Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

THIRD QUARTER 2014

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three and nine months ended September 30, 2014. All per share figures disclosed below are stated on a diluted basis.

For the periods ended September 30	**Three Months**		**Nine Months**	
($ in thousands, except per share amounts)	**2014**	2013	**2014**	2013
Net revenue	**$ 30,806**	$ 25,173	**$ 87,785**	$ 73,371
Operating earnings	**10,051**	6,898	**27,806**	18,367
Net gains (losses)	**(12)**	3,183	**6,372**	4,419
Net earnings before net gains (losses) on securities held for sale	**8,033**	8,602	**28,723**	19,922
Net gains (losses) on securities held for sale	**(156)**	432	**452**	(296)
Net earnings available to shareholders	**7,715**	8,946	**28,794**	19,452
EBITDA	**$ 11,251**	$ 8,176	**$ 31,458**	$ 22,506
Adjusted cash flow from operations	**9,882**	7,128	**26,398**	18,719
Per Share				
Net earnings before net gains (losses) on securities held for sale	**$ 0.25**	$ 0.27	**$ 0.91**	$ 0.64
Net earnings available to shareholders	**0.25**	0.29	**0.92**	0.63
EBITDA	**0.36**	0.26	**1.01**	0.73
Adjusted cash flow from operations	**0.32**	0.23	**0.85**	0.61
As at	**September 30,**	June 30,	December 31,	September 30,
($ in millions, except per share amounts)	**2014**	2014	2013	2013
Assets under management	**$ 25,039**	$ 24,601	$ 22,228	$ 21,201
Assets under administration	**12,849**	12,732	11,559	10,790
Fair value of corporate holdings of securities	**525**	497	449	433
Shareholders' equity	**482**	463	415	394
Per Share				
Fair value of corporate holdings of securities	**$ 16.75**	$ 15.78	$ 14.26	$ 13.76
Shareholders' equity	**15.39**	14.72	13.17	12.51

Summary

The Company's assets under management ("AUM") as at September 30, 2014 grew to $25.0 billion, an increase of 1.8% since June 30, 2014 and 18.1% since September 30, 2013. Assets under administration ("AUA") were $12.8 billion as at September 30, 2014, an increase of 0.9% since June 30, 2014 and 19.1% since September 30, 2013.

The Company's operating earnings for the current quarter were $10.1 million, a 45.7% increase from $6.9 million in the same quarter in 2013. All segments of the Company's operations continued to contribute positively to the overall growth in operating earnings.

Net gains (losses) in the current quarter decreased by $3.2 million from the same period in 2013.

Net earnings available to shareholders for the quarter were $7.7 million ($0.25 per share), a 13.8% decrease from $8.9 million ($0.29 per share), in the same quarter in 2013. The decrease in net earnings available to shareholders was due to increase in operating earnings being offset by the decrease in net gains.

EBITDA for the quarter was $11.3 million ($0.36 per share), compared to $8.2 million ($0.26 per share) in the same quarter in 2013. Adjusted cash flow from operations for the quarter was $9.9 million ($0.32 per share), compared to $7.1 million ($0.23 per share) in the same quarter in 2013. 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 fair value of the Company's holdings of securities as at September 30, 2014 was $525 million, or $16.75 per share, compared to $449 million, or $14.26 per share, as at December 31, 2013 and $433 million, or $13.76 per share, as at September 30, 2013. The Company's shareholders' equity as at September 30, 2014 was $482 million, or $15.39 per share, compared to $415 million, or $13.17 per share, at December 31, 2013 and $394 million, or $12.51 per share, as at September 30, 2013.

Commentary and Outlook

The global economic recovery continues to experience areas of improving acceleration, while contending with overall slow and uneven growth. The US and UK economies appear to be on the path to sustainable growth, after posting relatively strong results in the most recent quarter. In contrast, the Eurozone and Japan continue to struggle for sustainable growth while fending off the threat of deflation. The challenges in Japan and the Eurozone underscore the fragility of the global recovery. Although there has not been any globally-coordinated central bank actions in some time, it appears the Fed and other central bankers are highly cognizant of the potential impact their respective decisions may have on a delicate global recovery. Increasing globalisation contributed to the economic and market gains experienced in the run-up to 2008 and it now appears to be an equally compelling force affecting the recovery. Generally, emerging economies continue to grapple with reform and political considerations, but a rise in the global economic tide will likely lift prospects for these economies too. There is no shortage of threats to the global recovery, and matters are further complicated by rising geopolitical concerns, whether over Ebola, Ukraine-Russia tensions or Islamic State military actions. Nevertheless, the relative strengths of the US and the UK appear to represent the beachheads for a global economic recovery, even if it is tenuous and humble. With the exception of Germany, most global equity markets posted positive returns to the end of the third quarter this year.

Canada has shown surprising resilience. The Canadian economy will benefit from the modest recovery in the US and a stable situation in China. Considering the headwinds of a highly indebted consumer and weakness in many commodities, the best hope for growth resides in improved exports, supported by a weakening dollar. This is likely to keep the economy growing, but below the historical trend. Overall, we continue to expect Canada to experience modest growth this year, but results will likely trail the growth in the US.

Equities across the globe in the early part of the fourth quarter have witnessed higher levels of volatility, with broad market declines mid-October, only to see a significant recovery of those equity market declines by the end of the month. We expect to see a heightened level of volatility around geopolitical and economic metrics, but our belief is that equity markets will remain supportive for the balance of the calendar year. Support for the broad equity markets can be aided with sufficient liquidity to continue upward multiple revaluation, as there is still sufficient external liquidity (even as the Fed ends quantitative easing) and sufficient internal liquidity within investors' cash holdings. Equity markets are priced near historic medians, and are still cheap relative to interest rates, despite last year's move in stocks. Interest rates remain favourable, and have lots of leeway to rise before impacting valuations.

The Canadian S&P/TSX index declined 0.6% in the third quarter, following a 12.5% rise in the first half of the year. The performance of this benchmark remains the external factor having the greatest effect on the Company's performance, as over 60% of our assets under management are exposed to it. With this external factor in mind, management has been steadily focused on the long term strategic goal of complementing our strength in Canadian equities with efforts to add new investment strategies and solutions. Global equity strategies now represent approximately 10% of the firm's total AUM, and provide a significant opportunity for future growth. In the third quarter, we continued to add new assets across our investment platform from existing and new clients, with particular success in the retail intermediary client segment. AUM grew 1.8% during the third quarter and 18.1 % over the 12 months since September 30, 2013.

As a result of the continuing growth in our AUM, our investment management businesses provided management fee income in the third quarter of 2014 which was 24.7% greater than in the third quarter of 2013. Operating earnings for the three months ended September 30, 2014 of $10.1 million were 45.7% above the $6.9 million in the same period in 2013. 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. These additional investments are expected to require increased expenditures, which may over the short term have a negative effect on earnings. Examples of our commitment to invest for future growth can be found in our efforts to build a real estate investment management capability in Canada, and our efforts to build a fundamental global equity team in London, UK. We have added investment professionals there, with the goal of building a "best in class" fundamental global investment team, which will manage focused, concentrated strategies in emerging markets and global equities. 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 deliver improved operating earnings. AUA reached a new high of $12.8 billion at September 30th, a 0.9% increase from the $12.7 billion at June 30, and a 19.1% increase from the $10.8 billion at September 30, 2013. Growth in AUA was largely due to positive markets and net new segregated fund sales through our life insurance managing general agency (MGA). The mutual fund and securities dealerships continue to show steady improvements in revenues and the management of expenses. Our MGA in the third quarter continued to record 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 nine months of 2014, the premiums on life insurance policies sold were $32.7 million, which is $6.3 million ahead of last year's pace. These premiums translate into both current and future net commission revenue for the financial advisory segment.

