Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER 2013

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three months ended March 31, 2013. All per share figure disclosed below are stated on a diluted basis.

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2013**	2012
Net revenue	**$ 23,157**	$ 20,429
Operating earnings	**5,079**	4,840
Net gains (losses)	**570**	(16)
Net earnings before net gains on securities held for sale	**5,065**	4,379
Net gains on securities held for sale	**515**	3,587
Net earnings available to shareholders	**5,543**	8,005
Adjusted cash flow from operations	**$ 4,735**	$ 5,407
EBITDA available to shareholders	**6,471**	6,149
Per Share		
Net earnings before net gains on securities held for sale	**$ 0.16**	$ 0.14
Net earnings available to shareholders	**0.18**	0.25
Adjusted cash flow from operations	**0.15**	0.17
EBITDA available to shareholders	**0.21**	0.19

As at *($ in millions, except per share amounts)*	**March 31, 2013**	December 31, 2012
Assets under management	**$ 20,351**	$ 18,832
Assets under administration	**10,497**	9,918
Value of corporate holdings of securities	**403**	380
Shareholders' equity	**367**	354
Per Share		
Value of corporate holdings of securities	**$ 12.74**	$ 11.99
Shareholders' equity	**11.59**	11.16

Summary

The Company continues to generate asset growth through relatively strong performance and net asset flows across institutional, retail intermediary and private client segments. Assets under management were up to $20.4 billion as at March 31, 2013, an increase of 8% quarter over quarter (QoQ) and 20% year over year (YoY). Assets under administration were up to $10.5 billion as at March 31, 2013, an increase of 6% QoQ and 15% YoY.

For the first quarter of 2013, the Company is reporting net earnings before gains on securities held for sale of $5.1 million or $0.16 per share, compared to $4.4 million or $0.14 per share in 2012. This 16% increase was brought about by improvements both in operating earnings across all main business segments, and in net gains. Net earnings available to shareholders for the quarter were $5.5 million or $0.18 per share, compared to $8.0 million or $0.25 per share in the first quarter of 2012. Net earnings available to shareholders include $0.5 million, $3.6 million in 2012, of increases in the value of investments in mutual funds which are categorized as held for sale.

Adjusted cash flow from operations for the quarter was $4.7 million or $0.15 per share, compared to $5.4 million or $0.17 per share in the first quarter of 2012. The reduction in 2013 is largely as a result of the payment of income taxes pertaining to prior periods. EBITDA available to shareholders for the quarter were $6.5 million, or $0.21 per share, compared to $6.1 million, or $0.19 per share for the first 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 March 31, 2013 was $403 million, or $12.74 per share, compared with $380 million, or $11.99 per share at December 31, 2012. The Company's shareholders' equity at March 31, 2013 was $367 million, or $11.59 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

Global equity markets moved higher in the first quarter, as doubts surrounding the workout of the 'fiscal cliff' receded. Developing markets, in particular China, continued their expansion without disruptive levels of inflation and, despite slowing growth rates, continue to be drivers of the global economy. Inflation remained largely contained in the developed world, leaving Central Bank rates at or near their historical lows.

Although not as strong as Global equity markets, the Canadian S&P/TSX index rose 3.34% 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, aside from the strength of the main equity indices, our investment management business experienced significant growth in assets under management from relatively strong asset inflows from existing and new clients, from both our institutional and retail intermediary client base. Assets under management ("AUM") were $20.4 billion as at March 31, 2013, 8.5% higher compared to $18.8 billion as at December 31, 2012 and 20.7% higher than the $16.9 billion as at March 31, 2012. Both the institutional and private client investment management businesses have a strong pipeline of potential 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.

The top line growth in AUM and management fee income has been a major area of focus, as we believe in our ability to extend our relationships with existing and new clients. Comparing March 31, 2013 with 2012, our investment management business has delivered AUM and management fee income growth of more than 20%. However, improvements in operating earnings tend to lag the growth in AUM. The relatively modest increase in operating earnings is largely due to: i) a timing lag, as not all new assets were under management for the full period; ii) business development costs tend to be higher in the first year of adding new assets, due to the costs associated with the efforts to pursue and win the new mandates; and iii) we are capitalizing on our relatively strong performance, to add investment professionals who strengthen our current investment teams, both to service our current AUM and to extend our capacity, to diversify from our significant exposure to Canadian equities. In the quarterly reporting periods to follow, we expect these factors to cause less of a drag to the operating earnings for the investment management business segment.

