GUARDIAN CAPITAL GROUP LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

SECOND QUARTER
June 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three- and six-month periods ended June 30, 2024 and the comparative period in the year 2023, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2023 Annual Report. This discussion and analysis has been prepared as of August 8, 2024

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedarplus.ca.

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 pandemics, such as COVID-19, military conflicts in various parts of the world, 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.sedarplus.ca. 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 global financial services company, which provides investment management services to institutional, retail and private high and ultra-high-net worth clients through its subsidiaries. At the end of the current quarter, Guardian had $54.7 billion of assets under management ("AUM") and $3.9 billion of assets under advisement ("AUA") (together the "Total Client Assets"). Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), Guardian Smart Infrastructure Management Inc. ("GSIM"), Guardian Capital Real Estate Inc. ("GCREInc"), Guardian Capital Advisors LP ("GCA") and Guardian Partners Inc. ("GPI"), the Waterloo, Ontario-based Rae & Lipskie Investment Counsel Inc. ("RaeLipskie"), Vancouver, British Columbia-based Modern Advisor Canada Inc. ("Modern Advisor"), the London, UK-based GuardCap Asset Management Limited ("GuardCap"), the Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta"), the Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt") and the Caribbean-based Alexandria Bancorp Limited ("ABL"). On July 2, 2024, Guardian acquired Sterling Capital Management LLC. ("Sterling"), a Charlotte, North Carolina-based investment management company with $104 (US $76) billion in Total Client Assets.
Guardian also manages its proprietary investment portfolio which had a fair market value of $1.1 billion as at June 30, 2024.

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. Definition of EBITDA and Adjusted cash flow from operations are provided on page 13 of the Management Discussions and Analysis. 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 June 30,	Three months			Six months		
($ in thousands, except per share amounts)	**2024**	2023	% Inc (Dec)	**2024**	2023	% Inc (Dec)
Net revenue	**$ 64,164**	$ 61,833	3.8%	**$ 126,661**	$ 116,326	8.9%
Expenses	**49,831**	44,795	11.2%	**100,010**	88,048	13.6%
Operating earnings	**14,333**	17,038	-15.9%	**26,651**	28,278	-5.8%
Net gains (losses)	**(39,161)**	(3,736)	-948.2%	**(26,424)**	14,398	-283.5%
Earnings (loss) before income taxes	**(24,828)**	13,302	-286.6%	**227**	42,676	-99.5%
Income tax expense (recovery)	**(2,098)**	1,770	-218.5%	**1,516**	5,892	-74.3%
Net earnings (loss) from continuing operations	**(22,730)**	11,532	-297.1%	**(1,289)**	36,784	-103.5%
Net earnings (loss) from discontinued operations	**--**	--	0.0%	**--**	554,933	-100.0%
Net earnings (loss)	**$ (22,730)**	$ 11,532	-297.1%	**$ (1,289)**	$ 591,717	-100.2%
EBITDA	**$ 21,376**	$ 23,199	-7.9%	**$ 40,282**	$ 40,570	-0.7%
Adjusted cash flow from operations	**14,740**	15,903	-7.3%	**29,949**	34,000	-11.9%
Attributable to shareholders:						
Net earnings (loss) from continuing operations	**$ (23,137)**	$ 11,145	-307.6%	**$ (1,970)**	$ 36,069	-105.5%
Net earnings (loss)	**(23,137)**	11,145	-307.6%	**(1,970)**	498,748	-100.4%
EBITDA	**20,688**	22,303	-7.2%	**39,013**	38,698	0.8%
Adjusted cash flow from operations	**13,853**	14,967	-7.4%	**28,540**	32,080	-11.0%
Per share amounts (diluted):						
Net earnings (loss) from continuing operations	**$ (0.99)**	$ 0.45	-320.0%	**$ (0.08)**	$ 1.48	-105.4%
Net earnings (loss)	**(0.99)**	0.45	-320.0%	**(0.08)**	19.45	-100.4%
EBITDA	**0.89**	0.89	0.0%	**1.67**	1.54	8.4%
Adjusted cash flow from operations	**0.59**	0.60	-1.7%	**1.22**	1.28	-4.7%

As at ($ in millions, except per share amounts)	**2024 June 30**	2023 December 31	% Inc (Dec)	2023 June 30	% Inc (Dec)
Shareholders' equity	**$ 1,223**	$ 1,241	-1.4%	$ 1,213	0.8%
Securities	**1,130**	1,318	-14.2%	1,274	-11.3%
Per share amounts (diluted):					
Shareholders' equity	**$ 49.34**	$ 49.39	-0.1%	$ 47.63	3.6%
Securities	**45.61**	52.44	-13.0%	50.05	-8.9%

SECOND QUARTER HIGHLIGHTS

ACQUISITION OF STERLING CAPITAL LLC

Subsequent to the end of the quarter, on July 2, 2024, Guardian completed its previously announced acquisition of Sterling, a Charlotte, North Carolina-based investment management firm, from Truist Financial Corporation ("Truist"). On closing, Guardian paid US$68.9 million, based on a US$70 million base-purchase price, net of various estimated adjustments, including estimated net working capital. These estimated adjustments are subject to true-ups over a period of up to 150 days from closing. Immediately prior to the end of the quarter ended June 30, 2024, Guardian raised the necessary cash to close this transaction by liquidating a portion of its investment in short-term securities. A series of earn-out incentives of up to US$45 million could also be paid over a 5-year period from closing, depending on the amount of revenue earned from Truist by Sterling. All existing employees of Sterling, including its senior executive team, have continued their employment under the new ownership.

