Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

SECOND QUARTER 2015

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three and six months ended June 30, 2015. All per share figures disclosed below are stated on a diluted basis.

For the three and six months ended June 30	**Three months**		**Six months**	
($ in thousands, except per share amount)	**2015**	2014	**2015**	2014
Net revenue	**$ 33,066**	$ 29,257	**$ 65,370**	$ 56,979
Operating earnings	**11,390**	9,199	**21,866**	17,755
Net gains[(1)]	**602**	2,959	**3,789**	6,606
Net earnings before net gains on securities held for sale[(1)]	**9,786**	10,288	**21,337**	20,912
Net gains on securities held for sale[(1)]	**--**	--	**--**	386
Net earnings available to shareholders	**9,604**	10,163	**20,914**	21,079
EBITDA	**$ 12,654**	$ 10,427	**$ 24,214**	$ 20,198
Adjusted cash flow	**10,544**	9,040	**18,685**	16,516
Per share:				
Net earnings available to shareholders	**$ 0.31**	$ 0.33	**$ 0.68**	$ 0.68
EBITDA	**0.41**	0.33	**0.79**	0.65
Adjusted cash flow from operations	**0.34**	0.29	**0.61**	0.53

As at	**2015**		**2014**	
($ in millions, except per share amount)	**June 30**	March 31	December 31	June 30
Assets under management	**$ 25,007**	$ 26,093	$ 24,968	$ 24,601
Assets under administration	**14,821**	14,057	13,126	12,732
Shareholders' equity	**474**	478	489	463
Fair value of corporate holdings of securities	**515**	522	525	497
Per share				
Shareholders' equity	**$ 15.32**	$ 15.42	$ 15.62	$ 14.72
Fair value of corporate holdings of securities	**16.64**	16.86	16.78	15.78

Summary

The Company's operating earnings for the current quarter were $11.4 million, an increase of 24% from $9.2 million in Q2 2014. All segments of the Company's operations contributed positively to the overall growth in operating earnings. Net gains at $0.6 million in the current quarter were significantly lower from the $3.0 million recorded in 2014, due to lower turnover from investment activities during the current quarter.

Net earnings available to shareholders for the quarter were $9.6 million, or $0.31 per share, compared to $10.2 million, or $0.33 per share, for Q2 2014. The reduction in the current quarter was due largely to the reduction in net gains, referred to above, offsetting the increase in operating earnings.

The Company's assets under management ("AUM") as at June 30, 2015 were $25.0 billion, down from $26.1 billion as at March 31, 2015 and relatively unchanged from December 31, 2014 and increased by 2% since June 30, 2014. Assets under administration ("AUA") were $14.8 billion as at June 30, 2015, an increase of 5% since March 31, 2015, 13% since December 31, 2014 and 16% since June 30, 2014. The AUM decline over the past quarter was due largely to the Canadian market decline and net outflow of client assets, mainly from a fixed income sub-advised mandate that underwent a fund reorganization. The increase in AUA for the current quarter was due largely to the addition of AUA from the acquisition of an insurance managing general agency completed during the quarter.

EBITDA for the quarter was $12.7 million, or $0.41 per share, compared to $10.4 million, or $0.33 per share for Q2 2014. Adjusted cash flow from operations for the quarter was $10.5 million, or $0.34 per share, compared to $9.0 million, or $0.29 per share for Q2 2014. These two non-IFRS financial measures used by the Company are defined in its quarterly Management's Discussion and Analysis. The increases in each of these measures reflect the strong growth in operating earnings for the quarter.

The Company's shareholders' equity as at June 30, 2015 was $474 million, or $15.32 per share, compared to $489 million, or $15.62 per share, at December 31, 2014 and $463 million, or $14.72 per share, as at June 30, 2014. The fair value of the Company's corporate holdings of securities as at June 30, 2015 was $515 million, or $16.64 per share, compared to $525 million, or $16.78 per share, as at December 31, 2014 and $497 million, or $15.78 per share, as at June 30, 2014.

[(1)] During the second quarter of 2015, certain of the Company's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis. The reclassification had the effect of re-presenting net gains, income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods but did not impact operating earnings or net earnings available to shareholders. The above table reflects the effects of the retrospective application of the reclassification.

Commentary and Outlook

Equity markets were mixed through the second quarter, with most major markets finishing well below their intra-quarter highs. Concerns over the ability of Greece to repay their obligations weighed heavily on global equity markets at the close of the quarter. The U.S. based S&P 500 Index continued to lead, returning 0.3% for the quarter (-1.4% CAD adjusted), the MSCI World Index 0.3% (-1.3% CAD adjusted), the Europe, Asia, and Far East based MSCI EAFE Index lost 0.6% (-1.0% CAD adjusted), with the S&P TSX Canadian market trailing with a loss of 1.6% for the quarter. Central Banks continued to be highly accommodative, though the pace and number of rate cuts slowed considerably in the second quarter. The Federal Reserve continued to discuss moving their benchmark rate higher, leaving them as the continuing outlier among policy-making banks. Bond yields were modestly higher as pricing slumped, fixed income investors continue to wait for clarity from the Federal Reserve and to a lesser extent the Bank of Canada.

While the U.S. is talking about potential rate hikes, the Bank of Canada surprised the market in January with a rate cut, lowering its benchmark overnight rate by 25 bps to 0.75% in response to lower oil prices. The Canadian economy continues to face headwinds from lower oil prices, given that oil is Canada's largest export. Depending on the length of this commodity and energy softness the Canadian equity markets will be challenged for any significant gains in the near term. The performance of the Canadian equity market remains the external factor having the greatest effect on the Company's performance, as the majority of our assets under management or administration are exposed to it. In addition to the decline in assets due to overall market conditions, our drop in assets under management this past quarter, was also largely attributable to a fixed income sub-advised mandate that underwent a fund re-organization resulting in a partial withdrawal of assets related to the mandate. We continue to remain a valued fixed income sub-advisor to this client. Overall net revenue impact, due to a client's partial withdrawal, for the current year is expected to be marginal as sub-advised fees for a long only fixed income strategy are well below average fees earned by the Company. As a result, AUM declined by 4.2% during the second quarter, however it remains up by 2% over the 12 months.

Overall operating revenues for the Company were up 13% for the three months ended June 30, 2015 compared to the same period in 2014. The management fee income in the second quarter of 2015, which is generated by the investment management business segment and contribute approximately 50% of total operating revenues, was more than 8% greater than in the second quarter of 2014 and the consolidated operating earnings for the three months ended June 30, 2015 of $11.4 million were 24% above the $9.2 million in the same period in 2014. We continue to focus our efforts on building long term sustainable operating earnings, concurrently with a more diversified suite of investment strategies. In order to achieve this next stage of growth, we will take advantage of our current operating platform success and invest in existing and new investment capabilities. In line with our strategy these planned additional investments are expected to require increased expenditures, which may over the short term have a negative effect on earnings. In Q2 2015, our investment to build the UK-based global and emerging market equity investment management business and the domestic real estate investment management business incurred modest operating losses. We, however, believe that the short-term cost, and its effect on operating earnings within the investment management business segment, will lead to improved future operating earnings and long-term value.

The Company's financial advisory business, through its subsidiary Worldsource Wealth Management, is demonstrating its ability to generate consistent operating earnings. Growth in AUA in the current quarter was largely due to the addition of AUA from the acquisition of First Prairie completed in the current quarter, and since the prior year, due to successful recruitment of new advisors, and net new sales from existing advisors on our wealth management platform. The mutual fund and securities dealerships continue to show steady improvements in revenues and operating earnings and have now become meaningful contributors to this segment's operating earnings. Our life insurance managing general agency in the second quarter of 2015 continued with strong new life insurance sales and a healthy pipeline of new life insurance policy applications submitted, which is a precursor to actual life policies being issued. In the second quarter, the $14.2 million of premiums on life insurance policies sold was 18% higher than in the same period last year, and throughout the first half of 2015 a total of $27.0 million of premiums on life insurance policies have been sold which is 20% higher than the same period in the prior year. The strong premiums on life insurance policies sold results in both current and future net commission revenue for the financial advisory segment. With a healthy pipeline of new life insurance policy applications submitted and a the contribution from the First Prairie acquisition we expect to continue the strong financial results within our managing general agency in the second half of the year.

Both the investment management and financial advisory businesses have the financial strength of the Company's balance sheet to support their patient, long-term strategic business objectives of becoming meaningful contributors to operating profit for the Company. With improved operating fundamentals and strong cash flows, the Company continues to share these rewards with its shareholders. In Q2 2015, the Company returned $4.3 million to shareholders through share buybacks and dividends. Under its Normal Course Issuer Bid the Company purchased and cancelled 112,700 Class A shares for total consideration paid of $2.1 million or an average share price of $18.45 bringing the year to date shares purchased and cancelled under its Normal Course Issuer Bid to 362,850 Class A shares for total consideration paid of $6.4 million of an average share price of $17.63. In July of this year, the Company paid to shareholders a quarterly dividend, of $0.075 per share and the Board is pleased to report that we have declared the next quarterly dividend, of $0.075 per share, payable on October 16, 2015, to shareholders of record on October 9, 2015.