Guardian's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to show improved operating earnings. Assets under administration (AUA) reached a record $10.5 billion as at March 31, 2013, a 6% increase compared to $9.9 billion as at December 31, 2012, and a 15% increase compared to $9.1 billion as at March 31, 2012. 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. The enlarged life insurance managing general agency has successfully integrated the most recent acquisition of Strategic Brokerage Services in Western Canada, and consolidated life and segregated fund services fees are in line with expectations. However, first quarter new life insurance sales were lower than expected, consistent with industry-wide slower life insurance sales. New life insurance sales are expected to pick up for the balance of the year, and this should improve the net commission revenue for the financial advisory 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. In the first quarter, the company paid to shareholders the increased annual dividend of $0.20 per share, or $6.2 million in total. Effective July, 2013, the company will transition to quarterly dividend payments to its shareholders, and the Board has declared the first quarterly dividend of $0.05 per share, payable on July 17 to shareholders of record on July 10. In addition to the dividends paid in the first quarter, the company was also active with purchases of its shares under its Normal Course Issuer Bid, with total purchases of $2.6 million, and expects to continue being active with its Issuer Bid in the second quarter.

On behalf of the Board, May 13, 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)*	March 31 2013	December 31 2012
ASSETS		
Current assets		
Cash	$ 21,663	$ 26,993
Interest-bearing deposits with banks	2,243	3,884
Accounts receivable and other	25,984	23,547
Receivables from clients and broker	36,799	36,820
Prepaid expenses	1,241	1,419
	87,930	92,663
Securities (note 3)		
Securities holdings	371,043	353,938
Securities held for sale	31,811	26,018
	402,854	379,956
Other assets		
Deferred tax assets	3,449	3,835
Intangible assets	19,679	19,594
Equipment	2,236	2,464
Goodwill	11,111	11,111
Investment in associate	333	333
Other	809	796
	37,617	38,133
Total Assets	$ 528,401	$ 510,752
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 63,461	$ 52,235
Client deposits	2,243	3,884
Accounts payable and other	16,488	21,821
Income taxes payable	215	818
Payable to clients	36,799	36,820
	119,206	115,578
Other liabilities		
Deferred tax liabilities	38,645	37,424
Total Liabilities	157,851	153,002
EQUITY		
Shareholders' equity		
Capital stock (note 5)	21,967	22,113
Treasury stock (note 6)	(19,129)	(17,750)
Contributed surplus	8,664	8,636
Retained earnings	227,984	231,040
Accumulated other comprehensive income	127,033	109,717
Total Shareholders' Equity	366,519	353,756
Non-controlling interests	4,031	3,994
Total Equity	370,550	357,750
Total Liabilities and Equity	$ 528,401	$ 510,752

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2013**	2012
Revenue		
Gross commission revenue	**$ 20,553**	$ 18,440
Commissions paid to advisors	**(15,051)**	(13,838)
	5,502	4,602
Management fee income, net (note 7)	**11,627**	9,615
Administrative services income	**1,971**	2,034
Dividend and interest income (note 8)	**4,057**	4,178
Net revenue	**23,157**	20,429
Expenses		
Employee compensation and benefits	**11,825**	10,155
Amortization	**1,030**	855
Interest	**282**	309
Other expenses	**4,941**	4,270
	18,078	15,589
Operating earnings	**5,079**	4,840
Net gains (losses) (note 9)	**570**	(16)
Net earnings before income taxes and net gains on securities held for sale	**5,649**	4,824
Income tax expense	**584**	445
Net earnings before net gains on securities held for sale	**5,065**	4,379
Net gains on securities held for sale (note 9)	**515**	3,587
Net earnings	**$ 5,580**	$ 7,966
Net earnings before net gains on securities held for sale, available to:		
Shareholders	**$ 5,028**	$ 4,418
Non-controlling interests	**37**	(39)
Net earnings before net gains on securities held for sale	**$ 5,065**	$ 4,379
Net earnings before net gains on securities held for sale, available to shareholders per Class A and Common share (note 10):		
Basic	**$ 0.16**	$ 0.14
Diluted	**0.16**	0.14
Net earnings available to:		
Shareholders	**$ 5,543**	$ 8,005
Non-controlling interests	**37**	(39)
Net earnings	**$ 5,580**	$ 7,966
Net earnings available to shareholders per Class A and Common share (note 10):		
Basic	**$ 0.18**	$ 0.25
Diluted	**0.18**	0.25

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the three months ended March 31	2013	2012
Net earnings	**$ 5,580**	$ 7,966
Other comprehensive income		
Available for sale securities:		
Net change in fair value	**17,708**	19,351
Income tax provision	**2,052**	2,149
	15,656	17,202
Transfer to net earnings of unrealized losses upon disposal	**(445)**	94
	15,211	17,296
Changes in foreign currency translation adjustment on foreign subsidiary	**2,105**	(1,069)
Other comprehensive income	**17,316**	16,227
Comprehensive income	**$ 22,896**	$ 24,193
Comprehensive income (loss) available to:		
Shareholders	**$ 22,859**	$ 24,232
Non-controlling interests	**37**	(39)
Comprehensive income	**$ 22,896**	$ 24,193

