

GUARDIAN CAPITAL GROUP LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FIRST QUARTER
March 31, 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 month period ended March 31, 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 May 9, 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 financial services company, which provides extensive 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 \$57.3 billion of assets under management ("AUM") and \$4.0 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"). Guardian also manages its proprietary investment portfolio which had a fair market value of \$1.3 billion 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. As a result of the sale of the Worldsource businesses as discussed below, we have updated the definition of EBITDA to exclude Net earnings from discontinued operations and Adjusted cash flow from operations to exclude cash flow from discontinued operations. More detailed definition of EBITDA is provided on page 12 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 three months ended March 31, (\$ in thousands, except per share amounts)	2024	2023	% Inc (Dec)
Net revenue	\$ 62,497	\$ 54,493	14.7%
Expenses	50,179	43,253	16.0%
Operating earnings	12,318	11,240	9.6%
Net gains	12,737	18,134	-29.8%
Net earnings before income taxes	25,055	29,374	-14.7%
Income tax expense	3,614	4,122	-12.3%
Net earnings from continuing operations	21,441	25,252	-15.1%
Net earnings from discontinued operations	--	554,933	-100.0%
Net earnings	\$ 21,441	\$ 580,185	-96.3%
EBITDA	\$ 18,906	\$ 17,371	8.8%
Adjusted cash flow from operations	15,209	18,097	-16.0%
Attributable to shareholders:			
Net earnings from continuing operations	\$ 21,167	\$ 24,924	-15.1%
Net earnings	21,167	487,603	-95.7%
EBITDA	18,333	16,395	11.8%
Adjusted cash flow from operations	14,695	17,113	-14.1%
Per share amounts (diluted):			
Net earnings from continuing operations	\$ 0.86	\$ 1.00	-14.0%
Net earnings	0.86	18.79	-95.4%
EBITDA	0.75	0.65	15.4%
Adjusted cash flow from operations	0.60	0.67	-10.4%

As at (\$ in millions, except per share amounts)	2024 March 31	2023 December 31	% Inc (Dec)	2023 March 31	% Inc (Dec)
Shareholders' equity	\$ 1,255	\$ 1,241	1.1%	\$ 1,242	1.0%
Securities	1,253	1,318	-4.9%	1,301	-3.7%
Per share amounts (diluted):					
Shareholders' equity	\$ 50.30	\$ 49.39	1.8%	\$ 48.73	3.2%
Securities	50.22	52.44	-4.2%	51.06	-1.6%

FIRST QUARTER HIGHLIGHTS**PENDING ACQUISITION OF STERLING CAPITAL LLC**

Guardian announced on February 2, 2024, that it had entered into an agreement to acquire 100% of Sterling Capital Management LLC ("Sterling"), a Charlotte, North Carolina-based investment management firm, from Truist Financial Corporation. Guardian will pay US\$70 million on closing, subject to certain adjustments, including for net working capital. In addition, a series of earn-out incentives up to US\$45 million could be paid over a 5-year period from closing based on the amount of revenue earned from Truist by Sterling. All employees are expected to continue their employment with Sterling and key management employees are expected to sign new employment agreements on closing. The transaction is expected to close in the third quarter of 2024.

This strategic acquisition accelerates Guardian's US expansion plans and provides a platform for future consolidation of US businesses and growth. Sterling currently manages and advises on approximately US\$78 billion (approximately C\$106 billion) in client assets. Sterling's investment solutions are largely US fixed income, US equities and multi-asset solutions with approximately two thirds of the client assets being fixed income solutions. These strategies are expected to be complimentary to Guardian's existing US fixed income and US equity strategies currently managed by Agincourt and Alta, respectively and will add scale to our US operations.

We anticipate the initial period operating results of Sterling will include a number of non-recurring costs related to the transaction, the transitional service cost expected to be paid to Truist for the initial period, the costs for Sterling to build out its own infrastructure and other integration costs.