On behalf of the Board, August 12, 2015

[signed "James Anas"]	[signed "George Mavroudis"]
James Anas Chairman of the Board	George Mavroudis President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	June 30 2015	December 31 2014
ASSETS		
Current assets		
Cash	$ 23,459	$ 29,230
Interest-bearing deposits with banks	68,175	61,729
Accounts receivable and other	29,042	29,293
Receivables from clients and broker	45,014	46,160
Prepaid expenses	1,718	1,854
	167,408	168,266
Securities (notes 2(c) and 3)	514,844	525,352
Other assets		
Deferred tax assets	2,373	3,060
Intangible assets	29,721	23,791
Equipment	3,431	3,656
Goodwill	15,013	12,299
Investment in associate	333	333
	50,871	43,139
Total assets	$ 733,123	$ 736,757
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 62,552	$ 51,312
Client deposits	68,167	61,747
Accounts payable and other	31,648	31,688
Income taxes payable	38	2,276
Payable to clients	45,014	46,160
	207,419	193,183
Other liability (note 5)	1,203	1,097
Deferred tax liabilities	46,735	50,243
Total liabilities	255,357	244,523
EQUITY		
Shareholders' equity		
Capital stock (note 6)	21,160	21,434
Treasury stock (note 7)	(21,597)	(19,890)
Contributed surplus	11,543	10,841
Retained earnings	280,370	269,752
Accumulated other comprehensive income	182,468	206,698
	473,944	488,835
Non-controlling interests	3,822	3,399
Total equity	477,766	492,234
Total liabilities and equity	$ 733,123	$ 736,757

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the three and six months ended June 30	Three months		Six months	
($ in thousands, except per share amount)	**2015**	2014	**2015**	2014
Revenue				
Gross commission revenue	**$ 28,338**	$ 24,555	**$ 56,180**	$ 48,588
Commissions paid to advisors	**(20,348)**	(18,011)	**(40,134)**	(35,782)
	7,990	6,544	**16,046**	12,806
Management fee income, net (note 8)	**16,373**	15,097	**32,852**	29,557
Administrative services income	**3,253**	2,741	**6,354**	5,390
Dividend and interest income (note 9)	**5,450**	4,875	**10,118**	9,226
Net revenue	**33,066**	29,257	**65,370**	56,979
Expenses				
Employee compensation and benefits	**13,757**	12,507	**27,588**	25,082
Amortization	**979**	888	**1,927**	1,707
Interest	**253**	269	**477**	515
Other expenses	**6,687**	6,394	**13,512**	11,920
	21,676	20,058	**43,504**	39,224
Operating earnings	**11,390**	9,199	**21,866**	17,755
Net gains (notes 2(c) and 10)	**602**	2,959	**3,789**	6,606
Net earnings before income taxes and net gains on securities held for sale	**11,992**	12,158	**25,655**	24,361
Income tax expense (notes 2(c) and10)	**2,206**	1,870	**4,318**	3,449
Net earnings before net gains on securities held for sale	**9,786**	10,288	**21,337**	20,912
Net gains on securities held for sale (notes 2(c) and10)	**--**	--	**--**	386
Net earnings	**$ 9,786**	$ 10,288	**$ 21,337**	$ 21,298
Net earnings available to:				
Shareholders (note 11)	**$ 9,604**	$ 10,163	**$ 20,914**	$ 21,079
Non-controlling interests	**182**	125	**423**	219
Net earnings	**$ 9,786**	$ 10,288	**$ 21,337**	$ 21,298
Net earnings available to shareholders per Class A and Common share (note 12):				
Basic	**$ 0.33**	$ 0.34	**$ 0.71**	$ 0.70
Diluted	**0.31**	0.33	**0.68**	0.68

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

For the three and six months ended June 30 *($ in thousands, except per share amount)*	Three months **2015**	 2014	Six months **2015**	 2014
Net earnings	**$ 9,786**	$ 10,288	**$ 21,337**	$ 21,298
Other comprehensive income				
Available for sale securities, net of taxes:				
Net change in fair value	**(8,302)**	25,777	**(36,519)**	42,501
Income tax (recovery) provision	**(1,175)**	2,903	**(5,044)**	4,977
	(7,127)	22,874	**(31,475)**	37,524
Transfer to net earnings of unrealized (gains) upon disposal	**(670)**	(2,282)	**(1,082)**	(5,944)
Reversal of income taxes	**10**	201	**27**	364
Net change in available for sale securities, net of taxes	**(7,787)**	20,793	**(32,530)**	31,944
Net change in foreign currency translation adjustment on foreign subsidiaries	**(1,861)**	(3,704)	**8,300**	153
Other comprehensive income (loss)	**(9,648)**	17,089	**(24,230)**	32,097
Comprehensive income (loss)	**$ 138**	$ 27,377	**$ (2,893)**	$ 53,395
Comprehensive income (loss) available to:				
Shareholders	**$ (44)**	$ 27,252	**$ (3,316)**	$ 53,176
Non-controlling interests	**182**	125	**423**	219
Comprehensive income (loss)	**$ 138**	$ 27,377	**$ (2,893)**	$ 53,395

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three and six months ended June 30 *($ in thousands, except per share amount)*	Three months **2015**	 2014	Six months **2015**	 2014
Total equity, beginning of period	**$ 481,541**	$ 441,260	**$ 492,234**	$ 417,788
Shareholders' equity, beginning of period	**477,901**	438,363	**488,835**	414,985
Capital stock				
Balance, beginning of period	**21,245**	21,679	**21,434**	21,679
Acquired and cancelled	**(85)**	(42)	**(274)**	(42)
Capital stock, end of period	**21,160**	21,637	**21,160**	21,637
Treasury stock				
Balance, beginning of period	**(21,613)**	(19,897)	**(19,890)**	(18,700)
Acquired	**--**	(50)	**(1,740)**	(1,285)
Disposed of	**16**	17	**33**	55
Treasury stock, end of period	**(21,597)**	(19,930)	**(21,597)**	(19,930)
Contributed surplus				
Balance, beginning of period	**11,171**	9,902	**10,841**	9,583
Stock-based compensation expense	**388**	329	**735**	681
Redemption of equity-based entitlements	**(16)**	(17)	**(33)**	(50)
Contributed surplus, end of period	**11,543**	10,214	**11,543**	10,214
Retained earnings				
Balance, beginning of period	**274,982**	255,209	**269,752**	245,961
Net earnings available to shareholders	**9,604**	10,163	**20,914**	21,079
Dividends declared and paid	**(2,219)**	(1,665)	**(4,165)**	(3,333)
Capital stock acquired and cancelled (note 6c)	**(1,997)**	(881)	**(6,131)**	(881)
Retained earnings, end of period	**280,370**	262,826	**280,370**	262,826
Accumulated other comprehensive income				
Balance, beginning of period	**192,116**	171,470	**206,698**	156,462
Unrealized gains on available for sale securities, net of income taxes:				
Balance, beginning of period	**172,205**	166,762	**196,948**	155,611
Net change during period	**(7,787)**	20,793	**(32,530)**	31,944
Balance, end of period	**164,418**	187,555	**164,418**	187,555
Foreign currency translation adjustment on foreign subsidiaries:				
Balance, beginning of period	**19,911**	4,708	**9,750**	851
Net change during period	**(1,861)**	(3,704)	**8,300**	153
Balance, end of period	**18,050**	1,004	**18,050**	1,004
Accumulated other comprehensive income, end of period	**182,468**	188,559	**182,468**	188,559
Shareholders' equity, end of period	**473,944**	463,306	**473,944**	463,306
Non-controlling interests				
Balance, beginning of period	**3,640**	2,897	**3,399**	2,803
Net earnings available to non-controlling interests	**182**	125	**423**	219
Non-controlling interests, end of period	**3,822**	3,022	**3,822**	3,022
Total equity, end of period	**$ 477,766**	$ 466,328	**$ 477,766**	$ 466,328

