Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER 2015

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three months ended March 31, 2015. All per share figures disclosed below are stated on a diluted basis.

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2015**	2014
Net revenue	**$ 32,304**	$ 27,722
Operating earnings	**10,476**	8,556
Net gains	**152**	3,647
Net earnings before net gains on securities held for sale	**8,584**	10,624
Net gains on securities held for sale	**2,967**	386
Net earnings available to shareholders	**11,310**	10,916
EBITDA	**$ 11,560**	$ 9,823
Adjusted cash flow from operations	**8,141**	7,478
Per Share		
Net earnings available to shareholders	**$ 0.37**	$ 0.35
EBITDA	**0.38**	0.31
Adjusted cash flow from operations	**0.27**	0.24

As at *($ in millions, except per share amounts)*	**2015** **March 31**	2014 December 31	 March 31
Assets under management	**$ 26,093**	$ 24,968	$ 23,237
Assets under administration	**14,057**	13,126	12,227
Shareholders' equity	**478**	489	438
Fair value of corporate holdings of securities	**522**	525	468
Per share			
Shareholders' equity	**$ 15.42**	$ 15.62	$ 13.93
Fair value of corporate holdings of securities	**16.86**	16.78	14.88

Summary

The Company's assets under management ("AUM") as at March 31, 2015 grew to $26.1 billion, an increase of 5% since December 31, 2014 and 12% since March 31, 2014. Assets under administration ("AUA") were $14.1 billion as at March 31, 2015, an increase of 7% since December 31, 2014 and 15% since March 31, 2014.

The Company's operating earnings for the current quarter were $10.5 million, an increase of 22% from $8.6 million in Q1 2014. All segments of the Company's operations contributed positively to the overall growth in operating earnings. Net gains at $0.2 million were lower in the current quarter than in 2014 due to lower levels of investment activities during the current quarter. The net gains on securities held for sale at $3.0 million were higher in the current quarter than in 2014, largely due to the unrealized gains recorded on a significantly larger portfolio of securities held for sale.

Net earnings available to shareholders for the quarter were $11.3 million, or $0.37 per share, compared to $10.9 million, or $0.35 per share, for Q1 2014. The increase was due to the growth in operating earnings, offset by the reduction in the total of net gains and net gains on securities held for sale, and the resulting additional income taxes.

EBITDA for the quarter was $11.6 million, or $0.38 per share, compared to $9.8 million, or $0.31 per share for Q1 2014. Adjusted cash flow from operations for the quarter was $8.1 million, or $0.27 per share, compared to $7.5 million, or $0.24 per share for Q1 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 March 31, 2015 was $478 million, or $15.42 per share, compared to $489 million, or $15.62 per share, at December 31, 2014 and $438 million, or $13.93 per share, as at March 31, 2014. The fair value of the Company's corporate holdings of securities as at March 31, 2015 was $522 million, or $16.86 per share, compared to $525 million, or $16.78 per share, as at December 31, 2014 and $468 million, or $14.88 per share, as at March 31, 2014.

Commentary and Outlook

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. During the first quarter of 2015, the market remained focused on the US Federal Reserve Bank's language in anticipation of the timing of the first rate increase. In March, the Fed opened the door to rate hikes by removing the word "patient" from its statement. The market is implying a lift off in either June or September, which the Fed suggested will be data dependent. The Fed will want to be reasonably confident that inflation is moving back toward its 2% target before initiating rate hikes. We believe it will take much higher short rates, much higher long rates, and a more expensive stock market to end this bull market. When short rates do begin to rise, this may cause another pull-back in the market. But history would suggest that if the rise is due to a strong economy, earnings growth will continue to drive stocks higher, until short rates have had several increases and the yield curve inverts.

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. However we expect the resource side of the market to improve from current depressed levels and, coupled with a strong US economic recovery, the Canadian economy and equity markets should continue to produce positive returns in 2015. During the first quarter, the S&P/TSX index rose 2.6%. The performance of this benchmark 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, in the first quarter, we continued to add new assets from existing and new clients with particular success in the retail intermediary client area. As a result, AUM grew by 5% during the first quarter and by 12% over the 12 months.

The management fee income in the first quarter of 2015 was more than 14% greater than in the first quarter of 2014 and the consolidated operating earnings for the three months ended March 31, 2015 of $10.5 million were 22% above the $8.6 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 product base. In order to achieve this next stage of growth, we will take advantage of our current operating platform success and invest in new 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 Q1 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, will lead to improved future operating earnings and long-term value.

The Company's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to produce improved operating earnings. Growth in AUA was due to positive markets, strong net new sales from existing advisors and net new independent advisors recruited to our wealth management platform. The mutual fund and securities dealerships continue to show steady improvements in revenues and the management of expenses. Our life insurance managing general agency in the first quarter of 2015 has picked up where it ended the prior year, 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 first quarter, the $12.8 million of premiums on life insurance policies sold was 28% higher than in the same period last year, and will result in both current and future net commission revenue for the financial advisory segment.

