Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

THIRD QUARTER 2013

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three and nine months ended September 30, 2013. 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)	**2013**	2012	**2013**	2012
Net revenue	**$ 25,173**	$ 21,370	**$ 73,371**	$ 62,214
Operating earnings	**6,898**	4,647	**18,367**	14,347
Net gains	**3,183**	2,045	**4,419**	1,481
Net earnings before net gains (losses) on securities held for sale	**8,602**	6,045	**19,922**	13,262
Net gains (losses) on securities held for sale	**432**	2,849	**(296)**	3,475
Net earnings available to shareholders	**8,946**	8,750	**19,452**	16,641
Adjusted cash flow from operations available to shareholders	**$ 7,128**	$ 5,091	**$ 18,719**	$ 15,737
EBITDA available to shareholders	**8,176**	6,064	**22,506**	18,473
Per Share				
Net earnings before net gains (losses) on securities held for sale	**$ 0.27**	$ 0.18	**$ 0.64**	$ 0.41
Net earnings available to shareholders	**0.29**	0.27	**0.63**	0.52
Adjusted cash flow from operations available to shareholders	**0.23**	0.16	**0.61**	0.49
EBITDA available to shareholders	**0.26**	0.19	**0.73**	0.58

As at	**2013**		2012	
($ in millions, except per share amounts)	**September 30**	June 30	December 31	September 30
Assets under management	**$ 21,201**	$ 20,379	$ 18,832	$ 17,983
Assets under administration	**10,790**	10,322	9,918	9,165
Value of corporate holdings of securities	**433**	394	380	377
Shareholders' equity	**394**	355	354	336
Per Share				
Value of corporate holdings of securities	**$ 13.76**	$ 12.51	$ 11.99	$ 11.82
Shareholders' equity	**12.51**	11.27	11.16	10.54

Summary

The Company continues to generate asset growth through relatively strong performance and net asset flows. The assets under management increased to $21.2 billion as at September 30, 2013, an increase of 4% quarter over quarter and 18% year over year. Assets under administration increased to $10.8 billion as at September 30, 2013, an increase of 5% from the prior quarter and 18% from September 30, 2012.

For the third quarter of 2013, the Company is reporting net earnings before gains (losses) on securities held for sale of $8.6 million or $0.27 per share, compared to $6.0 million or $0.18 per share in 2012. This 43% increase was brought about by improvements both in operating earnings across all main business segments, and net gains. Net gains of $3.2 million were recorded during the quarter, mainly as a result of the sale by the Company of 100,000 shares of the Bank of Montreal for proceeds of $6.6 million. Net earnings available to shareholders for the quarter were $8.9 million or $0.29 per share, compared to $8.8 million or $0.27 per share in the third quarter of 2012.

Adjusted cash flow from operations for the quarter was $7.1 million, or $0.23 per share, compared to $5.1 million, or $0.16 per share in the third quarter of 2012. EBITDA available to shareholders for the quarter were up 35% at $8.2 million, or $0.26 per share, compared to $6.1 million, or $0.19 per share for the third quarter of 2012. The Company defines EBITDA as net earnings before interest, income taxes, amortization, stock-based compensation, and any net gains or losses. The Company considers this additional non-IFRS measure of the performance of its business to be a useful measure, which is similar to those employed by other similar financial services businesses.

The fair value of the Company's holdings of securities as at September 30, 2013 was $433 million, or $13.76 per share, compared with $380 million, or $11.99 per share at December 31, 2012. The Company's shareholders' equity at September 30, 2013 was $394 million, or $12.51 per share, compared with $354 million, or $11.16 per share at December 31, 2012. This measure of the Company's progress reflects the Company's securities holdings at fair value, but, in contrast to the narrower measure of the value of our securities holdings, also reflects all of the Company's other recorded assets and liabilities.

Commentary and Outlook

Equity markets were broadly positive for the third quarter, largely due to the continued program of bond buying by the Federal Reserve. The pace of this Quantitative Easing continued as before, despite suggestions in the second quarter that a slowing may soon be underway. Developing markets delivered solid results, with investors moving back into risk assets. Markets eased into the close of the quarter, as investors began to worry about politicking surrounding the US debt ceiling and potential for a government shutdown, but the markets resumed new highs since the short term resolution was reached. During the third quarter, the Canadian S&P/TSX index increased 6.3%, as global equity markets were overwhelmingly positive. MSCI Europe ex-U.K. rose 9.8%, with four of the five troubled “peripheral” economies outperforming: Greece (+28.3%), Spain (+20.7%), Italy (+14.9%) and Ireland (+12.2%). Asia ex-Japan rose 8.6%, while the U.K. (+4.9%) and Japan (+5.4%) modestly underperformed Canada.

The strong equity market performance in the past quarter was a key factor in the rise in assets under management (AUM) at Guardian. The company continued to maintain strong relative performance across our Canadian equity strategies, and the firm also continued to attract net asset inflows from existing and new clients. The performance of the Canadian index, to which the majority of our AUM and assets under administration (AUA) are exposed, remains the external factor having the greatest effect on the Company’s performance. AUM of $21.2 billion as at September 30, 2013 was 13% higher than the $18.8 billion at December 31, 2012, and 18% higher than the $18 billion at September 30, 2012.

As in the first half of the year, top line growth in AUM and management fee income continued to be a major area of focus for us. Compared to a year earlier, the 18% increase in AUM delivered management fee income growth of 22% in Q3. We also continued our efforts to improve operating earnings for our investment management businesses, reaping the benefits of receiving fees for the new AUM for a full reporting period, and reporting operating earnings from these businesses which are up 50% in Q3, 2013 compared with the same quarter in 2012.

Guardian’s financial advisory business, Worldsource Wealth Management, continues to demonstrate improved operating earnings. AUA increased by more than 4% in the third quarter to $10.8 billion at September 30, 9% above the $9.9 billion at December 31, 2012 and 18% above the $9.2 billion at September 30, 2012. The increase in AUA during Q3 was largely due to the rise in the Canadian equity market, with some addition of assets provided by net new independent advisors recruited to our wealth management platform. Our mutual fund and securities dealerships also showed steady improvements in revenues and the control of expenses. While the life insurance managing general agency (MGA) experienced a lower than expected level of sales in new life insurance and segregated funds in the first half of 2013, we delivered an improved level of new life insurance sales in Q3. We expect to continue this trend during the balance of the calendar year, to generate improved net commission revenue and net operating profit for this business segment.

The value of our corporate investment portfolio has increased by 10% since the end of the second quarter, and almost 15% for the year to date, largely due to the higher market price for our core holding in Bank of Montreal (BMO) shares. As we have indicated in past commentaries, we constantly monitor this investment portfolio and are prepared to strategically reallocate portions of our portfolio into investments that will support the growth in our operating businesses. In the third quarter, we sold 100,000 BMO shares to fund our capital commitment toward the real estate fund we launched earlier this year, which we believe to be both a prudent diversifier and strategically important, to reinforce our efforts to grow a competitive real estate asset management capability. We continue to hold 4,860,000 shares in BMO, which has been the best performing large cap Canadian bank in 2013.

Both of our main operating business segments have the financial strength of Guardian’s balance sheet to support their patient, long-term strategic business objectives of becoming meaningful contributors to Guardian’s operating profit. While we have continued to responsibly invest in the future growth of these businesses, their recent accomplishments are largely responsible for our improved operating earnings year to date.