The acquisition of Sterling significantly enhances Guardian's overall scale as a global asset manager, and expands its platform for future growth in the US market. Sterling currently manages and advises on approximately US$76 billion (approximately C$104 billion) of client assets. Over time, it is anticipated that all of Guardian's US businesses will be streamlined under one management group and operate as one consolidated business.

The following is a summary analysis of Sterling's Total Client Assets:

As at June 30, (US$ in millions)	**2024**
Sales channel:	
Institutional clients	**$ 52,017**
Retail intermediary clients	**23,142**
Private wealth clients	**620**
	$ 75,779
Asset class	
Fixed income	**$ 49,758**
Equities	**10,477**
Multi-asset solutions	**15,544**
	$ 75,779

Year to date June 30, 2024, Sterling generated Operating earnings of US $2.9 million and EBITDA of US $4.5 million under the previous ownership. If the acquisition had been completed on January 1, 2024, Sterling's estimated contributions to Guardian's financial results, taking into account the expected changes to Sterling's cost structure under Guardian's ownership, and excluding one-time transaction costs, are summarized in the table below:

For the six months ended June 30, (US$ in thousands)	2024
Net revenues	$ 55,302
Expenses	55,809
Operating earnings	(507)
EBITDA	2,343

Under the Guardian cost structure, Sterling's EBITDA for the six months ended June 30, 2024 would have been approximately US$2.3 million, inclusive of transitional costs of US$5.4 million, mainly related to building Sterling's stand-alone technology infrastructure, and retention incentives for key employees. We expect the transitional costs, over the next 3 years, to total approximately US$20 million, with approximately 50% being incurred in the first 12 months following closing. These numbers are preliminary and will be refined over the coming months as the transition and integration plans are finalized.

During the current quarter, Guardian incurred $0.4 million in transaction costs related to the acquisition, for a total of $1.1 million for the six months ended June 30, 2024. On or shortly after closing, Guardian incurred approximately US$5.6 million in additional transaction costs, which will be included in Q3 results.

AGREEMENT TO ACQUIRE GALIBIER CAPITAL MANAGEMENT LTD.

Guardian announced on June 20, 2024, that it had entered into an agreement to acquire 100% of Galibier Capital Management Ltd. ("Galibier"), an independent, Toronto-based investment management firm. The acquisition will enhance Guardian's Canadian equity investment capabilities and add approximately $1 billion in assets under management. The acquisition is expected to close in Q3 2024, subject to customary closing conditions, including regulatory approvals.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

The following is a summary of Guardian's assets under management and advisement:

As at ($ in millions)	2024 June 30	2023 December 31	% Inc (Dec)	2023 June 30	% Inc (Dec)
Assets under management					
Institutional clients	$ 29,757	$ 31,295	-4.9%	$ 30,194	-1.4%
Retail intermediary clients	19,239	17,948	7.2%	17,094	12.5%
Institutional assets under management	48,996	49,243	-0.5%	47,288	3.6%
Private wealth and outsourced chief investment officer	5,693	5,451	4.4%	5,466	4.2%
Total assets under management	54,689	54,694	0.0%	52,754	3.7%
Assets under advisement	3,939	4,080	-3.5%	3,773	4.4%
Total Client Assets	$ 58,628	$ 58,774	-0.2%	$ 56,527	3.7%

An analysis of the institutional assets under management by asset class is as follows:

As at ($ in millions)	2024 June 30	2023 December 31	% Inc (Dec)	2023 June 30	% Inc (Dec)
Global equities	$ 26,312	$ 26,079	0.9%	$ 28,160	-6.6%
Canadian equities	4,637	4,661	-0.5%	5,219	-11.2%
Fixed income	18,047	18,503	-2.5%	13,909	29.8%
Institutional assets under management	$ 48,996	$ 49,243	-0.5%	$ 47,288	3.6%

Guardian is reporting Total Client Assets of $58.6 billion as at June 30, 2024, compared to $58.8 billion, as at December 31, 2023 and $56.5 billion, as at June 30, 2023. The change since December 31, 2023 was due largely to net client outflows during the current quarter, largely offset by positive market performance year-to-date. The outflows during the current quarter were due largely to continued internalization of investment management functions and allocation of assets away from active managers like Guardian by institutional clients. These industry wide headwinds coincided with recent relative underperformance by certain of our investment strategies, together contributing to the net outflows. Improved relative performance will be an important factor in weathering these headwinds. The year-over-year change was largely the result of the positive returns in the global equities market, with large inflows of fixed income assets being offset by outflows in equity assets.

OPERATING RESULTS

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

	Three months			Six months		
For the periods ended June 30, ($ in thousands)	2024	2023	% Inc (Dec)	2024	2023	% Inc (Dec)
Investment management	$ 9,597	$ 10,245	-6.3%	$ 18,638	$ 20,082	-7.2%
Corporate activities and investments	4,736	6,793	-30.3%	8,013	8,196	-2.2%
	$ 14,333	$ 17,038	-15.9%	$ 26,651	$ 28,278	-5.8%

Guardian's consolidated Operating earnings for the quarter ended June 30, 2024, were $14.3 million, a decrease of 16% from $17.0 million for the same period in the prior year. The EBITDA for the current quarter was $21.4 million, a decrease of 8%, from $23.2 million for the same period in the prior year.