All of our businesses have the financial strength of the Company's balance sheet to support their patient, long-term strategic business objectives to continue to be meaningful contributors to our operating profit and value creation. The Board is pleased to report that we have declared the next quarterly dividend, of $0.065 per share payable on January 19, 2015, to shareholders of record on January 12, 2015.

On behalf of the Board,

November 10, 2014

[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)*	September 30 2014	December 31 2013
ASSETS		
Current assets		
Cash	$ 25,129	$ 28,446
Interest-bearing deposits with banks	53,335	57,285
Accounts receivable and other	27,657	25,986
Receivables from clients and broker	43,638	42,215
Prepaid expenses	1,559	1,577
	151,318	155,509
Securities (note 3)		
Securities holdings	515,451	443,754
Securities held for sale	9,289	5,425
	524,740	449,179
Other assets		
Deferred tax assets	3,234	3,757
Intangible assets	23,358	20,611
Equipment	3,743	3,674
Goodwill	12,299	11,111
Investment in associate	333	333
Other	--	886
	42,967	40,372
Total Assets	$ 719,025	$ 645,060
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 54,701	$ 55,929
Client deposits	53,327	57,312
Accounts payable and other	28,782	27,408
Income taxes payable	1,611	1,092
Payable to clients	43,638	42,215
	182,059	183,956
Other liabilities		
Other payables (note 14)	1,029	--
Deferred tax liabilities	50,511	43,316
Total Liabilities	233,599	227,272
EQUITY		
Shareholders' equity		
Capital stock (note 5)	21,472	21,679
Treasury stock (note 6)	(19,890)	(18,700)
Contributed surplus	10,511	9,583
Retained earnings	264,228	245,961
Accumulated other comprehensive income	205,921	156,462
	482,242	414,985
Non-controlling interests	3,184	2,803
Total Equity	485,426	417,788
Total Liabilities and Equity	$ 719,025	$ 645,060

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the periods ended September 30 *($ in thousands, except per share amounts)*	Three Months **2014**	 2013	Nine Months **2014**	 2013
Revenue				
Gross commission revenue	**$ 25,217**	$ 20,635	**$ 73,805**	$ 61,874
Commissions paid to advisors	**(18,091)**	(15,007)	**(53,873)**	(45,416)
	7,126	5,628	**19,932**	16,458
Management fee income, net (note 7)	**16,123**	12,931	**45,680**	36,894
Administrative services income	**2,965**	2,390	**8,355**	7,022
Dividend and interest income (note 8)	**4,592**	4,224	**13,818**	12,997
Net revenue	**30,806**	25,173	**87,785**	73,371
Expenses				
Employee compensation and benefits	**13,092**	11,610	**38,174**	35,080
Amortization	**939**	835	**2,646**	2,832
Interest	**245**	272	**760**	876
Other expenses	**6,479**	5,558	**18,399**	16,216
	20,755	18,275	**59,979**	55,004
Operating earnings	**10,051**	6,898	**27,806**	18,367
Net gains (losses) (note 9)	**(12)**	3,183	**6,372**	4,419
Net earnings before income taxes and net gains (losses) on securities held for sale	**10,039**	10,081	**34,178**	22,786
Income tax expense	**2,006**	1,479	**5,455**	2,864
Net earnings before net gains (losses) on securities held for sale	**8,033**	8,602	**28,723**	19,922
Net gains (losses) on securities held for sale (note 9)	**(156)**	432	**452**	(296)
Net earnings	**$ 7,877**	$ 9,034	**$ 29,175**	$ 19,626
Net earnings before net gains (losses) on securities held for sale, available to:				
Shareholders	**$ 7,871**	$ 8,514	**$ 28,342**	$ 19,748
Non-controlling interests	**162**	88	**381**	174
Net earnings before net gains (losses) on securities held for sale	**$ 8,033**	$ 8,602	**$ 28,723**	$ 19,922
Net earnings before net gains (losses) on securities held for sale, available to shareholders per Class A and Common share (note 10):				
Basic	**$ 0.26**	$ 0.28	**$ 0.94**	$ 0.65
Diluted	**0.25**	0.27	**0.91**	0.64
Net earnings available to:				
Shareholders	**$ 7,715**	$ 8,946	**$ 28,794**	$ 19,452
Non-controlling interests	**162**	88	**381**	174
Net earnings	**$ 7,877**	$ 9,034	**$ 29,175**	$ 19,626
Net earnings available to shareholders per Class A and Common share (note 10):				
Basic	**$ 0.26**	$ 0.29	**$ 0.95**	$ 0.64
Diluted	**0.25**	0.29	**0.92**	0.63

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended September 30 *($ in thousands)*	Three Months **2014**	 2013	Nine Months **2014**	 2013
Net earnings	**$ 7,877**	$ 9,034	**$ 29,175**	$ 19,626
Other comprehensive income				
Available for sale securities:				
Net change in fair value	**15,369**	40,703	**57,870**	42,273
Income tax provision	**2,401**	4,994	**7,378**	5,075
	12,968	35,709	**50,492**	37,198
Transfer to net earnings of net unrealized gains upon disposal	**(504)**	(2,060)	**(6,084)**	(3,120)
	12,464	33,649	**44,408**	34,078
Changes in foreign currency translation adjustment on foreign subsidiaries	**4,898**	(1,783)	**5,051**	3,337
Other comprehensive income	**17,362**	31,866	**49,459**	37,415
Comprehensive income	**$ 25,239**	$ 40,900	**$ 78,634**	$ 57,041
Comprehensive income available to:				
Shareholders	**$ 25,077**	$ 40,812	**$ 78,253**	$ 56,867
Non-controlling interests	**162**	88	**381**	174
Comprehensive income	**$ 25,239**	$ 40,900	**$ 78,634**	$ 57,041