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31	2013	2012
Total equity, beginning of period	**$ 357,750**	$ 327,008
Shareholders' equity, beginning of period	**353,756**	322,618
Capital stock		
Balance, beginning of period	**22,113**	22,717
Acquired and cancelled	**(146)**	--
Capital stock, end of period	**21,967**	22,717
Treasury stock		
Balance, beginning of period	**(17,750)**	(16,063)
Acquired	**(1,644)**	(1,687)
Disposed of	**265**	--
Treasury stock, end of period	**(19,129)**	(17,750)
Contributed surplus		
Balance, beginning of period	**8,636**	7,491
Stock-based compensation expense	**238**	325
Redemption of equity-based entitlements	**(210)**	--
Contributed surplus, end of period	**8,664**	7,816
Retained earnings		
Balance, beginning of period	**231,040**	221,053
Net earnings available to shareholders	**5,543**	8,005
Dividends declared and paid	**(6,166)**	(5,392)
Excess of purchase price over issue price of Company's capital stock acquired and cancelled	**(2,433)**	--
Retained earnings, end of period	**227,984**	223,666
Accumulated other comprehensive income		
Balance, beginning of period	**109,717**	87,420
Unrealized gains on available for sale securities, net of income taxes		
Balance, beginning of period	**115,072**	91,157
Net change during period	**15,211**	17,296
Balance, end of period	**130,283**	108,453
Foreign currency translation adjustment on a self-sustaining foreign subsidiary		
Balance, beginning of period	**(5,355)**	(3,737)
Net change during period	**2,105**	(1,069)
Balance, end of period	**(3,250)**	(4,806)
Accumulated other comprehensive income, end of period	**127,033**	103,647
Shareholders' equity, end of period	**366,519**	340,096
Non-controlling interests		
Balance, beginning of period	**3,994**	4,390
Net earnings available to non-controlling interests	**37**	(39)
Net subscriptions to mutual fund subsidiaries	**--**	108
Non-controlling interests, end of period	**4,031**	4,459
Total equity, end of period	**$ 370,550**	$ 344,555

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31	2013	2012
Operating activities		
Net earnings	$ 5,580	$ 7,966
Adjustments for:		
Income taxes (paid)	(1,672)	(569)
Income tax expense	584	445
Net (gains) losses	(570)	16
Net (gains) on securities held for sale	(515)	(3,587)
Amortization of intangible assets	758	698
Amortization of equipment	272	157
Stock-based compensation	238	325
	4,675	5,451
Net change in non-cash working capital items (note 12)	(7,933)	(1,279)
Net cash (used in) from operating activities	(3,258)	4,172
Investing activities		
Acquisition of securities	(19,162)	(10,205)
Proceeds from sale of securities	20,864	9,713
Acquisition of securities held for sale	(5,581)	(1,100)
Proceeds from sale of securities held for sale	928	1,100
Acquisition of intangible assets	(750)	(296)
Acquisition of equipment	(32)	(142)
Disposition of intangible assets	890	--
Business acquisitions	(356)	(2,135)
Net cash (used in) investing activities	(3,199)	(3,065)
Financing activities		
Dividends	(6,166)	(5,392)
Acquisition and cancellation of capital stock	(2,579)	--
Acquisition of treasury stock	(1,644)	(1,687)
Disposition of treasury stock	265	--
Proceeds of bank loan and bankers' acceptances	15,644	2,000
Repayment of bank loans and borrowings	(265)	--
Net subscriptions from non-controlling interests in mutual fund subsidiaries	--	108
Net cash from (used in) financing activities	5,255	(4,971)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	25	(57)
Net change in net cash	(1,177)	(3,921)
Net cash, beginning of period	18,221	3,010
Net cash, end of period	$ 17,044	$ (911)
Net cash represented by:		
Cash	$ 21,663	$ 10,045
Bank indebtedness	(4,619)	(10,956)
	$ 17,044	$ (911)

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, and the Company's proportionate share of the assets, liabilities, revenue and expenses of a joint venture. 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 March 31, 2013 and December 31, 2012	2013	2012
Securities holdings		
Available for sale securities		
Short-term securities	$ 2,192	$ 2,187
Bonds	2,033	2,007
Mutual funds	4,271	8,729
Bank of Montreal common shares	316,904	301,626
Other equity securities	44,562	38,389
	369,962	352,938
Held for trading securities		
Equity securities	1,081	1,000
Total securities holdings	371,043	353,938
Securities held for sale (a)	31,811	26,018
Total securities at fair value	$ 402,854	$ 379,956