Net revenue grew to $64.2 million in the current quarter, an increase of 4%, from $61.8 million in the same period in the prior year. Net management and advisory fees increased by $3.1 million, or a 7% increase from the same quarter in the prior year, driven by higher AUM in the current quarter compared to the prior year. The impact of the net outflows of assets described above are not fully reflected in the current quarter's Net management and advisory fees as the assets were lost partway through the quarter. Q3 revenues are expected to be reduced by $2.5 million, assuming no further changes to AUM. The increase in Net management and advisory fees was partially offset by a decrease of $1.3 million in interest income as the balance invested in short-term securities declined over the same period. A portion of the short-term securities were used to provide seed capital to launch the Guardian Smart Infrastructure Fund ("GSIP") and other proprietary products, fund share-buybacks and pay income taxes owed on the large net gains realized on the sale of the Worldsource businesses.

Total expenses in the current quarter were $49.8 million, an increase of 11% from $44.8 million in the same period in the prior year. The increased expenses were largely driven by our continuing, multi-year, strategic investments to expand our future earnings sources and to enhance our operational capabilities. The most significant component of the increase is an approximately $1.8 million increase in technology expenditures, compared to the same quarter in the prior year, as part of our strategic investments to enhance our technology platform. We have also increased our marketing and branding efforts to support our Retail Asset Management initiatives in both Canada and the US. These are a multi-year initiative, and we anticipate the expenses to stay elevated for the near-term, dampening our earnings in the near-term, with the expectation that, over the longer-term, we can deliver increased earnings and cash flows from our businesses.

The Employee compensation and benefits expenses have also increased, year-over-year. In addition to the compensation costs associated with the strategic investments in technology and Retail Asset Management discussed above, higher incentive compensation costs incurred in our London, UK-based business was the largest contributor to the increase. The incentive compensation is driven by the growth in the Net management fee revenue in this business. Similarly, if the Net management and advisory fees were to decrease in Q3 as a result of the full quarter's impact of the client asset outflows in the current quarter, as mentioned above, the compensation expense would decrease to partially offset the loss of revenues. The interest expense has also increased compared to the prior year, due largely to the higher interest rates incurred on the corporate borrowings.

Net losses in the current quarter were $39.2 million, compared to $3.7 million in the same quarter in the prior year. These Net losses largely reflect the changes in the fair value of Guardian's substantial Securities portfolio, driven by the decline in the global equities market, and in particular, our investment in Bank of Montreal, which decreased in fair value by $39.3 million in the current quarter.

Net loss from continuing operations in the current quarter was $22.7 million, compared to Net earnings of $11.5 million in the same period in the prior year. The swing from Net earnings to Net loss was due to substantially higher Net losses arising from the Securities portfolio as described above.

Adjusted cash flow from operations for the quarter was $14.7 million, compared to $15.9 million in the same period in 2023. The decrease of $1.2 million was due largely to the decrease in earnings.

The discussion on Guardian's operating results by Segments, before inter-segment elimination transactions, are provided below. The discussion should be read in conjunction with Note 13 (a), Business Segments, contained in Guardian's Second Quarter 2024 Consolidated Financial Statements.

Investment Management Segment

Selected financial information for the Investment Management segment is as follows:

	Three months			Six months		
For the periods ended June 30, ($ in thousands)	**2024**	2023	% Inc (Dec)	**2024**	2023	% Inc (Dec)
Net revenues	**$ 51,796**	$ 48,516	6.8%	**$ 102,772**	$ 95,532	7.6%
Expenses	**42,199**	38,271	10.3%	**84,134**	75,450	11.5%
Operating earnings	**9,597**	10,245	-6.3%	**18,638**	20,082	-7.2%
EBITDA	**13,147**	13,565	-3.1%	**25,546**	26,756	-4.5%

The Investment Management Segment's Net revenue in the current quarter increased by $3.3 million driven by the increases in AUM resulting from the positive global financial market performance, year-over-year. The total expenses in the Segment in the quarter were $42.2 million in the current quarter, compared to $38.3 million in the same period in the prior year. Increased expenses were largely the result of the continuing multi-year strategic investments into enhancing our technology platform, marketing and brand awareness efforts to support our Retail Asset Management initiatives in both the US and Canada, additional associates hired to support these strategic efforts and increased incentive compensation costs incurred related to the growth in Net revenue earned in the UK business.

Corporate Activities and Investments Segment

Selected financial information for the Investment Management segment is as follows:

	Three months			Six months		
For the periods ended June 30, ($ in thousands)	**2024**	2023	% Inc (Dec)	**2024**	2023	% Inc (Dec)
Net revenues	**$ 12,722**	$ 13,661	-6.9%	**$ 24,492**	$ 21,383	14.5%
Expenses	**7,986**	6,868	16.3%	**16,479**	13,187	25.0%
Operating earnings	**4,736**	6,793	-30.3%	**8,013**	8,196	-2.2%
EBITDA	**8,230**	9,634	-14.6%	**14,736**	13,870	6.2%

The most significant contributor to the decline in the Corporate Activities and Investments Segment's Net revenue was the decrease in interest income earned on the short-term securities. In the current quarter, Guardian's holdings of short-term securities were lower than in the comparative period as over the same period, Guardian redeployed its investments in short-term securities into seeding the initial launch of its fund by GSIM, pay income taxes and fund share buybacks. Slightly higher dividend income, including that earned on the Bank of Montreal common shares, partially offset the decline in interest income. Expenses in the current quarter were $8.0 million, compared to $7.7million in the same period in the prior year. The increase is mainly due to increase in interest expense, resulting from increased borrowing rates over the period.