To reward our shareholders, Guardian has transitioned to quarterly dividend payments in 2013, with the first payments of $0.05 per share having been made in July and October. With enhanced operating earnings, and growth of adjusted cash flow from operations, the Board is pleased to declare the next quarterly dividend, of $0.055 per share, an increase of 10% from the previous rate, payable on January 17, 2014 to shareholders of record on January 10, 2014. Guardian also continued with purchases of its shares under its Normal Course Issuer Bid in the third quarter, with total purchases of $0.7 million, bringing the total for the year to date to $6.2 million, with 459,000 Class A shares repurchased and cancelled. Guardian expects to continue being active with its Issuer Bid during the balance of the year.

On behalf of the Board, November 11, 2013

[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 2013	December 31 2012
ASSETS		
Current assets		
Cash	$ 30,813	$ 26,993
Interest-bearing deposits with banks	52,090	3,884
Accounts receivable and other	21,689	23,547
Receivables from clients and broker	47,469	36,820
Prepaid expenses	1,227	1,419
	153,288	92,663
Securities (note 3)		
Securities holdings	427,620	353,938
Securities held for sale	5,142	26,018
	432,762	379,956
Other assets		
Deferred tax assets	3,285	3,835
Intangible assets	20,525	19,594
Equipment	2,030	2,464
Goodwill	11,111	11,111
Investment in associate	333	333
Other	866	796
	38,150	38,133
Total Assets	$ 624,200	$ 510,752
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 63,866	$ 52,235
Client deposits	51,773	3,884
Accounts payable and other	22,675	21,821
Income taxes payable	867	818
Payable to clients	47,469	36,820
	186,650	115,578
Other liabilities		
Deferred tax liabilities	41,215	37,424
Total Liabilities	227,865	153,002
EQUITY		
Shareholders' equity		
Capital stock (note 5)	21,765	22,113
Treasury stock (note 6)	(18,754)	(17,750)
Contributed surplus	9,253	8,636
Retained earnings	234,274	231,040
Accumulated other comprehensive income	147,132	109,717
Total Shareholders' Equity	393,670	353,756
Non-controlling interests	2,665	3,994
Total Equity	396,335	357,750
Total Liabilities and Equity	$ 624,200	$ 510,572

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
($ in thousands, except per share amounts)	**2013**	2012	**2013**	2012
Revenue				
Gross commission revenue	**$ 20,635**	$ 17,371	**$ 61,874**	$ 53,030
Commissions paid to advisors	**(15,007)**	(12,880)	**(45,416)**	(39,536)
	5,628	4,491	**16,458**	13,494
Management fee income, net (note 7)	**12,931**	10,554	**36,894**	29,850
Administrative services income	**2,390**	2,207	**7,022**	6,479
Dividend and interest income (note 8)	**4,224**	4,118	**12,997**	12,391
Net revenue	**25,173**	21,370	**73,371**	62,214
Expenses				
Employee compensation and benefits	**11,610**	10,424	**35,080**	30,265
Amortization	**835**	857	**2,832**	2,580
Interest	**272**	365	**876**	1,020
Other expenses	**5,558**	5,077	**16,216**	14,002
	18,275	16,723	**55,004**	47,867
Operating earnings	**6,898**	4,647	**18,367**	14,347
Net gains (note 9)	**3,183**	2,045	**4,419**	1,481
Net earnings before income taxes and net gains (losses) on securities held for sale	**10,081**	6,692	**22,786**	15,828
Income tax expense	**1,479**	647	**2,864**	2,566
Net earnings before net gains (losses) on securities held for sale	**8,602**	6,045	**19,922**	13,262
Net gains (losses) on securities held for sale	**432**	2,849	**(296)**	3,475
Net earnings	**$ 9,034**	$ 8,894	**$ 19,626**	$ 16,737
Net earnings before net gains (losses) on securities held for sale, available to:				
Shareholders	**$ 8,514**	$ 5,901	**$ 19,748**	$ 13,166
Non-controlling interests	**88**	144	**174**	96
Net earnings before net gains (losses) on securities held for sale	**$ 8,602**	$ 6,045	**$ 19,922**	$ 13,262
Net earnings before net gains (losses) on securities held for sale, available to shareholders per Class A and Common share (note 10):				
Basic	**$ 0.28**	$ 0.19	**$ 0.65**	$ 0.42
Diluted	**0.27**	0.18	**0.64**	0.41
Net earnings available to:				
Shareholders	**$ 8,946**	$ 8,750	**$ 19,452**	$ 16,641
Non-controlling interests	**88**	144	**174**	96
Net earnings	**$ 9,034**	$ 8,894	**$ 19,626**	$ 16,737
Net earnings available to shareholders per Class A and Common share (note 10):				
Basic	**$ 0.29**	$ 0.28	**$ 0.64**	$ 0.53
Diluted	**0.29**	0.27	**0.63**	0.52

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2013**	2012	**2013**	2012
Net earnings	**$ 9,034**	$ 8,894	**$ 19,626**	$ 16,737
Other comprehensive income				
Available for sale securities:				
Net change in fair value	**40,703**	11,068	**42,273**	13,715
Income tax provision (recovery)	**4,994**	1,314	**5,075**	2,233
	35,709	9,754	**37,198**	11,482
Transfer to net earnings of unrealized losses (gains) upon disposal, net of taxes	**(2,060)**	(724)	**(3,120)**	(565)
	33,649	9,030	**34,078**	10,917
Changes in foreign currency translation adjustment on foreign subsidiary	**(1,783)**	(2,667)	**3,337**	(2,621)
Other comprehensive income	**31,866**	6,363	**37,415**	8,296
Comprehensive income	**$ 40,900**	$ 15,257	**$ 57,041**	$ 25,033
Comprehensive income available to:				
Shareholders	**$ 40,812**	$ 15,113	**$ 56,867**	$ 24,937
Non-controlling interests	**88**	144	**174**	96
Comprehensive income	**$ 40,900**	$ 15,257	**$ 57,041**	$ 25,033

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30	Three Months		Nine Months	
($ in thousands)	**2013**	2012	**2013**	2012
Total equity, beginning of period	**$ 357,199**	$ 328,140	**$ 357,750**	$ 327,008
Shareholders' equity, beginning of period	**354,622**	323,690	**353,756**	322,618
Capital stock				
Balance, beginning of period	**21,805**	22,527	**22,113**	22,717
Acquired and cancelled (note 5c)	**(40)**	(208)	**(348)**	(398)
Capital stock, end of period	**21,765**	22,319	**21,765**	22,319
Treasury stock				
Balance, beginning of period	**(18,784)**	(17,750)	**(17,750)**	(16,063)
Acquired	**--**	--	**(1,644)**	(1,687)
Disposed of	**30**	--	**640**	--
Treasury stock, end of period	**(18,754)**	(17,750)	**(18,754)**	(17,750)
Contributed surplus				
Balance, beginning of period	**8,915**	8,109	**8,636**	7,491
Stock-based compensation expense	**338**	272	**917**	890
Redemption of equity-based entitlements	**--**	--	**(300)**	--
Contributed surplus, end of period	**9,253**	8,381	**9,253**	8,381
Retained earnings				
Balance, beginning of period	**227,420**	221,451	**231,040**	221,053
Net earnings available to shareholders	**8,946**	8,750	**19,452**	16,641
Dividends declared and paid	**(1,482)**	--	**(7,648)**	(5,392)
Capital stock acquired and cancelled (note 5c)	**(677)**	(2,505)	**(5,806)**	(4,606)
Treasury stock acquired and cancelled (note 6a)	**67**	--	**67**	--
Acquisition of non-controlling interests (note 15)	**--**	--	**(2,831)**	--
Retained earnings, end of period	**234,274**	227,696	**234,274**	227,696
Accumulated other comprehensive income				
Balance, beginning of period	**115,266**	89,353	**109,717**	87,420
Unrealized gains on available for sale securities, net of income taxes:				
Balance, beginning of period	**115,501**	93,044	**115,072**	91,157
Net change during period	**33,649**	9,030	**34,078**	10,917
Balance, end of period	**149,150**	102,074	**149,150**	102,074
Foreign currency translation adjustment on a self-sustaining foreign subsidiary:				
Balance, beginning of period	**(235)**	(3,691)	**(5,355)**	(3,737)
Net change during period	**(1,783)**	(2,667)	**3,337**	(2,621)
Balance, end of period	**(2,018)**	(6,358)	**(2,018)**	(6,358)
Accumulated other comprehensive income, end of period	**147,132**	95,716	**147,132**	95,716
Shareholders' equity, end of period	**393,670**	336,362	**393,670**	336,362
Non-controlling interests				
Balance, beginning of period	**2,577**	4,450	**3,994**	4,390
Net earnings available to non-controlling interests	**88**	144	**174**	96
Net subscriptions to mutual fund subsidiaries	**--**	--	**--**	108
Acquisition of non-controlling interests (note 15)	**--**	--	**(1,503)**	--
Non-controlling interests, end of period	**2,665**	4,594	**2,665**	4,594
Total equity, end of period	**$ 396,335**	$ 340,956	**$ 396,335**	$ 340,956