PENDING TAX CHANGES

Subsequent to the end of the first quarter, the Canadian federal budget was announced which included changes to the Income Tax Act to increase the capital gains inclusion rate on gains realized by corporations on or after June 25, 2024 to 66.67% from 50.00%. This would result in higher taxes being payable on future net gains realized in Canada by Guardian. The impact of this change has not been incorporated into Guardian's First Quarter of 2024 Consolidated Financial Statements as the changes have not been substantially enacted. However, if the changes had been substantially enacted prior to March 31, 2024, Guardian estimates it would have recognized additional deferred tax liabilities of approximately \$14.3 million related to unrealized net gains associated with Securities held in Canada.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

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

As at (\$ in millions)	2024 March 31	2023 December 31	% Inc (Dec)	2023 March 31	% Inc (Dec)
Assets under management					
Institutional clients	\$ 32,529	\$ 31,295	3.9%	\$ 30,059	8.2%
Retail intermediary clients	19,060	17,948	6.2%	16,857	13.1%
Institutional assets under management	51,589	49,243	4.8%	46,916	10.0%
Private wealth and outsourced chief investment officer	5,687	5,451	4.3%	5,345	6.4%
Total assets under management	57,276	54,694	4.7%	52,261	9.6%
Assets under advisement	4,040	4,080	-1.0%	4,065	-0.6%
Total Client Assets	\$ 61,316	\$ 58,774	4.3%	\$ 56,326	8.9%

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

As at (\$ in millions)	2024 March 31	2023 December 31	% Inc (Dec)	2023 March 31	% Inc (Dec)
Global equities	\$ 27,974	\$ 26,079	7.3%	\$ 24,985	12.0%
Canadian equities	4,861	4,661	4.3%	5,340	-9.0%
Fixed income	18,754	18,503	1.4%	16,591	13.0%
Institutional assets under management	\$ 51,589	\$ 49,243	4.8%	\$ 46,916	10.0%

Guardian is reporting Total Client Assets of \$61.3 billion as at March 31, 2024, compared to \$58.8 billion, as at December 31, 2023 and \$56.3 billion, as at March 31, 2023. The change since December 31 was due largely to the positive market performance and to a lesser extent net inflow of net new assets. 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:

For the three months ended March 31, (\$ in thousands)	2024	2023	% Inc (Dec)
Investment management	\$ 9,040	\$ 9,838	-8.1%
Corporate activities and investments	3,278	1,402	133.8%
	\$ 12,318	\$ 11,240	9.6%

Guardian's consolidated Operating earnings for the quarter ended March 31, 2024, were \$12.3 million, an increase of 10% from \$11.2 million for the same period in the prior year. The EBITDA for the current quarter was \$18.9 million, an increase of 9%, from \$17.4 million for the same period in the prior year.

Net revenue grew to \$62.5 million in the current quarter, an increase of 15%, from \$54.5 million in the same period in the prior year. The increase included \$3.9 million in higher interest income earned on the proceeds from the sale of the Worldsource businesses, which were only available for one month in the comparative period. Net management and advisory fees increased by \$3.5 million, or an 8% increase from the prior year, driven by higher AUM in the current period compared to the prior year. Total expenses in the current quarter were \$50.2 million, an increase of 16% from \$43.3 million in the same period in the prior year. The increased expenses were largely driven by our continued, multi-year, strategic investments being made to expand our future earnings sources. The most significant component of the increase is an approximately \$2 million increase in technology expenditures as part of our strategic investments to enhance our technology platform. This is a multi-year year project, and we anticipate the expenses to stay elevated for the near-term. We have also ramped up our marketing and brand recognition efforts to support our Retail Asset Management initiatives in both Canada and the US. The increase in Professional and outsourced services costs is arising from costs incurred within Guardian Smart Infrastructure Partners LP ("GSIP"), which has been consolidated into Guardian's Consolidated Financial Statements as Guardian is deemed to have control over this fund. As mentioned in prior periods, Guardian, along with the management team of GSIM, committed seed capital of US\$100 million to accelerate the launch of GSIP and attract arm's length, third-party investors into this fund. GSIP will continue to be consolidated into Guardian's results until it has attracted sufficient third-party investors so that Guardian will no longer be considered to control the fund. These expenses can vary depending on the timing and the level of expenditures incurred within the operations of GSIP. We anticipate all these investments to continue to dampen 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. Along with the strategic investments discussed above the increase is also caused by higher incentive compensation costs incurred in our London, UK-based business, which is driven by the growth in its Net management fee revenue. The interest expense has also increased compared to the prior year, due largely to the higher interest rates incurred on the corporate borrowings. Finally, included in the current quarter's Professional and outsourced services are approximately \$0.7 million in costs associated with the pending transaction to acquire Sterling.