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 millions)	2024 June 30	2023 December 31	% Inc (Dec)	2023 June 30	% Inc (Dec)
Securities, carried at fair value					
Proprietary investment strategies					
Short-term and fixed-income securities	**$ 78,252**	$ 79,272	-1.3%	$ 35,991	117.4%
Canadian equities	**6,363**	5,871	8.4%	12,642	-49.7%
Global equities	**304,837**	274,700	11.0%	268,037	13.7%
Private investments and real estate	**157,185**	157,157	0.0%	43,423	262.0%
	546,637	517,000	5.7%	360,093	51.8%
Bank of Montreal common shares	**255,469**	292,175	-12.6%	266,708	-4.2%
Short-term securities	**287,798**	470,289	-38.8%	609,397	-52.8%
Fixed-income securities	**4,081**	4,053	0.7%	4,883	-16.4%
Equities	**36,391**	34,013	7.0%	33,080	10.0%
Securities	**$ 1,130,376**	$ 1,317,530	-14.2%	$ 1,274,161	-11.3%
Securities per share amount, diluted	**$ 45.61**	$ 52.44	-13.0%	$ 50.05	-8.9%

Guardian's Securities as at June 30, 2024 had a fair value of $1,130 million, or $45.61 per share, diluted, compared with $1,318 million, or $52.44 per share, diluted, at the end of 2023. Shareholders' equity as at June 30, 2024 amounted to $1,223 million, or $49.34 per share, diluted, compared to $1,241 million, or $49.39 per share, diluted, at the end of 2023. Securities decreased during the six months as Guardian used a portion of the holdings of short-term securities to fund the payments of the tax liabilities arising from the net gains realized on last year's sale of Worldsource, to raise cash to fund the July 2, 2024 closing payment for the acquisition of Sterling, and, to a lesser extent, to fund a portion of the $12.2 million in total share buybacks. Shareholders' equity decreased during the six months due to the combined effect a small net loss, dividends and share buybacks, partially offset by net change in foreign currency translation of foreign subsidiaries recorded in other comprehensive income.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of $175.0 million. As at June 30, 2024, the total borrowings amounted to $154.3 million, compared to $136.0 million at the end of 2023. Guardian's Adjusted cash flow from operations attributable to shareholders for the current quarter was $14.7 million, compared to $15.9 million 2023. Adjusted cash flow from operations were used to fund the dividends of $9.1 million during the current quarter.

CONTRACTUAL OBLIGATIONS

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

As at June 30, 2024		Payments due by period			
($ in thousands)	Total	Within one year	2 - 3 years	4 - 5 years	After five years
Bank loans and borrowings	$ 154,276	$ 154,276	$ --	$ --	$ --
Third party investor liabilities	63,893	63,893	--	--	--
Client deposits	107,238	107,238	--	--	--
Accounts and income taxes payable	75,387	75,387	--	--	--
Obligations to non-controlling interests and other	14,824	1,777	13,047	--	--
Investment commitments	22,065	22,065	--	--	--
Scheduled lease payments, undiscounted	28,078	2,919	5,155	4,752	15,252
Total contractual obligations	$ 465,761	$ 427,555	$ 18,202	$ 4,752	$ 15,252

Guardian's contractual commitments are supported by its strong financial position, including its Securities, referred to above under the heading "Liquidity and Capital Resources". 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. Guardian has a commitment to invest $22.1 million in GSIP and other third-party private equity funds. Guardian will decide on the appropriate strategy for funding these commitments when called upon by the funds.

SUMMARY OF QUARTERLY RESULTS

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

	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
As at ($ in millions)								
Assets under management	**$ 54,689**	$ 57,276	$ 54,694	$ 52,310	$ 52,754	$ 52,261	$ 49,587	$ 47,814
Assets under advisement	**3,939**	4,040	4,080	3,905	3,773	4,065	3,716	3,788
Total Client Assets	**58,628**	61,316	58,774	56,215	56,527	56,326	53,303	51,602
For the three months ended ($ in thousands)								
Net revenue	**$ 64,164**	$ 62,497	$ 62,245	$ 62,611	$ 61,833	$ 54,493	$ 50,681	$ 48,434
Operating earnings	**14,333**	12,318	13,097	18,474	17,038	11,240	8,790	10,419
Net gains (losses)	**(39,161)**	12,737	60,747	(17,358)	(3,736)	18,134	18,225	(21,148)
Net earnings (losses) from continuing operations	**(22,730)**	21,441	68,048	(2,270)	11,532	24,852	25,249	(11,582)
Net earnings from discontinued operations	**--**	--	--	--	--	554,933	6,386	5,034
Net earnings (losses)	**(22,730)**	21,441	68,048	(2,270)	11,532	579,785	31,635	(6,548)
Net earnings (loss) from continuing operations attributable to shareholders	**(23,137)**	21,167	67,087	(2,506)	11,145	24,524	24,679	(11,780)
Net earnings (loss) attributable to shareholders	**(23,137)**	21,167	67,087	(2,506)	11,145	487,203	29,961	(7,608)
Per share amounts (in $)								
Net earnings (loss) from continuing operations attributable to shareholders								
Basic	**$ (0.99)**	$ 0.90	$ 2.85	$ (0.11)	$ 0.47	$ 1.04	$ 1.02	$ (0.49)
Diluted	**(0.99)**	0.86	2.68	(0.11)	0.45	1.00	0.96	(0.49)
Net earnings (loss) attributable to shareholders:								
Basic	**$ (0.99)**	$ 0.90	$ 2.85	$ (0.11)	$ 0.47	$ 20.27	$ 1.24	$ (0.31)
Diluted	**(0.99)**	0.86	2.68	(0.11)	0.45	18.79	1.16	(0.31)
Dividends paid	**$ 0.37**	$ 0.34	$ 0.34	$ 0.34	$ 0.34	$ 0.24	$ 0.24	$ 0.24
As at								
Shareholders' equity *($ in millions)*	**$ 1,223**	$ 1,255	$ 1,241	$ 1,201	$ 1,213	$ 1,242	$ 768	$ 743
Per share amounts *(in $)*								
Basic	**$ 52.59**	$ 53.69	$ 52.87	$ 50.90	$ 51.11	$ 52.42	$ 31.84	$ 30.82
Diluted	**49.34**	50.30	49.39	47.54	47.63	48.73	29.43	28.88
Total Class A and Common shares outstanding *(shares in thousands)*	**24,959**	25,136	25,230	25,408	25,609	26,113	26,246	26,246

