Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER 2014

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three months ended March 31, 2014. 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)*	**2014**	2013
Net revenue	**$ 27,722**	$ 23,157
Operating earnings	**8,556**	5,079
Net gains	**3,647**	570
Net earnings before net gains on securities held for sale	**10,624**	5,065
Net gains on securities held for sale	**386**	515
Net earnings available to shareholders	**10,916**	5,543
EBITDA	**$ 9,823**	$ 6,471
Adjusted cash flow from operations	**7,478**	4,735
Per Share		
Net earnings before net gains on securities held for sale	**$ 0.34**	$ 0.16
Net earnings available to shareholders	**0.35**	0.18
EBITDA	**0.31**	0.21
Adjusted cash flow from operations	**0.24**	0.15

As at *($ in millions, except per share amounts)*	**March 31, 2014**	December 31, 2013
Assets under management	**$ 23,237**	$ 22,228
Assets under administration	**12,227**	11,559
Fair value of corporate holdings of securities	**468**	449
Shareholders' equity	**438**	415
Per Share		
Fair value of corporate holdings of securities	**$ 14.88**	$ 14.26
Shareholders' equity	**13.93**	13.17

Summary

The Company's assets under management ("AUM") as at March 31, 2014 grew to $23.2 billion, an increase of 5% since December 31, 2013 and 14% since March 31, 2013. Assets under administration ("AUA") were $12.2 billion as at March 31, 2014, an increase of 6% since December 31, 2013 and 16% since March 31, 2013.

The Company's operating earnings for the current quarter were $8.6 million, an increase of 68% from $5.1 million in Q1 2013. All segments of the Company's operations contributed positively to the overall growth in operating earnings. Net gains at $3.6 million were significantly higher in the current quarter than in 2013, with approximately two-thirds of the gains provided from the sale of 65,000 shares of the Company's investment in the Bank of Montreal shares. The proceeds from the disposition were used mainly to fund the $3.5 million increase in the Company's investment in the real estate fund managed by its subsidiary.

Net earnings available to shareholders for the quarter were $10.9 million, or $0.35 per share, compared to $5.5 million, or $0.18 per share, for Q1 2013. The increase in net earnings was due to a combination of the strong operating earnings growth and the increase in net gains discussed above.

EBITDA for the quarter was $9.8 million, or $0.31 per share, compared to $6.5 million, or $0.21 per share for Q1 2013. Adjusted cash flow from operations for the quarter was $7.5 million, or $0.24 per share, compared to $4.7 million, or $0.15 per share for 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 March 31, 2014 was $468 million, or $14.88 per share, compared to $449 million, or $14.26 per share, as at December 31, 2013 and $403 million, or $12.74 per share, as at March 31, 2013. The Company's shareholders' equity as at March 31, 2014 was $438 million, or $13.93 per share, compared to $415 million, or $13.17 per share, at December 31, 2013 and $367 million, or $11.59 per share, as at March 31, 2013.

Commentary and Outlook

The major economies of the developed world – the U.S., Euro zone, Japan and the U.K. – all continue to experience some level of growth, while emerging economies appear to be facing some headwinds. This is positive for the global economy, but there remains a lot of fragility in the system. Although the U.S. is gathering strength, the pace is uneven and there are still fiscal and monetary imbalances that need to be navigated - the Euro zone is slowly growing but is exposed to potential derailment from weak countries on the periphery and the potential threat of deflation; Japan's growth is the result of massive liquidity injection and the recent increase in consumer tax may get in the way; and China's growth appears to be slowing. Markets have nevertheless welcomed the economic improvements, even if they are humble and fragile. We continue to witness positive equity returns on the back of a strong 2013.

The Canadian economy will benefit from the modest recovery in the U.S. and a stable situation in China. Considering the headwinds of a highly indebted consumer and weakness in many commodities, growth resides in improved exports supported by a weakening dollar, which may be just enough to keep the economy growing. The Canadian S&P/TSX index rose 6.1% in the first quarter. 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 the first quarter, we continued to add new assets from existing and new clients with particular success in the retail intermediary client segment. AUM grew by 5% during the first quarter and by 14% over the 12 months since March 31, 2013.

As a result of the growth in AUM, our investment management businesses provided management fee income in the first quarter of 2014 which was more than 24% greater than in the first quarter of 2013. Operating earnings for the three months ended March 31, 2014 of $8.6 million were 68% above the $5.1 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 newly acquired presence in London, UK, where we will in the future incubate a fundamental global investment team to manage both 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.