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30 *($ in thousands)*	Three Months 2014	 2013	Nine Months 2014	 2013
Total equity, beginning of period	**$ 466,328**	$ 357,199	**$ 417,788**	$ 357,750
Shareholders' equity, beginning of period	**463,306**	354,622	**414,985**	353,756
Capital stock				
Balance, beginning of period	**21,637**	21,805	**21,679**	22,113
Acquired and cancelled (note 5d)	**(165)**	(40)	**(207)**	(348)
Capital stock, end of period	**21,472**	21,765	**21,472**	21,765
Treasury stock				
Balance, beginning of period	**(19,930)**	(18,784)	**(18,700)**	(17,750)
Acquired	**--**	--	**(1,285)**	(1,644)
Disposed of	**40**	30	**95**	640
Treasury stock, end of period	**(19,890)**	(18,754)	**(19,890)**	(18,754)
Contributed surplus				
Balance, beginning of period	**10,214**	8,915	**9,583**	8,636
Stock-based compensation expense	**337**	338	**1,018**	917
Redemption of equity-based entitlements	**(40)**	--	**(90)**	(300)
Contributed surplus, end of period	**10,511**	9,253	**10,511**	9,253
Retained earnings				
Balance, beginning of period	**262,826**	227,420	**245,961**	231,040
Net earnings available to shareholders	**7,715**	8,946	**28,794**	19,452
Dividends declared and paid (note 5c)	**(1,963)**	(1,482)	**(5,296)**	(7,648)
Capital stock acquired and cancelled (note 5d)	**(3,680)**	(677)	**(4,561)**	(5,806)
Acquisition of non-controlling interest (note 15)	**(640)**	--	**(640)**	(2,831)
Other	**(30)**	67	**(30)**	67
Retained earnings, end of period	**264,228**	234,274	**264,228**	234,274
Accumulated other comprehensive income				
Balance, beginning of period	**188,559**	115,266	**156,462**	109,717
Unrealized gains on available for sale securities, net of income taxes:				
Balance, beginning of period	**187,555**	115,501	**155,611**	115,072
Net change during period	**12,464**	33,649	**44,408**	34,078
Balance, end of period	**200,019**	149,150	**200,019**	149,150
Foreign currency translation adjustment on foreign subsidiaries:				
Balance, beginning of period	**1,004**	(235)	**851**	(5,355)
Net change during period	**4,898**	(1,783)	**5,051**	3,337
Balance, end of period	**5,902**	(2,018)	**5,902**	(2,018)
Accumulated other comprehensive income, end of period	**205,921**	147,132	**205,921**	147,132
Shareholders' equity, end of period	**482,242**	393,670	**482,242**	393,670
Non-controlling interests				
Balance, beginning of period	**3,022**	2,577	**2,803**	3,994
Net earnings available to non-controlling interests	**162**	88	**381**	174
Acquisition of non-controlling interests	**--**	--	**--**	(1,503)
Non-controlling interests, end of period	**3,184**	2,665	**3,184**	2,665
Total equity, end of period	**$ 485,426**	$ 396,335	**$ 485,426**	$ 396,335

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2014**	2013	**2014**	2013
Operating activities				
Net earnings	**$ 7,877**	$ 9,034	**$ 29,175**	$ 19,626
Adjustments for:				
Income taxes (paid)	**(1,131)**	(780)	**(4,744)**	(3,188)
Income tax expense	**2,006**	1,479	**5,455**	2,864
Net (gains) losses	**12**	(3,183)	**(6,372)**	(4,419)
Net (gains) losses on securities held for sale	**132**	(432)	**(198)**	296
Amortization of intangible assets	**756**	655	**2,137**	2,149
Amortization of equipment	**183**	180	**509**	683
Stock-based compensation	**337**	338	**1,018**	917
	10,172	7,291	**26,980**	18,928
Net change in non-cash working capital items (note 12)	**9,369**	4,782	**(211)**	2,237
Net cash from operating activities	**19,541**	12,073	**26,769**	21,165
Investing activities				
Net acquisition of securities	**(8,796)**	(1,817)	**(3,934)**	(1,082)
Acquisition of securities held for sale	**(1,205)**	(97)	**(9,324)**	(10,853)
Proceeds from sale of securities held for sale	**--**	2,798	**--**	4,126
Acquisition of intangible assets	**(648)**	(1,463)	**(2,318)**	(3,744)
Acquisition of equipment	**(3)**	(63)	**(485)**	(233)
Disposition of intangible assets	**228**	196	**669**	1,928
Business acquisitions (note 14)	**--**	--	**(1,231)**	(356)
Net cash used in investing activities	**(10,424)**	(446)	**(16,623)**	(10,214)
Financing activities				
Dividends	**(1,963)**	(1,482)	**(5,296)**	(7,648)
Acquisition and cancellation of capital stock	**(3,845)**	(717)	**(4,768)**	(6,154)
Acquisition of treasury stock	**--**	--	**(1,285)**	(1,644)
Disposition of treasury stock	**40**	97	**95**	707
Net (repayment) proceeds of bank loans and borrowings	**(5,051)**	(4,082)	**(7,841)**	14,791
Acquisition of non-controlling interest	**(1,271)**	--	**(1,271)**	(4,334)
Net cash used in financing activities	**(12,090)**	(6,184)	**(20,366)**	(4,282)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	**329**	(95)	**290**	311
Net change in net cash	**(2,644)**	5,348	**(9,930)**	6,980
Net cash, beginning of period	**20,431**	19,853	**27,717**	18,221
Net cash, end of period	**$ 17,787**	$ 25,201	**$ 17,787**	$ 25,201
Net cash represented by:				
Cash			**$ 25,129**	$ 30,813
Bank indebtedness			**(7,342)**	(5,612)
			$ 17,787	$ 25,201

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

These unaudited interim consolidated financial statements include the accounts of Guardian Capital Group Limited and its subsidiaries and other controlled entities (the "Company"), including special purpose entities which the Company is considered to control. The Company 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. The Company 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. The Company's common and class A shares are listed on the Toronto Stock Exchange.

2. ACCOUNTING POLICIES

Basis of Presentation

These unaudited consolidated interim financial statements 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, 2013. 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 financial statements.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on November 10, 2014.

These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013, which are included in the Company's 2013 annual report.

These financial statements are presented in Canadian dollars, which is the Company'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 2013 comparative financial information in order to conform to the current year's presentation.

Future Changes in Accounting Policies

On July 24, 2014, International Accounting Standards Board ("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 that 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

As at September 30, 2014 and December 31, 2013	2014	2013
Securities holdings		
Available for sale securities		
Short-term securities	**$ 5,214**	$ 1,850
Bonds	**1,074**	1,030
Mutual funds	**46,247**	34,441
Bank of Montreal common shares	**389,560**	339,754
Other equity securities	**53,937**	52,931
Real estate funds (a)	**18,042**	12,492
	514,074	442,498
Held for trading securities		
Equity securities	**1,377**	1,256
Total securities holdings	**515,451**	443,754
Securities held for sale (b)	**9,289**	5,425
Total securities at fair value	**$ 524,740**	$ 449,179

(a) The Company made a commitment in 2013 to invest $25,000 in real estate, through a real estate limited partnership which is managed by a subsidiary of the Company. To September 30, 2014, the Company has invested a total of $17,629 in the partnership.

(b) Securities held for sale are the Company's interest in mutual funds which the Company is deemed to control but does not consolidate, as it intends to dispose of control through either sale or dilution. During the quarter, the Company invested seed capital into one new mutual fund which is classified into this category.