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30 *($ in thousands)*	Three Months **2013**	 2012	Nine Months **2013**	 2012
Operating activities				
Net earnings	**$ 9,034**	$ 8,894	**$ 19,626**	$ 16,737
Adjustments for:				
Income taxes (paid)	**(780)**	(516)	**(3,188)**	(1,736)
Income tax expense	**1,479**	647	**2,864**	2,566
Net (gains) losses	**(3,183)**	(2,045)	**(4,419)**	(1,481)
Net (gains) losses on securities held for sale	**(432)**	(2,849)	**296**	(3,475)
Amortization of intangible assets	**655**	705	**2,149**	2,097
Amortization of equipment	**180**	152	**683**	483
Stock-based compensation	**338**	272	**917**	890
	7,291	5,260	**18,928**	16,081
Net change in non-cash working capital items (note 12)	**4,782**	4,698	**2,237**	6,337
Net cash from operating activities	**12,073**	9,958	**21,165**	22,418
Investing activities				
Net (acquisition) proceeds from sale of securities	**(1,817)**	2,230	**(1,082)**	2,822
Acquisition of securities held for sale	**(97)**	--	**(10,853)**	(1,540)
Proceeds from sale of securities held for sale	**2,798**	1,700	**4,126**	1,700
Acquisition of intangible assets	**(1,463)**	(957)	**(3,744)**	(2,526)
Acquisition of equipment	**(63)**	(105)	**(233)**	(354)
Disposition of intangible assets	**196**	663	**1,928**	663
Business acquisitions (note 14)	**--**	(2,095)	**(356)**	(4,230)
Net cash (used in) from investing activities	**(446)**	1,436	**(10,214)**	(3,465)
Financing activities				
Dividends	**(1,482)**	--	**(7,648)**	(5,392)
Acquisition and cancellation of capital stock	**(717)**	(2,713)	**(6,154)**	(5,004)
Acquisition of treasury stock	**--**	--	**(1,644)**	(1,687)
Net proceeds on disposition of treasury stock	**97**	--	**707**	--
Net proceeds (repayment) of bank loans and bankers' acceptances	**(4,082)**	(2,000)	**14,791**	2,500
Acquisition of non-controlling interests (note 15)	**--**	--	**(4,334)**	--
Net subscriptions from non-controlling interests in mutual fund subsidiaries	**--**	--	**--**	108
Net cash (used in) financing activities	**(6,184)**	(4,713)	**(4,282)**	(9,475)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	**(95)**	(271)	**311**	(199)
Net change in net cash	**5,348**	6,410	**6,980**	9,279
Net cash, beginning of period	**19,853**	5,879	**18,221**	3,010
Net cash, end of period	**$ 25,201**	$ 12,289	**$ 25,201**	$ 12,289
Net cash represented by:				
Cash			**$ 30,813**	$ 18,539
Bank indebtedness			**(5,612)**	(6,250)
			$ 25,201	$ 12,289

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

(a) 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, 2012. 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, 2012, which are included in the Company's 2012 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 2012 comparative financial information in order to conform to the current year's presentation.

(b) New accounting policies – IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13, as issued by IASB in May 2011, establishes a framework for measuring fair value, sets out related disclosure requirements when fair value measurement is required or permitted under other standards, and replaces the requirements which had been previously contained in several other standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company has incorporated the measurement requirements of IFRS 13 in these consolidated financial statements, and will incorporate the disclosure requirements in its annual consolidated financial statements. The measurement requirements of IFRS 13 did not have a significant effect on these consolidated financial statements.

3. SECURITIES

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

As at September 30, 2013 and December 31, 2012	2013	2012
Securities holdings		
Available for sale securities		
Short-term securities	$ 1,878	$ 2,187
Bonds	1,020	2,007
Mutual funds	35,042	8,729
Bank of Montreal common shares (a)	334,135	301,626
Other equity securities	45,506	38,389
Real estate funds (b)	8,929	--
	426,510	352,938
Held for trading securities		
Equity securities	1,110	1,000
Total securities holdings	427,620	353,938
Securities held for sale (c)	5,142	26,018
Total securities at fair value	$ 432,762	$ 379,956

(a) During the quarter, the Company disposed of 100 of the Bank of Montreal common shares for net proceeds of $6,649. The Company recognized in its consolidated statement of operations a gain of $3,020.

(b) In the second quarter, the Company made a commitment to invest $25,000 in real estate, through a real estate limited partnership (the "LP") managed by a subsidiary of the Company, and made an initial investment of $250. During the third quarter, additional capital calls of $8,679 were received from the LP, to fund its purchase of real estate properties, of which $6,076 was invested during the quarter and a further $2,603 was invested subsequent to the quarter end.

(c) Certain of the securities of mutual funds, which were previously deemed to be controlled by the Company, had been classified as securities held for sale. During the quarter, the Company reassessed its investment in these securities and concluded that it no longer controls these mutual funds. As a result, these securities have been reclassified from securities held for sale to securities holdings.

4. BANK LOANS AND BORROWINGS

As at September 30, 2013 and December 31, 2012	2013	2012
Bank indebtedness	$ 5,612	$ 8,772
Bank loan	154	14,963
Bankers' acceptances payable	58,100	28,500
	$ 63,866	$ 52,235

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	2013		2012	
	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	27,684	$ 20,609	28,620	$ 21,327
Acquired and cancelled	(52)	(40)	(276)	(208)
Converted from common shares	--	--	--	--
Outstanding, end of period	27,632	20,569	28,344	21,119
ii) Common shares				
Outstanding, beginning of period	4,952	1,196	4,971	1,200
Converted to Class A shares	--	--	--	--
Outstanding, end of period	4,952	1,196	4,971	1,200
Total outstanding, end of period	32,584	$ 21,765	33,315	$ 22,319
For the nine months ended September 30				
i) Class A shares				
Outstanding, beginning of period	28,072	$ 20,913	28,872	$ 21,517
Acquired and cancelled	(459)	(348)	(528)	(398)
Converted from common shares	19	4	--	--
Outstanding, end of period	27,632	20,569	28,344	21,119

	2013		2012	
	Shares	**Amount**	Shares	Amount
ii) Common shares				
Outstanding, beginning of period	**4,971**	**1,200**	4,971	1,200
Converted to Class A shares	**(19)**	**(4)**	--	--
Outstanding, end of period	**4,952**	**1,196**	4,971	1,200
Total outstanding, end of period	**32,584**	**$ 21,765**	33,315	$ 22,319

(c) 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		Nine Months	
	2013	2012	**2013**	2012
Class A shares purchased and cancelled	**52**	276	**459**	528
Consideration paid	**$ 717**	$ 2,713	**$ 6,154**	$ 5,004
Average issue price, charged to share capital	**40**	208	**348**	398
Excess consideration charged to retained earnings	**$ 677**	$ 2,505	**$ 5,806**	$ 4,606

(d) Dividends

For the periods ended September 30	Three Months		Nine Months	
	2013	2012	**2013**	2012
Dividends declared and paid	**$ 1,482**	$ --	**$ 7,648**	$ 5,392

During the three months ended September 30, a dividend of $0.05 per share was declared, payable on October 17, 2013 on the Common and Class A shares outstanding on October 10, 2013. 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 certain bank loans and borrowings, which have been used to finance purchases of the shares (note 4).