(a) Securities held for sale are the Company's interest in mutual funds which the Company controls 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, 2013 and December 31, 2012	2013	2012
Bank indebtedness	$ 4,619	$ 8,772
Bank loan (note 6)	16,342	14,963
Bankers' acceptances payable	42,500	28,500
	$ 63,461	$ 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 March 31	2013		2012	
	Shares	Amount	Shares	Amount
i) Class A shares				
Outstanding, beginning of period	28,072	$ 20,913	28,872	$ 21,517
Acquired and cancelled	(194)	(146)	--	--
Outstanding, end of period	27,878	20,767	28,872	21,517
ii) Common shares				
Outstanding, beginning and end of period	4,971	1,200	4,971	1,200
Total outstanding, end of period	32,849	$ 21,967	33,843	$ 22,717

(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	2013	2012
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) Stock Option Plan

The Company maintains a Stock Option Plan for designated officers, directors and employees. Each stock option entitles the holder to purchase one Class A share, subject to certain predetermined vesting arrangements and other conditions. No options were outstanding as at March 31, 2013 and 2012.

(e) Dividends

During the three months ended March 31, dividends of $0.20 per share (2012 - $0.17) were declared and paid on the common and Class A shares outstanding.

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, which has 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 March 31	2013		2012	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,126**	**$ 17,750**	1,954	$ 16,063
Acquired	**121**	**1,644**	172	1,687
Disposed of	**(25)**	**(265)**	--	--
Balance, end of period	**2,222**	**$ 19,129**	2,126	$ 17,750

(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	2013		2012	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Option-like entitlements, beginning of period	**1,552**	**$ 8.86**	1,402	$ 8.76
Entitlements provided	**--**	**--**	150	9.78
Entitlements exercised	**(6)**	**9.69**	--	--
Option-like entitlements, end of period	**1,546**	**$ 8.86**	1,552	$ 8.86

Option-like entitlements provided during the three months had a fair value of $ nil (2012 - $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 three months ended March 31	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 three months ended March 31	2013	2012
Equity-based entitlements, beginning of the period	574	552
Entitlements provided	121	22
Entitlements exercised	(19)	--
Equity based entitlements, end of period	676	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 during the three months had a fair value of $1,644 (2012 - $220).

7. MANAGEMENT FEE INCOME, NET

Management fee income is presented net of referral fees which are paid to referring agents, amounting to $597 for the three months ended March 31, 2013 (2012 - $462).

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31	2013	2012
Dividend income	$ 3,888	$ 3,725
Interest income	169	453
	$ 4,057	$ 4,178

9. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the three months ended March 31	2013	2012
Held for trading securities (a)	$ 13	$ 76
Available for sale securities	495	(92)
Net gains (losses) on securities	508	(16)
Gains on disposal of intangible assets	62	--
Net gains (losses)	$ 570	$ (16)
Net gains on securities held for sale (b)	$ 515	$ 3,587

(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) Net gains on securities held for sale consist of the net changes in the fair value of the Company's investment in mutual funds which the Company controls but does not consolidate, as it intends to dispose of control through either sale or dilution.

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	2013	2012
Weighted average number of class A and common shares outstanding		
Basic	30,824	31,831
Effect of outstanding entitlements and options from stock based compensation plans	--	697
Diluted	30,824	32,528
Net earnings available to shareholders of class A and common shares		
Basic	$ 5,543	$ 8,005
Effect of outstanding entitlements and options from stock based compensation plans	--	150
Diluted	$ 5,543	$ 8,155