Net gains in the current quarter were \$12.7 million, compared to \$18.1 million in the same quarter in the prior year. These Net gains largely reflect the changes in fair values of Guardian's substantial Securities portfolio, which are driven by the gains in the global financial markets.

Net earnings from continuing operations in the current quarter was \$21.4 million, compared to \$25.3 million in the same period in the prior year. The decrease was due to lower net gains on the Securities portfolio, which more than offset the growth in Operating earnings mentioned above.

Adjusted cash flow from operations for the quarter was \$15.2 million, compared to \$18.1 million in the same period in 2023. The decrease is as a result of approximately \$4.3 million in Adjusted cash flow from operations contributed by the Worldsource businesses in the first two months of 2023.

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 First Quarter 2024 Consolidated Financial Statements.

Investment Management Segment

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

For the three months ended March 31, (\$ in thousands)	2024	2023	% Inc (Dec)
Net revenues	\$ 50,977	\$ 47,017	8.4%
Operating earnings	9,040	9,838	-8.1%
EBITDA	12,398	13,193	-6.0%

The Investment Management Segment's Net revenue increased by \$4.0 million driven by the increases in AUM resulting from the positive global equities market performance, year-over-year. The total expenses in the Segment were \$41.9 million in the current quarter, compared to \$37.2 million in the same period in the prior year. Increased expenses were largely the result of the 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:

For the three months ended March 31, (\$ in thousands)	2024	2023	% Inc (Dec)
Net revenues	\$ 11,770	\$ 7,721	52.4%
Operating earnings	3,278	1,402	133.8%
EBITDA	6,508	4,234	53.7%

The most significant contributor to the growth in the Corporate activities and investments Segment's Net revenue was the increased interest income earned on the proceeds from the sale of the Worldsource Businesses. In the current quarter the proceeds were invested for the full quarter compared with only one month in the prior year. Slightly higher dividend income, including that earned on the Bank of Montreal common shares, also contributed to the Segment's higher Net revenue. The increase in Net revenue was partially offset by higher expenses in the current quarter of \$8.5 million, compared to \$6.3 million 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, costs incurred in the operation of GSIP which is consolidated into Guardian's financial statements, and approximately \$0.7 million in transaction costs related to the pending acquisition of Sterling. These costs incurred in GSIP can fluctuate with the timing and the magnitude of expenses incurred within GSIP.

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 March 31	2023 December 31	% Inc (Dec)	2023 March 31	% Inc (Dec)
Securities, carried at fair value					
Proprietary investment strategies					
Short-term and fixed-income securities	\$ 77,698	\$ 79,272	-2.0%	\$ 13,168	490.1%
Canadian equities	6,286	5,871	7.1%	13,624	-53.9%
Global equities	291,571	274,700	6.1%	291,016	0.2%
Private investments and real estate	157,139	157,157	0.0%	43,345	262.5%
	532,694	517,000	3.0%	361,153	47.5%
Bank of Montreal common shares	294,784	292,175	0.9%	268,180	9.9%
Short-term securities	386,566	470,289	-17.8%	638,613	-39.5%
Fixed-income securities	4,066	4,053	0.3%	--	100.0%
Equities	35,027	34,013	3.0%	33,538	4.4%
Securities	\$ 1,253,137	\$ 1,317,530	-4.9%	\$ 1,301,484	-3.7%
Securities per share amount, diluted	\$ 50.22	\$ 52.44	-4.2%	\$ 51.06	-1.6%