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

For the three months ended September 30	2013		2012	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,165**	**$ 18,784**	2,126	$ 17,750
Disposed of	**(9)**	**(30)**	--	--
Balance, end of period	**2,156**	**$ 18,754**	2,126	$ 17,750
For the nine months ended September 30				
Balance, beginning of period	**2,126**	**$ 17,750**	1,954	$ 16,063
Acquired	**121**	**1,644**	172	1,687
Disposed of	**(91)**	**(640)**	--	--
Balance, end of period	**2,156**	**$ 18,754**	2,126	$ 17,750

During the three months ended September 30, treasury stock with a cost of $30 relating to forfeited equity-based entitlements were sold for cash proceeds of $121. The excess of the proceeds over cost of $67, after a provision for taxes of $24, has been credited to retained earnings.

(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 September 30	2013		2012	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Option-like entitlements, beginning and end of period	**1,517**	**$ 8.86**	1,552	$ 8.86
For the nine months ended September 30				
Option-like entitlements, beginning of period	**1,552**	**$ 8.86**	1,402	$ 8.76
Entitlements provided	**--**	**--**	150	9.78
Entitlements exercised	**(35)**	**8.73**	--	--
Option-like entitlements, end of period	**1,517**	**$ 8.86**	1,552	$ 8.86

Option-like entitlements provided during the three and nine months had a fair value of $ nil (2012 - $nil and $420). 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. The following are the key assumptions used in the valuation of the entitlements granted during the period:

For the nine months ended September 30	2012
Average purchase price per share	$ 9.78
Vesting period in years	5.00
Average expected term to exercise in years	10.00
Risk-free interest rate	2.45%
Expected price volatility	23.17%
Expected dividends per share, per annum	$ 0.17

ii) Equity-based entitlements

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

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

For the periods ended September 30	**Three Months**		**Nine Months**	
	2013	2012	**2013**	2012
Equity-based entitlements, beginning of the period	**639**	574	**574**	552
Entitlements provided	**--**	--	**121**	22
Entitlements exercised	**--**	--	**(47)**	--
Entitlements forfeited	**--**	--	**(9)**	--
Equity based entitlements, end of period	**639**	574	**639**	574

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 had a fair value of $nil (2012 - $nil) for the three months ended September 30, 2013, and $1,644 (2012 - $220) for the nine months ended September 30, 2013.

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $576 for the three months ended September 30, 2013 (2012 - $527) and $1,735 for the nine months ended September 30, 2013 (2012 - $1,492).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended September 30	Three Months		Nine Months	
	2013	2012	**2013**	2012
Dividend income	**$ 3,996**	$ 3,753	**$ 12,390**	$ 11,203
Interest income	**228**	365	**607**	1,188
	$ 4,224	$ 4,118	**$ 12,997**	$ 12,391

9. NET GAINS

Net gains are composed of the following:

For the periods ended September 30	Three Months		Nine Months	
	2013	2012	**2013**	2012
Held for trading securities (a)	**$ 41**	$ 189	**$ 72**	$ (197)
Available for sale securities (b)	**3,115**	763	**4,138**	585
Securities at amortized cost	**--**	963	**--**	963
Net gains on securities	**3,156**	1,915	**4,210**	1,351
Gains on disposal of intangible assets	**27**	130	**209**	130
Net gains	**$ 3,183**	$ 2,045	**$ 4,419**	$ 1,481

(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 consolidated mutual funds.

(b) Included in net gains from available for sale securities are the gains from the sale of the Bank of Montreal shares of $3,020, as described in note 3 (a).

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		Nine Months	
	2013	2012	**2013**	2012
Weighted average number of class A and common shares outstanding				
Basic	**30,442**	31,453	**30,576**	31,648
Effect of outstanding entitlements and options from stock based compensation plans	**1,026**	701	**1,005**	697
Diluted	**31,468**	32,154	**31,581**	32,345
Net earnings available to shareholders of class A and common shares				
Basic	**$ 8,946**	$ 8,750	**$ 19,452**	$ 16,641
Effect of outstanding entitlements and options from stock based compensation plans	**91**	52	**404**	254
Diluted	**$ 9,037**	$ 8,802	**$ 19,856**	$ 16,895

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; b) the financial advisory segment, which relates to the earning of sales commissions and administrative services revenue from assets under administration; 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 intra-segment revenues. The following table discloses certain information about these segments:

For the three months ended September 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Revenue								
Gross commission revenue	**$ --**	$ --	**$ 20,635**	$ 17,371	**$ --**	$ --	**$ 20,635**	$ 17,371
Commissions paid to advisors	**--**	--	**(15,007)**	(12,880)	**--**	--	**(15,007)**	(12,880)
	--	--	**5,628**	4,491	**--**	--	**5,628**	4,491
Management fee income, net	**12,931**	10,554	**--**	--	**--**	--	**12,931**	10,554
Administrative services income	**943**	952	**1,447**	1,255	**--**	--	**2,390**	2,207
Dividend and interest income	**--**	15	**191**	120	**4,033**	3,983	**4,224**	4,118
Net revenue	**13,874**	11,521	**7,266**	5,866	**4,033**	3,983	**25,173**	21,370
Expenses								
Employee compensation and benefits	**6,795**	5,711	**3,320**	3,011	**1,495**	1,702	**11,610**	10,424
Amortization	**44**	99	**622**	723	**169**	35	**835**	857
Interest	**58**	70	**41**	19	**173**	276	**272**	365
Other expenses	**3,454**	3,285	**2,930**	2,566	**(826)**	(774)	**5,558**	5,077
	10,351	9,165	**6,913**	6,319	**1,011**	1,239	**18,275**	16,723
Operating earnings (loss)	**3,523**	2,356	**353**	(453)	**3,022**	2,744	**6,898**	4,647
Net gains	**--**	--	**27**	130	**3,156**	1,915	**3,183**	2,045
Net earnings before income taxes and net gains on securities held for sale	**3,523**	2,356	**380**	(323)	**6,178**	4,659	**10,081**	6,692
Income tax expense (recovery)	**881**	531	**125**	(112)	**473**	228	**1,479**	647
Net earnings before net gains on securities held for sale	**2,642**	1,825	**255**	(211)	**5,705**	4,431	**8,602**	6,045
Net gains on securities held for sale	**--**	--	**--**	--	**432**	2,849	**432**	2,849
Net earnings (loss)	**$ 2,642**	$ 1,825	**$ 255**	$ (211)	**$ 6,137**	$ 7,280	**$ 9,034**	$ 8,894
Net earnings (loss) available to:								
Shareholders	**$ 2,642**	$ 1,825	**$ 167**	$ (321)	**$ 6,137**	$ 7,246	**$ 8,946**	$ 8,750
Non-controlling interests	**--**	--	**88**	110	**--**	34	**88**	144
Net earnings (loss)	**$ 2,642**	$ 1,825	**$ 255**	$ (211)	**$ 6,137**	$ 7,280	**$ 9,034**	$ 8,894
Capital expenditures on segment assets:								
Intangible assets	**$ 15**	$ --	**$ 1,431**	$ 799	**$ 17**	$ 158	**$ 1,463**	$ 957
Equipment	**14**	--	**38**	39	**11**	66	**63**	105
As at September 30, 2013 and December 31, 2012								
Segment assets and liabilities:								
Assets	**$ 89,742**	$ 43,538	**$103,775**	$ 85,652	**$430,683**	$ 381,562	**$ 624,200**	$ 510,752
Liabilities	**60,447**	12,569	**63,741**	49,819	**103,677**	90,614	**227,865**	153,002