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three and six months ended June 30 *($ in thousands, except per share amount)*	Three months **2015**	 2014	Six months **2015**	 2014
Operating activities				
Net earnings	**$ 9,786**	$ 10,288	**$ 21,337**	$ 21,298
Adjustments for:				
Income taxes paid	**(2,328)**	(1,265)	**(5,871)**	(3,613)
Income tax expense	**2,206**	1,870	**4,318**	3,449
Net gains	**(636)**	(2,959)	**(3,789)**	(6,606)
Net gains on securities held for sale	**--**	74	**--**	(108)
Amortization of intangible assets	**803**	717	**1,556**	1,381
Amortization of equipment	**176**	171	**371**	326
Stock-based compensation	**388**	329	**735**	681
Other non-cash expenses	**505**	--	**661**	--
	10,900	9,225	**19,318**	16,808
Net change in non-cash working capital items (note 14)	**6,180**	6,703	**(4,042)**	(9,580)
Net cash from operating activities	**17,080**	15,928	**15,276**	7,228
Investing activities				
Net (acquisition) disposition of securities (note 2(c))	**(2,641)**	(4,643)	**(16,730)**	(2,979)
Acquisition of securities held for sale (note 2(c))	**--**	--	**--**	(278)
Acquisition of intangible assets	**(461)**	(712)	**(1,735)**	(1,670)
Acquisition of equipment	**(38)**	(148)	**(81)**	(482)
Disposition of intangible assets	**276**	220	**704**	441
Business acquisitions (note 16)	**(3,548)**	(1,231)	**(3,548)**	(1,231)
Net cash used in investing activities	**(6,412)**	(6,514)	**(21,390)**	(6,199)
Financing activities				
Dividends	**(2,219)**	(1,665)	**(4,165)**	(3,333)
Acquisition and cancellation of capital stock	**(2,082)**	(923)	**(6,405)**	(923)
Acquisition of treasury stock	**--**	(50)	**(1,740)**	(1,285)
Disposition of treasury stock	**16**	17	**33**	55
Net proceeds of bank loan and bankers' acceptances	**4,951**	(8,962)	**12,702**	(2,790)
Net cash from (used in) financing activities	**666**	(11,583)	**425**	(8,276)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	**80**	(519)	**1,379**	(39)
Net change in net cash	**11,415**	(2,668)	**(4,309)**	(7,286)
Net cash, beginning of period	**12,044**	23,119	**27,768**	27,717
Net cash, end of period	**$ 23,459**	$ 20,431	**$ 23,459**	$ 20,431
Net cash represented by:				
Cash			**$ 23,459**	$ 25,116
Net bank indebtedness			**--**	(4,685)
			$ 23,459	$ 20,431

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

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

2. ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2014. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014, which are included in the Company's 2014 annual report.

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

Certain reclassifications have been made to the 2014 comparative financial information in order to conform to the current period's presentation.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on August 12, 2015.

(b) Future Changes in Accounting Policies

On July 24, 2014, the IASB issued its fourth and final version of IFRS 9 Financial *Instruments* ("IFRS 9"), which is to replace IAS 39 *Financial Instruments: Recognition and Measurement,* with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 9 will have on its consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers which reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 will have on its consolidated financial statements.

(c) Securities Held for Sale Reclassification

During the quarter, the Company reclassified on a retrospective basis its interest in certain mutual funds from held for sale to held for trading. These mutual funds are deemed to be controlled by the Company, and were initially classified into the held for sale category with the intention of disposing of its control within a 12 month period. The Company now anticipates that this process may take longer than 12 months and, as a result, the securities have been reclassified in accordance with its policy. The following is a summary of the changes to the current and prior period's balances and results:

As at June 30, 2015 and December 31, 2014	**2015**	2014
Increase to securities holdings	**$ 43,112**	$ 25,385
Decrease to securities held for sale	**(43,112)**	(25,385)
Net change to securities	**$ --**	$ --

For the periods ended June 30	Three months **2015**	Three months 2014	Six months **2015**	Six months 2014
Increase to net gains	**$ 837**	$ 222	**$ 3,872**	$ 222
Increase to income tax expense	**--**	--	**68**	--
Decrease to net gains on securities held for sale	**(837)**	(222)	**(3,804)**	(222)
Net change to net earnings	**$ --**	$ --	**$ --**	$ --

3. SECURITIES

An analysis of the Company's securities is as follows:

As at June 30, 2015 and December 31, 2014	**2015**	2014
Available for sale securities		
Short-term securities	**$ 5,383**	$ 5,373
Bonds	**1,104**	1,077
Mutual funds	**52,848**	49,145
Bank of Montreal common shares	**350,400**	388,944
Other equity securities	**36,736**	31,882
Real estate fund (b)	**22,160**	22,239
	468,631	498,660
Held for trading securities		
Equity securities (c)	**46,213**	26,692
	$ 514,844	$ 525,352

(a) During the quarter, the Company reclassified certain of its investments in mutual funds from the held for sale category to the held for trading category on a retrospective basis, as described in note 2 (c). The comparative figures in the table above have been restated to reflect the reclassification.

(b) As of June 30, 2015, the Company has invested $21,488 (December 31, 2014 - $21,488) of the $25,000 commitment to invest in a real estate limited partnership managed by a subsidiary.

(c) Held for trading securities consist of securities held by consolidated mutual funds which meet the criteria for this classification. Changes in fair value are included in net gains.

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

As at June 30, 2015 and December 31, 2014	2015	2014
Level 1	$ 485,282	$ 497,140
Level 2	22,160	22,239
Level 3	7,402	5,973
	$ 514,844	$ 525,352

During 2015 and 2014, there have been no transfers of securities between Levels.

An analysis of the movements in securities categorized as Level 3 is as follows:

For the periods ended June 30	Three months 2015	Three months 2014	Six months 2015	Six months 2014
Securities categorized as Level 3, beginning of period	$ 7,244	$ 6,124	$ 5,973	$ 5,910
Increase in fair value, recognized in other comprehensive income	158	(18)	1,429	196
Securities categorized as Level 3, end of period	$ 7,402	$ 6,106	$ 7,402	$ 6,106

4. BANK LOANS AND BORROWINGS

As at June 30, 2015 and December 31, 2014	2015	2014
Net bank indebtedness	$ --	$ 1,462
Bankers' acceptances payable	62,500	49,600
Bank loan	52	250
	$ 62,552	$ 51,312

5. OTHER LIABILITY

The other liability represents a deferred payment related to a 2014 acquisition of a UK-based investment management business. The liability is the present value of an estimated US dollar payment due on or about April 14, 2018, which will be calculated based on the level of assets under management then achieved in certain investment strategies, to a maximum of $2,750 US.

6. CAPITAL STOCK

(a) Authorized

i) Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, conditions and other provisions of which are to be determined by the Board of Directors.

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

iii) Unlimited common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(b) Issued and Outstanding

For the three months ended June 30	2015 Shares	2015 Amount	2014 Shares	2014 Amount
Class A shares				
Outstanding, beginning of period	27,118	$ 20,090	27,534	$ 20,487
Acquired and cancelled	(113)	(85)	(55)	(42)
Converted from common shares	--	--	158	37
Outstanding, end of period	27,005	20,005	27,637	20,482
Common shares				
Outstanding, beginning of period	4,777	1,155	4,935	1,192
Converted to Class A shares	--	--	(158)	(37)
Outstanding, end of period	4,777	1,155	4,777	1,155
Total outstanding, end of period	31,782	$ 21,160	32,414	$ 21,637

For the six months ended June 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Class A shares				
Outstanding, beginning of period	**27,368**	**$ 20,279**	27,534	$ 20,487
Acquired and cancelled	**(363)**	**(274)**	(55)	(42)
Converted from common shares	**--**	**--**	158	37
Outstanding, end of period	**27,005**	**20,005**	27,637	20,482
Common shares				
Outstanding, beginning of period	**4,777**	**1,155**	4,935	1,192
Converted to Class A shares	**--**	**--**	(158)	(37)
Outstanding, end of period	**4,777**	**1,155**	4,777	1,155
Total outstanding, end of period	**31,782**	**$ 21,160**	32,414	$ 21,637

(c) Issuer Bid

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

For the periods ended June 30	Three months		Six months	
	2015	2014	**2015**	2014
Class A shares purchased and cancelled	**113**	55	**363**	55
Consideration paid	**$ 2,082**	$ 923	**$ 6,405**	$ 923
Average issue price, charged to share capital	**(85)**	(42)	**(274)**	(42)
Excess consideration charged to retained earnings	**$ 1,997**	$ 881	**$ 6,131**	$ 881

(d) Dividends

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

For the periods ended June 30	Three months		Six months	
	2015	2014	**2015**	2014
Dividends declared and paid, per share	**$ 0.075**	$ 0.055	**$ 0.130**	$ 0.110

The Company has also declared dividends of $0.075 and $0.075 per share payable on July 17, 2015 and October 16, 2015 respectively, on the common and class A shares outstanding. These dividends, which will be recognized on the record date, have not been reflected in these financial statements.

7. TREASURY STOCK

The Company purchases and holds shares in its capital stock through an Employee Profit Sharing Plan Trust (the "EPSP Trust"), which are accounted for as treasury stock. These shares are deposited as collateral against a bank loan and certain bankers' acceptances payable, which have been used to finance the purchases of the shares.

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

For the three months ended June 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,303**	**$ 21,613**	2,206	$ 19,897
Acquired	**--**	**--**	3	50
Disposed of	**(1)**	**(16)**	(1)	(17)
Balance, end of period	**2,302**	**$ 21,597**	2,208	$ 19,930

For the six months ended June 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,204**	**$ 19,890**	2,136	$ 18,700
Acquired	**101**	**1,740**	84	1,285
Disposed of	**(3)**	**(33)**	(12)	(55)
Balance, end of period	**2,302**	**$ 21,597**	2,208	$ 19,930

(b) EPSP Trust – Stock-Based Entitlements

The stock-based entitlements provided by the Company to certain senior employees through the EPSP Trust are in the form of either an option-like entitlement or an equity-based entitlement, as described below.

i) Option-like entitlements

The option-like entitlements allow the employees to purchase shares from the EPSP Trust at prices equal to the amount of the loan per share pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

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

For the three months ended June 30	2015		2014	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Option-like entitlements, beginning and end of period	**1,496**	**$ 8.95**	1,496	$ 8.95

For the six months ended June 30	2015		2014	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Option-like entitlements, beginning of period	**1,496**	**$ 8.95**	1,497	$ 8.95
Entitlements exercised	**--**	**--**	(1)	9.71
Option-like entitlements, end of period	**1,496**	**$ 8.95**	1,496	$ 8.95

No option-like entitlements were provided during the current and prior period. Because these entitlements have option-like characteristics, they are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised.

ii) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions. When such purchases by employees occur, the Company pays to the EPSP Trust the amount of the bank loan attributable to the shares purchased. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

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

For the periods ended June 30	**Three months**		**Six months**	
	2015	2014	**2015**	2014
Equity-based entitlements, beginning of the period	**807**	710	**708**	639
Entitlements provided	**--**	3	**101**	84
Entitlements exercised	**(1)**	(1)	**(3)**	(11)
Equity-based entitlements, end of period	**806**	712	**806**	712

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

Equity-based entitlements provided during the three and six months had a fair value of nil and $1,740 respectively (2014 - $50 and $1,285).