Over the past eight quarters presented above, Guardian's Net revenue, largely comprised of net management and advisory fees, 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.

Net management and advisory fees are highly correlated to the changes in Total Client Assets, which are affected by the volatility of the global financial markets and additions and withdrawals of assets by clients. Partially offsetting this volatility is the income from Securities earned in the Corporate Activities and Investments Segment, which are less directly correlated to the volatility in the global financial markets. The timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend and interest income recorded in the period.

The Net revenue for each of the quarters above generally trended with the levels of Total Client Assets. Starting in the second quarter of 2023, the Net revenue increased greater than expected from the change in Total Client Assets. This was due to the interest income earned on the proceeds of disposition of Worldsource Businesses. Starting in the fourth quarter of 2023, expenses related to the technology platform enhancements, the consolidation of expenses incurred in GSIP which were consolidated into Guardian's results and transaction costs associated with the acquisition of Sterling dampened the Operating earnings for the periods.

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 Net earnings from discontinued operations from the second quarter of 2022 to the first quarter of 2023, includes the Net earnings from Worldsource Businesses, which were reclassified into this line as a result of Guardian's decision to sell the business. Included in the first quarter of 2023 is $553,743 of net gains realized on the disposition of the Worldsouce Businesses and its operating earnings, net of taxes for the period to closing.

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

A key component of a successful business is its ability to manage its risk. The following sections discuss the most significant risks and Guardian's management processes to mitigate them. Readers are encouraged to refer to Note 15 to Guardian's Second Quarter 2024 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. The market fluctuations can be driven by political, economic or other changes in various regions of the world. We mitigate the risks associated with 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 price fluctuations risk. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 15 of Guardian's Second Quarter 2024 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 June 30, 2024, Guardian held $255 million of BMO shares (December 31, 2023 – $292 million), which represents 23% of Guardian's securities (December 31, 2023 – 22%). 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. Guardian also has an investment, through GSIP valued at $112 million (December 31, 2023 - $113 million), in an intelligent tolling and traffic systems company, and this investment represents 10% of the securities (December 31, 2023 – 9%). Guardian has accepted this concentration risk, as the investment is strategically important for the development of Guardian's Smart Infrastructure Management business. Guardian mitigates and manages this risk by actively monitoring management of the investee company through Guardian's representation on the board and by marketing GSIP to prospective third-party investors. The remainder of Guardian's securities portfolio is more diversified, from both an asset class and a geographical perspective.

The concentration risks by type as a percentage of total securities is summarized in the following table:

As at (as a percentage of securities)	**June 30 2024**	December 31 2023	% Inc (Dec)
Bank of Montreal common shares	**23%**	22%	5%
Other Canadian equity securities and real estate	**5%**	4%	25%
Canadian equities and real estate	**28%**	26%	8%
Non-Canadian equities	**39%**	32%	22%
Short-term and Fixed income securities	**33%**	42%	-21%
	100%	100%	0%

Foreign Currency Risk

Guardian's operating results may fluctuate with the changes in the foreign currency exchange rates compared to the Canadian dollar. The most significant foreign currency exposure is to the US dollars as most of the non-Canadian assets under management are US dollar denominated portfolios. The Company estimates that for every 1% change in the average exchange rate between the Canadian and US dollars would result in a change in Net Revenue of approximately +/- $596 for the six-month period to June 30, 2024. With the acquisition of Sterling, which closed on July 2, 2024, future operating results of Guardian will be subject to more sensitive to the fluctuations in the currency exchange rate between the Canadian dollar and the US dollar.

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.

From time to time, Guardian may recognize US dollar obligations to non-controlling interests on its balance sheet associated with the subsidiaries in the United States. 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 Consolidated 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. Guardian may also record certain foreign exchange gains (losses) in Net earnings, such as US dollar borrowings or on Canadian dollar cash balances held by foreign subsidiaries. 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.

Readers are encouraged to refer to Note 15 in Guardian's Second Quarter 2024 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. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrants, 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. Increased exposure to fixed-income securities resulting from the proceeds from the sale of the Worldsource Businesses being invested in these securities is managed through diversification and selection of securities issued by high-quality issuers.