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 Guardian. With improved operating fundamentals and strong cash flows, the Company continues to share these rewards with its shareholders. In Q1 2015, the Company returned $6.3 million to shareholders through share buybacks and dividends. Under its Normal Course Issuer Bid the Company purchased and cancelled 250,150 Class A shares for total consideration paid of $4.3 million or an average share price of $17.28. In January and April of this year, the Company paid to shareholders quarterly dividends, of $0.065 per share and $0.075 per share, respectively. The Board is pleased to report that we have declared the next quarterly dividend, of $0.075 per share, payable on July 17, 2015, to shareholders of record on July 10, 2015.

On behalf of the Board, May 12, 2015

[signed "James Anas"]
James Anas
Chairman of the Board

[signed "George Mavroudis"]
George Mavroudis
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	March 31 2015	December 31 2014
ASSETS		
Current assets		
Cash	$ 18,695	$ 29,230
Interest-bearing deposits with banks	51,952	61,729
Accounts receivable and other	28,612	29,293
Receivables from clients and broker	42,220	46,160
Prepaid expenses	1,760	1,854
	143,239	168,266
Securities (note 3)		
Securities holdings	479,427	499,967
Securities held for sale	43,065	25,385
	522,492	525,352
Other assets		
Deferred tax assets	2,753	3,060
Intangible assets	24,138	23,791
Equipment	3,549	3,656
Goodwill	12,299	12,299
Investment in associate	333	333
	43,072	43,139
Total assets	$ 708,803	$ 736,757
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 64,252	$ 51,312
Client deposits	51,950	61,747
Accounts payable and other	20,730	31,688
Income taxes payable	534	2,276
Payable to clients	42,220	46,160
	179,686	193,183
Other liability (note 5)	1,211	1,097
Deferred tax liabilities	46,365	50,243
Total liabilities	227,262	244,523
EQUITY		
Shareholders' equity		
Capital stock (note 6)	21,245	21,434
Treasury stock (note 7)	(21,613)	(19,890)
Contributed surplus	11,171	10,841
Retained earnings	274,982	269,752
Accumulated other comprehensive income	192,116	206,698
	477,901	488,835
Non-controlling interests	3,640	3,399
Total equity	481,541	492,234
Total liabilities and equity	$ 708,803	$ 736,757

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2015**	2014
Revenue		
Gross commission revenue	**$ 27,842**	$ 24,033
Commissions paid to advisors	**(19,786)**	(17,771)
	8,056	6,262
Management fee income, net (note 8)	**16,479**	14,460
Administrative services income	**3,101**	2,649
Dividend and interest income (note 9)	**4,668**	4,351
Net revenue	**32,304**	27,722
Expenses		
Employee compensation and benefits	**13,831**	12,575
Amortization	**948**	819
Interest	**224**	246
Other expenses	**6,825**	5,526
	21,828	19,166
Operating earnings	**10,476**	8,556
Net gains (note 10)	**152**	3,647
Net earnings before income taxes and net gains on securities held for sale	**10,628**	12,203
Income tax expense	**2,044**	1,579
Net earnings before net gains on securities held for sale	**8,584**	10,624
Net gains on securities held for sale (note 10)	**2,967**	386
Net earnings	**$ 11,551**	$ 11,010
Net earnings available to:		
Shareholders (note 11)	**$ 11,310**	$ 10,916
Non-controlling interests	**241**	94
Net earnings	**$ 11,551**	$ 11,010
Net earnings available to shareholders per Class A and Common share (note 12):		
Basic	**$ 0.38**	$ 0.36
Diluted	**0.37**	0.35

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

For the three months ended March 31 *($ in thousands)*	2015	2014
Net earnings	**$ 11,551**	$ 11,010
Other comprehensive income		
Available for sale securities:		
Net change in fair value	**(28,217)**	16,724
Income tax (recovery) provision	**(3,869)**	2,074
	(24,348)	14,650
Transfer to net earnings of unrealized (gains) upon disposal	**(412)**	(3,663)
Reversal of income taxes	**17**	164
	(24,743)	11,151
Changes in foreign currency translation adjustment on foreign subsidiaries	**10,161**	3,857
Other comprehensive income (loss)	**(14,582)**	15,008
Comprehensive income (loss)	**$ (3,031)**	$ 26,018
Comprehensive income (loss) available to:		
Shareholders	**$ (3,272)**	$ 25,924
Non-controlling interests	**241**	94
Comprehensive income (loss)	**$ (3,031)**	$ 26,018