4. BANK LOANS AND BORROWINGS

As at September 30, 2014 and December 31, 2013	2014	2013
Bank indebtedness	**$ 7,342**	$ 729
Bankers' acceptances payable	**47,100**	55,100
Bank loan	**259**	100
	$ 54,701	$ 55,929

5. 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 September 30	2014 Shares	2014 Amount	2013 Shares	2013 Amount
i) Class A shares				
Outstanding, beginning of period	27,637	$ 20,482	27,684	$ 20,609
Acquired and cancelled	(219)	(165)	(52)	(40)
Outstanding, end of period	27,418	20,317	27,632	20,569
ii) Common shares				
Outstanding, beginning and end of period	4,777	1,155	4,952	1,196
Total outstanding, end of period	32,195	$ 21,472	32,584	$ 21,765

For the nine months ended September 30	2014 Shares	2014 Amount	2013 Shares	2013 Amount
iii) Class A shares				
Outstanding, beginning of period	27,534	$ 20,487	28,072	$ 20,913
Acquired and cancelled	(274)	(207)	(459)	(348)
Converted from common shares	158	37	19	4
Outstanding, end of period	27,418	20,317	27,632	20,569
iv) Common shares				
Outstanding, beginning of period	4,935	1,192	4,971	1,200
Converted to Class A shares	(158)	(37)	(19)	(4)
Outstanding, end of period	4,777	1,155	4,952	1,196
Total outstanding, end of period	32,195	$ 21,472	32,584	$ 21,765

(c) Dividends

For the periods ended September 30	Three Months 2014	Three Months 2013	Nine Months 2014	Nine Months 2013
Dividends declared and paid per share	$ 0.065	$ 0.050	$ 0.175	$ 0.250

The Company also declared dividends of $0.065 per share payable on October 17, 2014 on the common and class A shares outstanding. This dividend, which will be recognized on the record date, has not been reflected in these financial statements.

(d) Issuer Bid

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

For the periods ended September 30	Three Months 2014	Three Months 2013	Nine Months 2014	Nine Months 2013
Class A shares purchased and cancelled	219	52	274	459
Consideration paid	$ 3,845	$ 717	$ 4,768	$ 6,154
Average issue price, charged to share capital	(165)	40	(207)	348
Excess consideration charged to retained earnings	$ 3,680	$ 677	$ 4,561	$ 5,806

6. TREASURY STOCK AND STOCK BASED ENTITLEMENTS

(a) Treasury Stock

The Company purchases and holds shares of its capital stock through an Employee Profit Sharing Plan (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 summary of the changes in the Company's treasury stock is as follows:

For the three months ended September 30	2014		2013	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,208**	**$ 19,930**	2,165	$ 18,784
Disposed of	**(4)**	**(40)**	(9)	(30)
Balance, end of period	**2,204**	**$ 19,890**	2,156	$ 18,754

For the nine months ended September 30	2014		2013	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,136**	**$ 18,700**	2,126	$ 17,750
Acquired	**84**	**1,285**	121	1,644
Disposed of	**(16)**	**(95)**	(91)	(640)
Balance, end of period	**2,204**	**$ 19,890**	2,156	$ 18,754

(b) Stock-Based Entitlements

The stock-based entitlements provided by the Company to certain senior employees 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 September 30	2014		2013	
	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**	1,517	$ 8.86

For the nine months ended September 30	2014		2013	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Option-like entitlements, beginning of period	**1,497**	**$ 8.95**	1,552	$ 8.86
Entitlements exercised	**(1)**	**9.71**	(35)	8.73
Option-like entitlements, end of period	**1,496**	**$ 8.95**	1,517	$ 8.86

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.

No option-like entitlements were provided during the current and prior periods.

ii) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares from the treasury 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 September 30	Three Months		Nine Months	
	2014	2013	**2014**	2013
Equity based entitlements, beginning of the period	**712**	639	**639**	574
Entitlements provided	**--**	--	**84**	121
Entitlements exercised	**(4)**	--	**(15)**	(47)
Entitlements forfeited	**--**	--	**--**	(9)
Equity based entitlements, end of period	**708**	639	**708**	639

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. Dividends on the treasury shares underlying an equity-based entitlement are paid to the employee and 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 nine months ended September 30 had a fair value of $ nil and $1,285 respectively (2013 - $ nil and $1,644).

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $894 for the three months ended September 30, 2014 (2013 - $576) and $2,494 for the nine months ended September 30, 2014 (2013 - $1,735).

8. DIVIDEND AND INTEREST INCOME

For the periods ended September 30	Three Months		Nine Months	
	2014	2013	**2014**	2013
Dividend income	**$ 4,282**	$ 3,996	**$ 13,043**	$ 12,390
Interest income	**310**	228	**775**	607
	$ 4,592	$ 4,224	**$ 13,818**	$ 12,997

9. NET GAINS (LOSSES) AND NET GAINS (LOSSES) ON SECURITIES HELD FOR SALE

a) Net Gains (Losses)

For the periods ended September 30	Three Months		Nine Months	
	2014	2013	**2014**	2013
Held for trading securities (i)	**$ (26)**	$ 41	**$ 92**	$ 72
Available for sale securities	**495**	3,007	**6,663**	4,453
Net gains on securities	**469**	3,048	**6,755**	4,525
Foreign exchange gains (losses) (ii)	**(538)**	108	**(555)**	(315)
Gains on disposal of intangible assets	**57**	27	**172**	209
Net gains (losses)	**$ (12)**	$ 3,183	**$ 6,372**	$ 4,419

(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 consolidated mutual fund.

(ii) Foreign exchange gains (losses) consist mainly of exchange gains and losses on Canadian dollars held by the international 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 loss or gain is recorded in other comprehensive income.

b) Net Gains (Losses) on Securities Held for Sale

For the periods ended September 30	Three Months		Nine Months	
	2014	2013	**2014**	2013
Net gains (losses)	**$ (158)**	$ 470	**$ 292**	$ (258)
Other income	**(24)**	--	**254**	--
Less: Income tax expense	**26**	38	**94**	38
Net gains (losses) on securities held for sale	**$ (156)**	$ 432	**$ 452**	$ (296)

Net gains (losses) 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.

10. 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 September 30	Three Months 2014	Three Months 2013	Nine Months 2014	Nine Months 2013
Weighted average number of class A and common shares outstanding				
Basic	**30,179**	30,442	**30,238**	30,576
Effect of outstanding entitlements and options from stock based compensation plans	**1,337**	1,026	**1,268**	1,005
Diluted	**31,516**	31,468	**31,506**	31,581
Net earnings available to shareholders of class A and common shares				
Basic	**$ 7,715**	$ 8,946	**$ 28,794**	$ 19,452
Effect of outstanding entitlements and options from stock based compensation plans	**108**	91	**304**	404
Diluted	**$ 7,823**	$ 9,037	**$ 29,098**	$ 19,856

11. 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 Company's business segments do not have any material inter-segment revenues. The following table discloses certain information about these segments:

For the three months ended September 30	Investment Management 2014	Investment Management 2013	Financial Advisory 2014	Financial Advisory 2013	Corporate Activities and Investments 2014	Corporate Activities and Investments 2013	Consolidated 2014	Consolidated 2013
Revenue								
Gross commission revenue	**$ --**	$ --	**$ 25,217**	$ 20,635	**$ --**	$ --	**$ 25,217**	$ 20,635
Commissions paid to advisors	**--**	--	**(18,091)**	(15,007)	**--**	--	**(18,091)**	(15,007)
		--	**7,126**	5,628	**--**	--	**7,126**	5,628
Management fee income, net	**16,123**	12,931	**--**	--	**--**	--	**16,123**	12,931
Administrative services income	**1,473**	943	**1,492**	1,447	**--**	--	**2,965**	2,390
Dividend and interest income	**21**	--	**199**	191	**4,372**	4,033	**4,592**	4,224
Net revenue	**17,617**	13,874	**8,817**	7,266	**4,372**	4,033	**30,806**	25,173
Expenses								
Employee compensation and benefits	**7,794**	6,795	**3,391**	3,320	**1,907**	1,495	**13,092**	11,610
Amortization	**40**	44	**740**	622	**159**	169	**939**	835
Interest	**50**	58	**47**	41	**148**	173	**245**	272
Other expenses	**4,512**	3,454	**3,095**	2,930	**(1,128)**	(826)	**6,479**	5,558
	12,396	10,351	**7,273**	6,913	**1,086**	1,011	**20,755**	18,275
Operating earnings	**5,221**	3,523	**1,544**	353	**3,286**	3,022	**10,051**	6,898
Net gains (losses)	**--**	--	**57**	27	**(69)**	3,156	**(12)**	3,183
Net earnings before income taxes and net gains (losses) on securities held for sale	**5,221**	3,523	**1,601**	380	**3,217**	6,178	**10,039**	10,081
Income tax expense	**1,499**	881	**422**	125	**85**	473	**2,006**	1,479
Net earnings before net gains (losses) on securities held for sale	**3,722**	2,642	**1,179**	255	**3,132**	5,705	**8,033**	8,602
Net gains (losses) on securities held for sale	**--**	--	**--**	--	**(156)**	432	**(156)**	432
Net earnings	**$ 3,722**	$ 2,642	**$ 1,179**	$ 255	**$ 2,976**	$ 6,137	**$ 7,877**	$ 9,034

For the three months ended September 30	Investment Management 2014	Investment Management 2013	Financial Advisory 2014	Financial Advisory 2013	Corporate Activities and Investments 2014	Corporate Activities and Investments 2013	Consolidated 2014	Consolidated 2013
Net earnings available to:								
Shareholders	$ 3,722	$ 2,642	$ 1,017	$ 167	$ 2,976	$ 6,137	$ 7,715	$ 8,946
Non-controlling interests	--	--	162	88	--	--	162	88
Net earnings	$ 3,722	$ 2,642	$ 1,179	$ 255	$ 2,976	$ 6,137	$ 7,877	$ 9,034
Capital expenditures on segment assets:								
Intangible assets	$ 25	$ 15	$ 623	$ 1,431	$ --	$ 17	$ 648	$ 1,463
Equipment	3	14	--	38	--	11	3	63
As at September 30, 2014 and December 31, 2013								
Segment assets and liabilities:								
Assets	$ 95,782	$ 96,359	$ 100,471	$ 97,494	$ 522,772	$ 451,207	$ 719,025	$ 645,060
Liabilities	53,231	60,245	57,695	55,844	122,673	111,183	233,599	227,272

For the nine months ended September 30	Investment Management 2014	Investment Management 2013	Financial Advisory 2014	Financial Advisory 2013	Corporate Activities and Investments 2014	Corporate Activities and Investments 2013	Consolidated 2014	Consolidated 2013
Revenue								
Gross commission revenue	$ --	$ --	$ 73,805	$ 61,874	$ --	$ --	$ 73,805	$ 61,874
Commissions paid to advisors	--	--	(53,873)	(45,416)	--	--	(53,873)	(45,416)
		--	19,932	16,458		--	19,932	16,458
Management fee income, net	45,680	36,894	--	--	--	--	45,680	36,894
Administrative services income	3,720	2,482	4,635	4,540	--	--	8,355	7,022
Dividend and interest income	64	--	570	532	13,184	12,465	13,818	12,997
Net revenue	49,464	39,376	25,137	21,530	13,184	12,465	87,785	73,371
Expenses								
Employee compensation and benefits	22,251	19,584	10,332	10,349	5,591	5,147	38,174	35,080
Amortization	149	164	2,023	2,088	474	580	2,646	2,832
Interest	142	225	138	118	480	533	760	876
Other expenses	11,901	10,401	9,129	8,395	(2,631)	(2,580)	18,399	16,216
	34,443	30,374	21,622	20,950	3,914	3,680	59,979	55,004
Operating earnings	15,021	9,002	3,515	580	9,270	8,785	27,806	18,367
Net gains	--	--	172	209	6,200	4,210	6,372	4,419
Net earnings before income taxes and net gains (losses) on securities held for sale	15,021	9,002	3,687	789	15,470	12,995	34,178	22,786
Income tax expense	3,882	2,091	1,106	329	467	444	5,455	2,864
Net earnings before net gains (losses) on securities held for sale	11,139	6,911	2,581	460	15,003	12,551	28,723	19,922
Net gains (losses) on securities held for sale	--	--	--	--	452	(296)	452	(296)
Net earnings	$ 11,139	$ 6,911	$ 2,581	$ 460	$ 15,455	$ 12,255	$ 29,175	$ 19,626
Net earnings available to:								
Shareholders	$ 11,139	$ 6,911	$ 2,200	$ 286	$ 15,455	$ 12,255	$ 28,794	$ 19,452
Non-controlling interests	--	--	381	174	--	--	381	174
Net earnings	$ 11,139	$ 6,911	$ 2,581	$ 460	$ 15,455	$ 12,255	$ 29,175	$ 19,626
Capital expenditures on segment assets:								
Intangible assets	$ 1,184	$ 879	$ 2,293	$ 3,555	$ --	$ 173	$ 3,477	$ 4,607
Equipment	197	14	176	118	112	101	485	233

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

	Canada		Rest of the World		Consolidated	
For the three months ended September 30	**2014**	2013	**2014**	2013	**2014**	2013
Net revenue	**$ 29,108**	$ 24,033	**$ 1,698**	$ 1,140	**$ 30,806**	$ 25,173
As at September 30, 2014 and December 31, 2013						
Segment non-current assets:						
Intangible assets	**$ 22,646**	$ 19,778	**$ 712**	$ 833	**$ 23,358**	$ 20,611
Equipment	**3,061**	3,219	**682**	455	**3,743**	3,674
Goodwill	**9,895**	11,111	**2,404**	--	**12,299**	11,111

	Canada		Rest of the World		Consolidated	
For the nine months ended September 30	**2014**	2013	**2014**	2013	**2014**	2013
Net revenue	**$ 82,781**	$ 69,663	**$ 5,004**	$ 3,708	**$ 87,785**	$ 73,371

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the periods ended September 30	Three Months		Nine Months	
	2014	2013	**2014**	2013
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	**$ 7,875**	$(13,682)	**$ 6,864**	$(47,893)
Accounts receivable and other	**700**	(570)	**(1,613)**	1,976
Receivables from clients and broker	**(746)**	(5,827)	**(1,423)**	(10,649)
Prepaid expenses	**99**	(35)	**305**	194
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	**(6,596)**	14,167	**(6,715)**	47,582
Accounts payable and other	**7,291**	4,902	**948**	378
Payable to clients	**746**	5,827	**1,423**	10,649
Net Change	**$ 9,369**	$ 4,782	**$ (211)**	$ 2,237

13. 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. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis, on pages 26 to 27 of the Company's Third Quarter 2014 Report to Shareholders. 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 $389,560 (December 31, 2013 - $339,754) 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 $38,956 (December 31, 2013 - $33,975) being recorded in 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 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). This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and, as shown in the chart below, by geographical region. 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 September 30, 2014				
Canada	**$ 1,377**	**±$ 138**	**$ 39,981**	**±$ 3,998**
United States	**--**	**--**	**10,917**	**1,092**
Rest of the World	**9,289**	**929**	**67,328**	**6,733**
	$ 10,666	**±$ 1,067**	**$ 118,226**	**±$ 11,823**
As at December 31, 2013				
Canada	$ 6,682	±$ 668	$ 28,046	±$ 2,805
United States	--	--	11,222	1,122
Rest of the World	--	--	60,596	6,059
	$ 6,682	±$ 668	$ 99,864	±$ 9,986

(ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $106,978 (December 31, 2013 - $97,688). Changes in the value of these investments caused by changes in the US dollar and GB pound exchange rates are reflected in other comprehensive income in the period in which the change occurs. 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, a foreign subsidiary holds unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiary. 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 $54,701 (December 31, 2013 - $55,929). The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. The Company also holds a $6,431 (December 31, 2013 - $5,963) investment in fixed-income mutual funds managed by its subsidiaries. The interest rate risk associated with these securities is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the assets interest-bearing deposits with banks of $53,335 (December 31, 2013 - $57,285), and the client deposits liability of $53,327 (December 31, 2013 - $57,312). This risk is 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 September 30, 2014 and December 31, 2013	**2014**	2013
Cash	**$ 25,129**	$ 28,446
Interest-bearing deposits with banks	**53,335**	57,285
Accounts receivable and other	**27,657**	25,986
Receivable from clients and broker	**43,638**	42,215
Fixed-income mutual funds	**6,431**	5,963
Short-term securities	**5,214**	1,850
Bonds	**1,074**	1,030
Total, before collateral and credit enhancements	**$ 162,478**	$ 162,775

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. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in a fixed-income mutual fund is managed by monitoring the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manage the fund's credit risk. The short-term securities and bonds are short-duration, 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, at attractive rates.

14. ACQUISITION

On April 14, 2014, the Company acquired all of the shares of Zephyr Management U.K. Limited, an emerging markets equity investment management firm, based in London, UK. This transaction added $114,077 in additional assets under management ("AUM"). After the acquisition, the entity has been renamed GuardCap Asset Management Limited ("GuardCap").

The provisional accounting for the consideration paid for the acquisition is as follows:

Consideration:		
Cash	$	1,597
Deferred payment		1,007
Total consideration		2,604
Fair value of identifiable net assets acquired:		
Intangible assets		1,159
Deferred tax liabilities		(232)
Net non-cash working capital		123
Cash		366
Net value of net assets acquired		1,416
Goodwill	$	1,188

The net cash paid for the acquisition was $1,231, which is comprised of the cash consideration paid of $1,597, less cash acquired of $366. The deferred payment is the present value of an estimated payment which is expected to be made on or about April 14, 2018, calculated based on the level of AUM then achieved in certain investment strategies to a maximum of $2,750 US. This deferred payment is recorded under other payables on the consolidated balance sheet. Intangible assets are investment management contracts which have an expected life of 15 years. The goodwill recognized on the acquisition represents the value of the acquired business arising from key employees, potential synergies, and a broader platform for business growth.

Since its acquisition, GuardCap has contributed net revenue of $854 and a net loss of $758 to the Company's results. If the acquisition had occurred on January 1, 2014, management estimates that GuardCap would have earned net revenue of $1,378 and a net loss of $885. 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 if the acquisition had occurred on January 1, 2014.

In conjunction with this acquisition, the Company entered into employment agreements with the key employees of GuardCap.

15. ACQUISITION OF NON–CONTROLLING INTEREST

On July 1, 2014, the Company's insurance managing general agency ("MGA") subsidiary acquired the remaining shares of another partially-owned insurance MGA subsidiary for cash consideration of $1,271. As this is a transaction between shareholders, the consideration paid in excess of the carrying value was charged to shareholders' equity, as follows:

Consideration paid	$	**1,271**
Carrying value of non-controlling interest		**631**
Excess consideration charged to retained earnings	$	**640**

Due to its immaterial size, the Company had not previously consolidated its interest in the acquired subsidiary, but had recorded it under other assets.

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 and results of Guardian Capital Group Limited and its subsidiaries and consolidated entities (“Guardian”) for the three months and nine months ended September 30, 2014 and the comparative periods in the year 2013, as well as to certain prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2013 Annual Report. This discussion and analysis has been prepared as of November 10, 2014.

Additional information relating to Guardian Capital Group Limited (“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; and corporate activities and investments. As at September 30, 2014, Guardian had $25.0 billion in assets under management (“AUM”) and $12.8 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 $525 million at the end of the quarter. On April 14, 2014, Guardian acquired a London, UK-based investment management firm, Zephyr Management U.K. Limited, which was subsequently renamed GuardCap Asset Management Limited (“GuardCap”).

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, and any net gains or losses, 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 September 30	Three Months 2014	2013	Nine Months 2014	2013
Net earnings, as reported	**$ 7,877**	$ 9,034	**$ 29,175**	$ 19,626
Add (deduct):				
Net (gains) losses on securities held for sale	**156**	(432)	**(452)**	296
Income tax expense	**2,006**	1,479	**5,455**	2,864
Net (gains) losses	**12**	(3,183)	**(6,372)**	(4,419)
Stock-based compensation	**337**	338	**1,018**	917
Interest expense	**245**	272	**760**	876
Amortization	**939**	835	**2,646**	2,832
Non-controlling interests	**(321)**	(167)	**(772)**	(486)
EBITDA	**$ 11,251**	$ 8,176	**$ 31,458**	$ 22,506

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, and many companies similar to Guardian use a similar measure in this manner. 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 periods ended September 30	Three Months 2014	2013	Nine Months 2014	2013
Net cash used in operating activities, as reported	**$ 19,541**	$ 12,073	**$ 26,769**	$ 21,165
Add (deduct):				
Net change in non-cash working capital items	**(9,369)**	(4,782)	**211**	$ (2,237)
Non-controlling interests	**(290)**	(163)	**(582)**	(209)
Adjusted cash flow from operations	**$ 9,882**	$ 7,128	**$ 26,398**	$ 18,719

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended September 30 *($ in thousands, except per share amounts)*	Three Months 2014	2013	Nine Months 2014	2013
Net revenue	**$ 30,806**	$ 25,173	**$ 87,785**	$ 73,371
Expenses	**20,755**	18,275	**59,979**	55,004
Operating earnings	**10,051**	6,898	**27,806**	18,367
Net gains (losses)	**(12)**	3,183	**6,372**	4,419
Net earnings before income taxes and net gains (losses) on securities held for sale	**10,039**	10,081	**34,178**	22,786
Income tax expense	**2,006**	1,479	**5,455**	2,864
Net earnings before net gains (losses) on securities held for sale	**8,033**	8,602	**28,723**	19,922
Net gains (losses) on securities held for sale	**(156)**	432	**452**	(296)
Net earnings	**$ 7,877**	$ 9,034	**$ 29,175**	$ 19,626
Net earnings available to shareholders	**$ 7,715**	$ 8,946	**$ 28,794**	$ 19,452
EBITDA	**11,251**	8,176	**31,458**	22,506
Adjusted cash flow from operations	**9,882**	7,128	**26,398**	18,719
Diluted per share amounts:				
Net earnings available to shareholders	**$ 0.25**	$ 0.29	**$ 0.92**	$ 0.63
EBITDA	**0.36**	0.26	**1.01**	0.73
Adjusted cash flow from operations	**0.32**	0.23	**0.85**	0.61

As at (*$ in millions, except per share amounts)*	**2014 September 30**	2013 December 31	 September 30
Assets under management	**$ 25,039**	$ 22,228	$ 21,201
Assets under administration	**12,849**	11,559	10,790
Fair value of corporate holdings of securities	**525**	449	433
Shareholders' equity	**482**	415	394
Diluted per share amounts:			
Fair value of corporate holdings of securities	**$ 16.75**	$ 14.26	$ 13.76
Shareholders' equity	**15.39**	13.17	12.51

Guardian continued to generate asset growth during volatile market conditions during the quarter, largely through positive net asset flows. The AUM at the end of the quarter grew to $25.0 billion, an 18.1% increase from a year earlier. The AUA at the end of the quarter grew to $12.8 billion, a 19.1% increase from a year earlier.