Interest Rate Risk

Guardian's most significant exposure to interest rate risk is through its investment in short-term and fixed-income securities, partially offset by the bank loans and borrowings. The securities and the borrowings are both short-term, and act as a partial hedge to mitigate against interest rate fluctuations. Guardian is also exposed to interest rate risk on client deposits in its international banking operations. This risk is largely managed 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 reasonable 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, where appropriate, utilizing assistance from external advisors and insurance coverage.

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 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.

As remote working by Guardian employees has increased, remote access to Guardian's data centre by its employees has increased cyber security risk. 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.

Climate Change Risk

Guardian and its subsidiaries have mostly indirect exposure to climate risk; climate change may have an impact on financial market performance, which may, in turn, have an impact on level of income earned by Guardian; with the heightened awareness of climate change, asset managers may find retaining or attracting clients more challenging if they are viewed as not having a credible approach to climate change; and increasing regulatory requirements create onerous compliance obligations and increased costs which could impact business operations. Guardian has established a Responsible Investing Oversight Committee comprised of senior executives across its asset management subsidiaries, which is responsible for assessing and managing business risks related to the environment, social issues and corporate governance. Guardian also has a dedicated responsible investing team which is responsible for incorporating industry best practices in its asset management approach and aligning those activities across all of Guardian's asset management businesses. Guardian plans to leverage these existing structures in its plans to implement the proposed disclosure requirements of National Instrument 51-107.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to use its judgement to make estimates and assumptions, which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and judgment are listed in note 2 (c) to Guardian's 2023 Consolidated Financial Statements. The most significant of these are related to the impairment assessment of goodwill, the determination of fair value of securities classified as level 3 within the fair value hierarchy and the determination of level and nature of control Guardian can exercise over its investments. The valuation approach to level 3 securities which are valued by Guardian is most sensitive to the level of EBITDA associated with the issuer of the security. The valuation approach to level 3 securities, primarily private equity funds, which are not valued by the Company are to use the reported fair value as provided by the fund's manager. Guardian obtains comfort over the fair value reported by the managers by reviewing and discussing with the managers on an annual basis the valuation process and by comparing the reported fair value against each fund's audited financial statements. Guardian tests goodwill on an annual basis for impairment and reviews goodwill and intangible assets for indications of impairment at the end of each reporting period. If indications of impairment exist, the goodwill is then assessed for impairment in that period. The valuation approach to Investment Management Segment goodwill is most sensitive to the levels of AUM within the Segment. Management assess all significant investments to determine whether Guardian can exercise control over its investment, in which case it must consolidate the investment, or whether another method of accounting is more appropriate.

NON-IFRS MEASURES

EBITDA, EBITDA attributable to shareholders, and EBITDA per share

Guardian defines EBITDA as net earnings before interest, income tax, amortization, and stock-based compensation expenses, net gains or losses and net earnings from discontinued operations. EBITDA attributable to shareholders is defined as EBITDA less amounts attributable to non-controlling interests. EBITDA per share is calculated on EBITDA attributable to shareholders using the same average shares outstanding and other adjustments that are used in calculating net earnings attributable shareholders per share. 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 from discontinued operations", which are disclosed in Guardian's Consolidated Statements of Operations.

Reconciliations of the IFRS measures to the non-IFRS measures for the Company and its major operating segments, excluding the effects of inter-segment transactions, are as follows:

For the periods ended June 30, 2024	Three months			Six months		
($ in thousands)	Investment management	Corporate Activities and Investments	Consolidated	Investment management	Corporate Activities and Investments	Consolidated
Net earnings (loss)	$ 8,662	$ (31,392)	$ (22,730)	$ 15,146	$ (16,435)	$ (1,289)
Add (deduct):						
Net earnings from discontinued operations	--	--	--	--	--	--
Income tax expense (recovery)	2,404	(4,502)	(2,098)	4,809	(3,293)	1,516
Net (gains) losses	(1,469)	40,630	39,161	(1,317)	27,741	26,424
Stock-based compensation	599	460	1,058	1,088	836	1,924
Interest expense	95	2,534	2,629	187	4,891	5,078
Amortization	2,856	500	3,356	5,633	996	6,629
EBITDA	13,147	8,230	21,376	25,546	14,736	40,282
Less attributable to non-controlling interests in continuing operations	(688)	--	(688)	(1,269)	--	(1,269)
EBITDA attributable to shareholders	$ 12,459	$ 8,230	$ 20,688	$ 24,277	$ 14,736	$ 39,013

For the periods ended June 30, 2023	Three months			Six months		
($ in thousands)	Investment management	Corporate Activities and Investments	Consolidated	Investment management	Corporate Activities and Investments	Consolidated
Shareholders	$ 7,455	$ 4,077	$ 11,532	$ 16,152	$ 20,632	$ 591,717
Add (deduct):						
Net earnings from discontinued operations	--	--	--	--	--	(554,933)
Income tax expense (recovery)	2,213	(443)	1,770	4,239	1,653	5,892
Net (gains) losses	577	3,159	3,736	(309)	(14,089)	(14,398)
Stock-based compensation	469	452	921	919	918	1,837
Interest expense	100	1,953	2,053	306	3,732	3,982
Amortization	2,751	436	3,187	5,449	1,024	6,473
EBITDA	13,565	9,634	23,199	26,756	13,870	40,570
Less attributable to non-controlling interests in continuing operations	(896)	--	(896)	(1,872)	--	(1,872)
EBITDA attributable to shareholders	$ 12,669	$ 9,634	$ 22,303	$ 24,884	$ 13,870	$ 38,698