Guardian's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to show improved operating earnings. AUA reached a record $12.2 billion as at March 31, 2014, a 6% increase compared to $11.6 billion as at December 31, 2013, and a 16% increase compared to $10.5 billion as at March 31, 2013. Growth in AUA was due to both positive markets 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 2014 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, $10.0 million of premiums on life insurance policies sold translates into both current and future net commission revenue for the financial advisory segment and, in 2014, we expect this business unit to surpass the 2013 level of premiums on life insurance policies sold of $38.5 million.

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. In January and April of this year, the company paid to shareholders quarterly dividends, each of $0.055 per share. With enhanced operating earnings, and the growth of adjusted cash flow from operations over the past six months, the Board is pleased to report that we have declared the next quarterly dividend, of $0.065 per share, an increase of 18% from the previous rate, payable on July 17, 2014, to shareholders of record on July 10, 2014.

On behalf of the Board, May 12, 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)*	March 31 2014	December 31 2013
ASSETS		
Current assets		
Cash	$ 27,824	$ 28,446
Interest-bearing deposits with banks	58,748	57,285
Accounts receivable and other	31,432	25,986
Receivables from clients and broker	42,794	42,215
Prepaid expenses	1,612	1,577
	162,410	155,509
Securities (note 3)		
Securities holdings	462,463	443,754
Securities held for sale	5,826	5,425
	468,289	449,179
Other assets		
Deferred tax assets	3,663	3,757
Intangible assets	20,689	20,611
Equipment	3,882	3,674
Goodwill	11,111	11,111
Investment in associate	333	333
Other	916	886
	40,594	40,372
Total Assets	$ 671,293	$ 645,060
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 66,077	$ 55,929
Client deposits	58,511	57,312
Accounts payable and other	17,105	27,408
Income taxes payable	384	1,092
Payable to clients	42,794	42,215
	184,871	183,956
Other liabilities		
Deferred tax liabilities	45,162	43,316
Total Liabilities	230,033	227,272
EQUITY		
Shareholders' equity		
Capital stock (note 5)	21,679	21,679
Treasury stock (note 6)	(19,897)	(18,700)
Contributed surplus	9,902	9,583
Retained earnings	255,209	245,961
Accumulated other comprehensive income	171,470	156,462
	438,363	414,985
Non-controlling interests	2,897	2,803
Total Equity	441,260	417,788
Total Liabilities and Equity	$ 671,293	$ 645,060

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2014**	2013
Revenue		
Gross commission revenue	**$ 24,033**	$ 20,553
Commissions paid to advisors	**(17,771)**	(15,051)
	6,262	5,502
Management fee income, net (note 7)	**14,460**	11,627
Administrative services income	**2,649**	1,971
Dividend and interest income (note 8)	**4,351**	4,057
Net revenue	**27,722**	23,157
Expenses		
Employee compensation and benefits	**12,575**	11,825
Amortization	**819**	1,030
Interest	**246**	282
Other expenses	**5,526**	4,941
	19,166	18,078
Operating earnings	**8,556**	5,079
Net gains (note 9)	**3,647**	570
Net earnings before income taxes and net gains on securities held for sale	**12,203**	5,649
Income tax expense	**1,579**	584
Net earnings before net gains on securities held for sale	**10,624**	5,065
Net gains on securities held for sale (note 9)	**386**	515
Net earnings	**$ 11,010**	$ 5,580
Net earnings before net gains on securities held for sale, available to:		
Shareholders	**$ 10,530**	$ 5,028
Non-controlling interests	**94**	37
Net earnings before net gains on securities held for sale	**$ 10,624**	$ 5,065
Net earnings before net gains on securities held for sale, available to shareholders per Class A and Common share (note 10):		
Basic	**$ 0.35**	$ 0.16
Diluted	**0.34**	0.16
Net earnings available to:		
Shareholders	**$ 10,916**	$ 5,543
Non-controlling interests	**94**	37
Net earnings	**$ 11,010**	$ 5,580
Net earnings available to shareholders per Class A and Common share (note 10):		
Basic	**$ 0.36**	$ 0.18
Diluted	**0.35**	0.18

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended March 31	2014	2013
Net earnings	$ 11,010	$ 5,580
Other comprehensive income		
Available for sale securities:		
Net change in fair value	16,724	17,708
Income tax provision	2,074	2,052
	14,650	15,656
Transfer to net earnings of unrealized gains upon disposal	(3,499)	(445)
	11,151	15,211
Changes in foreign currency translation adjustment on foreign subsidiary	3,857	2,105
Other comprehensive income	15,008	17,316
Comprehensive income	$ 26,018	$ 22,896
Comprehensive income available to:		
Shareholders	$ 25,924	$ 22,859
Non-controlling interests	94	37
Comprehensive income	$ 26,018	$ 22,896