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31 ($ in thousands)	2015	2014
Total equity, beginning of period	$ 492,234	$ 417,788
Shareholders' equity, beginning of period	488,835	414,985
Capital stock		
Balance, beginning of period	21,434	21,679
Acquired and cancelled	(189)	--
Capital stock, end of period	21,245	21,679
Treasury stock		
Balance, beginning of period	(19,890)	(18,700)
Acquired	(1,740)	(1,235)
Disposed of	17	38
Treasury stock, end of period	(21,613)	(19,897)
Contributed surplus		
Balance, beginning of period	10,841	9,583
Stock-based compensation expense	347	352
Redemption of equity-based entitlements	(17)	(33)
Contributed surplus, end of period	11,171	9,902
Retained earnings		
Balance, beginning of period	269,752	245,961
Net earnings available to shareholders	11,310	10,916
Dividends declared and paid	(1,946)	(1,668)
Excess of purchase price over issue price of Company's capital stock acquired and cancelled	(4,134)	--
Retained earnings, end of period	274,982	255,209
Accumulated other comprehensive income		
Balance, beginning of period	206,698	156,462
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of period	196,948	155,611
Net change during period	(24,743)	11,151
Balance, end of period	172,205	166,762
Foreign currency translation adjustment on a self-sustaining foreign subsidiary		
Balance, beginning of period	9,750	851
Net change during period	10,161	3,857
Balance, end of period	19,911	4,708
Accumulated other comprehensive income, end of period	192,116	171,470
Shareholders' equity, end of period	477,901	438,363
Non-controlling interests		
Balance, beginning of period	3,399	2,803
Net earnings available to non-controlling interests	241	94
Non-controlling interests, end of period	3,640	2,897
Total equity, end of period	$ 481,541	$ 441,260

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31 *($ in thousands)*	**2015**	2014
Operating activities		
Net earnings	**$ 11,551**	$ 11,010
Adjustments for:		
Income taxes paid	**(3,543)**	(2,348)
Income tax expense	**2,044**	1,579
Net gains	**(152)**	(3,647)
Net gains on securities held for sale	**(2,933)**	(182)
Amortization of intangible assets	**753**	664
Amortization of equipment	**195**	155
Stock-based compensation	**347**	352
Other non-cash expenses	**156**	--
	8,418	7,583
Net change in non-cash working capital items (note 14)	**(10,222)**	(16,283)
Net cash used in operating activities	**(1,804)**	(8,700)
Investing activities		
Net (acquisition) disposition of securities	**(1,388)**	1,664
Acquisition of securities held for sale	**(12,701)**	(278)
Acquisition of intangible assets	**(1,274)**	(958)
Acquisition of equipment	**(43)**	(334)
Disposition of intangible assets	**428**	221
Net cash from (used in) investing activities	**(14,978)**	315
Financing activities		
Dividends	**(1,946)**	(1,668)
Acquisition and cancellation of capital stock	**(4,323)**	--
Acquisition of treasury stock	**(1,740)**	(1,235)
Disposition of treasury stock	**17**	38
Net proceeds of bank loan and bankers' acceptances	**7,751**	6,172
Net cash from (used in) financing activities	**(241)**	3,307
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	**1,299**	480
Net change in net cash	**(15,724)**	(4,598)
Net cash, beginning of period	**27,768**	27,717
Net cash, end of period	**$ 12,044**	$ 23,119
Net cash represented by:		
Cash	**$ 18,695**	$ 27,824
Net bank indebtedness	**(6,651)**	(4,705)
	$ 12,044	$ 23,119

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, directly or indirectly 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 May 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, 2017. The Company is currently evaluating the impact IFRS 15 will have on its consolidated financial statements.

3. SECURITIES

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

As at March 31, 2015 and December 31, 2014	2015	2014
Securities holdings		
Available for sale securities		
Short-term securities	$ 5,377	$ 5,373
Bonds	1,104	1,077
Mutual funds	53,426	49,145
Bank of Montreal common shares	358,971	388,944
Other equity securities	36,540	31,882
Real estate fund (i)	22,239	22,239
	477,657	498,660
Held for trading securities		
Equity securities	1,770	1,307
Total securities holdings	479,427	499,967
Securities held for sale (ii)	43,065	25,385
Total securities (iii)	$ 522,492	$ 525,352

(i) As of March 31, 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.

(ii) Securities held for sale are the Company's interests in mutual funds which the Company is deemed to control and intends to dispose of control through either sale or dilution within 12 months from the date of acquisition.

(iii) The Company's securities have been categorized into the following fair value hierarchy as at March 31, 2015: Level 1, $493,008 (December 31, 2014 - $497,140); Level 2, $22,239 (December 31, 2014 - $22,239); and Level 3, $7,245 (December 31, 2014 - $5,973). During the three months ended March 31, 2015 and December 31, 2014, there were no transfers of securities between the Levels.