8. MANAGEMENT FEE INCOME, NET

Management fee income, net is composed of the following:

For the periods ended June 30	**Three months**		**Six months**	
	2015	2014	**2015**	2014
Management fees, gross	**$ 17,177**	$ 15,986	**$ 34,380**	$ 31,157
Less: fees paid to referring agents	**(804)**	(889)	**(1,528)**	(1,600)
	$ 16,373	$ 15,097	**$ 32,852**	$ 29,557

9. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended June 30	**Three months**		**Six months**	
	2015	2014	**2015**	2014
Dividends on Bank of Montreal shares	**$ 3,788**	$ 3,599	**$ 7,576**	$ 7,247
Other dividends	**1,356**	1,020	**1,914**	1,514
Dividend income	**5,144**	4,619	**9,490**	8,760
Interest income	**306**	256	**628**	466
	$ 5,450	$ 4,875	**$ 10,118**	$ 9,226

10. NET GAINS AND NET GAINS ON SECURITIES HELD FOR SALE

During the quarter, the Company reclassified certain of its investments in mutual funds from the held for sale category to the held for trading category on a retrospective basis, as described in note 2 (c). The comparative figures in the tables below have been restated to reflect the effects of the reclassification.

(a) Net gains are composed of the following:

For the periods ended June 30	Three months 2015	Three months 2014	Six months 2015	Six months 2014
Held for trading securities (i)	**$ (295)**	$ 287	**$ 3,108**	$ 340
Available for sale securities	**670**	2,299	**1,084**	6,168
Net gains on securities	**375**	2,586	**4,192**	6,508
Gains on disposal of intangible assets	**103**	50	**282**	115
Foreign exchange losses (ii)	**124**	323	**(685)**	(17)
	$ 602	$ 2,959	**$ 3,789**	$ 6,606

(i) Net gains on held for trading securities are composed of realized net gains and the net change in the fair value of securities owned by mutual funds that are consolidated.

(ii) Foreign exchange losses consist mainly of exchange losses on Canadian dollars held by the international private banking subsidiary, which uses the US dollar as its functional currency. Upon translation of this subsidiary's results to Canadian dollars on consolidation, an equal and offsetting gain is recorded in other comprehensive income. In addition, the foreign exchange losses include exchange losses on the revaluation of the other liability which is payable in US dollars.

(b) Net gains on securities held for sale are composed of the following:

For the periods ended June 30	Three months 2015	Three months 2014	Six months 2015	Six months 2014
Net gains (losses)	**$ --**	$ (44)	**$ --**	$ 228
Other income	**--**	74	**--**	278
Income tax expense	**--**	(30)	**--**	(120)
	$ --	$ --	**$ --**	$ 386

11. NET EARNINGS AVAILABLE TO SHAREHOLDERS

Net earnings available to shareholders are comprised of the following:

For the periods ended June 30	Three months 2015	Three months 2014	Six months 2015	Six months 2014
Net earnings before net gains on securities held for sale available to shareholders	**$ 9,604**	$ 10,163	**$ 20,914**	$ 20,693
Net gains on securities held for sale available to shareholders	**--**	--	**--**	386
	$ 9,604	$ 10,163	**$ 20,914**	$ 21,079

12. NET EARNINGS PER SHARE

The calculations of net earnings per share are based on the following number of shares and net earnings.

For the periods ended June 30	Three months 2015	Three months 2014	Six months 2015	Six months 2014
Weighted average number of class A and common shares outstanding:				
Basic	**29,541**	30,244	**29,607**	30,267
Effect of outstanding entitlements from stock-based compensation plans	**1,445**	1,271	**1,402**	1,234
Diluted	**30,986**	31,515	**31,009**	31,501
Net earnings available to shareholders of class A and common shares:				
Basic	**$ 9,604**	$ 10,163	**$ 20,914**	$ 21,079
Effect of outstanding entitlements from stock-based compensation plans	**118**	101	**223**	196
Diluted	**$ 9,722**	$ 10,264	**$ 21,137**	$ 21,275

13. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients and administration fees earned on managed mutual funds; b) the financial advisory segment, which relates to the earning of sales commissions and administrative services revenue from assets under administration and the sale of life insurance policies; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures. The following table discloses certain information about these segments:

For the three months ended June 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue										
Gross commission revenue	$ --	$ --	$ 28,513	$ 24,743	$ --	$ --	$ (175)	$ (188)	$ 28,338	$ 24,555
Commissions paid to advisors	--	--	(20,348)	(18,011)	--	--	--	--	(20,348)	(18,011)
	--	--	8,165	6,732	--	--	(175)	(188)	7,990	6,544
Management fees income, net	16,179	14,959	--	--	--	--	194	138	16,373	15,097
Administrative services income	1,309	1,203	1,920	1,538	24	--	--	--	3,253	2,741
Dividend and interest income	21	38	183	195	5,280	4,730	(34)	(88)	5,450	4,875
Net revenue	17,509	16,200	10,268	8,465	5,304	4,730	(15)	(138)	33,066	29,257
Expenses										
Employee compensation and benefits	7,891	7,271	3,645	3,269	2,221	1,967	--	--	13,757	12,507
Amortization	105	99	765	653	109	136	--	--	979	888
Interest	53	51	41	45	196	214	(37)	(41)	253	269
Other expenses	4,454	4,078	3,260	2,965	(1,015)	(649)	(12)	--	6,687	6,394
	12,503	11,499	7,711	6,932	1,511	1,668	(49)	(41)	21,676	20,058
Operating earnings	5,006	4,701	2,557	1,533	3,793	3,062	34	(97)	11,390	9,199
Net gains (losses) [1]	103	--	101	49	432	2,910	(34)	--	602	2,959
Net earnings before income taxes and net gains on securities held for sale	5,109	4,701	2,658	1,582	4,225	5,972	--	(97)	11,992	12,158
Income tax expense[1]	1,672	1,365	769	428	(235)	77	--	--	2,206	1,870
Net earnings before net gains on securities held for sale[1]	3,437	3,336	1,889	1,154	4,460	5,895	--	(97)	9,786	10,288
Net gains on securities held for sale[1]	--	--	--	--	--	(97)	--	97	--	--
Net earnings	$ 3,437	$ 3,336	$ 1,889	$ 1,154	$ 4,460	$ 5,798	$ --	$ --	$ 9,786	$ 10,288
Net earnings available to:										
Shareholder	$ 3,437	$ 3,336	$ 1,707	$ 1,029	$ 4,460	$ 5,798	$ --	$ --	$ 9,604	$ 10,163
Non-controlling interests	--	--	182	125	--	--	--	--	182	125
Net earnings	$ 3,437	$ 3,336	$ 1,889	$ 1,154	$ 4,460	$ 5,798	$ -	$ --	$ 9,786	$ 10,288
Capital expenditures on segment assets:										
Intangible assets	$ 15	$ 2,118	$ 6,559	$ 712	$ --	$ --	$ --	$ --	$ 6,574	$ 2,830
Equipment	5	7	17	68	16	73	--	--	38	148
As at June 30, 2015 and December 31, 2014										
Segment assets and liabilities:										
Assets	$116,623	$130,626	$116,543	$105,154	$583,549	$587,100	$ (83,592)	$ (86,123)	$733,123	$736,757
Liabilities	85,747	85,292	124,335	116,910	128,867	128,444	(83,592)	(86,123)	255,357	244,523

The following tables provides certain information about the Company's activities, segmented geographically:

For the three months ended June 30	Canada		Rest of World		Inter-segment Transactions		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Net revenue	$ 31,300	$ 27,243	$ 1,971	$ 2,014	$ (205)	$ (126)	$ 33,066	$ 29,257
As at June 30, 2014 and December 31, 2014								
Segment non-current assets:								
Intangible assets	$ 27,839	$ 21,879	$ 1,882	$ 1,912	$ --	$ --	$ 29,721	$ 23,791
Equipment	2,907	3,165	524	491	--	--	3,431	3,656
Goodwill	14,260	11,111	1,188	1,188	--	--	15,448	12,299