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31	2014	2013
Total equity, beginning of period	**$ 417,788**	$ 357,750
Shareholders' equity, beginning of period	**414,985**	353,756
Capital stock		
Balance, beginning of period	**21,679**	22,113
Acquired and cancelled	**--**	(146)
Capital stock, end of period	**21,679**	21,967
Treasury stock		
Balance, beginning of period	**(18,700)**	(17,750)
Acquired	**(1,235)**	(1,644)
Disposed of	**38**	265
Treasury stock, end of period	**(19,897)**	(19,129)
Contributed surplus		
Balance, beginning of period	**9,583**	8,636
Stock-based compensation expense	**352**	238
Redemption of equity-based entitlements	**(33)**	(210)
Contributed surplus, end of period	**9,902**	8,664
Retained earnings		
Balance, beginning of period	**245,961**	231,040
Net earnings available to shareholders	**10,916**	5,543
Dividends declared and paid	**(1,668)**	(6,166)
Excess of purchase price over issue price of Company's capital stock acquired and cancelled	**--**	(2,433)
Retained earnings, end of period	**255,209**	227,984
Accumulated other comprehensive income		
Balance, beginning of period	**156,462**	109,717
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of period	**155,611**	115,072
Net change during period	**11,151**	15,211
Balance, end of period	**166,762**	130,283
Foreign currency translation adjustment on a self-sustaining foreign subsidiary		
Balance, beginning of period	**851**	(5,355)
Net change during period	**3,857**	2,105
Balance, end of period	**4,708**	(3,250)
Accumulated other comprehensive income, end of period	**171,470**	127,033
Shareholders' equity, end of period	**438,363**	366,519
Non-controlling interests		
Balance, beginning of period	**2,803**	3,994
Net earnings available to non-controlling interests	**94**	37
Non-controlling interests, end of period	**2,897**	4,031
Total equity, end of period	**$ 441,260**	$ 370,550

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31	2014	2013
Operating activities		
Net earnings	$ 11,010	$ 5,580
Adjustments for:		
Income taxes (paid)	(2,348)	(1,672)
Income tax expense	1,579	584
Net (gains)	(3,647)	(570)
Net (gains) on securities held for sale	(182)	(515)
Amortization of intangible assets	664	758
Amortization of equipment	155	272
Stock-based compensation	352	238
	7,583	4,675
Net change in non-cash working capital items (note 12)	(16,283)	(7,933)
Net cash used in operating activities	(8,700)	(3,258)
Investing activities		
Net proceeds from sale of securities	1,664	1,702
Acquisition of securities held for sale	(278)	(5,581)
Proceeds from sale of securities held for sale	--	928
Acquisition of intangible assets	(958)	(750)
Acquisition of equipment	(334)	(32)
Disposition of intangible assets	221	890
Business acquisitions	--	(356)
Net cash from (used in) investing activities	315	(3,199)
Financing activities		
Dividends	(1,668)	(6,166)
Acquisition and cancellation of capital stock	--	(2,579)
Acquisition of treasury stock	(1,235)	(1,644)
Disposition of treasury stock	38	265
Net proceeds of bank loan and bankers' acceptances	6,172	15,379
Net cash from financing activities	3,307	5,255
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	480	25
Net change in net cash	(4,598)	(1,177)
Net cash, beginning of period	27,717	18,221
Net cash, end of period	$ 23,119	$ 17,044
Net cash represented by:		
Cash	$ 27,824	$ 21,663
Bank indebtedness	(4,705)	(4,619)
	$ 23,119	$ 17,044

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 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.

3. SECURITIES

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

As at March 31, 2014 and December 31, 2013	2014	2013
Securities holdings		
Available for sale securities		
Short-term securities	$ 1,855	$ 1,850
Bonds	1,060	1,030
Mutual funds	35,865	34,441
Bank of Montreal common shares	350,211	339,754
Other equity securities	56,158	52,931
Real estate funds (a)	15,992	12,492
	461,141	442,498
Held for trading securities		
Equity securities	1,322	1,256
Total securities holdings	462,463	443,754
Securities held for sale (b)	5,826	5,425
Total securities at fair value	$ 468,289	$ 449,179

(a) The Company made a commitment in 2013 to invest $25,000 in real estate, through a real estate limited partnership (the "LP") which is managed by a subsidiary of the Company. During the quarter, the Company invested $3,500 and has now invested a total of $15,636, in the LP.

(b) Securities held for sale are the Company's interest in a mutual fund which the Company is deemed to control but does not consolidate, as it intends to dispose of control through either sale or dilution.