4. BANK LOANS AND BORROWINGS

As at March 31, 2015 and December 31, 2014		2015		2014
Net bank indebtedness	$	6,651	$	1,462
Bankers' acceptances payable		56,900		49,600
Bank loan		701		250
	$	64,252	$	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

	2015			2014		
For the three months ended March 31	Shares		Amount	Shares		Amount
Class A shares						
Outstanding, beginning of period	27,368	$	20,279	27,534	$	20,487
Acquired and cancelled	(250)		(189)	--		--
Outstanding, end of period	27,118		20,090	27,534		20,487
Common shares						
Outstanding, beginning and end of period	4,777		1,155	4,935		1,192
Total outstanding, end of period	31,895	$	21,245	32,469	$	21,679

(c) Issuer Bid

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

For the three months ended March 31		2015		2014
Class A shares purchased and cancelled		250		--
Consideration paid	$	4,323	$	--
Average issue price, charged to share capital		189		--
Excess consideration charged to retained earnings	$	4,134	$	--

(d) Dividends

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

For the three months ended March 31		2015		2014
Dividends declared and paid per share	$	0.065	$	0.055

The Company has also declared dividends of $0.075 and $0.075 per share payable on April 17, 2015 and July 17, 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:

	2015		2014	
For the three months ended March 31	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**2,204**	**$ 19,890**	2,136	$ 18,700
Acquired	**101**	**1,740**	81	1,235
Disposed of	**(2)**	**(17)**	(11)	(38)
Balance, end of period	**2,303**	**$ 21,613**	2,206	$ 19,897

(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:

	2015		2014	
For the three months ended March 31	**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 three months ended March 31	**2015**	2014
Equity-based entitlements, beginning of the period	**708**	639
Entitlements provided	**101**	81
Entitlements exercised	**(2)**	(10)
Equity-based entitlements, end of period	**807**	710

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 months had a fair value of $1,740 (2014 - $1,235).

8. MANAGEMENT FEE INCOME, NET

Management fee income, net is composed of the following:

For the three months ended March 31	**2015**	2014
Management fees, gross	**$ 17,203**	$ 14,933
Less: Fees paid to referring agents	**(724)**	(473)
	$ 16,479	$ 14,460

9. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31	2015	2014
Dividends on Bank of Montreal shares	$ 3,788	$ 3,648
Other dividends	559	479
Dividend income	4,347	4,127
Interest income	321	224
	$ 4,668	$ 4,351

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

(a) Net gains are composed of the following:

For the three months ended March 31	2015	2014
Held for trading securities (i)	$ 368	$ 53
Available for sale securities	415	3,870
Net gains on securities	783	3,923
Gains on disposal of intangible assets	180	66
Foreign exchange losses (ii)	(811)	(342)
Net gains	$ 152	$ 3,647

(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 a mutual fund that is 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 three months ended March 31	2015	2014
Net gains	$ 3,001	$ 272
Other income	34	204
Income tax expense	(68)	(90)
Net gains on securities held for sale	$ 2,967	$ 386

Net gains on securities held for sale include the net change in fair value of those securities, plus income and expenses from the securities held in this category.

11. NET EARNINGS AVAILABLE TO SHAREHOLDERS

Net earnings available to shareholders are comprised of the following:

For the three months ended March 31	2015	2014
Net earnings before net gains on securities held for sale available to shareholders	$ 8,343	$ 10,530
Net gains on securities held for sale available to shareholders	2,967	386
Net earnings available to shareholders	$ 11,310	$ 10,916

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 three months ended March 31	2015	2014
Weighted average number of class A and common shares outstanding:		
Basic	29,673	30,291
Effect of outstanding entitlements from stock-based compensation plans	1,361	1,198
Diluted	31,034	31,489
Net earnings available to shareholders of class A and common shares:		
Basic	$ 11,310	$ 10,916
Effect of outstanding entitlements from stock-based compensation plans	105	94
Diluted	$ 11,415	$ 11,010

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:

	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
For the three months ended March 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue										
Gross commission revenue	**$ --**	$ --	**$ 28,015**	$ 24,217	**$ --**	$ --	**$ (173)**	$ (184)	**$ 27,842**	$ 24,033
Commissions paid to advisors	**--**	--	**(19,786)**	(17,771)	**--**	--	**--**	--	**(19,786)**	(17,771)
	--	--	**8,229**	6,446	**--**	--	**(173)**	(184)	**8,056**	6,262
Management fees income, net	**16,340**	14,352	**--**	--	**--**	--	**139**	108	**16,479**	14,460
Administrative services income	**1,357**	1,044	**1,744**	1,605	**--**	--	**--**	--	**3,101**	2,649
Dividend and interest income	**38**	22	**187**	176	**4,474**	4,119	**(31)**	34	**4,668**	4,351
Net revenue	**17,735**	15,418	**10,160**	8,227	**4,474**	4,119	**(65)**	(42)	**32,304**	27,722
Expenses										
Employee compensation and benefits	**8,204**	7,171	**3,666**	3,674	**1,961**	1,730	**--**	--	**13,831**	12,575
Amortization	**62**	33	**715**	630	**171**	156	**--**	--	**948**	819
Interest	**53**	40	**36**	46	**166**	202	**(31)**	(42)	**224**	246
Other expenses	**4,655**	3,208	**3,055**	3,069	**(885)**	(751)	**--**	--	**6,825**	5,526
	12,974	10,452	**7,472**	7,419	**1,413**	1,337	**(31)**	(42)	**21,828**	19,166
Operating earnings	**4,761**	4,966	**2,688**	808	**3,061**	2,782	**(34)**	--	**10,476**	8,556
Net gains (losses)	**--**	--	**186**	66	**(34)**	3,581	**--**	--	**152**	3,647
Net earnings before income taxes and net gains on securities held for sale	**4,761**	4,966	**2,874**	874	**3,027**	6,363	**(34)**	--	**10,628**	12,203
Income tax expense	**1,175**	1,185	**800**	256	**69**	138	**--**	--	**2,044**	1,579
Net earnings before net gains on securities held for sale	**3,586**	3,781	**2,074**	618	**2,958**	6,225	**(34)**	--	**8,584**	10,624
Net gains on securities held for sale	**--**	--	**--**	--	**2,933**	386	**34**	--	**2,967**	386
Net earnings	**$ 3,586**	$ 3,781	**$ 2,074**	$ 618	**$ 5,891**	$ 6,611	**$ --**	$ --	**$ 11,551**	$ 11,010
Net earnings available to:										
Shareholder	**$ 3,586**	$ 3,781	**$ 1,833**	$ 524	**$ 5,891**	$ 6,611	**$ --**	$ --	**$ 11,310**	$ 10,916
Non-controlling interests	**--**	--	**241**	94	**--**	--	**--**	--	**241**	94
Net earnings	**$ 3,586**	$ 3,781	**$ 2,074**	$ 618	**$ 5,891**	$ 6,611	**$ --**	$ --	**$ 11,551**	$ 11,010
Capital expenditures on segment assets:										
Intangible assets	**$ --**	$ --	**$ 1,274**	$ 958	**$ --**	$ --	**$ --**	$ --	**$ 1,274**	$ 958
Equipment	**2**	187	**18**	108	**23**	39	**--**	--	**43**	334
As at March 31, 2015 and December 31, 2014										
Segment assets and liabilities:										
Assets	**$116,474**	$130,626	**$102,439**	$105,154	**$594,014**	$587,100	**$ (104,124)**	$ (86,123)	**$708,803**	$736,757
Liabilities	**79,492**	85,292	**112,121**	116,910	**139,773**	128,444	**(104,124)**	(86,123)	**227,262**	244,523

The following table discloses certain information about the Company's activities, segmented geographically:

	Canada		Rest of World		Inter-segment Transactions		Consolidated	
For the three months ended March 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net revenue	**$ 30,523**	$ 26,654	**$ 1,877**	$ 1,292	**$ (96)**	$ (224)	**$ 32,304**	$ 27,722
As at March 31, 2014 and December 31, 2014								
Segment non-current assets:								
Intangible assets	**$ 22,196**	$ 21,879	**$ 1,942**	$ 1,912	**$ --**	$ --	**$ 24,138**	$ 23,791
Equipment	**3,016**	3,165	**533**	491	**--**	--	**3,549**	3,656
Goodwill	**11,111**	11,111	**1,188**	1,188	**--**	--	**12,299**	12,299

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the three months ended March 31	2015	2014
Decrease (increase) in non-cash working capital assets:		
Interest-bearing deposits with banks	$ 15,475	$ 784
Accounts receivable and other	745	(5,368)
Receivables from clients and broker	3,940	(581)
Prepaid expenses	125	(32)
Increase (decrease) in non-cash working capital liabilities:		
Client deposits	(15,492)	(1,050)
Accounts payable and other	(11,075)	(10,617)
Payable to clients	(3,940)	581
Net change in non-cash working capital items	$ (10,222)	$ (16,283)

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 $358,971 (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 $35,897 (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 March 31, 2015				
Canada	**$ 1,770**	**±$ 177**	**$ 45,209**	**±$ 4,521**
United States	**--**	**--**	**13,272**	**1,327**
Rest of the World	**43,065**	**4,307**	**53,722**	**5,372**
	$ 44,835	**±$ 4,484**	**$ 112,203**	**±$ 11,220**
As at December 31, 2014				
Canada	$ 1,307	±$ 131	$ 43,298	±$ 4,330
United States	--	--	11,514	1,151
Rest of the World	25,385	2,539	48,454	4,845
	$ 26,692	±$ 2,670	$ 103,266	±$ 10,326

ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $122,576 (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 $64,252 (December 31, 2014 - $51,312) and its investments in fixed income mutual funds and bonds of $9,383 (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 $51,952 (December 31, 2014 - $61,729), and the client deposits liability of $51,950 (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 March 31, 2015 and December 31, 2014	**2015**	2014
Cash	**$ 18,695**	$ 29,230
Interest-bearing deposits with banks	**51,952**	61,729
Accounts receivable and other	**28,612**	29,293
Receivable from clients and broker	**42,220**	46,160
Fixed income mutual funds	**8,279**	7,735
Short-term securities	**5,377**	5,373
Bonds	**1,104**	1,077
Total, before collateral and credit enhancements	**$ 156,239**	$ 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. FINANCIAL STATEMENT REVIEW

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

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 ended March 31, 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 May 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 March 31, 2015, Guardian had $26.1 billion in assets under management ("AUM") and $14.1 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 $522 million at the end of the quarter.

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 three months ended March 31 *($ in thousands)*	**2015**	2014
Net earnings, as reported	**$ 11,551**	$ 11,010
Add (deduct):		
Net (gains) on securities held for sale	**(2,967)**	(386)
Income tax expense	**2,044**	1,579
Net (gains)	**(152)**	(3,647)
Stock-based compensation	**347**	352
Interest	**224**	246
Amortization	**948**	819
Non-controlling interests	**(435)**	(150)
EBITDA	**$ 11,560**	$ 9,823

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 used in 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 three months ended March 31 *($ in thousands, except per share amounts)*	2015	2014
Net cash used in operating activities, as reported	**$ (1,804)**	$ (8,700)
Add (deduct):		
Net change in non-cash working capital items	**10,222**	16,283
Non-controlling interests	**(277)**	(105)
Adjusted cash flow from operations	**$ 8,141**	$ 7,478

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31 *($ in thousands, except per share amounts)*	2015	2014
Net revenue	**$ 32,304**	$ 27,722
Expenses	**21,828**	19,166
Operating earnings	**10,476**	8,556
Net gains	**152**	3,647
Net earnings before income taxes and net gains on securities held for sale	**10,628**	12,203
Income tax expense	**2,044**	1,579
Net earnings before net gains on securities held for sale	**8,584**	10,624
Net gains on securities held for sale	**2,967**	386
Net earnings	**$ 11,551**	$ 11,010
Net earnings available to shareholders	**$ 11,310**	$ 10,916
EBITDA	**11,560**	9,823
Adjusted cash flow from operations	**8,141**	7,478
Diluted per share amounts		
Net earnings available to shareholders	**$ 0.37**	$ 0.35
EBITDA	**0.38**	0.31
Adjusted cash flow from operations	**0.27**	0.24

As at *($ in millions, except per share amounts)*	**2015** **March 31**	2014 December 31	 March 31
Assets under management	**$ 26,093**	$ 24,968	$ 23,237
Assets under administration	**14,057**	13,126	12,227
Shareholders' equity	**478**	489	438
Fair value of corporate holdings of securities	**522**	525	468
Per share diluted			
Shareholders' equity	**$ 15.42**	$ 15.62	$ 13.93
Fair value of corporate holdings of securities	**16.86**	16.78	14.88

The AUM at Guardian at March 31, 2015 was $26.1 billion, a 5% increase from December 31, 2014 and a 12% increase from the same quarter a year earlier. The increase in AUM were due to a combination of positive market performance and net inflow of assets from existing and new clients. The AUA at March 31, 2015 was $14.1 billion, a 7% increase from December 31, 2014 and a 15% increase from the same quarter a year earlier. The increase in AUA was due to positive market performance, successful recruitment of new advisors, and net inflow of assets from existing clients.

The growth in revenue from the increased assets allowed all business segments to contribute to our operating earnings growth, while investing in new businesses. The financial advisory segment in particular delivered $2.7 million in operating earnings, a 233% growth from the same quarter in 2014. Operating earnings for the quarter were $10.5 million, a 22% growth compared to $8.6 million in the same quarter last year. Deducted in arriving at the current quarter's operating earnings is $0.7 million of operating losses from the two new businesses, the UK-based investment management business and the real estate investment management business.

Net gains for the quarter were $0.2 million compared to $3.6 million in the first quarter of 2014, due to a lower level of investment activities during the current quarter compared to the prior year.

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 gains on securities held for sale for the current quarter were $3.0 million, significantly higher than for the same quarter in 2014, primarily due to unrealized gains on the US $25 million investment in the UCITS fund which was launched in December, 2014 and is being managed by the UK subsidiary.

Net earnings available to shareholders were $11.3 million in the current quarter, a 4% increase compared to $10.9 million in the prior year. The increase was largely due to higher operating earnings, offset by the reduction in the total of net gains and net gains on securities held for sale and the resulting additional income tax expense, compared to the prior year.