Guardian's Securities as at March 31, 2024 had a fair value of \$1,253 million, or \$50.22 per share, diluted, compared with \$1,318 million, or \$52.44 per share, diluted, at the end of 2023. Shareholders' equity as at March 31, 2024 amounted to \$1,255 million, or \$50.30 per share, diluted, compared to \$1,241 million, or \$49.39 per share, diluted, at the end of 2023. Securities decreased during the quarter as the Company used a portion of the proceeds from selling the short-term securities to fund the payment of the tax liabilities arising from last year's sale of Worldsource and, to a lesser extent, to fund a portion of the \$4.1 million in total share buybacks for the quarter. Shareholders' equity increased during the quarter as income, including unrealized gains, was greater than dividends and share buybacks.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$175.0 million. As at March 31, 2024, the total borrowings amounted to \$149.5 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 \$17.1 million 2023. Adjusted cash flow from operations were used to fund the dividends of \$8.4 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 March 31, 2024 (\$ in thousands)	Payments due by period				
	Total	Within one year	2 - 3 years	4 - 5 years	After five years
Bank loans and borrowings	\$ 149,539	\$ 149,539	\$ --	\$ --	\$ --
Third party investor liabilities	72,698	72,698	--	--	--
Client deposits	64,658	64,658	--	--	--
Accounts and income taxes payable	75,517	75,517	--	--	--
Obligations to non-controlling interests and other	14,790	1,743	13,047	--	--
Investment commitments	23,386	23,386	--	--	--
Scheduled lease payments, undiscounted	29,157	2,993	5,417	4,892	15,855
Total contractual obligations	\$ 429,745	\$ 390,534	\$ 18,464	\$ 4,892	\$ 15,855

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 \$23.4 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:

	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
<i>As at (\$ in millions)</i>								
Assets under management	\$ 57,276	\$ 54,694	\$ 52,310	\$ 52,754	\$ 52,261	\$ 49,587	\$ 47,814	\$ 46,931
Assets under advisement	4,040	4,080	3,905	3,773	4,065	3,716	3,788	3,944
Total Client Assets	61,316	58,774	56,215	56,527	56,326	53,303	51,602	50,875
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 62,497	\$ 62,245	\$ 62,611	\$ 61,833	\$ 54,493	\$ 50,681	\$ 48,434	\$ 50,056
Operating earnings	12,318	13,097	18,474	17,038	11,240	8,790	10,419	11,404
Net gains (losses)	12,737	60,747	(17,358)	(3,736)	18,134	18,225	(21,148)	(91,545)
Net earnings (losses) from continuing operations	21,441	68,048	(2,270)	11,532	24,852	25,249	(11,582)	(73,463)
Net earnings from discontinued operations	--	--	--	--	554,933	6,386	5,034	5,239
Net earnings (losses)	21,441	68,048	(2,270)	11,532	579,785	31,635	(6,548)	(68,224)
Net earnings (loss) from continuing operations attributable to shareholders	21,167	67,087	(2,506)	11,145	24,524	24,679	(11,780)	(74,053)
Net earnings (loss) attributable to shareholders	21,167	67,087	(2,506)	11,145	487,203	29,961	(7,608)	(69,698)
<i>Per share amounts (in \$)</i>								
Net earnings (loss) from continuing operations attributable to shareholders								
Basic	\$ 0.90	\$ 2.85	\$ (0.11)	\$ 0.47	\$ 1.04	\$ 1.02	\$ (0.49)	\$ (3.03)
Diluted	0.86	2.68	(0.11)	0.45	1.00	0.96	(0.49)	(3.03)
Net earnings (loss) attributable to shareholders:								
Basic	\$ 0.90	\$ 2.85	\$ (0.11)	\$ 0.47	\$ 20.27	\$ 1.24	\$ (0.31)	\$ (2.85)
Diluted	0.86	2.68	(0.11)	0.45	18.79	1.16	(0.31)	(2.85)
Dividends paid	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.34	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
<i>As at</i>								
Shareholders' equity (\$ in millions)	\$ 1,255	\$ 1,241	\$ 1,201	\$ 1,213	\$ 1,242	\$ 768	\$ 743	\$ 743
Per share amounts (in \$)								
Basic	\$ 53.69	\$ 52.87	\$ 50.90	\$ 51.11	\$ 52.42	\$ 31.84	\$ 30.82	\$ 30.68
Diluted	50.30	49.39	47.54	47.63	48.73	29.43	28.88	28.74
Total Class A and Common shares outstanding (shares in thousands)	25,136	25,230	25,408	25,609	26,113	26,246	26,246	26,342