4. BANK LOANS AND BORROWINGS

As at March 31, 2014 and December 31, 2013	2014	2013
Bank indebtedness	$ 4,705	$ 729
Bankers' acceptances payable	61,100	55,100
Bank loan	272	100
	$ 66,077	$ 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 March 31	2014		2013	
	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	27,534	$ 20,487	28,072	$ 20,913
Acquired and cancelled	--	--	(194)	(146)
Outstanding, end of period	27,534	20,487	27,878	20,767
ii) Common shares				
Outstanding, beginning and end of period	4,935	1,192	4,971	1,200
Total outstanding, end of period	32,469	$ 21,679	32,849	$ 21,967

(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	2014	2013
Class A shares purchased and cancelled	--	194
Consideration paid	$ --	$ 2,579
Average issue price, charged to share capital	--	146
Excess consideration charged to retained earnings	$ --	$ 2,433

(d) Dividends

During the three months ended March 31, dividends of $0.055 per share (2013 - $0.20) were declared and paid on the common and Class A shares outstanding. The Company also declared dividends of $0.055 per share payable on April 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.

6. TREASURY STOCK

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

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

For the three months ended March 31	2014		2013	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,136**	**$ 18,700**	2,126	$ 17,750
Acquired	**81**	**1,235**	121	1,644
Disposed of	**(11)**	**(38)**	(25)	(265)
Balance, end of period	**2,206**	**$ 19,897**	2,222	$ 19,129

(b) EPSP Trust – Stock-Based Entitlements

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

i) Option-like entitlements

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

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

For the three months ended March 31	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**	(6)	9.69
Option-like entitlements, end of period	**1,496**	**$ 8.95**	1,546	$ 8.86

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	2014	2013
Equity-based entitlements, beginning of the period	**639**	574
Entitlements provided	**81**	121
Entitlements exercised	**(10)**	(19)
Equity based entitlements, end of period	**710**	676

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. 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 $1,235 (2013 - $1,644).

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $711 for the three months ended March 31, 2014 (2013 - $597).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31	**2014**	2013
Dividend income	**$ 4,127**	$ 3,888
Interest income	**224**	169
	$ 4,351	$ 4,057

9. NET GAINS

Net gains are composed of the following:

For the three months ended March 31	**2014**	2013
Held for trading securities (a)	**$ 53**	$ 13
Available for sale securities (b)	**3,870**	803
Net gains on securities	**3,923**	816
Gains on disposal of intangible assets	**66**	62
Foreign exchange losses (c)	**(342)**	(308)
Net gains	**$ 3,647**	$ 570

(a) 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.

(b) Included in net gains on available for sale securities are gains of $2,447 from the sale of 65 common shares of the Bank of Montreal. A tax expense of $129 was recorded in net earnings in the Consolidated Statements of Operations.

(c) Foreign exchange losses consist mainly of exchange 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 gain is recorded in other comprehensive income.

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

For the three months ended March 31	**2014**	2013
Net gains	**$ 272**	$ 515
Other income	**204**	--
Income tax expense	**(90)**	--
Net gains on securities held for sale	**$ 386**	$ 515

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.

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 three months ended March 31	2014	2013
Weighted average number of class A and common shares outstanding		
Basic	30,291	30,824
Effect of outstanding entitlements and options from stock based compensation plans	1,198	--
Diluted	31,489	30,824
Net earnings available to shareholders of class A and common shares		
Basic	$ 10,916	$ 5,543
Effect of outstanding entitlements and options from stock based compensation plans	94	--
Diluted	$ 11,010	$ 5,543

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 March 31	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	$ --	$ --	$ 24,033	$ 20,553	$ --	$ --	$ 24,033	$ 20,553
Commissions paid to advisors	--	--	(17,771)	(15,051)	--	--	(17,771)	(15,051)
	--	--	6,262	5,502	--	--	6,262	5,502
Management fee income, net	14,460	11,627	--	--	--	--	14,460	11,627
Administrative services income	1,044	572	1,605	1,399	--	--	2,649	1,971
Dividend and interest income	22	--	176	159	4,153	3,898	4,351	4,057
Net revenue	15,526	12,199	8,043	7,060	4,153	3,898	27,722	23,157
Expenses								
Employee compensation and benefits	7,231	6,376	3,674	3,564	1,670	1,885	12,575	11,825
Amortization	33	62	630	759	156	209	819	1,030
Interest	40	71	46	38	160	173	246	282
Other expenses	3,208	3,259	3,069	2,766	(751)	(1,084)	5,526	4,941
	10,512	9,768	7,419	7,127	1,235	1,183	19,166	18,078
Operating earnings (loss)	5,014	2,431	624	(67)	2,918	2,715	8,556	5,079
Net gains	--	--	66	62	3,581	508	3,647	570
Net earnings (loss) before income taxes and net gains on securities held for sale	5,014	2,431	690	(5)	6,499	3,223	12,203	5,649
Income tax expense (recovery)	1,235	720	256	43	88	(179)	1,579	584
Net earnings (loss) before net gains on securities held for sale	3,779	1,711	434	(48)	6,411	3,402	10,624	5,065
Net gains on securities held for sale	--	--	--	--	386	515	386	515
Net earnings (loss)	$ 3,779	$ 1,711	$ 434	$ (48)	$ 6,797	$ 3,917	$ 11,010	$ 5,580
Net earnings (loss) available to:								
Shareholders	$ 3,779	$ 1,711	$ 340	$ (85)	$ 6,797	$ 3,917	$ 10,916	$ 5,543
Non-controlling interests	--	--	94	37	--	--	94	37
Net earnings (loss)	$ 3,779	$ 1,711	$ 434	$ (48)	$ 6,797	$ 3,917	$ 11,010	$ 5,580