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 March 31	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	$ --	$ --	$20,553	$ 18,440	$ --	$ --	$ 20,553	$ 18,440
Commissions paid to advisors	--	--	(15,051)	(13,838)	--	--	(15,051)	13,838
	--	--	5,502	4,602	--	--	5,502	4,602
Management fee income, net	11,627	9,615	--	--	--	--	11,627	9,615
Administrative services income	572	779	1,399	1,255	--	--	1,971	2,034
Dividend and interest income	--	89	159	128	3,898	3,961	4,057	4,178
Net revenue	12,199	10,483	7,060	5,985	3,898	3,961	23,157	20,429
Expenses								
Employee compensation and benefits	6,376	5,254	3,564	2,993	1,885	1,908	11,825	10,155
Amortization	62	17	759	746	209	92	1,030	855
Interest	71	69	38	18	173	222	282	309
Other expenses	3,259	2,755	2,766	2,407	(1,084)	(892)	4,941	4,270
	9,768	8,095	7,127	6,164	1,183	1,330	18,078	15,589
Operating earnings	2,431	2,388	(67)	(179)	2,715	2,631	5,079	4,840
Net gains (losses)	--	--	62	--	508	(16)	570	(16)
Net earnings before income taxes and net gains on securities held for sale	2,431	2,388	(5)	(179)	3,223	2,615	5,649	4,824
Income tax expense (recovery)	720	513	43	(10)	(179)	(58)	584	445
Net earnings before net gains on securities held for sale	1,711	1,875	(48)	(169)	3,402	2,673	5,065	4,379
Net gains on securities held for sale	--	--	--	--	515	3,587	515	3,587
Net earnings	$ 1,711	$ 1,875	$ (48)	$ (169)	$ 3,917	$ 6,260	$ 5,580	$ 7,966
Net earnings available to:								
Shareholders	$ 1,711	$ 1,875	$ (85)	$ (239)	$ 3,917	$ 6,369	$ 5,543	$ 8,005
Non-controlling interests	--	--	37	70	--	(109)	37	(39)
Net earnings	$ 1,711	$ 1,875	$ (48)	$ (169)	$ 3,917	$ 6,260	$ 5,580	$ 7,966

For the three months ended March 31	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
Capital expenditures on segment assets:								
Intangible assets	**$ 863**	$ 53	**$ 707**	$ 243	**$ 43**	$ --	**$ 1,613**	$ 296
Equipment	**--**	--	**9**	37	**23**	105	**32**	142
As at March 31, 2013 and December 31, 2012								
Segment assets and liabilities:								
Assets	**$ 47,771**	$ 43,538	**$ 84,870**	$ 85,652	**$ 395,760**	$ 381,562	**$ 528,401**	$ 510,752
Liabilities	**15,725**	25,987	**48,205**	49,819	**93,921**	77,196	**157,851**	153,002

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

For the three months ended March 31	Canada 2013	Canada 2012	Rest of the World 2013	Rest of the World 2012	Consolidated 2013	Consolidated 2012
Net revenue	**$ 22,170**	$ 19,029	**$ 987**	$ 1,400	**$ 23,157**	$ 20,429
As at March 31, 2013 and December 31, 2012						
Segment non-current assets:						
Intangible assets	**$ 18,816**	$ 19,593	**$ 863**	$ 1	**$ 19,679**	$ 19,594
Equipment	**1,771**	1,995	**465**	469	**2,236**	2,464
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	2013	2012
Decrease (increase) in non-cash working capital assets:		
Interest-bearing deposits with banks	**$ 1,641**	$ 4,714
Accounts receivable and other	**(2,252)**	1,880
Loans receivable	**--**	3,023
Receivables from clients and broker	**21**	(930)
Prepaid expenses	**178**	(114)
Increase (decrease) in non-cash working capital liabilities:		
Client deposits	**(1,641)**	(3,502)
Accounts payable and other	**(5,859)**	(7,280)
Payable to clients	**(21)**	930
Net Change	**$ (7,933)**	$ (1,279)

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 19 and 20 of the Company's First 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 $316,904 ($301,626 – December 31, 2012) 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 $31,690 ($30,163 – December 31, 2012) 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, 2013				
Canada	**$ 7,797**	**±$ 780**	**$ 5,103**	**±$ 510**
United States	**8,126**	**813**	**4,396**	**440**
Rest of the World	**16,969**	**1,697**	**39,334**	**3,933**
	$ 32,892	**±$ 3,290**	**$ 48,833**	**±$ 4,883**
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 $86,555 (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 $63,461 (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 $2,243 (December 31, 2012 - $3,884), and the client deposits liability of $2,243 (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 March 31, 2013 and December 31, 2012	**2013**	2012
Cash	**$ 21,663**	$ 26,993
Interest-bearing deposits with banks	**2,243**	3,884
Accounts receivable and other	**25,984**	23,547
Receivable from clients and broker	**36,799**	36,820
Short-term securities	**2,192**	2,187
Bonds	**2,033**	2,007
Loan guarantees	**482**	482
Total, before collateral and credit enhancements	**$ 91,396**	$ 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. 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. SUBSEQUENT EVENTS

(a) Purchase of Additional Shares of Subsidiary

Subsequent to the end of the quarter, the Company purchased, for cash consideration of $4,333, a portion of the non-controlling interest in its MGA subsidiary, thereby increasing the Company's ownership interest in the subsidiary from 67% to 79.3%, effective April 1, 2013. As this is a transaction between owners, this payment will be reflected as a reduction in equity.

(b) Commitment to Purchase Real Estate

Subsequent to the end of the 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. In the initial closing of the LP, the Company and other investors invested 1% of their total commitments of $68,250, with subsequent investments to be made when appropriate real estate investments become available.