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 pending 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 Worldsource 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 First 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 First 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 March 31, 2024, Guardian held \$295 million of BMO shares (December 31, 2023 – \$292 million), which represents 24% 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 9% 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)	March 31 2024	December 31 2023	% Inc (Dec)
Bank of Montreal common shares	24%	22%	9%
Other Canadian equity securities and real estate	4%	4%	0%
Canadian equities and real estate	28%	26%	8%
Non-Canadian equities	35%	32%	10%
Short-term and Fixed income securities	37%	42%	-12%
	100%	100%	0%

Foreign Currency Risk

As a result of expansion outside of Canada, Guardian's revenues, expenses and operating results from foreign operations 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.

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 First 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 deposit liabilities 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 have increased, remote access to Guardian's data centre by its employees have 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 three months ended March 31, (\$ in thousands)	2024			2023		
	Investment management	Corporate Activities and Investments	Consolidated	Investment management	Corporate Activities and Investments	Consolidated
Net earnings	\$ 6,482	\$ 14,959	\$ 21,441	\$ 8,696	\$ 16,556	\$ 580,185
Add (deduct):						
Net earnings from discontinued operations	--	--	--	--	--	(554,933)
Income tax expense	2,406	1,208	3,614	2,027	2,095	4,122
Net (gains) losses	152	(12,889)	(12,737)	(885)	(17,249)	(18,134)
Stock-based compensation	490	376	866	450	466	916
Interest expense	91	2,358	2,449	207	1,778	1,929
Amortization	2,777	496	3,273	2,698	588	3,286
EBITDA	12,398	6,508	18,906	13,193	4,234	17,371
Less attributable to non-controlling interests in continuing operations	(573)	--	(573)	(976)	--	(976)
EBITDA attributable to shareholders	\$ 11,825	\$ 6,508	\$ 18,333	\$ 12,217	\$ 4,234	\$ 16,395

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 three months ended March 31, (\$ in thousands)	2024	2023	% Inc (Dec)
Net cash from operating activities	\$ (8,407)	\$ 10,187	-182.5%
Add (deduct):			
Net cash from operating activities, discontinued operations	--	(10,087)	-100.0%
Net change in non-cash working capital items	23,616	8,284	185.1%
Net change in non-cash working capital items, discontinued operations	--	9,713	-100.0%
Adjusted cash flow from operations	15,209	18,097	-16.0%
Less attributable to non-controlling interests, continuing operations	(514)	(984)	-47.7%
Adjusted cash flow from operations attributable to shareholders	\$ 14,695	\$ 17,113	-14.1%

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

One of the overriding narratives with respect to the economic outlook over the last few years has been the expectation that a downturn was imminent. The thinking was that generationally high inflation and the aggressive and synchronized global monetary tightening cycle that came as a result, would choke off growth and spur a deep recession that resulted in widespread job losses, falling earnings and financial market pain. There were signs of growth slowing and even some stagnation outside of the US but expectations for momentum to fully roll over were consistently met with positive surprises. The second half of last year saw things start to change. Not only was the data flow suggesting that the trajectory for global growth was not turning down but there were more signs that momentum was improving and doing so more broadly. As is often the case, it started with consumers. While there had been a pullback in spending on tangible goods following their post-pandemic surge, retail spending growth on an inflation-adjusted basis turned the corner mid-year with particular improvements in the US and Europe. Echoing the demand for consumer goods, international trade flows began to turn for the better as well, with growth in imports and exports stabilizing in recent months — and actually posting a notable acceleration in the emerging markets that play a significant role in the supply chain.

The momentum has been further confirmed by the bellwether global manufacturing Purchasing Managers' Index ("PMI"). This measure of factory activity had been stuck in contractionary territory since late 2022, however, it began to tick higher before ultimately breaking the "growth" threshold in January, and moving up to a 20-month high in March. At the same time, the global PMI for the service sector also turned higher at the end of last year and has seen its moderate upward momentum sustained so far through the New Year, ending March at an eight-month high. The composite PMI, a proxy for broad global growth, stood at a nine-month high at the end of the first calendar quarter, pointing to continued growth in the months ahead. Furthermore, the broader slate of leading indicators points to momentum turning for the better globally, signaling growth consistent with longer-term trends among developed market economies.