For the three months ended March 31	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
Capital expenditures on segment assets:								
Intangible assets	$ --	$ 863	$ 958	$ 707	$ --	$ 43	$ 958	$ 1,613
Equipment	187	--	108	9	39	23	334	32
As at March 31, 2014 and December 31, 2013								
Segment assets and liabilities:								
Assets	$ 122,273	$ 102,292	$ 96,276	$ 97,494	$ 452,744	$ 445,274	$ 671,293	$ 645,060
Liabilities	65,980	68,654	54,163	55,844	109,890	102,774	230,033	227,272

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

For the three months ended March 31	Canada 2014	Canada 2013	Rest of the World 2014	Rest of the World 2013	Consolidated 2014	Consolidated 2013
Net revenue	$ 26,430	$ 22,170	$ 1,292	$ 987	$ 27,722	$ 23,157
As at March 31, 2014 and December 31, 2013						
Segment non-current assets:						
Intangible assets	$ 19,803	$ 19,778	$ 886	$ 833	$ 20,689	$ 20,611
Equipment	3,150	3,219	732	455	3,882	3,674
Goodwill	11,111	11,111	--	--	11,111	11,111

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the three months ended March 31	2014	2013
Decrease (increase) in non-cash working capital assets:		
Interest-bearing deposits with banks	$ 784	$ 1,641
Accounts receivable and other	(5,368)	(2,252)
Receivables from clients and broker	(581)	21
Prepaid expenses	(32)	178
Increase (decrease) in non-cash working capital liabilities:		
Client deposits	(1,050)	(1,641)
Accounts payable and other	(10,617)	(5,859)
Payable to clients	581	(21)
Net Change	$ (16,283)	$ (7,933)

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 22 to 24 of the Company's First 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 $350,211 ($339,754 – December 31, 2013) 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 $35,021 ($33,975 – December 31, 2013) being recorded in the Consolidated Statement of 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 March 31, 2014				
Canada	**$ 7,148**	**±$ 715**	**$ 32,545**	**±$ 3,255**
United States	**--**	**--**	**11,742**	**1,174**
Rest of the World	**--**	**--**	**63,728**	**6,373**
	$ 7,148	**±$ 715**	**$ 108,015**	**±$ 10,802**
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 $102,626 (December 31, 2013 - $97,688). Changes in the value of these investments caused by changes in the US dollar exchange rate 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 closely 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 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 $66,077 (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 is also exposed to interest rate risk in its international banking operation, through the assets interest-bearing deposits with banks of $58,748 (December 31, 2013 - $57,285), and the client deposits liability of $58,511 (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 March 31, 2014 and December 31, 2013	**2014**	2013
Cash	**$ 27,824**	$ 28,446
Interest-bearing deposits with banks	**58,748**	57,285
Accounts receivable and other	**31,432**	25,986
Receivable from clients and broker	**42,974**	42,215
Short-term securities	**1,855**	1,850
Bonds	**1,060**	1,030
Total, before collateral and credit enhancements	**$ 163,893**	$ 156,812

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 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. SUBSEQUENT EVENT

On April 14, 2014, the Company acquired all of the shares of Zephyr Management U.K. Limited ("Zephyr"), an emerging markets equity investment management firm, based in London, UK. This transaction is expected to provide Guardian with approximately $110,000 USD in additional assets under management ("AUM"), and provide a bridge into new markets. Guardian paid $1,000 USD upon closing and a second payment is due four years after closing, calculated based on the level of AUM then achieved, to a maximum of $2,750 USD. In addition, Guardian will pay approximately £265 GBP in the second quarter for the closing working capital of Zephyr.