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 months ended March 31, 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 May 13, 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 March 31, 2013, Guardian had $20.4 billion in assets under management and $10.5 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 $403 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.

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 three months ended March 31 *($ in thousands)*	**2013**	2012
Net cash (used in) from operating activities, as reported	**$ (3,258)**	$ 4,172
Net change in non-cash working capital items	**7,933**	1,279
Cash flow from operations before change in working capital items	**4,675**	5,451
Less: Available to non-controlling interests	**(60)**	44
Adjusted cash flow from operations available to shareholders	**$ 4,735**	$ 5,407

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 three months ended March 31 *($ in thousands)*	**2013**	2012
Net earnings, as reported	**$ 5,580**	$ 7,966
Add (deduct):		
Net (gains) on securities held for sale	**(515)**	(3,587)
Income tax expense	**584**	445
Net (gains) losses	**(570)**	16
Stock-based compensation	**238**	325
Interest	**282**	309
Amortization	**1,030**	855
EBITDA	**6,629**	6,329
Less: Available to non-controlling interests	**158**	180
EBITDA available to shareholders	**$ 6,471**	$ 6,149

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)*	**2013**	2012
Net revenue	**$23,157**	$20,429
Expenses	**18,078**	15,589
Operating earnings	**5,079**	4,840
Net gains (losses)	**570**	(16)
Net earnings before income taxes and net gains on securities held for sale	**5,649**	4,824
Income tax expense	**584**	445
Net earnings before net gains on securities held for sale	**5,065**	4,379
Net gains on securities held for sale	**515**	3,587
Net earnings	**$ 5,580**	$ 7,966
Net earnings available to shareholders	**$ 5,543**	$ 8,005
Adjusted cash flow from operations available to shareholders	**$ 4,735**	$ 5,407
EBITDA available to shareholders	**$ 6,471**	$ 6,149
Diluted per share amounts		
Net earnings available to shareholders	**$ 0.18**	$ 0.25
Adjusted cash flow from operations available to shareholders	**$ 0.15**	$ 0.17
EBITDA available to shareholders	**$ 0.21**	$ 0.19

As at ($ in millions, except per share amounts)	**2013** **March 31**	2012 December 31	2012 March 31
Assets under management	**$ 20,351**	$ 18,832	$16,950
Assets under administration	**$ 10,497**	$ 9,918	$ 9,090
Value of corporate holdings of securities	**$ 403**	$ 380	$ 387
Value of corporate holdings of securities per share, diluted	**$ 12.74**	$ 11.99	$ 11.92
Shareholders' equity	**$ 367**	$ 354	$ 340
Shareholders' equity per share, diluted	**$ 11.59**	$ 11.16	$ 10.48

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, except per share amounts)*	**2013 March 31**	2012 December 31	2012 March 31
Institutional	**$ 18,693**	$ 17,346	$ 15,460
Private client	**1,577**	1,418	1,379
International	**81**	68	111
Total	**$ 20,351**	$ 18,832	$ 16,950

Total assets under management ("AUM") at Guardian increased to $20.4 billion at the end of the first quarter of 2013, from $18.8 billion at December 31, 2012 and $16.9 billion at March 31, 2012. The increases have resulted from a combination of the positive performances of the financial markets and net new monies received from new and existing clients. The Institutional AUM of $18.7 billion at March 31, 2013 was composed of $11.4 billion of Canadian equities, $1.2 billion of global equities and $6.1 billion of fixed-income AUM. The $17.3 billion at December 31, 2012 was composed of $10.3 billion of Canadian equities, $1.0 billion of global equities and $6.0 billion of fixed-income AUM. These assets include balanced assets broken out into their components.

Management fees for the first quarter of 2013 were $11.6 million, net of referral fees paid, an increase of approximately 21% from the $9.6 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 $9.0 million from $7.3 million a year earlier, a 23% increase. Private client management fees, net of referral fees paid, earned in the quarter amounted to $2.0 million, an increase of 18% from $1.7 million a year earlier. Management fees earned from international clients were $0.6 million in the first quarter of 2013, unchanged from a year earlier.

Net Commission Revenue

Total assets under administration ("AUA") at Guardian at the end of the quarter amounted to $10.5 billion, 6% higher than the $9.9 billion at the end of 2012 and 15% 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.