For the nine months ended September 30	Investment Management 2013	Investment Management 2012	Financial Advisory 2013	Financial Advisory 2012	Corporate Activities and Investments 2013	Corporate Activities and Investments 2012	Consolidated 2013	Consolidated 2012
Revenue								
Gross commission revenue	$ --	$ --	$ 61,874	$ 53,030	$ --	$ --	$ 61,874	$ 53,030
Commissions paid to advisors	--	--	(45,416)	(39,536)	--	--	(45,416)	(39,536)
	--	--	16,458	13,494	--	--	16,458	13,494
Management fee income, net	36,894	29,850	--	--	--	--	36,894	29,850
Administrative services income	2,482	2,614	4,540	3,864	--	1	7,022	6,479
Dividend and interest income	--	113	532	371	12,465	11,907	12,997	12,391
Net revenue	39,376	32,577	21,530	17,729	12,465	11,908	73,371	62,214
Expenses								
Employee compensation and benefits	19,584	16,077	10,349	8,961	5,147	5,227	35,080	30,265
Amortization	164	266	2,088	2,212	580	102	2,832	2,580
Interest	225	210	118	55	533	755	876	1,020
Other expenses	10,401	9,216	8,395	7,339	(2,580)	(2,553)	16,216	14,002
	30,374	25,769	20,950	18,567	3,680	3,531	55,004	47,867
Operating earnings (loss)	9,002	6,808	580	(838)	8,785	8,377	18,367	14,347
Net gains	--	--	209	130	4,210	1,351	4,419	1,481
Net earnings before income taxes and net gains (losses) on securities held for sale	9,002	6,808	789	708	12,995	9,728	22,786	15,828
Income tax expense (recovery)	2,091	1,488	329	(230)	444	1,308	2,864	2,566
Net earnings before net gains (losses) on securities held for sale	6,911	5,320	460	(478)	12,551	8,420	19,922	13,262
Net gains (losses) on securities held for sale	--	--	--	--	(296)	3,475	(296)	3,475
Net earnings (loss)	$ 6,911	$ 5,320	$ 460	$ (478)	$ 12,255	$ 11,895	$ 19,626	$ 16,737
Net earnings (loss) available to:								
Shareholders	$ 6,911	$ 5,320	$ 286	$ (697)	$ 12,255	$ 12,018	$ 19,452	$ 16,641
Non-controlling interests	--	--	174	219	--	(123)	174	96
Net earnings (loss)	$ 6,911	$ 5,320	$ 460	$ (478)	$ 12,255	$ 11,895	$ 19,626	$ 16,737
Capital expenditures on segment assets:								
Intangible assets	$ 879	$ 52	$ 3,555	$ 2,275	$ 173	$ 199	$ 4,607	$ 2,526
Equipment	14	14	118	137	101	203	233	354

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

For the three months ended September 30	Canada 2013	Canada 2012	Rest of the World 2013	Rest of the World 2012	Consolidated 2013	Consolidated 2012
Net revenue	$ 24,033	$ 20,020	$ 1,140	$ 1,350	$ 25,173	$ 21,370
As at September 30, 2013 and December 31, 2012						
Segment non-current assets:						
Intangible assets	$ 19,696	$ 19,593	$ 829	$ 1	$ 20,525	$ 19,594
Equipment	1,579	1,995	451	469	2,030	2,464
Goodwill	11,111	11,111	--	--	11,111	11,111

For the nine months ended September 30	Canada 2013	Canada 2012	Rest of the World 2013	Rest of the World 2012	Consolidated 2013	Consolidated 2012
Net revenue	$ 69,663	$ 58,086	$ 3,708	$ 4,128	$ 73,371	$ 62,214

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the periods ended September 30	Three Months		Nine Months	
	2013	2012	**2013**	2012
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	**$ (13,682)**	$ 703	**$ (47,893)**	$ 6,149
Accounts receivable and other	**(570)**	(1,427)	**1,976**	248
Loans receivable	**--**	1,770	**--**	6,350
Receivables from clients and broker	**(5,827)**	(11,145)	**(10,649)**	(5,284)
Prepaid expenses	**(35)**	311	**194**	283
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	**14,167**	(747)	**47,582**	(5,632)
Accounts payable and other	**4,902**	4,088	**378**	(1,061)
Payable to clients	**5,827**	11,145	**10,649**	5,284
Net Change	**$ 4,782**	$ 4,698	**$ 2,237**	$ 6,337

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 24 to 26 of the Company's Third Quarter 2013 Interim Report. 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 $334,135 (December 31, 2012 - $301,626) 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 $33,414 (December 31, 2012 - $30,163) 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 September 30, 2013				
Canada	**$ 6,252**	**±$ 625**	**$ 22,170**	**±$ 2,217**
United States	**-**	**-**	**9,727**	**973**
Rest of the World	**-**	**-**	**57,580**	**5,759**
	$ 6,252	**±$ 625**	**$ 89,477**	**±$ 8,948**
As at December 31, 2012				
Canada	$ 5,905	±$ 590	$ 4,838	±$ 484
United States	4,458	446	3,579	358
Rest of the World	16,655	1,666	38,701	3,870
	$ 27,018	±$ 2,702	$ 47,118	±$ 4,712

(ii) Currency Risk
The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $89,474 (December 31, 2012 - $82,096). 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.

(iii) Interest Rate Risk
The Company is exposed to interest rate risk through its bank loans and borrowings of $63,866 (December 31, 2012 - $52,235). 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 $52,090 (December 31, 2012 - $3,884), and the client deposits liability of $51,773 (December 31, 2012 - $3,884). 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, 2013 and December 31, 2012	2013	2012
Cash	**$ 30,813**	$ 26,993
Interest-bearing deposits with banks	**52,090**	3,884
Accounts receivable and other	**21,689**	23,547
Receivable from clients and broker	**47,469**	36,820
Short-term securities	**1,878**	2,187
Bonds	**1,020**	2,007
Loan guarantees	**--**	482
Total, before collateral and credit enhancements	**$ 154,959**	$ 95,920

The Company considers its credit risk to be low. The 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. Offsetting the credit exposure on the loan guarantees are marketable securities pledged by the borrowers, the market values of which the Company actively monitors on a continuous basis.

(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. BUSINESS ACQUISTION

On March 31, 2013, the Company, through its Barbados subsidiary, Alexandria Trust Corporation ("ATC"), acquired the net operating assets and client relationships of a corporate management services business (the "Acquiree") located in Barbados. This acquisition provides greater scale to ATC's existing business and strengthens ATC's presence as a provider of corporate and trust management services to international clients in Barbados. The consideration paid by the Company for the acquisition was $884, consisting of a cash payment of $356 on closing, with the balance due over a period of five years. The future payments may be reduced based on revenues earned from the client relationships acquired. The Company has determined, based on the nature of the relationships acquired, that the maximum payment will be made.