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

Consideration to be paid:		
Cash on closing	$	**1,107**
Estimated payment to be made in the second quarter		**486**
Estimated payment to be made four years after closing		**1,008**
Total consideration paid		**2,601**
Fair value of identifiable net assets acquired:		
Intangible assets		**2,115**
Net working capital		**486**
Net value of net assets acquired		**2,601**
Goodwill	$	**Nil**

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

15. 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 consolidated entities ("Guardian") for the three months ended March 31, 2014 and the comparative period 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 May 12, 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 March 31, 2014, Guardian had $23.2 billion in assets under management ("AUM") and $12.2 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 $468 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, 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 three months ended March 31 *($ in thousands)*	**2014**	2013
Net earnings, as reported	**$ 11,010**	$ 5,580
Add (deduct):		
Net (gains) on securities held for sale	**(386)**	(515)
Income tax expense	**1,579**	584
Net (gains)	**(3,647)**	(570)
Stock-based compensation	**352**	238
Interest	**289**	282
Amortization	**819**	1,030
Non-controlling interests	**(193)**	(158)
EBITDA	**$ 9,823**	$ 6,471

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 three months ended March 31 *($ in thousands, except per share amounts)*	**2014**	2013
Net cash used in operating activities, as reported	**$ (8,700)**	$(3,258)
Add (deduct):		
Net change in non-cash working capital items	**16,283**	7,933
Non-controlling interests	**(105)**	60
Adjusted cash flow from operations	**$ 7,478**	$ 4,735

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)*	**2014**	2013
Net revenue	**$27,722**	$23,157
Expenses	**19,166**	18,078
Operating earnings	**8,556**	5,079
Net gains	**3,647**	570
Net earnings before income taxes and net gains on securities held for sale	**12,203**	5,649
Income tax expense	**1,579**	584
Net earnings before net gains on securities held for sale	**10,624**	5,065
Net gains on securities held for sale	**386**	515
Net earnings	**$11,010**	$ 5,580
Net earnings available to shareholders	**$10,916**	$ 5,543
EBITDA	**$ 9,823**	$ 6,471
Adjusted cash flow from operations	**$ 7,478**	$ 4,735
Diluted per share amounts		
Net earnings available to shareholders	**$ 0.35**	$ 0.18
EBITDA	**$ 0.31**	$ 0.21
Adjusted cash flow from operations	**$ 0.24**	$ 0.15

As at ($ in millions, except per share amounts)	2014 March 31	2013 December 31	2013 March 31
Assets under management	**$ 23,237**	$ 22,228	$20,351
Assets under administration	**$ 12,227**	$ 11,559	$10,497
Fair value of corporate holdings of securities	**$ 468**	$ 449	$ 403
Fair value of corporate holdings of securities per share, diluted	**$ 14.88**	$ 14.26	$ 12.74
Shareholders' equity	**$ 438**	$ 415	$ 367
Shareholders' equity per share, diluted	**$ 13.93**	$ 13.17	$ 11.59

Guardian continued to generate asset growth through market performance and positive net asset flows during the quarter. The AUM and AUA at the end of the quarter grew to $23.2 billion, a 14% increase from a year earlier, and $12.2 billion, a 16% increase from a year earlier, respectively. The growth in revenue from the increased assets, and managing operating expenses to a relatively modest increase, allowed all business segments to contribute to our operating earnings growth. Operating earnings for the quarter were $8.6 million, a 68% growth compared to $5.1 million in the same quarter last year.

Net gains for the quarter were $3.6 million compared to $0.6 million in the first quarter of 2013. Included in the net gains for the quarter are gains of $2.4 million gains from the sale of 65,000 shares of Guardian's investment in the Bank of Montreal shares.

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

Net earnings available to shareholders were $10.9 million in the first quarter, a 97% increase compared to $5.5 million in the prior year. The increase was largely due to higher operating earnings and increased net gains, as described above, compared to the prior year.

EBITDA for the quarter was $9.8 million, a 52% increase compared to the prior year. The increase in EBITDA is largely due to the increase in operating earnings.

Adjusted cash flow from operations for the quarter was $7.5 million, a 58% increase compared to $4.7 million in 2013. The increase is 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, except per share amounts*)	2014 March 31	2013 December 31	2013 March 31
Institutional	**$ 21,292**	$ 20,393	$ 18,693
Private client	**1,870**	1,763	1,577
International	**75**	72	81
Total	**$ 23,237**	$ 22,228	$ 20,351
Institutional AUM is composed of:			
Canadian equities	**$ 12,982**	$ 12,556	$ 11,399
Global equities	**1,903**	1,720	1,235
Fixed income	**6,407**	6,117	6,059
Total	**$ 21,292**	$ 20,393	$ 18,693

Management fees, net of referral fees paid, for the first quarter of 2014 were $14.5 million, an increase of 24% from the $11.6 million a year earlier, as a result of the significantly increased AUM, and slightly higher fee rates, in the current period.

Institutional management fees earned in the quarter increased to $11.6 million from $9.0 million a year earlier, a 29% increase. Private client management fees, net of referral fees paid, earned in the quarter amounted to $2.3 million, an increase of 15% from $2.0 million a year earlier. Management fees earned from international clients were $0.6 million in the first quarter of 2014, unchanged from a year earlier.