Operating earnings for the quarter were $10.1 million, a 45.7% growth from the same quarter last year.

Net gains decreased by $3.2 million compared to the third quarter of 2013.

The increase in income tax expense for the third quarter of 2014 compared to 2013 was due to the increases in operating earnings and realized net gains.

Net earnings available to shareholders were $7.7 million in the third quarter, a 13.8% decrease compared to the third quarter of last year. The decrease was due to increased operating earnings being offset by the decrease in net gains.

EBITDA for the quarter was $11.3 million, a 37.6% increase from the same quarter in 2013, largely due to the increase in operating earnings.

Adjusted cash flow from operations for the quarter was $9.9 million, a 38.6% increase from the same quarter in 2013, also mainly due to the increase in operating earnings.

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)*	**2014 September 30**	2013 December 31	 September 30
Institutional	**$ 22,971**	$ 20,393	$ 19,487
Private client and international banking	**2,068**	1,835	1,714
Total	**$ 25,039**	$ 22,228	$ 21,201
Institutional AUM is composed of:			
Canadian equities	**$ 13,896**	$ 12,556	$ 12,095
Global equities	**2,300**	1,720	1,342
Fixed income	**6,775**	6,117	6,050
Total	**$ 22,971**	$ 20,393	$ 19,487

Management fees, net of referral fees paid, for the third quarter of 2014 were $16.1 million, a 24.7% increase from the same quarter a year earlier, as a result of the growth in AUM, and slightly higher fee rates, in the current period.

Institutional management fees earned in the quarter were $13.2 million, a 27.0% increase from the same quarter in 2013. Private client and international client management fees, net of referral fees paid, earned in the quarter amounted to $2.9 million, an increase of 15.1% from $2.6 million a year earlier.

Financial Advisory Commission Revenue

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

Total AUA at Guardian at the end of the quarter amounted to $12.8 billion, a 19.1% increase from a year earlier. The increase in AUA was due to successes in recruiting new advisors into the financial advisory subsidiaries, and net new sales from existing clients.

Net sales commission revenue was $7.1 million for the third quarter, a 26.6% increase from the third quarter of 2013. The increase was due to the growth in our AUA in the mutual fund and securities dealer, and the growth in our MGA 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 is not directly impacted by fluctuations in the financial markets, except for certain administration fees earned from investment funds. This income amounted to $3.0 million for the quarter, an 8.2% increase from $2.7 million in the preceding quarter and a 24.1% increase from $2.4 million in the same period a year earlier. The increase was due to the recording of one-time fees in the current quarter, plus increased administration fees which are calculated based on the AUM of investment funds.

Dividend and Interest Income

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

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2014**	2013	**2014**	2013
Dividend income	**$ 4,282**	$ 3,996	**$ 13,043**	$ 12,390
Interest income	**310**	228	**775**	607
Total dividend and interest income	**$ 4,592**	$ 4,224	**$ 13,818**	$ 12,997

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 the same period one year earlier is due to the increase in the quarterly dividend rate on the Bank of Montreal shares to $0.78 per share from $0.74 per share, which was slightly offset by the reduction in the number of Bank of Montreal shares held during the current period.

Expenses

Guardian's total operating expenses for the quarter were $20.8 million, a 13.6% increase from the third quarter in the prior year, compared to a 22.4% increase in net revenue for the quarter compared to the third quarter in the preceding year. Guardian's compensation and other expenses were $19.6 million for the quarter, a 14.0% increase from the same period in 2013. The increase in expenses was due to increased variable compensation costs and other increased operating costs to support the growth of the businesses including operating expenses and related integration costs of the recently acquired UK operations. The increase in amortization expense in the quarter is due to increases in intangible assets arising from the recruitment of advisors into the financial advisory businesses. The reduced interest expense in the period is due to the utilization of a higher proportion of borrowing by bankers acceptances in the current quarter.

NET GAINS

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2014**	2013	**2014**	2013
Gains (losses) in consolidated mutual funds	**$ (26)**	$ 41	**$ 92**	$ 72
Gains on securities directly held	**495**	3,007	**6,663**	4,453
Net gains on securities	**469**	3,048	**6,755**	4,525
Net foreign exchange gains (losses)	**(538)**	108	**(555)**	(315)
Net gains on disposal of intangible assets	**57**	27	**172**	209
Net gains (losses)	**$ (12)**	$ 3,183	**$ 6,372**	$ 4,419
Net gains (losses) on securities held for sale	**$ (156)**	$ 432	**$ 452**	$ (296)

During the quarter, Guardian rebalanced part of its portfolio of securities resulting in a small net gain for the quarter. In addition, net losses on foreign exchange were recorded during the quarter relating to exchange losses on Canadian dollars held by Guardian's international banking subsidiary whose functional currency is the US dollar. On translation of this subsidiary's results to Canadian dollars upon consolidation, equal but offsetting losses or gains are recorded in other comprehensive income.

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 enables Guardian to meet all of its financial commitments, to finance the expansion of its businesses and to purchase the capital assets necessary for the development of those businesses. During 2014, Guardian made $1.6 million in payments on the acquisition of GuardCap, $1.3 million in payment on the purchase of the remaining shares of an MGA subsidiary, invested $7.4 million in an investment fund managed by GuardCap, $5.1 million in a real estate fund managed by a subsidiary, and $9.1 million in three new mutual funds, using a combination of cash and redeployment of its securities holdings. Guardian's total bank borrowings at September 30, 2014 amounted to $55 million, compared with $56 million at December 31, 2013. The total credit available, at attractive terms, under the various arrangements amounts to $83 million. Guardian's shareholders' equity as at September 30, 2014 amounted to $482 million or $15.39 per share, diluted, compared with $394 million or $12.51 per share, diluted one year earlier. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future.