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 $5.5 million for the first quarter, an increase of approximately 20% from the $4.6 million a year earlier. This increase is largely due to the additional net revenue provided by the MGA business purchased, plus additional 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 $2.0 million for the first quarter, substantially unchanged from 2012. Increased fees in the financial advisory area in 2013 were offset by reductions in the fees earned from non-recurring client activities in the international area in 2012. These fees are not directly 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 three months ended March 31 *($ in thousands)*	**2013**	2012
Dividend income	**$ 3,888**	$ 3,725
Interest income	**169**	453
Total dividend and interest income	**$ 4,057**	$ 4,178

Dividend income is composed largely of the quarterly dividends received on the Bank of Montreal investment, while less significant amounts are received from the corporate investment portfolio and consolidated mutual funds. Interest income in the first 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, excluding commissions, referral fees, amortization and interest, were $16.8 million in the first quarter of 2013, compared with $14.4 million in 2012, an increase of approximately of $2.4 million or 16%. Included in the expenses for 2013 are approximately $0.5 million of expenses relating to the MGA business purchased in November, 2012. Excluding these additional expenses, the increase in expenses in 2013 compared to 2012 would have been approximately 13%, in line with the increase in net revenue. The higher amortization expense in the quarter is due to 2012 capital expenditures in the Corporate Activities and Investments area, and amortization costs related to the new MGA business acquired in late 2012. The reduced interest expense in the period is due to the reduced borrowing costs negotiated in 2012.

NET GAINS (LOSSES)

For the three months ended March 31 *($ in thousands)*	**2013**	2012
Gains in consolidated mutual funds	**$ 13**	$ 76
Gains on securities directly held	**495**	(92)
Net gains (losses) on securities	**508**	(16)
Gains on disposal of intangible assets	**62**	--
Net gains (losses)	**$ 570**	$ (16)
Net gains on securities held for sale	**$ 515**	$ 3,587

Corporate securities transactions have declined in 2013, resulting in reduced gains, as two mutual funds which were consolidated during parts of 2012 are no longer consolidated, since Guardian no longer holds a majority of their equity. The timing of sales transactions in the directly-held portfolio produced gains in 2013, whereas in 2012 they had produced small losses.

The unrealized gains recorded on the mutual funds classified as held for sale were not as significant in 2013, at $0.5 million, as they were in 2012, when they amounted to $3.6 million, as these investments, and their exposure to the equity markets, have been significantly reduced in the intervening period.

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

For the three months ended March 31 *($ in thousands)*	**2013**	2012
Net earnings available to shareholders	**$ 5,543**	$ 8,005
Net earnings available to shareholders per share, diluted	**$ 0.18**	$ 0.25
Adjusted cash flow from operations available to shareholders	**$ 4,735**	$ 5,407
Adjusted cash flow from operations available to shareholders per share, diluted	**$ 0.15**	$ 0.17
EBITDA available to shareholders	**$ 6,471**	$ 6,149
EBITDA available to shareholders per share, diluted	**$ 0.21**	$ 0.19

Net earnings available to shareholders for the first quarter of 2013 were $5.5 million, compared to $8.0 million a year earlier. The lower earnings were due to the significant unrealized gains recorded on securities held for sale in 2012, as explained above. Adjusted cash flow from operations for the quarter amounted to $4.7 million, compared to $5.4 million for 2012, and was lower due to income tax payments made in the first quarter in respect of 2012 earnings. The current differences between earnings per share and adjusted cash flow per share 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 cash flow from operations.

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, 2013 amounted to $63.5 million, compared with $55.9 million at December 31, 2012. Since December 31, 2012, the Company repurchased shares under its issuer bid for $2.6 million and made its annual dividend payment, in the increased amount of $6.2 million. The total credit available, at attractive terms, under the three 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 March 31, 2013 had a fair value of $403 million, or $12.74 per share, diluted, compared with $380 million, or $11.99 per share, diluted, as at December 31, 2012, and $387 million, or $11.92 per share, diluted, at March 31, 2012. The following is a summary of Guardian's securities holdings:

SECURITIES HOLDINGS

As at *($ in thousands, except per share amounts)*	**2013** **March 31**	2012 December 31	2012 March 31
Securities at fair value:			
Short-term securities	**$ 2,192**	$ 2,187	$ 2,173
Bonds	**2,033**	2,007	--
Mutual funds	**4,271**	8,729	13,922
Bank of Montreal common shares	**316,904**	301,626	293,653
Other equity securities	**45,643**	39,389	24,481
Total	**371,043**	353,938	328,563
Promissory notes at amortized cost	**--**	--	2,321
Total securities holdings	**371,043**	353,938	$ 334,229
Mutual funds held for sale	**31,811**	26,018	50,233
Total securities at fair value	**$ 402,854**	379,956	$ 386,783
Total securities per share, diluted	**$ 12.74**	$ 11.99	$ 11.92