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, net of changes in non-cash working capital items and cash flows of discontinued operations. 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 June 30,	Three months		Six months	
($ in thousands)	**2024**	2023	**2024**	2023
Net cash from operating activities	**$ 14,873**	$ 14,882	**$ 6,466**	$ 25,069
Add (deduct):				
Net cash from operating activities, discontinued operations	**--**	--	**--**	(10,087)
Net change in non-cash working capital items	**(133)**	1,021	**23,483**	9,305
Net change in non-cash working capital items, discontinued operations	**--**	--	**--**	9,713
Adjusted cash flow from operations	**14,740**	15,903	**29,949**	34,000
Less attributable to non-controlling interests, continuing operations	**(887)**	(936)	**(1,409)**	(1,920)
Adjusted cash flow from operations attributable to shareholders	**$ 13,853**	$ 14,967	**$ 28,540**	$ 32,080

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

In a notable contrast to the last few years, it appears that economic forecasters are no longer just notionally trading unexpected near-term strength for more forecasted weakness later on, effectively kicking their recession calls down the road. The downward inflection for growth that was assumed to be near, has been replaced by a fairly flat and stable trajectory across the forecast horizon. The current consensus is for real global growth to maintain rates generally consistent with what has prevailed over the last two years, a marginal, but manageable step down from pre-pandemic trends. Further to this point, an imminent recession is no longer viewed as a high-probability event. For starters, despite concerns that consumers are running out of gas, there are limited signs so far of weakness in household spending. A prime example of the continued strength on this front is that expenditure on things such as entertainment and travel, viewed as among the most discretionary type of spending, remains quite firm. Live sports are thriving with attendance up for Major League Baseball games, the National Football League broke its attendance record this past season, and European football teams playing in front of packed stadiums in spite of rising ticket prices. Furthermore, consumers worldwide continue to take to the skies in record numbers. The US Transportation Security Administration has seen a record number of travelers pass through their checkpoints this year. At the same time, spending on goods that surged amid the pandemic, have remained resilient and continue to run at elevated levels. Retail spending on an inflation-adjusted basis has not registered much of a decline from trend despite elevated price pressures.

Echoing this demand for consumer goods, international trade flows have turned for the better this year. Growth in imports and export volumes has perked up, and there has been particular strength in Emerging Markets (EM) that play a significant role in the supply chain. Momentum has been confirmed by the bellwether global manufacturing Purchasing Managers' Index (PMI). The forward-looking gauge of factory activity just closed out its best quarter in two years with the participation in the expansion of goods production broadening out notably. The global PMI for the more economically important service sector has seen its moderate upward momentum sustained so far through 2024, with Q2 marking its best in a year. The solid levels of business activity have kept demand for workers elevated. While well off their earlier peaks, job vacancy rates generally remain above pre-pandemic levels worldwide. Layoffs remain benign with filings for government unemployment insurance programs low, and while a decline in worker resignations suggests some marginal cooling in the employment market, it also points to businesses' efforts to retain staff. As a result, unemployment rates remain near their historic lows globally. A firm backdrop for employment bodes well for continued income growth, combined with strength in household balance sheets, which, in general remain in solid shape, suggests there is still scope for consumers to continue to serve as a driver for global growth.

Underlying inflationary pressures have continued to moderate, giving a boost to household purchasing power, the damaged links in the supply chain have been repaired, driving a material easing in supply-side price pressures that played a significant role in pushing inflation rates higher worldwide. Price pressures in the production pipeline have plunged. China, often the first step in the value chain, has seen producer prices outright deflate for nearly two years, for example. Even with growth and employment holding up better-than-anticipated, the progress with respect to attaining price stability has effectively led all major central banks to move to the sidelines and signal a less restrictive policy stance.

Unfortunately, however, the pessimistic prospects of a potential "hard landing" that have weighed on confidence over the last few years cannot be completely eschewed quite yet. Growth and inflation trends have been favourable, but there is always the possibility that momentum could turn. While there has been a clear disconnect between what consumers and businesses have been saying and what they have been doing in the post-pandemic era, it remains the case that measures of sentiment remain historically subdued. Weak confidence about what is to come can set off a negative economic spiral where more conservative household and business spending decisions now weigh on demand and create weakness that spurs softer job markets which only exacerbate the ultimate hit to activity. There is already growing evidence of the long and variable lag of monetary policy being felt among households. Delinquency rates on consumer loans have been rising in recent quarters with particularly sharp increases among credit cards. That said, overall consumer loan delinquency rates remain benign as households generally appear to be on solid footing and remain current on the housing-related debt that accounts for the vast majority of liabilities. The prospect of interest rates staying at high levels presents some risk as mortgages increasingly come up for renewal and would-be sellers face less-than-ideal real estate market conditions. Another key risk that appears set to intensify in the months ahead and increase the prospect of a more "exogenous" shock stems from geopolitics. The ongoing conflicts in Ukraine and the Middle East continue to take heavy humanitarian tolls on their respective regions and reverberate globally via commodity markets and rising uncertainty. The tensions around the Taiwan Strait continue to linger on the backburner as well.

