the global financial markets. 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 impacts Net earnings (losses) attributable to shareholders. The global financial markets had continued positive performance since Q1 2020 until Q3 2021, when a portion of our securities exposed to the Emerging Market equities, which experienced a negative return, decreased in fair value. In Q1 of 2022, a portion of our securities exposed to global equity markets, other than those exposed to Canada, declined in value as a result of the negative performances in those markets. Large increases in AUM in Q4 of 2020 and AUA in Q1 of 2021 reflect the acquisitions of Agincourt, Copoloff and GPI completed in those periods.

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

RISK FACTORS

Guardian is exposed to a number of risk factors, including the key risk factors listed below. A key component of a successful business is its ability to manage its risk. Due to the nature of Guardian's businesses, its largest risk is tied to its exposure to financial markets. A significant portion of its revenue is derived from management of client assets or advisory on clients' wealth. During the current year, due to the ongoing pandemic disruptions, many of the risks listed below are heightened and may be more challenging to manage or mitigate. Readers are encouraged to refer to Note 14 to Guardian's First 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 First 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 March 31, 2022, Guardian holds \$334 million of BMO shares (December 31, 2021 – \$309 million), which represents 45% 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)	March 31 2022	December 31 2021
Bank of Montreal common shares	45%	41%
Other Canadian equity securities and real estate	6%	5%
Canadian equities and real estate	51%	46%
Non-Canadian equities	45%	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 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 First 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 three months ended March 31, (\$ in thousands)	2022	2021
Net earnings	\$ 5,815	\$ 50,861
Add (deduct):		
Income tax expense	5,569	8,614
Net (gains) losses	7,982	(41,971)
Stock-based compensation	755	666
Interest expense	608	345
Amortization	5,641	4,974
EBITDA	26,370	23,489
Non-controlling interests	(2,524)	(2,278)
EBITDA attributable to shareholders	\$ 23,846	\$ 21,211

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 three months ended March 31, (\$ in thousands)	2022	2021
Net cash from (used in) operating activities	\$ (692)	\$ 6,057
Add (deduct):		
Net change in non-cash working capital items	20,641	14,466
Adjusted cash flow from operations	19,949	20,523
Non-controlling interests	(2,194)	(2,031)
Adjusted cash flow from operations attributable to shareholders	\$ 17,755	\$ 18,492

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

Early in the first quarter of 2022, there seemed to be fresh hope for the world to return to a more normal environment. The wave of the highly transmissible Omicron variant of COVID-19 that swelled at the outset of this year subsided almost as rapidly and has not resulted in a commensurate spike in worst-case outcomes, giving a hopeful sign that restrictions on activity would be removed as the northern hemisphere moves into spring. By mid-February, we were all looking forward to the global economy quickly moving towards normalcy. Then, in late February, Russia invaded Ukraine and China started to shut down entire cities in a potentially quixotic bid to entirely stamp out the latest wave of the virus in the country.

The lower severity of infections with the latest, more transmissible COVID variant, in tandem with growing public pressures to begin the post-pandemic era and waning political appetite to keep restrictions in place, has led to a marked easing of stringent public health measures in most economies. This notable loosening in developed markets has spurred a sharp pickup in production, particularly in the far more pandemic-sensitive service sector. The notable exception to this trend is China, and early indications are that the impact of restrictions on its economy has been considerable, with gauges of activity in the manufacturing and services sectors plunging to lows not seen since the early days of the pandemic. Given China's importance in the global economy, particularly its key role within the world's production processes, these measures can cause ripples across the world and further challenge supply chains that have been constrained since the pandemic began.

As though the uncertainties related to the ongoing pandemic were not enough, the world was dealt another shock when Russia decided to invade Ukraine in February. Russian military aggression and the punitive actions taken by governments in response (including a broad array of sanctions), served as another driver of investor risk aversion and further muddied the outlook for global growth. Though Russia and Ukraine are not significant cogs in the global economic machine, they are important commodity producers. Russia is the world's largest exporter of natural gas, the second biggest exporter of crude oil and third largest exporter of coal. The conflict in Ukraine is also impacting consumer purchasing power in another, arguably more important way as well. Russia and Ukraine are two of the world's largest producers of cereal grains, cumulatively accounting for a quarter of global exports of wheat and 15% of trade in corn. All of this serves to further exacerbate pre-existing inflationary pressures.

Although it may well be the case that the outlook now is not as optimistic as it was a few months ago, with forecast confidence intervals widening and rising recession risks becoming a focal point of discussions, the backdrop is still far from dour. As has been the case for much of the last two years, the dataflow has continued to outperform expectations of late, as it seems forecasts have been overly pessimistic and the global economy is again proving to be more resilient than assumed.

In fact, the base case remains that global growth will be sustained at rates still notably above pre-crisis trends, with the pace of expansion likely to perk up in the coming months as pandemic-related restrictions are further scaled back and activity gradually returns to pre-crisis levels. In other words, despite the rising pessimism in the marketplace and narrative of late, the current backdrop and outlook for the months ahead is not actually all that bad. Activity is holding up surprisingly well throughout the ongoing uncertainty, and momentum should pick up in the months ahead. Add to this the fact that investor sentiment is highly depressed and year-do-date market weakness has made valuations more compelling, and it is arguable that there is still reason to fight back against the urge to materially scale back risk exposures at this juncture.

Guardian's results are significantly affected by the level and performance of stock and bond markets. During the pandemic, we, along with other market participants, benefitted from the fiscal and monetary stimulus provided by governments around the world. The withdrawal of this stimulus is accelerating, as fighting inflation has become a critical focus for policy makers. While our base case is that economic growth will provide the earnings to support stability, if not increases in equity prices, there are of course always risks to asset price forecasts. Guardian's strong balance sheet, combined with the diversity in our sources of profitability, allow us the luxury of making long-term plans that are not necessarily reliant on the co-operation of events outside of 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 new 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 a very efficient way to grow Guardian, as well as its profitability. We have a number of organic initiatives that can fit into this strategy, but we will continue to evaluate potential acquisition opportunities that can strengthen aspects of our business or accelerate our growth plans. We believe a combination of both organic and acquisition strategies for growth makes a great deal of sense. Over the long term, shareholders can expect to experience the benefits of both strategies.



Our history. Your future.

Guardian Capital Group Limited

Commerce Court West
Suite 3100, P.O. Box 201
Toronto, Ontario
Canada M5L 1E8

Tel: 416-364-8341
www.guardiancapital.com