EBITDA for the quarter was $11.6 million, an 18% increase compared to $9.8 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 $8.1 million, a 9% increase compared to $7.5 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 *($ in millions, except per share amounts)*	**2015 March 31**	2014 December 31	2014 March 31
Institutional	**$ 23,841**	$ 22,831	$ 21,292
Private client	**2,252**	2,137	1,945
Total	**$ 26,093**	$ 24,968	$ 23,237
Institutional AUM is composed of:			
Canadian equities	**$ 13,679**	$ 13,695	$ 12,982
Global equities	**2,996**	2,460	1,903
Fixed income	**7,166**	6,676	6,407
Total	**$ 23,841**	$ 22,831	$ 21,292

Management fees, net of referral fees paid, for the first quarter of 2015 were $16.5 million, an increase of 14% from the $14.5 million a year earlier, as a result of the significantly increased AUM, and slightly higher average fee rates, in the current period.

Institutional management fees earned in the quarter increased to $13.1 million from $11.6 million a year earlier, a 14% increase. Private client management fees, net of referral fees paid, earned in the quarter amounted to $2.7 million, an increase of 15% from $2.3 million a year earlier. Management fees earned from international clients were $0.7 million in the first quarter of 2015, substantially unchanged from 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 $8.1 million for the first quarter, an increase of 29% from the $6.3 million a year earlier. The largest contributor to this strong growth was our MGA business, which generated $12.8 million in premiums on life insurance policies sold during the quarter, compared to $10.0 million in the prior year. This strong growth in sales, and the additional continuing service fee revenue resulting from the 2014 sales, increased its net commission revenue 38% compared to a year earlier.

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 first quarter, an increase of $0.5 million or 17% from the $2.6 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 three months ended March 31 *($ in thousands)*	**2015**	2014
Bank of Montreal dividends	**$ 3,788**	$ 3,648
Other dividends	**559**	479
Dividend income	**4,347**	4,127
Interest income	**321**	224
Total dividend and interest income	**$ 4,668**	$ 4,351

Dividend income is composed largely of the quarterly dividends received on the Bank of Montreal shares. The increase in dividend income 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, partially offset by the reduction in the number of Bank of Montreal shares held during the current period compared to a year earlier, and increased distributions received from the Company's investment in its real estate fund.

Expenses

Guardian's total operating expenses for the quarter were $21.8 million, a 14% increase from the prior year. Guardian's operating expenses, excluding commissions, referral fees, amortization and interest, were $20.7 million in the first quarter of 2015, compared with $18.1 million in 2014, an increase of 14%. The increase in expenses was due to approximately $1 million in expenses associated with the UK investment management business, which were not included in the prior year's expenses, and increases in variable compensation and other operating costs to support the growth of the domestic investment management business. The higher amortization expense in the quarter was mainly due to increased amortization of advisor recruitment costs in the financial advisory segment.

NET GAINS AND NET GAINS ON SECURITIES HELD FOR SALE

For the three months ended March 31 *($ in thousands)*	2015	2014
Net gains in consolidated mutual funds	$ 368	$ 53
Net gains on securities directly held	415	3,870
Net gains on securities	783	3,923
Net gains on disposal of intangible assets	180	66
Net foreign exchange losses	(811)	(342)
Net gains	$ 152	$ 3,647
Net gains on securities held for sale	$ 2,967	$ 386

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, when Guardian sold 65,000 Bank of Montreal common shares. As a result, the net gains in the current quarter decreased compared with the same quarter a year earlier. The net gains on securities held for sale increased in the current quarter, largely due to the unrealized gains on a significantly larger portfolio of securities held in this category during the current quarter compared to the prior year.

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 the first quarter of 2015, Guardian invested $13.7 million in investment funds and investment strategies to support the expansion of the investment management business, and returned $6.3 million to the shareholders in the form of dividends and share purchases.

Guardian's total bank borrowings at March 31, 2015 amounted to $64.3 million, compared with $51.3 million at December 31, 2014 and $66.1 million at March 31, 2014. The total credit available to Guardian under the various arrangements was increased during the quarter 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 March 31, 2015 had a fair value of $522 million, or $16.86 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 March 31, 2014. The following is a summary of Guardian's corporate holdings of securities:

SECURITIES

As at *($ in thousands, except per share amounts)*	2015 March 31	2014 December 31	2014 March 31
Securities holdings:			
Short-term securities	$ 5,377	$ 5,373	$ 1,855
Bonds	1,104	1,077	1,060
Mutual funds	53,426	49,145	37,187
Bank of Montreal common shares	358,971	388,944	350,211
Other equity securities	38,310	33,189	56,158
Real estate funds	22,239	22,239	15,992
	479,427	499,967	462,463
Securities held for sale	43,065	25,385	5,826
Total securities at fair value	$ 522,492	$ 525,352	$ 468,289
Total securities per share, diluted	$ 16.86	$ 16.78	$ 14.88

The fluctuations in the fair value of securities holdings from March 31, 2014 to March 31, 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. The securities held for sale increased in value due to the investments made in 2014 and 2015 in the UCITS being managed by the UK subsidiary.