Lingering risks combined with the prospect of further moderation in inflation and a policy-induced decline in interest rates offers up a constructive outlook for fixed income investments that have endured among their worst three years on record. That said, the very near-term may see continued volatility until there is greater clarity on the policy rate path, especially with respect to the US Federal Reserve where expectations have undergone sizable swings over the last year. Barring an unexpected material break higher in inflation that spurs further action from policymakers, however, it would appear that the peak in rates has likely passed. The anticipated synchronized easing cycle from global central banks would exert downward pressure on rates,

though, the more-policy sensitive front-end of the curve will likely see bigger declines and result in a steepening in the long-inverted yield curve. Further out the curve, market forces will play more of a role than they have in recent history, and on that front the expected supply/demand dynamics may keep longer-term rates more anchored.

As it stands, market consensus points to sovereign 10-year bond yields not deviating all that much from recent trading ranges over the forecast horizon. That said, bonds would appear to provide a fairly compelling balance of risks trade-off that could continue to attract investor flows. Yields remain around their highest levels in over a decade and the prospect of rates moving lower sets up the potential for capital gains as well and in the event of a material economic slowdown actually materializing (or even just rising risks), this latter feature would become more prominent. Corporate bonds offer comparably higher coupons that point to higher relative returns while also offering a cushion against adverse market moves.

The outlook of positive growth, moderating inflation and declining interest rates remains constructive for equities and continues to suggest that balanced investors would benefit from a tilt in portfolios in favour of the asset class. Indeed, despite the strong performance of stock markets year-to-date, there appears to be scope for further gains in the months ahead. From a fundamental perspective, ongoing economic growth bodes well for revenues while declining cost pressures support improved profitability. Despite earlier expectations to the contrary, corporate profit margins have resumed their upward trajectory this year which has in turn contributed to the positive inflection in earnings momentum. Analyst earnings expectations have firmed in recent months, the ratio of earnings upgrades-to-downgrades over the last three months improved to its best level since January 2022 globally and the improvement has been broad-based across regions. The price-to-earnings ratio for the aggregated global stock market stands more than one standard deviation above its historical norms and history would suggest that these valuations do not bode well for longer-term return prospects. The current market environment, however, is truly without historical precedent. The last two years have seen a significant divergence in performance, with an extremely narrow subset of stocks of mega-cap US Tech-related companies accounting for the vast majority of overall gains, while returns have been relatively tepid elsewhere. The extreme concentration means that index-level performance does not provide a good picture of the market as a whole. Case in point, 80% of the constituent stocks in the S&P 500 are lagging the overall US equity benchmark year-to-date. Accordingly, broad market metrics continue to be skewed by the significant outperformance of a small number of large stocks and, therefore, not overly representative of the market. The price-to-earnings ratio for the market-capitalization-weighted MSCI World Index points to the global equity market being quite expensive relative to its historical averages, but the equal-weighted version that projects a more level playing field remains below its norms indicating that there are opportunities for active and selective investors. It is important to consider that, index-level declines might not necessarily mean that the market as a whole is struggling or provide an indication that economic momentum is faltering. Instead, it could simply represent something as fairly innocuous as investors rebalancing what have become increasingly concentrated portfolios due to the significant divergence in performance. This would be less than ideal for passive/index investors, but could prove to be a boon for active managers that have lagged in the last couple of years due to relative underexposure to the narrow subset of market leaders.

Overall, downside risks to the outlook certainly remain, but flow of contemporaneous activity data and forward-looking indicators suggest that the odds of the worst-case outcomes of a significant downward inflection in momentum materializing in the near-term have diminished. The likelihood of continued modest and broadening economic growth momentum, moderating inflationary pressures, and declining market interest rates would represent a constructive backdrop for financial markets. This is especially the case given that valuations across asset classes do not actually appear particularly stretched in general at the moment, which suggests there is scope for added gains in the months ahead.

Guardian's sizable balance sheet and earnings from operations offer the opportunity to make long-term plans that are not necessarily reliant on the cooperation of events outside our control. Acquisitions can be made to quickly bring new or complimentary capabilities, or geographic presence, while investments can be made, even at the expense of short-term profitability, to organically create new opportunities over a longer time frame, likely at a lower cost than acquiring a fully formed business. Last year, we engaged in a strategic planning process to account for the new realities of substantially greater liquidity, resulting from the sale of Worldsource. We concluded that, in the near term, our plan to grow the business should not be a radical departure from what has led us to the success we have enjoyed over past decades but take into account the increased flexibility and capacity conferred on us by the substantial increase in our net cash and investments. Our ambition is to create an environment where it is possible to double our operating earnings over the next five years, while increasing our dividend payout, both in absolute terms and, as we prove our growth strategy is working, as a percentage of our free cash flow. We also plan to use our balance sheet to opportunistically buy back Guardian shares for cancellation, all while maintaining our financial strength, and the flexibility that comes along with it. Given our recent history of acquisitions in asset management along with the liquidity and size of our capital base, we are regularly presented with a variety of acquisition targets. The number of acquisition opportunities appears to be plentiful and growing, however, we must remain disciplined and selective in reviewing these situations as we acquire further market intelligence of the opportunities and challenges across our industry. The acquisition of Sterling, which closed in early July, brings a new set of investment and money management capabilities, alongside a platform that will enhance our US distribution capabilities. In the immediate future, we anticipate most of our focus will be on integrating Sterling, and its capabilities, into our existing strategy. All in all, our plans are not significantly different from how we have run the company in the past, but on a much larger scale.

As we have done in the past, we will continue to utilize our balance sheet to seed new strategies and to support growth in our operating business segment. Overall, we believe that we have ample capacity to fund any future demand for seeding of proprietary strategies and their respective investment vehicles, corporate acquisitions and buybacks of Guardian stock under our normal course issuer bid.