Financial Advisory Commission Revenue

Net commission revenue earned from the financial advisory business is generated 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 $12.2 billion, 6% higher than the $11.6 billion at the end of 2013 and 16% higher than a year earlier. The increase in AUA was due to the successes in recruiting new advisors into the financial advisory subsidiaries, net new sales and positive performance of the financial markets.

Net sales commission revenue was $6.3 million for the first quarter, an increase of approximately 14% from the $5.5 million a year earlier. This increase is largely due to the continued growth in our MGA, plus additional net commissions earned in the mutual fund and securities dealers.

Administrative Services Income

Administrative services income is composed of registered plan and other fees earned in the financial advisory area, trust and corporate administration fees earned in the international area, and administration fees earned from managed mutual funds in the investment management area. This income amounted to $2.6 million for the first quarter, an increase of $0.6 million or 34% from the $2.0 million a year earlier, with all areas contributing to the increase in fees. These fees are not directly impacted by fluctuations in the financial markets, except for the administration fees earned from mutual funds.

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)*	**2014**	2013
Dividend income	**$ 4,127**	$ 3,888
Interest income	**224**	169
Total dividend and interest income	**$ 4,351**	$ 4,057

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 dividend rate on the Bank of Montreal shares increasing from $0.72 per share to $0.76 per share and was slightly offset by the reduction in the number of Bank of Montreal shares held during the current period compared a year earlier.

Expenses

Guardian's total operating expenses for the quarter were $19.2 million, a 6% increase from the prior year, a modest increase compared to a 20% increase in net revenue during the same period. Guardian's operating expenses, excluding commissions, referral fees, amortization and interest, were $18.1 million in the first quarter of 2014, compared with $16.8 million in 2013, an increase of approximately of $1.3 million or 8%. The increase in expenses was due mainly to increased variable compensations costs in the investment management business, and other increased operating costs to support the growth of the investment management segment. The lower amortization expense in the quarter is due to certain intangible assets being fully amortized in 2013 and therefore not included in the current quarter.

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, compared to 2013.

NET GAINS

For the three months ended March 31 *($ in thousands)*	2014	2013
Net gains in consolidated mutual funds	$ 53	$ 13
Net gains on securities directly held	3,870	803
Net gains on securities	3,923	816
Net gains on disposal of intangible assets	66	62
Net foreign exchange losses	(342)	(308)
Net gains	**$ 3,647**	$ 570
Net gains on securities held for sale	**$ 386**	$ 515

Net gains in the first quarter of 2014 increased significantly compared with a year earlier, with $2.4 million of the gains for the quarter arising from the sale of 65,000 of Guardian's investment in the Bank of Montreal shares. The proceeds from the disposition were used partially to fund Guardian's additional investment of $3.5 million into the real estate fund managed by its subsidiary. The net losses on foreign exchange mainly relate to exchange losses on Canadian dollars held by the 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 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. Guardian's total bank borrowings at March 31, 2014 amounted to $66.1 million, compared with $55.9 million at December 31, 2013. During the quarter, Guardian added a borrowing facility dedicated to the financial advisory business, under which no borrowings have occurred to date. Including the new facility, the total credit available, at attractive terms, under the various arrangements amounts to $83 million. 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 March 31, 2014 had a fair value of $468 million, or $14.88 per share, diluted, compared with $449 million, or $14.26 per share, diluted, as at December 31, 2013, and $403 million, or $12.74 per share, diluted, at March 31, 2013. The following is a summary of Guardian's securities holdings:

SECURITIES HOLDINGS

As at *($ in thousands, except per share amounts)*	2014 March 31	2013 December 31	2013 March 31
Securities at fair value:			
Short-term securities	$ 1,855	$ 1,850	$ 2,192
Bonds	1,060	1,030	2,033
Mutual funds	37,187	34,441	4,271
Bank of Montreal common shares	350,211	339,754	316,904
Other equity securities	56,158	54,187	45,643
Real estate funds	15,992	12,492	--
Total	462,463	443,754	371,043
Securities held for sale	5,826	5,425	31,811
Total securities at fair value	$ 468,289	$ 449,179	$ 402,854
Total securities per share, diluted	$ 14.88	$ 14.26	$ 12.74

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, 2014		**Less than**	**One to three**	**Three to five**	**After five**
($ in thousands)	**Total**	**One year**	**years**	**years**	**years**
Bank loans and borrowings	$ 66,077	$ 66,077	$ --	$ --	$ --
Client deposits	58,511	58,511	--	--	--
Accounts payable and other	17,105	17,105	--	--	--
Payable to clients	42,794	42,794	--	--	--
Investment commitment – real estate fund	9,364	9,364	--	--	--
Operating lease obligations	17,725	1,884	3,835	2,898	9,108
Total contractual obligations	$211,576	$195,735	$ 3,835	$ 2,898	$ 9,108

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 $15.6 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.