Guardian's holdings of securities as at September 30, 2014 had a fair value of $525 million, or $16.75 per share, diluted, compared with $449 million, or $14.26 per share, diluted, as at December 31, 2013, and $433 million, or $13.76 per share, diluted, at September 30, 2013. The following is a summary of Guardian's securities holdings:

As at	**2014**	2013	
($ in thousands, except per share amounts)	**September 30**	December 31	September 30
Securities at fair value:			
Short-term securities	**$ 5,214**	$ 1,850	$ 1,878
Bonds	**1,074**	1,030	1,020
Mutual funds	**46,247**	34,441	35,042
Bank of Montreal common shares	**389,560**	339,754	334,135
Other equity securities	**55,314**	54,187	46,616
Real estate funds	**18,042**	12,492	8,929
Total	**515,451**	443,754	427,620
Securities held for sale	**9,289**	5,425	5,142
Total securities at fair value	**$ 524,740**	$ 449,179	$ 432,762
Total securities per share, diluted	**$ 16.75**	$ 14.26	$ 13.76

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 September 30, 2014		**Less than**	**One to three**	**Three to five**	**After five**
($ in thousands)	**Total**	**One year**	**years**	**years**	**years**
Bank loans and borrowings	$ 54,701	$ 54,701	$ --	$ --	$ --
Client deposits	53,327	53,327	--	--	--
Accounts payable and other	31,422	30,393	--	1,029	--
Payable to clients	43,638	43,638	--	--	--
Investment commitment – real estate fund	7,371	7,371	--	--	--
Operating lease obligations	16,811	1,990	3,674	2,727	8,420
Total contractual obligations	$207,270	$191,420	$ 3,674	$ 3,756	$ 8,420

Guardian's contractual commitments are supported by its strong financial position, including its securities holdings, 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 committed to invest $25 million into a real estate limited partnership which is managed by a subsidiary, of which $17.6 million has been invested to date. The balance is expected to be invested as appropriate real estate product becomes available to the limited partnership, at which time Guardian's management will decide on 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, except for per share amounts)*	**Sep 30, 2014**	Jun 31, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012
Net revenue	**$ 30,806**	$ 29,257	$ 27,722	$ 27,907	$ 25,173	$ 25,041	$ 23,157	$ 24,146
Operating earnings	**10,051**	9,199	8,556	8,564	6,898	6,390	5,079	5,791
Net gains (losses)	**(12)**	2,737	3,647	7,218	3,183	666	570	(144)
Net earnings before net gains (losses) on securities held for sale	**8,033**	10,066	10,624	14,879	8,602	6,255	5,065	4,938
Net gains (losses) on securities held for sale	**(156)**	222	386	238	432	(1,243)	515	1,084
Net earnings available to shareholders	**7,715**	10,163	10,916	14,980	8,946	4,963	5,543	5,915
Shareholders' equity	**482,242**	463,306	438,363	414,985	393,670	354,622	366,519	353,756
Per average Class A and Common Share								
Net earnings before net gains (losses) on securities held for sale:								
- Basic	**$ 0.26**	$ 0.33	$ 0.35	$ 0.48	$ 0.28	$ 0.20	$ 0.16	$ 0.16
- Diluted	**0.25**	0.32	0.34	0.47	0.27	0.20	0.16	0.15
Net earnings:								
- Basic	**$ 0.26**	$ 0.34	$ 0.36	$ 0.49	$ 0.29	$ 0.16	$ 0.18	$ 0.19
- Diluted	**0.25**	0.33	0.35	0.48	0.29	0.16	0.18	0.19
Shareholders' equity:								
- Basic	**$ 16.08**	$ 15.34	$ 14.49	$ 13.68	$ 12.94	$ 11.64	$ 11.97	$ 11.44
- Diluted	**15.39**	14.72	13.93	13.17	12.51	11.27	11.59	11.59

Management fees earned in the investment management segment are highly correlated to the growth in 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, and the continuing move toward "trailer" fees and other continuing-fee revenues. 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 period. Secondly, there has been significant growth in commissions earned in the financial advisory business, as a result of the continuing growth in the life insurance MGA business and the traditional 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 third and fourth quarters of 2013 and the first and second quarters of 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 for the quarters ended June 30, 2013 and September 30, 2014 were reduced because of net losses recorded on securities held for sale. The quarterly fluctuations in shareholders' equity shown above have been largely caused by changes in the value of Guardian's investment in the Bank of Montreal common shares, less the provision for deferred income taxes.

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 13 to the Consolidated Financial Statements, contained in Guardian's Third Quarter 2014 Report to Shareholders, for additional information on 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 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, each of 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 $390 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 the "Foreign Currency Translation Adjustment" 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 it Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in a fixed-income mutual fund is managed by monitoring the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manage the fund's 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 risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $83 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 provides 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. Through a combination of in-house expertise and external advisors, when appropriate, these subsidiaries are able to react to changes in these regulatory requirements.

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 mutual fund or securities dealer. 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, 2013, 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

The global economic recovery continues to experience areas of improving acceleration, while contending with overall slow and uneven growth. The US and UK economies appear to be on the path to sustainable growth, after posting relatively strong results in the most recent quarter. In contrast, the Eurozone and Japan continue to struggle for sustainable growth while fending off the threat of deflation. The challenges in Japan and the Eurozone underscore the fragility of the global recovery. Although there has not been any globally-coordinated central bank actions in some time, it appears the Fed and other central bankers are highly cognizant of the potential impact their respective decisions may have on a delicate global recovery. Increasing globalisation contributed to the economic and market gains experienced in the run-up to 2008 and it now appears to be an equally compelling force affecting the recovery. Generally, emerging economies continue to grapple with reform and political considerations but a rise in the global economic tide will likely lift prospects for these economies too. There is no shortage of threats to the global recovery, and matters are further complicated by rising geopolitical concerns, whether over Ebola, Ukraine-Russia tensions or Islamic State military actions. Nevertheless, the relative strengths of the US and the UK appear to represent the beachheads for a global economic recovery, even if it is tenuous and humble.

Canada has shown surprising resilience. The Canadian economy will benefit from the modest recovery in the US and a stable situation in China. Considering the headwinds of a highly indebted consumer and weakness in many commodities, the best hope for growth resides in improved exports supported by a weakening dollar. This is likely to keep the economy growing, but below the historical trend. Overall, we continue to expect Canada to experience modest growth this year, but results will likely trail the growth in the US.

Equities across the globe in the early part of the fourth quarter have witnessed higher levels of volatility, with broad market declines mid-October, only to see a significant recovery from those earlier equity market declines by the end of the month. We expect to see a heightened level of volatility around geopolitical and economic metrics, but our belief is that equity markets will remain supportive for the balance of the calendar year.

The Canadian S&P/TSX index declined 0.6% in the third quarter following a 12.5% rise in the first half of the year. The performance of this benchmark remains the external factor having the greatest effect on the Company's performance, as over 60% of our assets under management are exposed to it. With this external factor in mind, management has been steadily focused on the long term strategic goal of complementing our strength in Canadian equities with efforts to add new investment strategies and solutions. Global equity strategies now represent approximately 10% of the firm's total assets under management, and provide significant opportunities for future growth. In the third quarter, we continued to add new assets across our investment platform from existing and new clients, with particular success in the retail intermediary client segment. AUM grew 1.8% during the third quarter and 18.1% over the 12 months since September 30, 2013.

Guardian is highly geared toward the equity markets, across its main business segments and its corporate investment portfolio. An environment which rewards 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 AUM or AUA.

In addition to benefiting from any broad market lift associated with rising equity markets, we believe that 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, by adding net new AUM throughout the year.

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 from their strong year to date levels, and this should contribute to a consistent higher rate of net commission revenue for this segment in future quarters.

All of our businesses have the financial strength of the Company's balance sheet to support their patient, long-term strategic business objectives to continue to be meaningful contributors to our operating profit and value creation. As we succeed in executing our operating business growth plans, we also intend to continue to reward our shareholders.

GUARDIAN
CAPITAL

Our history. Your future.

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