For the six months ended June 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue										
Gross commission revenue	**$ --**	$ --	**$ 56,528**	$ 48,960	**$ --**	$ --	**$ (348)**	$ (372)	**$ 56,180**	$ 48,588
Commissions paid to advisors	**--**	--	**(40,134)**	(35,782)	**--**	--	**--**	--	**(40,134)**	(35,782)
	--	--	**16,394**	13,178	**--**	--	**(348)**	(372)	**16,046**	12,806
Management fees income, net	**32,519**	29,311	**--**	--	**--**	--	**333**	246	**32,852**	29,557
Administrative services income	**2,666**	2,247	**3,664**	3,143	**24**	--	**--**	--	**6,354**	5,390
Dividend and interest income	**59**	60	**370**	371	**9,754**	8,849	**(65)**	(54)	**10,118**	9,226
Net revenue	**35,244**	31,618	**20,428**	16,692	**9,778**	8,849	**(80)**	(180)	**65,370**	56,979
Expenses										
Employee compensation and benefits	**16,095**	14,442	**7,311**	6,943	**4,182**	3,697	**--**	--	**27,588**	25,082
Amortization	**167**	155	**1,480**	1,283	**280**	269	**--**	--	**1,927**	1,707
Interest	**106**	91	**77**	91	**362**	416	**(68)**	(83)	**477**	515
Other expenses	**9,109**	7,286	**6,315**	6,034	**(1,900)**	(1,400)	**(12)**	--	**13,512**	11,920
	25,477	21,974	**15,183**	14,351	**2,924**	2,982	**(80)**	(83)	**43,504**	39,224
Operating earnings	**9,767**	9,644	**5,245**	2,341	**6,854**	5,867	**--**	(97)	**21,866**	17,755
Net gains (losses) (1)	**(511)**	--	**287**	115	**4,013**	6,491	**--**	--	**3,789**	6,606
Net earnings before income taxes and net gains on securities held for sale	**9,256**	9,644	**5,532**	2,456	**10,867**	12,358	**--**	(97)	**25,655**	24,361
Income tax expense (1)	**2,847**	2,550	**1,569**	684	**(98)**	215	**--**	--	**4,318**	3,449
Net earnings before net gains on securities held for sale (1)	**6,409**	7,094	**3,963**	1,772	**10,965**	12,143	**--**	(97)	**21,337**	20,912
Net gains on securities held for sale (1)	**--**	--	**--**	--	**--**	289	**--**	97	**--**	386
Net earnings	**$ 6,409**	$ 7,094	**$ 3,963**	$ 1,772	**$ 10,965**	$ 12,432	**$ --**	$ --	**$ 21,337**	$ 21,298
Net earnings available to:										
Shareholder	**$ 6,409**	$ 7,094	**$ 3,540**	$ 1,553	**$ 10,965**	$ 12,432	**$ --**	$ --	**$ 20,914**	$ 21,079
Non-controlling interests	**--**	--	**423**	219	**--**	--	**--**	--	**423**	219
Net earnings	**$ 6,409**	$ 7,094	**$ 3,963**	$ 1,772	**$ 10,965**	$ 12,432	**$ --**	$ --	**$ 21,337**	$ 21,298
Capital expenditures on segment assets:										
Intangible assets	**$ 15**	$ 2,118	**$ 7,833**	$ 1,670	**$ --**	$ --	**$ --**	$ --	**$ 7,848**	$ 3,788
Equipment	**8**	194	**35**	176	**38**	112	**--**	--	**81**	482

The table below provides certain information about the Company's activities, segmented geographically:

For the six months ended June 30	Canada		Rest of World		Inter-segment Transactions		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net revenue	**$ 61,823**	$ 53,673	**$ 3,848**	$ 3,306	**$ (301)**	$ (253)	**$ 65,370**	$ 56,979

(1) During the quarter, certain of the Company's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis as described further in note 2(c). The reclassification had the effect of re-presenting net gains, income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above tables reflect the effects of the retrospective application of the reclassification.

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the periods ended June 30	Three months		Six months	
	2015	2014	**2015**	2014
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	**$ (11,189)**	$ (1,795)	**$ (1,412)**	$ (1,011)
Accounts receivable and other	**(274)**	3,054	**388**	(2,314)
Receivables from clients and broker	**(2,794)**	(96)	**1,146**	(677)
Prepaid expenses	**83**	238	**177**	206
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	**11,187**	931	**1,390**	(119)
Accounts payable and other	**6,373**	4,275	**(4,585)**	(6,342)
Payable to clients	**2,794**	96	**(1,146)**	677
Net change in non-cash working capital items	**$ 6,180**	$ 6,703	**$ (4,042)**	$ (9,580)

15. FINANCIAL RISKS MANAGEMENT

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

(a) Concentration Risk

The Company is exposed to concentration risk associated with the $350,400 (December 31, 2014 - $388,944) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $35,040 (December 31, 2014 - $38,894) being recorded in the other comprehensive income.

(b) Market Risk

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

i) Price Risk

The Company is exposed to price risk with its equity securities. Unrealized changes in the values of its securities are recognized in net earnings for held for trading securities and securities held for sale, and in other comprehensive income for available for sale securities. The price risk associated with the Company's securities is managed by maintaining a diversified portfolio, other than the Bank of Montreal shares which are discussed separately under Concentration Risk, and by monitoring the activities of the portfolio managers who, in accordance with the statement of investment policies and procedures, execute a disciplined security selection process. The securities holdings, excluding the Bank of Montreal shares are also diversified by asset class and by geographical region, as shown in the chart below. The chart also indicates the gain or loss which would be recognized in net earnings and other comprehensive income as a result of a 10% change in the market prices:

	Fair value of held for trading securities and securities held for sale	Unrealized gain or loss recognized in net earnings from a 10% market change in region	Fair value of available for sale securities, excluding Bank of Montreal shares, short-term securities and bonds	Unrealized gain or loss recognized in other comprehensive income from 10% market change in region
As at June 30, 2015				
Canada	**$ 1,707**	**±$ 171**	**$ 44,943**	**±$ 4,494**
United States	**--**	**--**	**13,312**	**1,331**
Rest of the World	**44,506**	**4,450**	**53,489**	**5,349**
	$ 46,213	**±$ 4,621**	**$ 111,744**	**±$ 11,174**
As at December 31, 2014				
Canada	$ 1,307	±$ 131	$ 43,299	±$ 4,330
United States	--	--	11,514	1,151
Rest of the World	25,385	2,539	48,454	4,845
	$ 26,692	±$ 2,670	$ 103,267	±$ 10,326

ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $123,725 (December 31, 2014 - $109,915). Changes in the value of these investments caused by changes in the US dollar and UK pound exchange rates are reflected in other comprehensive income in the period in which the change occurs. These foreign currency exposures are not actively managed, due to the long-term nature of these investments, but are closely monitored by management. From time to time, certain foreign subsidiaries may hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, the Company recognizes equal and offsetting gains or losses in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

iii) Interest Rate Risk

The Company is exposed to interest rate risk through its bank loans and borrowings of $62,552 (December 31, 2014 - $51,312) and its investments in fixed income mutual funds and bonds of $9,340 (December 31, 2014 - $8,812). The interest rates on the borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. The interest rate risk associated with the Company's investments in fixed-income mutual funds and bonds are managed by monitoring the activities of the portfolio managers who manage this risk by positioning the investments for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the asset interest-bearing deposits with banks of $68,175 (December 31, 2014 - $61,729), and the client deposits liability of $68,167 (December 31, 2014 - $61,747). This risk is considered to be low, as it is managed through the matching of interest rates and maturities on these balances.

(c) Credit Risk

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

As at June 30, 2015 and December 31, 2014	**2015**	2014
Cash	**$ 23,459**	$ 29,230
Interest-bearing deposits with banks	**68,175**	61,729
Accounts receivable and other	**29,042**	29,293
Receivable from clients and broker	**45,014**	46,160
Fixed income mutual funds	**8,236**	7,735
Short-term securities	**5,383**	5,373
Bonds	**1,104**	1,077
	$ 180,413	$ 180,597

The Company considers its exposure to credit risk to be low. The cash and interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary and there are controls on the amounts that these clients may borrow, depending upon the securities that are pledged as collateral. The credit risk associated with the Company's investments in fixed income mutual funds and bonds is managed by monitoring the activities of the portfolio managers who, through diversification and credit quality reviews of the investments, manage the credit risk. The short-term securities are investment-quality securities.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, which are substantially all due within one year. The Company manages this financial risk by maintaining a portfolio of securities, and by arranging for significant borrowing facilities with major Canadian banks.

16. ACQUISITION

On June 1, 2015, the Company's life insurance managing general agency ("MGA") subsidiary, IDC Worldsource Insurance Network Inc. ("IDC WIN"), acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta. The key employees of First Prairie entered into employment agreements with IDC WIN as part of the transaction. The acquisition further strengthens IDC WIN's operations and its presence in the Prairie region.

The provisional accounting for the acquisition is as follows:

Fair value of consideration paid:		
Cash on closing	$	3,625
Payments to made over a period of 12 months		3,625
Total consideration		7,250
Fair value of identifiable net assets acquired		
Intangibles		6,113
Deferred tax liabilities		(1,620)
Net non-cash working capital		(76)
Other assets		42
Cash		77
Net value of net assets acquired		4,536
Goodwill	$	2,714

The acquisition price consists of cash consideration payable, net of cash acquired, of $7,173. On closing, $3,625 of the cash consideration was paid and the remaining amount is to be paid over the 12 month period from closing.