Not included in the above table are the payments related to the acquisition of Zephyr Management U.K. Limited, which closed on April 14, 2014. On closing, Guardian paid $1 million USD, as described in note 14 to the Consolidated Financial Statements, contained in Guardian's First Quarter 2014 Report to Shareholders.

SUMMARY OF QUARTERLY RESULTS

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

Quarters ended *($ in thousands)*	**Mar 31, 2014**	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012
Net revenue	**$ 27,722**	$ 27,907	$ 25,173	$ 25,041	$ 23,157	$ 24,146	$ 21,370	$ 20,415
Operating earnings	**8,556**	8,564	6,898	6,390	5,079	5,791	4,647	4,860
Net gains (losses)	**3,647**	7,218	3,183	666	570	(144)	2,045	(548)
Net earnings before net gains (losses) on securities held for sale	**10,624**	14,879	8,602	6,255	5,065	4,938	6,045	2,838
Net gains (losses) on securities held for sale	**386**	238	432	(1,243)	515	1,084	2,849	(2,961)
Net earnings (loss) available to shareholders	**10,916**	14,980	8,946	4,963	5,543	5,915	8,750	(114)
Shareholders' equity	**438,363**	414,985	393,670	354,622	366,519	353,756	336,362	323,690
(in $)								
Per average Class A and Common Share								
Net earnings before net gains (losses) on securities held for sale:								
- Basic	**$ 0.35**	$ 0.48	$ 0.28	$ 0.20	$ 0.16	$ 0.16	$ 0.19	$ 0.09
- Diluted	**0.34**	0.47	0.27	0.20	0.16	0.15	0.18	0.09
Net earnings (loss):								
- Basic	**$ 0.36**	$ 0.49	$ 0.29	$ 0.16	$ 0.18	$ 0.19	$ 0.28	$ (0.00)
- Diluted	**0.35**	0.48	0.29	0.16	0.18	0.19	0.27	(0.00)
Shareholders' equity:								
- Basic	**$ 14.49**	$ 13.68	$ 12.94	$ 11.64	$ 11.97	$ 11.44	$ 10.78	$ 10.29
- Diluted	**13.93**	13.17	12.51	11.27	11.59	11.16	10.54	10.06

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 and away from "front-load" commissions. 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 revenues 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, including the earning of a performance fee of $1.4 million in December, 2012. Secondly, there has been significant growth in commissions earned in the financial advisory business, as a result of the life insurance MGA purchases made in 2011 and 2012, together with 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 quarter of 2012, the third and fourth quarters of 2013 and the first quarter 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, 2012 and 2013 were reduced because of net losses recorded on securities held for sale. The quarter ended June 2012 includes the effects of increased Ontario income taxes substantively enacted in June, 2012. This increase in income taxes amounted to $1.1 million ($0.03 per share diluted). 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 First 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 $350 million in the Bank of Montreal shares, which is a significant portion of Guardian's securities holdings, the holdings are diversified, from both an asset class and a geographical perspective. Guardian has accepted the concentration risk associated with its holding of Bank of Montreal shares, as the bank is a diversified company, with a history of steady dividend payments.

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net Earnings, but are recorded as changes in 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 to be 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. The Company periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it the Company takes appropriate action to reduce its exposure to certain counterparties.

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.

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 major economies of the developed world – the U.S., Euro zone, Japan and the U.K. – all continue to experience some level of growth, while emerging economies appear to be facing some headwinds. This is positive for the global economy, but there remains a lot of fragility in the system. Although the U.S. is gathering strength, the pace is uneven and there are still fiscal and monetary imbalances that need to be navigated - the Euro zone is slowly growing but is exposed to potential derailment from weak countries on the periphery and the potential threat of deflation; Japan's growth is the result of massive liquidity injection and the recent increase in consumer tax may get in the way; and China's growth appears to be slowing. Markets have nevertheless welcomed the economic improvements, even if they are humble and fragile. We continue to witness positive equity returns on the back of a strong 2013.

The Canadian economy will benefit from the modest recovery in the U.S. and a stable situation in China. Considering the headwinds of a highly indebted consumer and weakness in many commodities, growth resides in improved exports supported by a weakening dollar, which may be just enough to keep the economy growing. The Canadian S&P/TSX index rose 6.1% in the first quarter. The performance of this benchmark remains the external factor having the greatest effect on the Company's performance.

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, 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 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.

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.

Guardian Capital Group Limited

Commerce Court West
Suite 3100, P.O. Box 201
Toronto, Ontario
Canada M5L 1E8

Tel: 416-364-8341
www.guardiancapital.com