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

Consideration paid		
Cash on closing	$	**356**
Payments to be made over a period of five years after closing		**528**
Total consideration paid		**884**
Fair value of identifiable net assets acquired:		
Intangible assets		**863**
Accounts receivable and other		**29**
Accounts payable and other		**(8)**
Net value of net assets acquired		**884**
Goodwill	$	**Nil**

In conjunction with this acquisition, ATC entered into a consulting agreement with the key employee of the Acquiree, and a lease for new premises with a party related to the key employee.

15. ACQUISTION OF NON-CONTROLLING INTERESTS

Effective April 1, 2013, the Company purchased, for cash consideration of $4,334, a portion of the non-controlling interest in its MGA subsidiary, thereby increasing the Company's interest from 67% to 79.3%. As this transaction is between owners, this payment has been recognized in the equity accounts as follows:

Consideration paid	$	**4,334**
Carrying value of non-controlling interests		**1,503**
Excess consideration charged to retained earnings	$	**2,831**

16. FINANCIAL STATEMENT REVIEW

These interim 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 and nine months ended September 30, 2013 and the comparative period in the year 2012, as well as to certain prior annual and quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2012 Annual Report. This discussion and analysis has been prepared as of November 11, 2013.

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; and corporate activities and investments. As at September 30, 2013, Guardian had $21.2 billion in assets under management and $10.8 billion of financial advisory assets under administration. 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 $433 million at the end of the quarter.

KEY EVENTS

Changes to executives

On August 12, 2013, Guardian announced the appointment of Donald Yi, who had served as Guardian's Risk Management Officer since 2006, to the position of Chief Financial Officer. Vern Christensen, who had served as the Chief Financial Officer of Guardian since 2001, continues to serve as the Senior Vice-President and Secretary of Guardian.

Changes to securities holdings

During the third quarter, Guardian disposed of 100,000 common shares of Bank of Montreal for net proceeds of $6.6 million, the first disposition by Guardian of its Bank of Montreal investment. The disposition of this investment resulted in the recording of net gains of $3 million. The net proceeds were used to fund Guardian's $6.1 million investment in a real estate fund managed by a subsidiary.

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.

Adjusted cash flow from operations available to shareholders

Adjusted cash flow from operations available to shareholders 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 this measure in a similar manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. The following is a reconciliation of this non-IFRS measure to this IFRS measure:

For the periods ended	Three Months		Nine Months	
($ in thousands)	**2013**	2012	**2013**	2012
Net cash from operating activities, as reported	**$ 12,073**	$ 9,958	**$ 21,165**	$ 22,418
Net change in non-cash working capital items	**(4,782)**	(4,698)	**(2,237)**	(6,337)
Cash flow from operations before change in working capital items	**7,291**	5,260	**18,928**	16,081
Less: Available to non-controlling interests	**163**	169	**209**	344
Adjusted cash flow from operations available to shareholders	**$ 7,128**	$ 5,091	**$ 18,719**	$ 15,737

EBITDA available to shareholders

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and any net gains or losses. 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	Three Months		Nine Months	
($ in thousands)	**2013**	2012	**2013**	2012
Net earnings, as reported	**$ 9,034**	$ 8,894	**$ 19,626**	$ 16,737
Add (deduct):				
Net losses (gains) on securities held for sale	**(432)**	(2,849)	**296**	(3,475)
Income tax expense	**1,479**	647	**2,864**	2,566
Net (gains)	**(3,183)**	(2,045)	**(4,419)**	(1,481)
Stock-based compensation	**338**	272	**917**	890
Interest expense	**272**	365	**876**	1,020
Amortization	**835**	857	**2,832**	2,580
EBITDA	**8,343**	6,141	**22,992**	18,837
Less: Available to non-controlling interests	**167**	77	**486**	364
EBITDA available to shareholders	**$ 8,176**	$ 6,064	**$ 22,506**	$ 18,473

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended September 30	Three Months		Nine Months	
($ in thousands, except per share amounts)	**2013**	2012	**2013**	2012
Net revenue	**$ 25,173**	$ 21,370	**$ 73,371**	$ 61,214
Expenses	**18,275**	16,723	**55,004**	47,867
Operating earnings	**6,898**	4,647	**18,367**	14,347
Net gains	**3,183**	2,045	**4,419**	1,481
Net earnings before income taxes and net gains (losses) on securities held for sale	**10,081**	6,692	**22,786**	15,828
Income tax expense	**1,479**	647	**2,864**	2,566
Net earnings before net gains (losses) on securities held for sale	**8,602**	6,045	**19,922**	13,262
Net gains (losses) on securities held for sale	**432**	2,849	**(296)**	3,475
Net earnings	**$ 9,034**	$ 8,894	**$ 19,626**	$ 16,737
Net earnings available to shareholders	**$ 8,946**	$ 8,750	**$ 19,452**	$ 16,641
Adjusted cash flow from operations available to shareholders	**$ 7,128**	$ 5,091	**$ 18,719**	$ 15,737
EBITDA available to shareholders	**$ 8,176**	$ 6,064	**$ 22,506**	$ 18,473

For the three months ended September 30 *($ in thousands, except per share amounts)*	Three Months 2013	 2012	Nine Months 2013	 2012
Diluted per share amounts:				
Net earnings available to shareholders	**$ 0.29**	$ 0.27	**$ 0.63**	$ 0.52
Adjusted cash flow from operations available to shareholders	**$ 0.23**	$ 0.16	**$ 0.61**	$ 0.49
EBITDA available to shareholders	**$ 0.26**	$ 0.19	**$ 0.73**	$ 0.58

As at *($ in millions, except per share amounts)*	2013 September 30	 June 30	2012 December 31	 September 30
Assets under management	**$ 21,201**	$ 20,379	$ 18,832	$ 17,983
Assets under administration	**$ 10,790**	$ 10,322	$ 9,918	$ 9,165
Value of corporate holdings of securities	**$ 433**	$ 394	$ 380	$ 377
Shareholders' equity	**$ 394**	$ 355	$ 354	$ 336
Per Share:				
Value of corporate holdings of securities diluted	**$ 13.76**	$ 12.51	$ 11.99	$ 11.82
Shareholders' equity, diluted	**$ 12.51**	$ 11.27	$ 11.16	$ 10.54

REVENUES AND EXPENSES

Management Fee Income, net

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)*	2013 September 30	 June 30	2012 December 31	 September 30
Institutional	**$ 19,487**	$ 18,654	$ 17,346	$ 16,525
Private client	**1,632**	1,642	1,418	1,365
International	**82**	83	68	93
Total	**$ 21,201**	$ 20,379	$ 18,832	$ 17,983

Total assets under management ("AUM") at Guardian increased to $21.2 billion at the end of the third quarter of 2013, from $18.8 billion at December 31, 2012 and $18.0 billion at September 30, 2012. The increases have resulted from a combination of the overall positive performances of the financial markets and net new monies received from new and existing clients. The Institutional AUM was composed of the following:

As at *($ in millions)*	2013 September 30	 June 30	2012 December 31
Canadian equities	**$ 12,095**	$11,127	$10,317
Global equities	**1,342**	1,383	1,009
Fixed income	**6,050**	6,144	6,020
Total	**$ 19,487**	$18,654	$17,346

Management fees for the third quarter of 2013 were $12.9 million, net of referral fees paid, an increase of approximately 22% from the $10.6 million a year earlier, and 5% from June 30, 2013, as a result of the increased AUM and slightly higher fee rates.