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, 2013 *($ in thousands)*	**Total**	**Less than One year**	**One to three years**	**Three to five years**	**After five years**
Bank loans and borrowings	$ 63,461	$ 63,461	$ --	$ --	$ --
Client deposits	2,243	2,243	--	--	--
Accounts payable and other	16,703	16,703	--	--	--
Payable to clients	36,799	36,799	--	--	--
Operating lease obligations	16,154	1,851	2,880	2,624	8,799
Total contractual obligations	$135,360	$121,057	$ 2,880	$ 2,624	$ 8,799

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, is offset by the Receivable from Clients and Broker, and the Client Deposits, in the offshore banking subsidiary, are supported by the Interest-Bearing Deposits with Banks. As stated in note 15(b) to the Consolidated Financial Statements contained in Guardian's first quarter 2013 Interim Report, subsequent to March 31, 2013, Guardian committed to invest $25 million into a real estate limited partnership. Such investment is expected to be made as appropriate real estate product becomes available to the limited partnership.

SUMMARY OF QUARTERLY RESULTS

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

Quarters ended *($ in thousands)*	**Mar 31, 2013**	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011
Net revenue	**$ 23,157**	$ 24,147	$ 21,370	$ 20,415	$ 20,429	$ 20,113	$ 19,175	$ 17,799
Operating earnings	**5,079**	5,791	4,647	4,860	4,840	5,324	4,344	3,317
Net gains (losses)	**570**	(144)	2,045	(548)	(16)	1,576	(2,013)	(478)
Net earnings before net gains (losses) on securities held for sale	**5,065**	4,938	6,045	2,838	4,379	6,658	2,136	2,802
Net gains (losses) on securities held for sale	**515**	1,084	2,849	(2,961)	3,587	2,236	(8,410)	(576)
Net earnings (loss) available to shareholders	**5,543**	5,915	8,750	(114)	8,005	7,745	(5,876)	2,280
Shareholders' equity	**366,519**	353,756	336,362	323,690	340,096	322,618	331,718	344,374
(in $)								
Per average Class A and Common Share								
Net earnings before net gains (losses) on securities held for sale:								
- Basic	**$ 0.16**	$ 0.16	$ 0.19	$ 0.09	$ 0.14	$ 0.17	$ 0.08	$ 0.09
- Diluted	**0.16**	0.15	0.19	0.09	0.14	0.17	0.08	0.09
Net earnings (loss):								
- Basic	**$ 0.18**	$ 0.19	$ 0.28	$ (0.00)	$ 0.25	$ 0.24	$ (0.18)	$ 0.07
- Diluted	**0.18**	0.19	0.27	(0.00)	0.25	0.24	(0.18)	0.07
Shareholders' equity:								
- Basic	**$ 11.97**	$ 11.44	$ 10.78	$ 10.29	$ 10.72	$ 10.12	$ 10.40	$ 10.67
- Diluted	**$ 11.59**	$ 11.16	$ 10.54	$ 10.06	$ 10.48	$ 9.90	$ 10.18	$ 10.45

Management fees earned in the investment management segment are generally not subject to seasonal fluctuations. There is a degree of seasonality in the financial advisory segment, with some concentration of commission revenue in the first quarter of each year, relating to the traditional "RSP season". Much of the increase in net revenue in the second half of 2011 and subsequent quarters came from the additional revenue earned by the IDC WIN subsidiary, purchased on July 1, 2011, and the Western Canadian MGA business purchased in November, 2012. Additionally, management fees have increased steadily and substantially throughout 2012 and into 2013, including the earning of a performance fee of $1.4 million in December 2012.

Except for the additional net revenue referred to above, 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 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.

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 and the fourth quarter of 2011 were largely responsible for the increases in "Net earnings before net gains (losses) on securities held for sale" in those quarters. 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 the 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.

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 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 $317 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.

OUTLOOK

Global equity markets moved higher in the first quarter, as doubts surrounding the workout of the 'fiscal cliff' receded. Developing markets, in particular China, continued their expansion without disruptive levels of inflation and, despite slowing growth rates, continue to be drivers of the global economy. Inflation remained largely contained in the developed world, leaving Central Bank rates at or near their historical lows.

For some time now, we have been articulating that the stock markets have been caught in a tug-of-war between European fears, perceived weakness in China, and concerns about a slowing U.S. recovery on the one hand; and inexpensive markets, in both historical terms and relative to interest rates, and favourable monetary ease on a global basis, on the other hand. We now believe that the forces of good (easy monetary policies and inexpensive valuations) will win out in 2013, as the fear side reduces.

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 our largest revenue sources, 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 a strong pipeline of potential 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 pick up for the balance of the year, and this should improve the 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. Effective July, 2013, Guardian will transition to quarterly dividend payments to its shareholders, with its first payment of $0.05 per share. In addition, Guardian expects to continue being active with purchases of its shares through its Normal Course Issuer Bid in the second quarter.

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