The improvement in general economic conditions, despite various headwinds, has convinced business leaders to rethink their spending plans. The latest survey of American chief executive officers, for example, showed an increase in plans for both capital expenditure and hiring for the first time since the end of 2021. One of the primary drivers of this increasing optimism is the continued underlying health of the single most important economic group: the American consumer. US households alone account for more spending than China's entire economy. As of the end of 2023, US household net worth stood at a record high, having increased by 33% since the pandemic started. The household debt-to-asset ratio, is currently around four-decade lows, suggesting limited relative leverage and a degree of insulation from the historically aggressive rise in policy rates, indicating the capacity to take on debt, something that could provide support for spending on big-ticket consumer goods and housing. Another boon to consumers is that inflationary pressures have ebbed substantially over the last year, giving them more bang for their buck. The kinks in the supply chain caused by the pandemic have been ironed out and have driven an almost complete unwind of those supply-side price pressures that played a significant role in pushing inflation rates to generational highs worldwide.

High inflation and interest rates have long been assumed to be the catalysts of an expected downturn, that these pressures are anticipated to ease going forward represents another notch in the "plus" column for the outlook. The outlook for these key headwinds, however, has undergone a shift in tandem with the improvement in growth prospects. The easing cycle has been pushed out at the start of 2024 and the path is somewhat shallower, but cooperative inflation still means that the likes of the European Central Bank, Bank of Canada, and Bank of England are on track to begin loosening the monetary policy screws sooner, rather than later. The situation is a bit more complicated for the US, where underlying price pressures in its relatively less-interest-rate-sensitive economy are not fading as quickly as previously assumed. Upside surprises for inflation have been a significant bogey for the outlook and markets in recent months. As it stands, the previous expectations to cut the policy rate nearly in half in the US by year-end have been pared back materially, and while cuts are still the base case, markets are increasing the odds of the US Federal Reserve standing pat for the remainder of the year. Indeed, perhaps the biggest risk to the outlook is that the positives concerning growth, and their corollaries for inflation, impede the ability of central banks to begin to unwind the last two years' worth of policy tightening. Notwithstanding the concerns, the base case remains that underlying inflationary pressures are likely to moderate further from their pandemic-induced highs in the months ahead. This progress would permit central banks to adopt less stringent policy stances, resulting in less tight financial conditions.

Economic growth translates into corporate top-line gains while declining cost pressures support margin expansion and profitability. Margins had been ebbing and were taken as a negative omen for profits, and the cycle has started to tick higher since the middle of last year. Accordingly, earnings expectations have turned for the better as well, with more upward, or fewer downward revisions in recent months. While the top-performing stocks (and also the most highly weighted in the broad indices) have rocketed up both in price and in valuation, most stocks are more reasonably valued than overall gauges would otherwise imply. This indicates that there are opportunities for active and selective investors, while also suggesting that there is some cushion in the event earnings expectations prove too optimistic. In the fixed-income markets, the baseline outlook also appears as though it could be supportive of performance in beleaguered bond markets in the future, perhaps with short-term volatility until there is greater clarity on the policy rate path. The prospect of further moderation in inflation and lower market interest rates would seem to represent a tailwind for performance. Moreover, the

yield adjustments seen so far this year have improved the balance of risks. While there is potential for further upward pressure on rates, the magnitude of moves from this point on would seem limited barring an unexpected material break higher in inflation that spurs further action from policymakers. Accordingly, that yields remain near their highest levels in more than a decade, and are expected to trend lower, would suggest that the longer-term return prospects are better than they have been in a while, despite the potential for near-term volatility. Corporate bonds in particular seem attractive, as the comparably higher coupons available on these debt issues point to higher relative returns and reduced credit risk could compound performance by a narrowing in spreads.

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. After the sale of Worldsource last year, we engaged in a strategic planning process to account for the new realities of substantially greater liquidity. 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. The acquisition of Sterling Capital, which is expected to close towards the beginning of the third quarter, brings a new set of investment and money management capabilities, alongside a platform which 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.