Institutional management fees earned in the quarter increased to $10.2 million from $8.3 million a year earlier, a 23% increase. Private client management fees, net of referral fees paid, earned in the quarter amounted to $2.2 million, an increase of 30% from $1.7 million a year earlier. Management fees earned from international clients were $0.5 million in the second quarter of 2013, marginally lower than one year earlier.

Net Commission Revenue

Total assets under administration ("AUA") at Guardian at the end of the quarter amounted to $10.8 billion, a 5% increase from $10.3 billion at the end of last quarter, 9% higher than the $9.9 billion at the end of 2012 and 18% higher than a year earlier. The increase in AUA was due to the purchase of a Western Canada MGA business in November, 2012, and successes in recruiting other new advisors into the financial advisory subsidiaries over the period.

Net sales commission revenue earned from the financial advisory business, which is generated from the sale of mutual funds, securities and insurance, as well as from continuing fees related to AUA, were $5.6 million for the third quarter, an increase of approximately 25% from the $4.5 million a year earlier, and 6% higher than the second quarter. These increases are due to the additional net revenue provided by the MGA business purchased, plus additional commissions earned in the mutual fund and securities dealers. The increase in net revenue from the second to the third quarter resulted from increased sales of insurance products in the insurance MGA.

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 $2.4 million for the third quarter, up 9% from the $2.2 million a year earlier. Increased fees in the financial advisory and mutual fund administration areas in 2013 were partially offset by reductions in the fees earned in 2013 from non-recurring client activities in the international area in 2012. These fees are only partially impacted by fluctuations in the financial markets.

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)	**2013**	2012	**2013**	2012
Dividend income	**$ 3,996**	$ 3,753	**$ 12,390**	$ 11,203
Interest income	**228**	365	**607**	1,188
Total dividend and interest income	**$ 4,224**	$ 4,118	**$ 12,997**	$ 12,391

Dividend income is composed largely of the quarterly dividends received on the Bank of Montreal investment, while less significant amounts are received from the remainder of the corporate investment portfolio and consolidated mutual funds. Interest income in the second quarter of 2013 was lower than a year earlier as a result of the repayments of the promissory notes receivable and a loan to a banking client during the third quarter of 2012.

Expenses

Guardian's operating expenses, amortization and interest, were $18.3 million in the third quarter of 2013, compared with $16.7 million in 2012, an increase of approximately of $1.6 million or 10%. Included in the expenses for the quarter are approximately $0.5 million of expenses relating to the MGA business purchased in November, 2012. Increases in operating expenses also resulted from additional business development costs incurred in bringing on the additional AUM during the year and additional investment and client service professionals added, to provide for the management and servicing of this additional AUM. The amortization expense is slightly lower than the prior year, due to: the increased amortization of intangible costs related to the new MGA business acquired; increased amortization related to new recruited advisors; amortization of additional investments in technology; offset by the reduction in the amortization of intangible assets which were fully amortized during the second quarter. The reduced interest expense in the period is due to the reduced borrowing costs negotiated in 2012.

NET GAINS (LOSSES)

For the periods ended September 30	**Three Months**		**Nine Months**	
($ in thousands)	**2013**	2012	**2013**	2012
Net gains (losses) in consolidated mutual funds	**$ 41**	$ 189	**$ 72**	$ (197)
Net gains on securities held direct	**3,115**	763	**4,138**	585
Net gains on repayment of promissory notes	**--**	963	**--**	963
Net gains on securities	**3,156**	1,915	**4,210**	1,351
Net gains on disposal of intangible assets	**27**	130	**209**	130
Net gains	**$ 3,183**	$ 2,045	**$ 4,419**	$ 1,481
Net gains (losses) on securities held for sale	**$ 432**	$ 2,849	**$ (296)**	$ 3,475

As mentioned under Key Events, Guardian sold 100,000 shares of Bank of Montreal during the quarter, the first sale by Guardian of any Bank of Montreal shares. The resulting gain of $3 million is included in the net gains on securities held direct for the quarter.

NET EARNINGS, ADJUSTED CASH FLOW FROM OPERATIONS AND EBITDA, AVAILABLE TO SHAREHOLDERS

For the periods ended September 30 *($ in thousands, except per share amounts)*	**Three Months** **2013**	2012	**Nine Months** **2013**	2012
Net earnings available to shareholders	**$ 8,946**	$ 8,750	**$ 19,452**	$16,641
Adjusted cash flow from operations available to shareholders	**7,128**	5,091	**18,719**	15,737
EBITDA available to shareholders	**8,176**	6,064	**22,506**	18,473
Per share, diluted				
Net earnings available to shareholders	**$ 0.29**	$ 0.27	**$ 0.63**	$ 0.52
Adjusted cash flow from operations available to shareholders	**0.23**	0.16	**0.61**	0.49
EBITDA available to shareholders	**0.26**	0.19	**0.73**	0.58

Net earnings available to shareholders for the third quarter of 2013 were $8.9 million, compared to $8.8 million a year earlier. The slightly higher earnings were due to continued improved operating earnings and higher net gains, offset by lower net gains on securities held for sale. Adjusted cash flow from operations for the quarter amounted to $7.1 million, compared to $5.1 million for 2012. EBITDA for the quarter amounted to $8.2 million, compared to $6.1 million for 2012. Both adjusted cash flow from operations and EBITDA were higher due to improved operating earnings. The current differences between net earnings and adjusted cash flow from operations arise primarily due to the impact of amortization expenses, stock-based compensation, the difference between income tax expense and payments, and the exclusion of gains and losses from the calculation of adjusted cash flow from operations. The calculations of adjusted cash flow from operations and EBITDA available to shareholders is explained above under "Use of Non-IFRS Measures".

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 operation. 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 September 30, 2013 amounted to $63.9 million, compared with $52.2 million at December 31, 2012. The bulk of the bank borrowings have been converted to bankers' acceptances, at attractive borrowing rates. Since December 31, 2012, Guardian repurchased shares under its issuer bid for over $6.2 million, made its annual and now quarterly dividend payments, in the total amounts of $7.6 million, purchased additional shares in a subsidiary from non-controlling interests for $4.3 million, and made payments on other business acquisitions of $1.5 million. The total credit available, at attractive terms, under the three borrowing arrangements amounts to $81 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 September 30, 2013 had a fair value of $433 million, or $13.76 per share, diluted, compared with $380 million, or $11.99 per share, diluted, as at December 31, 2012, and $377 million, or $11.82 per share, diluted, at September 30, 2012. The following is a summary of Guardian's securities holdings:

SECURITIES

As at ($ *in millions, except per share amounts)*	**2013** **September 30**	June 30	2012 December 31	September 30
Securities at fair value				
Short-term securities	**$ 1,878**	$ 2,184	$ 2,187	$ 2,182
Bonds	**1,020**	2,020	2,007	1,001
Mutual funds	**35,042**	4,381	8,729	9,508
Bank of Montreal common shares (a)	**334,135**	302,469	301,626	288,184
Other equities	**46,616**	45,979	39,389	28,615
Real estate funds (b)	**8,929**	250	--	--
Total securities holdings	**427,620**	357,283	353,938	329,490
Mutual funds held for sale (c)	**5,142**	36,322	26,018	47,559
Total securities at fair value	**$ 432,762**	$ 393,605	$ 379,956	$ 377,049
Total securities per share, diluted	**$ 13.76**	$ 12.51	$ 11.99	$ 11.82

(a) During the quarter, Guardian disposed of 100,000 of the Bank of Montreal common shares for net proceeds of $6.6 million. Guardian recorded in its consolidated statement of operations a gain of $3 million.