Goodwill, which is not deductible for income tax purposes, represents expectations that the Company will be able to maximize the value of the contracts with major insurance carriers and that synergies will be realized to maximize the profitability of the combined business.

Since the acquisition, the acquired business has contributed net revenue of $228 and net earnings of $69 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that First Prairie would have earned net revenue of $1,403 and net earnings of $402 for the six months and, as a result, the Company's reported net revenue and net earnings for the six months ended June 30, 2015 would have been approximately $66,545 and $21,670, respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same on January 1, 2015. Management has also assumed amortization of the intangible assets of $201 and a provision for income taxes of $145 for the six months to June 30, 2015.

17. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows pertains to the financial position of Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") for the three months and six months ended June 30, 2015 and the comparative period in the year 2014, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2014 Annual Report. This discussion and analysis has been prepared as of August 12, 2015.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Guardian may, from time to time, make "forward-looking statements" in annual and quarterly reports, and in other documents prepared for shareholders or filed with securities regulators. These statements, characterized by such words as "goal", "outlook", "intends", "expects", "plan", "prospects", "are confident", "believe" and "anticipate", are intended to reflect Guardian's objectives, plans, expectations, estimates, beliefs and intentions.

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be place on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private client investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer and a securities dealer (together, the "Dealer"); and corporate activities and investments. Guardian is headquartered in Canada and also operates through subsidiaries in the UK and the Caribbean. As at June 30, 2015, Guardian had $25.0 billion in assets under management ("AUM") and $14.8 billion of financial advisory assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which, together with its investment in Bank of Montreal shares, had a fair value of approximately $515 million at the end of the quarter.

KEY EVENTS

Acquisitions

On June 1, 2015, Guardian's MGA subsidiary, IDC Worldsource Insurance Network Inc. ("IDC WIN"), acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta, in exchange for $7.3 million in cash, 50% of which was paid on closing and the remaining amount to be paid over a 12 month period from closing. The acquisition continues to strengthen IDC WIN's operations and its presence in the Prairie region.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. Two of the measures that Guardian uses are not in accordance with International Financial Reporting Standards ("IFRS"). These non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be strictly comparable to similar measures presented by other companies. However, Guardian's management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results.

EBITDA

Guardian's management measures the performance of Guardian's business by using EBITDA, which is disclosed in the chart under "Consolidated Financial Results". Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, net gains or losses and net gains or losses on securities held for sale, less amounts attributable to non-controlling interests. We believe this is an important measure, as it allows us to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, and capital expenditures. The most comparable IFRS measure is "Net earnings", which is disclosed in Guardian's Consolidated Statements of Operations. The following is a reconciliation of this non-IFRS measure to this IFRS measure:

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2015**	2014	**2015**	2014
Net earnings, as reported	**$ 9,786**	$ 10,288	**$ 21,337**	$ 21,298
Add (deduct):				
Net (gains) on securities held for sale	**--**	--	**--**	(386)
Income tax expense	**2,206**	1,870	**4,318**	3,449
Net (gains)	**(602)**	(2,959)	**(3,789)**	(6,066)
Stock-based compensation	**388**	329	**735**	681
Interest	**253**	269	**477**	515
Amortization	**979**	888	**1,927**	1,707
Non-controlling interests	**(356)**	(258)	**(791)**	(460)
EBITDA	**$ 12,654**	$ 10,427	**$ 24,214**	$ 20,198

Adjusted cash flow from operations

Adjusted cash flow from operations is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities which is available to shareholders. 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 this non-IFRS measure to this IFRS measure:

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2015**	2014	**2015**	2014
Net cash from operating activities, as reported	**$ 17,080**	$ 15,928	**$ 15,276**	$ 7,228
Add (deduct):				
Net change in non-cash working capital items	**(6,180)**	(6,703)	**4,042**	9,580
Non-controlling interests	**(356)**	(185)	**(633)**	(292)
Adjusted cash flow from operations	**$ 10,544**	$ 9,040	**$ 18,685**	$ 16,516

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)	**2015**	2014	**2015**	2014
Net revenue	**$ 33,066**	$ 29,257	**$ 65,370**	$ 56,979
Expenses	**21,676**	20,058	**43,504**	39,224
Operating earnings	**11,390**	9,199	**21,866**	17,755
Net gains [(1)]	**602**	2,959	**3,789**	6,606
Net earnings before income taxes and net gains on securities held for sale	**11,992**	12,158	**25,655**	24,361
Income tax expense [(1)]	**2,206**	1,870	**4,318**	3,449
Net earnings before net gains on securities held for sale[(1)]	**9,786**	10,288	**21,337**	20,912
Net gains on securities held for sale [(1)]	**--**	--	**--**	386
Net earnings	**$ 9,786**	$ 10,288	**$ 21,337**	$ 21,298
Net earnings available to shareholders	**$ 9,604**	$ 10,163	**$ 20,914**	$ 21,079
EBITDA	**12,654**	10,427	**24,214**	20,198
Adjusted cash flow from operations	**10,544**	9,040	**18,685**	16,516
Diluted per share amounts				
Net earnings available to shareholders	**$ 0.31**	$ 0.33	**$ 0.68**	$ 0.68
EBITDA	**0.41**	0.33	**0.79**	0.65
Adjusted cash flow from operations	**0.34**	0.29	**0.61**	0.53

As at	2015		2014	
($ in millions, except per share amount)	**June 30**	March 31	December 31	June 30
Assets under management	**$ 25,007**	$ 26,093	$ 24,968	$ 24,601
Assets under administration	**14,821**	14,057	13,126	12,732
Shareholders' equity	**474**	478	489	463
Fair value of corporate holdings of securities	**515**	522	525	497
Per share				
Shareholders' equity	**$ 15.32**	$ 15.42	$ 15.62	$ 14.72
Fair value of corporate holdings of securities	**16.64**	16.86	16.78	15.78

(1) During the second quarter of 2015, certain of Guardian's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis, as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Second Quarter 2015 Report to Shareholders. The reclassification had the effect of re-presenting net gains, income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above table reflects the effects of the retrospective application of the reclassification.

The AUM at Guardian as at June 30, 2015 was $25.0 billion, down 4% from $26.1 billion at March 31, 2015, relatively unchanged from December 31, 2014, and increased by 2% from the same quarter a year earlier. The AUA at June 30, 2015 was $14.8 billion, a 5% increase from March 31, 2015, a 13% increase from December 31, 2014 and a 16% increase from the same quarter a year earlier. The AUM decline over the past quarter was due largely to the Canadian equity market decline and net outflows of client assets, mainly from a fixed income sub-advised mandate that underwent a fund reorganization. The increase in AUA in the current quarter was largely due to the addition of AUA from the acquisition of First Prairie completed in the current quarter, and since the prior year, due to successful recruitment of new advisors, and net inflow of assets from existing clients.

The management fee and commission revenue remained relatively flat, quarter over quarter, despite the challenges in the Canadian equity market, but up 13% compared to the same period in 2014. The operating earnings in the current quarter were $11.4 million, an increase of $0.9 million, or 9%, compared to the first quarter of 2015. This was due largely to an increase in income from investments and a slight reduction in expenses during the current quarter. Compared to the same period in 2014, the operating earnings in the current quarter increased by $2.2 million, or 24%. This is due largely to the growth in net revenue generated from the increased AUM and AUA. Guardian continued to invest in the development of two new businesses. Included in the current quarter's operating earnings is $0.7 million of operating losses from the UK-based investment management business and the real estate investment management business.

Net gains for the quarter were $0.6 million, compared to $3.0 million in the second quarter of 2014, due to lower turnover from investment activities during the current quarter. The increase in income tax expense for the current quarter compared to the same quarter of 2014 was due to the increase in operating earnings.

Net earnings available to shareholders were $9.6 million in the current quarter, a 6% decrease compared to $10.2 million in the prior year. The decrease in the current quarter was due to a reduction in net gains of $2.4 million, offset partially by the increase in operating earnings in the current quarter compared to the prior year.

EBITDA for the quarter was $12.7 million, a 21% increase compared to $10.4 million in 2014. The increase in EBITDA is largely due to the increase in operating earnings.

Adjusted cash flow from operations for the quarter was $10.5 million, a 17% increase compared to $9.0 million in 2014. The increase is due to the increase in operating earnings, partially offset by the payment of increased income taxes related to 2014.