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:

		Payments due by period			
As at March 31, 2015 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 64,252	$ 64,252	$ --	$ --	$ --
Client deposits	51,950	51,950	--	--	--
Accounts payable and other	22,475	21,264	--	1,211	--
Payable to clients	42,220	42,220	--	--	--
Investment commitment – real estate fund	3,512	3,512	--	--	--
Operating lease obligations	16,393	2,116	3,850	2,712	7,715
Total contractual obligations	$ 200,802	$ 185,314	$ 3,850	$ 3,923	$ 7,715

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)*	**Mar 31, 2015**	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013
Net revenue	**$ 32,304**	$ 31,490	$ 30,806	$ 29,257	$ 27,722	$ 27,907	$ 25,173	$ 25,041
Operating earnings	**10,476**	10,335	10,051	9,199	8,556	8,564	6,898	6,390
Net gains (losses)	**152**	403	(12)	2,737	3,647	7,218	3,183	666
Net earnings before net gains (losses) on securities held for sale	**8,584**	8,530	8,033	10,066	10,624	14,879	8,602	6,255
Net gains (losses) on securities held for sale	**2,967**	(92)	(156)	222	386	238	432	(1,243)
Net earnings available to shareholders	**11,310**	8,223	7,715	10,163	10,916	14,980	8,946	4,963
Shareholders' equity	**477,901**	488,835	482,242	463,306	438,363	414,985	393,670	354,622
(in $)								
Per average Class A and Common Share								
Net earnings:								
- Basic	**$ 0.38**	$ 0.27	$ 0.26	$ 0.34	$ 0.36	$ 0.49	$ 0.29	$ 0.16
- Diluted	**0.37**	0.27	0.25	0.33	0.35	0.48	0.29	0.16
Shareholders' equity:								
- Basic	**$ 16.15**	$ 16.33	$ 16.08	$ 15.34	$ 14.49	$ 13.68	$ 12.94	$ 11.64
- Diluted	**15.42**	15.62	15.39	14.72	13.93	13.17	12.51	11.27

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.

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.

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 contributed significantly to increases in "Net earnings before net gains (losses) on securities held for sale" in those quarters. Net earnings available to shareholders was decreased for the quarter ended June 30, 2013 and increased for the quarter ended March 31, 2015 because of net losses and net gains, respectively, recorded on securities held for sale 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 First 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 $359 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 closely 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 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

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. During the first quarter of 2015, the market remained focused on the US Federal Reserve Bank's language in anticipation of the timing of the first rate increase. In March, the Fed opened the door to rate hikes by removing the word "patient" from its statement. The market is implying a lift off in either June or September, which the Fed suggested will be data dependent. The Fed will want to be reasonably confident that inflation is moving back towards its 2% target before initiating rate hikes. We believe it will take much higher short rates, much higher long rates, and a more expensive stock market to end this bull market. When short rates do begin to rise, this may cause another pull-back in the market. But history would suggest that if the rise is due to a strong economy, earnings growth will continue to drive stocks higher, until short rates have had several increases and the yield curve inverts.

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. However, we expect the resource side of the market to improve from current depressed levels and, coupled with a strong US economic recovery, the Canadian economy and equity markets should continue to produce positive returns in 2015. During the first quarter, the S&P/TSX index rose 2.6%. The performance of this benchmark remains the external factor having the greatest effect on the Guardian's performance, as the majority of our assets under management or administration are exposed to it.

Guardian is 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 the company, as revenue sources such as commission revenue and management fees are aligned toward higher levels of assets under management or assets under administration.

In addition to benefiting from any broad market lift associated with rising equity markets, the institutional and private client investment management businesses have strong existing relationships with retail intermediaries, whose distribution capabilities have provided a steady flow of new assets and, although the flows are difficult to predict, we expect to continue with our recent successes.

Guardian's financial advisory business continues to show improved operating earnings. The mutual fund and securities dealerships continue to show steady improvements in revenues and the management of expenses. New life insurance sales are expected to continue with their strong first quarter levels, and this should contribute to a consistent higher rate of net commission revenue for this segment in future quarters. In April 2015, our MGA subsidiary, IDC Worldsource Insurance Network Inc., announced that it had signed a letter of intent to purchase First Prairie Financial Inc., a regional MGA based in Alberta. We expect that in Q2 2015 we will sign a final purchase and sale agreement, and close the transaction soon thereafter. We expect that our strategy to pursue consolidation opportunities to augment our successful organic recruitment efforts will ensure that we remain a leading national MGA, with the scale to be a preferred partner with all major Canadian life insurance carriers.

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 reward our shareholders.

GUARDIAN
CAPITAL

Our history. Your future.

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