(b) In the second quarter, Guardian made a commitment to invest $25 million in real estate, through a real estate limited partnership (the "LP") managed by a subsidiary of Guardian, and made an initial investment of $250 thousand. During the third quarter, additional capital calls of $8.7 million were received from the LP, to fund its purchase of real estate properties. Using the proceeds from the sale of the Bank of Montreal shares, Guardian funded $6.1 million during the quarter. Subsequent to the quarter end, a further $2.6 million was invested.

(c) Certain of the securities of mutual funds, which were previously deemed to be controlled by Guardian, had been classified as securities held for sale. During the quarter, Guardian reassessed its investment in these securities and concluded that it no longer controls these mutual funds. As a result, these securities have been reclassified from securities held for sale to securities holdings.

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, 2013 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 63,866	$ 63,866	$ --	$ --	$ --
Client deposits	51,733	51,733	--	--	--
Accounts payable and other	23,542	23,542	--	--	--
Payable to clients	47,469	47,469	--	--	--
Investment commitment – real estate fund	16,072	16,072	--	--	--
Operating lease obligations	18,939	1,968	4,006	3,182	9,783
Total contractual obligations	$221,621	$204,650	$ 4,006	$ 3,182	$ 9,783

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. The Client Deposits, which grew by $48 million since December 31, 2012 from new banking clients in the offshore banking subsidiary, are supported by the Interest-Bearing Deposits with Banks. As stated above, Guardian committed to invest $25 million into a real estate limited partnership which is managed by a subsidiary, of which $8.9 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)*	**Sep 30, 2013**	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011
Net revenue	**$ 25,173**	$ 25,041	$ 23,157	$ 24,147	$ 21,370	$ 20,415	$ 20,429	$ 20,113
Operating earnings	**6,898**	6,390	5,079	5,791	4,647	4,860	4,840	5,324
Net gains (losses)	**3,183**	666	570	(144)	2,045	(548)	(16)	1,576
Net earnings before net gains (losses) on securities held for sale	**8,602**	7,056	5,065	4,938	6,045	2,838	4,379	6,658
Net gains (losses) on securities held for sale	**432**	(1,243)	515	1,084	2,849	(2,961)	3,587	2,236
Net earnings (loss) available to shareholders	**8,946**	5,012	5,543	5,915	8,750	(114)	8,005	7,745
Shareholders' equity	**393,670**	354,622	366,519	353,756	336,362	323,690	340,096	322,618
(in $)								
Per average Class A and Common Share								
Net earnings before net gains on securities held for sale available to shareholders:								
- Basic	**$ 0.28**	$ 0.20	$ 0.16	$ 0.16	$ 0.19	$ 0.09	$ 0.14	$ 0.17
- Diluted	**0.27**	0.20	0.16	0.15	0.19	0.09	0.14	0.17

Quarters ended ($ in thousands)	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011
Net earnings (loss) available to shareholders:								
- Basic	$ 0.29	$ 0.16	$ 0.18	$ 0.19	$ 0.28	$ (0.00)	$ 0.25	$ 0.24
- Diluted	0.29	0.16	0.18	0.19	0.27	(0.00)	0.25	0.24
Shareholders' equity:								
- Basic	$ 12.94	$ 11.64	$ 11.97	$ 11.44	$ 10.78	$ 10.29	$ 10.72	$ 10.12
- Diluted	12.51	11.27	11.59	11.16	10.54	10.06	10.48	9.90

Management fees earned in the investment management segment are generally not subject to seasonal fluctuations. The seasonality which in the past existed in the financial advisory segment, with some concentration of commissions in the traditional "RSP season" in the first quarter of each year, has now largely dissipated. This change is due to the overriding influence of worldwide market movements, which can affect client and advisor behavior throughout the year, together with the increasing significance of life insurance sales in Guardian's financial advisory business.

The steady increase in net revenue during the periods shown above have generally resulted from two influences. Firstly, management fees in the investment management business have increased steadily and substantially throughout 2012 and into 2013, 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 agency business purchases made in 2011 and 2012, together with continuing growth in the traditional mutual fund and securities dealerships.

Except for the net performance fee revenue referred to above and the improvement in the second and third quarters of 2013, quarterly operating earnings have been relatively stable over the periods shown above.

The net earnings available to shareholders for the quarter ended June 30, 2012 were reduced because of the combined effects of the net losses on securities held for sale, and the increase in deferred income taxes resulting from increased Ontario income taxes substantively enacted in that quarter. 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.

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 quarters of 2013, 2012 and the fourth quarter of 2011 were largely responsible for the significant fluctuations in "Net earnings before net gains (losses) on securities held for sale" in those quarters. The net gains recorded in the third quarter of 2013 were mainly the result of the sale of the Bank of Montreal shares. The net gains recorded in the third quarter of 2012 include a one-time gain of $1.0 million on the repayment to Guardian of the full face value of an investment in promissory notes.

The "Net gains (losses) on securities held for sale" reflect changes in the fair value of investments in mutual funds which are categorized as held for sale, are directly related to movements in the financial markets, and can therefore fluctuate significantly. With the reclassification of the mutual fund securities, as described under "Securities" above, the impact of the changes in fair value of held for sale securities are expected to be less significant.

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 2013 Interim Report, 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 $334 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 the Company.

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 $81 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

On August 12, 2013, Guardian appointed a new Chief Financial Officer ("CFO"). The new CFO, in his prior role, had assisted in the design and maintenance of Guardian's ICFR. During the quarter, the previous CFO assisted in the transition of the oversight of the ICFR to the new CFO. These two factors contributed to an effective transition of ICFR during the quarter.

During the quarter, there has been no material change in Guardian's ICFR, other than the change in CFO and the execution of the ICFR under the new CFO.

OUTLOOK

Equity markets were broadly positive for the third quarter, largely due to the continued program of bond buying by the Federal Reserve. The pace of this Quantitative Easing continued as before, despite language in the second quarter suggesting that a slowing may soon be underway. Developing markets delivered solid results, with investors moving back into risk assets. The major economies of the developed world – the U.S., Eurozone, Japan and the U.K. – all appear to be experiencing some level of growth, while emerging economies, (with the notable exception of China) appear to be facing some headwinds. All in all, this is good news for the global economy. There is definitely still a lot of fragility in the system – U.S. growth is weak by historical standards; the Euro-zone is hardly growing and exposed to potential derailment from weak countries in the periphery; Japan's growth is the result of massive liquidity injection and could be short-lived; China continues to have its structural issues. Markets have nevertheless welcomed the subtle economic improvements even if they are humble and fragile.

We expect that global monetary easing will continue for the balance of the year, although a continuously improving economy in the U.S. calls for some level of tightening by the Fed eventually. The rest of the developed world's growth is still too low for other large central banks to quickly follow suit. The only significant tightening activity currently taking place is limited to some emerging economies that are fighting the flight of capital triggered by rising yields in the U.S. and the depreciation pressure on their currencies**.** With global central banks continuing their coordinated commitment to further monetary easing in the near term and any interest rate increases likely to take longer to materialize, investors are likely to continue increasing their equity risk appetites, and thus we expect positive support for global equity markets. 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 Guardian's overall performance, as our largest revenue sources, commission revenue and management fees, are aligned toward higher levels of assets under management or assets under administration.

Both our 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, and its shareholder value. As we succeed in executing our operating business growth plans, our strategy is to reward our shareholders with stable and growing dividends along with active purchases of our shares through our Normal Course Issuer Bid.

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