REVENUES AND EXPENSES

Investment Management Revenues

The largest source of revenue at Guardian is investment management fees received from clients, which vary as a result of changes in the values of assets managed, and variations in the rates of management fees charged. The following is a summary of the assets under management and supervision:

As at	**2015**		**2014**	
($ in millions)	**June 30**	March 31	December 31	June 30
Institutional	**$ 22,820**	$ 23,841	$ 22,831	$ 22,553
Private client	**2,187**	2,252	2,137	2,048
Total	**$ 25,007**	$ 26,093	$ 24,968	$ 24,601
Institutional AUM is composed of:				
Canadian equities	**$ 13,164**	$ 13,679	$ 13,695	$ 13,741
Global equities	**3,037**	2,996	2,460	2,278
Fixed income	**6,619**	7,166	6,676	6,534
Total	**$ 22,820**	$ 23,841	$ 22,831	$ 22,553

Management fees, net of referral fees paid, for the second quarter of 2015 were $16.4 million, substantially the same as the first quarter of 2015, as the average AUM for the current quarter remained relatively unchanged from the first quarter. Compared to the same period in 2014, the management fees, net of referral fees paid, increased by $1.2 million, or 8%, as a result of the increased AUM. Institutional management fees earned in the quarter increased to $12.9 million from $12.1 million a year earlier, a 7% increase. Private client and international client management fees, net of referral fees paid, earned in the quarter amounted to $3.5 million, an increase of 17% from $3.0 million a year earlier.

Financial Advisory Commission Revenue

Net commission revenue earned from the financial advisory business is the gross commission revenue generated from the sale of life insurance products, mutual funds and other securities, as well as from continuing fees related to AUA and in force life insurance policies, net of commissions paid to advisors.

Net commission revenue was $8.0 million for the second quarter, an increase of 22% from the $6.5 million a year earlier. The largest contributor to this strong growth was our MGA business, which generated $14.2 million in premiums on life insurance policies sold during the quarter, compared to $12.0 million in the prior year. This strong growth in sales, and the additional continuing service fee revenue resulting from the prior year sales, increased its net commission revenue 38% compared to a year earlier. Included in the current quarter revenue were $0.2 million in revenue from the recently acquired First Prairie business.

Administrative Services Income

Administrative services income is composed of registered plan and other fees earned in the financial advisory business, administration fees earned from managed investment funds in the investment management business, and trust and corporate administration fees earned in the international business. This income amounted to $3.1 million for the second quarter, an increase of $0.4 million or 13% from the $2.7 million a year earlier, with all areas contributing to the increase in fees.

Dividend and Interest Income

The following is a summary of Guardian's dividend and interest income:

For the periods ended June 30	**Three months**		**Six months**	
($ in thousands)	**2015**	2014	**2015**	2014
Dividends on Bank of Montreal shares	**$ 3,788**	$ 3,599	**$ 7,576**	$ 7,247
Other dividends	**1,356**	1,020	**1,914**	1,513
Dividend income	**5,144**	4,619	**9,490**	8,760
Interest income	**306**	256	**628**	466
	$ 5,450	$ 4,875	**$ 10,118**	$ 9,226

Dividend income is composed largely of the quarterly dividends received on the Bank of Montreal shares. The increase in dividend income in the current quarter compared to same quarter in the prior year is due to the increase in the quarterly dividend rate on the Bank of Montreal shares from $0.76 per share to $0.80 per share and increased distributions received from Guardian's investment in its real estate fund. The dividend income also increased in the current quarter compared to the first quarter of 2015, which was largely the result in increased distribution from the real estate fund and some increased dividends from the foreign securities which pay semi-annual dividends during the second quarter.

Expenses

Guardian's total operating expenses for the quarter were $21.7 million, an 8% increase from the prior year. Guardian's operating expenses, excluding commissions, referral fees, amortization and interest, were $20.4 million in the second quarter of 2015, compared with $18.9 million in 2014, an increase of 8%. The increase in expenses was due largely to the First Prairie business acquired during the current quarter not being included in 2014, and the increases in compensation and other operating costs to support the growth of the existing and new investment management businesses. The higher amortization expense in the quarter was mainly due to increased amortization of advisor recruitment costs in the financial advisory segment and the amortization of intangibles arising from acquisitions completed in 2014.

NET GAINS AND NET GAINS ON SECURITIES HELD FOR SALE

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2015**	2014	**2015**	2014
Net gains in consolidated mutual funds	**$ (295)**	$ 287	**$ 3,108**	$ 340
Net gains on securities directly held	**670**	2,299	**1,084**	6,168
Net gains on securities	**375**	2,586	**4,192**	6,508
Gains on disposal of intangible assets	**103**	50	**282**	115
Foreign exchange losses	**124**	323	**(685)**	(17)
Net gains[(1)]	**$ 602**	$ 2,959	**$ 3,789**	$ 6,606
Net gains on securities held for sale[(1)]	**$ --**	$ --	**$ --**	$ 386

(1) During the quarter, Guardian reclassified, on a retrospective basis, its interest in certain mutual funds from held for sale to held for trading as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Second Quarter 2015 Report to the Shareholders. The reclassification had the effect of re-presenting net gains and net gains on securities held for sale in prior periods. The above table reflects the effects of the retrospective application of the reclassification.

Both net gains and net gains on securities held for sale can fluctuate from quarter to quarter, depending on the level of investment activities. The level of activity was significantly lower during the current quarter than the same period a year earlier.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operations. The strong cash flow from operations and its credit facilities enabled Guardian to meet all of its financial commitments, finance the expansion of its businesses and make capital expenditures necessary for the development of those businesses.

During 2015, Guardian invested $14 million in new investment funds and investment strategies to support the expansion of the investment management business, paid $3.7 million in initial payment related to the purchase of an insurance managing general agency business and returned $10.6 million to the shareholders in the form of dividends and share purchases.

Guardian's total bank borrowings at June 30, 2015 amounted to $62.5 million, compared with $51.3 million at December 31, 2014 and $66.1 million at June 30, 2014. The total credit available to Guardian under the various arrangements was increased during the year to $103 million.

We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's corporate holdings of securities as at June 30, 2015 had a fair value of $514 million, or $16.64 per share, diluted, compared with $525 million, or $16.78 per share, diluted, as at December 31, 2014, and $468 million, or $14.88 per share, diluted, at June 30, 2014. The following is a summary of Guardian's corporate holdings of securities:

SECURITIES

As at	**2015**		**2014**	
($ in thousands, except per share amounts)	**June 30**	March 31	December 31	June 30
Securities:				
Short-term securities	**$ 5,383**	$ 5,377	$ 5,373	$ 1,858
Bonds	**1,104**	1,104	1,077	1,067
Mutual funds	**52,848**	53,426	49,145	45,860
Bank of Montreal common shares	**350,400**	358,971	388,944	371,235
Other equity securities	**82,949**	81,375	58,574	60,285
Real estate funds	**22,160**	22,239	22,239	16,347
Total securities	**$ 514,844**	$ 522,492	$ 525,352	$ 496,652
Total securities per share, diluted	**$ 16.64**	$ 16.86	$ 16.78	$ 15.78

During the quarter, Guardian reclassified, on a retrospective basis, its interest in certain mutual funds from held for sale to held for trading as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Second Quarter 2015 Report to the Shareholders. The above table reflects the effects of the retrospective application of the reclassification.

The fluctuations in the fair value of securities holdings from June 30, 2014 to June 30, 2015 were due mainly to market fluctuations, including the investment in the Bank of Montreal shares, which changed in fair value only due to market movements.

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, 2015 *($ in thousands)*	**Total**	**Within one year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 62,552	$ 62,552	$ --	$ --	$ --
Client deposits	68,167	68,167	--	--	--
Accounts payable and other	32,989	31,786	--	1,203	--
Payable to clients	45,014	45,014	--	--	--
Investment commitment – real estate fund	3,512	3,512	--	--	--
Operating lease obligations	15,911	2,187	3,626	2,744	7,354
Total contractual obligations	$ 228,145	$ 213,218	$ 3,626	$ 3,947	$ 7,354

Guardian's contractual commitments are supported by its strong financial position, including its securities, referred to above under the heading "Liquidity and Capital Resources". The payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the receivable from clients and broker. Client deposits in the offshore banking subsidiary are supported by the interest-bearing deposits with banks. Guardian has an outstanding commitment to invest an additional $3.5 million into a real estate limited partnership, which is managed by a subsidiary, and this remaining amount is expected to be invested as appropriate real estate product becomes available, at which time Guardian's management will determine the appropriate strategy for funding this commitment.

SUMMARY OF QUARTERLY RESULTS

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

Quarters ended *($ in thousands)*	**Jun 30, 2015**	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013
Net revenue	**$ 33,066**	$ 32,304	$ 31,490	$ 30,806	$ 29,257	$ 27,722	$ 27,907	$ 25,173
Operating earnings	**11,390**	10,476	10,335	10,051	9,199	8,556	8,564	6,898
Net gains (losses) (1)	**602**	3,119	311	(168)	2,959	3,647	7,218	3,183
Net earnings before net gains on securities held for sale (1)	**9,786**	11,551	8,438	7,877	10,288	10,624	14,879	8,602
Net gains on securities held for sale (1)	**--**	--	--	--	--	386	238	432
Net earnings available to shareholders	**9,604**	11,310	8,223	7,715	10,163	10,916	14,980	8,946
Shareholders' equity	**473,944**	477,901	488,835	482,242	463,306	438,363	414,985	393,670
($ in dollars)								
Per average Class A and Common Share								
Net earnings:								
- Basic	**$ 0.33**	$ 0.38	$ 0.27	$ 0.26	$ 0.34	$ 0.36	$ 0.49	$ 0.29
- Diluted	**0.31**	0.37	0.27	0.25	0.33	0.35	0.48	0.29
Shareholders' equity:								
- Basic	**$ 16.08**	$ 16.15	$ 16.33	$ 16.08	$ 15.34	$ 14.49	$ 13.68	$ 12.94
- Diluted	**15.32**	15.42	15.62	15.39	14.72	13.93	13.17	12.51

(1) During the second quarter of 2015, certain of Guardian's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Second Quarter 2015 Report to Shareholders. The reclassification had the effect of re-presenting net gains (losses), income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above table reflects the effects of the retrospective application of the reclassification.

Management fees earned in the investment management segment are highly correlated to the level of AUM and generally not subject to seasonal fluctuations. Guardian may also earn performance management fees on certain accounts, which are determined on an annual and a quarterly basis, and these may be significant. The seasonality which existed in the mutual fund and securities dealer subsidiaries, with some concentration of commissions in the traditional "RSP season" in the first quarter of each year, has largely dissipated. This change is due to the overriding influence of worldwide market movements, which can affect client and advisor behavior throughout the year, the continuing move toward "trailer" fees and other continuing-fee revenues and away from "front-load" commissions and the increasing significance of commissions from the life insurance MGA, which are less influenced by the "RSP season" and the financial market movements. Some seasonality in the commission revenues is now beginning to occur in the MGA business, where the last quarter of the year sees an increase in revenues from "volume bonuses" earned from the life insurance companies. These volume bonuses are increasing each year and are becoming more significant as the business continues to grow. We are also now starting to see a trend developing in the dividend income with the second quarter and the fourth quarter of each year seeing increases in revenue, largely due to dividends from foreign equities which pay semi-annual dividends during those periods.

The growth in net revenue during the periods shown above have generally resulted from two influences. Firstly, reflecting the growth in AUM, management fees in the investment management business have increased steadily and substantially throughout the periods. Secondly, there has been significant growth in commissions earned in the financial advisory business, as a result of the strong growth in the life insurance MGA business after the acquisitions made in recent years, together with continuing growth in the mutual fund and securities dealerships. For the quarter ended June 30, 2015, the increase in net revenue from the quarter ended March 31, 2015 was largely the result of increase in distribution received from Guardian's investment in the real estate fund and the seasonal increase in dividends received on foreign equity securities.

Since gains and losses are recorded on disposal of available for sale securities or other assets when realized, and on changes in the value of held for trading securities, and such amounts can vary from quarter to quarter, the amounts included in "Net gains (losses)" each quarter can fluctuate, as shown in the quarterly results above. The significant net gains recorded in the quarters ended September 30, 2013 to June 30, 2014 and the first quarter of 2015 contributed significantly to increases in net earnings in those quarters. The quarterly fluctuations in Shareholders' equity shown above have been largely caused by changes in the balance of accumulated other comprehensive income, which in turn is largely driven by the changes in the value of Guardian's holdings of securities, including the investment in the Bank of Montreal common shares, less the provision for deferred income taxes and the changes in foreign currency translation adjustment on foreign subsidiaries.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 15 to the Consolidated Financial Statements, contained in Guardian's Second Quarter 2015 Report to Shareholders, for additional information on financial risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since management fees are generally based on market values. Additionally, market fluctuations have a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing our commission revenues. We manage the risk of market fluctuations by having a diversified client base with different investment needs and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's corporate holdings of securities 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 corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. With the exception of the investment of $350 million in the Bank of Montreal shares, which is a significant portion of Guardian's securities holdings, the holdings are diversified from both an asset class and a geographical perspective. Guardian has accepted the concentration risk associated with its holding of Bank of Montreal shares, as the bank is a diversified company with a history of steady dividend payments.

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in net earnings, but are recorded as changes in foreign currency translation adjustment on foreign subsidiary in Guardian's Statements of Comprehensive Income and the cumulative effect is included in accumulated other comprehensive income in the shareholders' equity section of the Consolidated Balance Sheets. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is monitored by management. From time to time, the foreign subsidiaries hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, Guardian records equal and offsetting gains in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to Guardian.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant, takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds and bonds are managed by monitoring the activities of the portfolio manager who, through diversification and credit qualify review of the investments, manages the credit risk.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks. The interest rate risks associated with Guardian's investment in fixed-income mutual funds and bonds are 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 various segments of the business, and by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $103 million through three credit facilities. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations and the borrowing facilities provide sufficient cash resources to manage its liquidity risk.

Regulatory Change Risk

Changes to government regulations, including those related to income taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, and net earnings, in 2006, 2007, 2009 and 2012. Because there had been a downward trend in income tax rates prior to 2012, the effects on earnings in earlier years had been positive, but they were negative in 2012, and further negative effects could result if tax rates increase again in the future. Another area in which regulation affects Guardian's business is in the regulatory requirements of the government and self-regulatory agencies under which our regulated subsidiaries operate, including the new jurisdictions into which Guardian has expanded during 2014. Through a combination of in-house expertise and external advisors, when appropriate, these subsidiaries are able to comply with these regulatory requirements and adapt to changes in them.

Performance Risk

Product performance presents another risk. It is a relative, as well as an absolute measure, because the risk is that we will not perform as well as the market, our peers, or in line with our clients' expectations. 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 ensure that we are fully aware of all of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

Financial Advisory Risk

Because of the number of agents who publicly represent each of the Worldsource operating entities, there are risks associated with their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of the Worldsource organization, significant management oversight and insurance coverage carried by both Worldsource and the agents.

Competition Risk

Another risk is competition. Our ability to compete is enhanced by the high quality of our management team, our substantial depth in personnel and resources and a strong balance sheet, which provides us with the flexibility to make the changes necessary to be competitive. In addition, we manage competition risk by tailoring our product and service offerings to market conditions and client needs.

As a result of this risk related to its clients, Guardian has the risk of a reduction in its revenues due to the possible loss of clients, including the possible loss of Worldsource advisors, who could bring their clients to another dealer or MGA. This risk is managed by having strong marketing efforts to replace lost revenue with new client revenues, and by continuing to offer competitive benefits to advisors.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's December 31, 2014, Consolidated Financial Statements. The most significant accounting estimates are related to the determination of fair values of assets and liabilities arising from the acquisition of First Prairie during the second quarter of 2015, impairment assessment of goodwill and the determination of fair value of securities classified as level 3 within the fair value hierarchy. The valuation approaches are most sensitive to the levels of AUA and annual service fees for goodwill and the level of AUM for the fair value of level 3 securities. No changes to the valuation methodologies were made during the current quarter.

OUTLOOK

Although the second quarter of 2015 experienced volatile global equity markets with most major markets finishing well below their intra-quarter highs, we remain positive about the global equity markets as we have been throughout 2013 and 2014. Low competitive interest rates, the improving U.S. economy and dissipating fears elsewhere have continued to support price multiple expansion across most sectors, with the exception of the resource side of the market. Concerns over the ability of Greece to repay their obligations weighed heavily on global equity markets at the close of the quarter. The U.S. based S&P 500 Index continued to lead, returning 0.3% for the quarter (-1.4% CAD adjusted), the MSCI World Index 0.3% (-1.3% CAD adjusted), and the Europe, Asia, and Far East based MSCI EAFE Index lost 0.6% (-1.0% CAD adjusted). Central Banks continued to be highly accommodative, though the pace and number of rate cuts slowed considerably in the second quarter. The Federal Reserve continued to discuss moving its benchmark rate higher, leaving it as the continuing outlier among policy-making banks. Bond yields were modestly higher as pricing slumped and fixed income investors continued to wait for clarity from the Federal Reserve.

Despite our positive views of the broader global developed equity markets, we remain cautious with respect to the Canadian equity markets. The Canadian economy continues to face headwinds from lower oil prices, given that oil is Canada's largest export. Depending on the extent and duration of the commodity and energy softness, the Canadian equity markets will be challenged to make any significant gains in the near term. During the second quarter, the S&P/TSX Composite Index fell 1.6% and overall retail investor industry net sales flows were largely flat to negative for Canadian equity investment solutions. The performance of this benchmark remains the external factor having the greatest effect on Guardian's performance, as the majority of our assets under management or administration are exposed to it. Guardian's efforts to diversify its investment offerings by introducing systematic global investment capabilities have served to offset slightly its current high concentration in Canadian equity solutions. Our strategic decision to invest in additional global fundamental capabilities with the establishment of a UK-based fundamental investment team is born from our desire to further diversify our investment concentration in Canadian equities. The Canadian equity markets are also a significant factor for Guardian's financial advisory segment and its assets under administration. However, the segment's improved financial contribution from its Managing General Agency, which has lower correlation to the equity markets than its other businesses, better positions this segment to absorb negative impact from a declining Canadian equity market.

Guardian remains highly geared toward the equity markets, across its main business segments and its corporate investment portfolio. An environment which will reward greater equity risk will be positive for the overall performance of Guardian, as revenue sources such as commission revenue and management fees are aligned toward higher levels of assets under management or assets under administration.

Both the investment management and financial advisory businesses have the financial strength of Guardian's balance sheet, to support their patient, long-term strategic business objectives of becoming meaningful contributors to operating profit for Guardian. As we succeed in executing our operating business growth plans, we also intend to continue rewarding our shareholders with return of capital in the form of both dividends and share buybacks.

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