Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

THIRD QUARTER 2015

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three and nine months ended September 30, 2015. 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)	**2015**	2014	**2015**	2014
Net revenue	**$ 33,188**	$ 30,806	**$ 98,558**	$ 87,785
Operating earnings	**10,876**	10,051	**32,742**	27,806
Net gains (losses) [1]	**(2,407)**	(194)	**1,382**	6,412
Net earnings before net gains on securities held for sale [1]	**6,278**	7,877	**27,615**	28,789
Net gains on securities held for sale [1]	**--**	--	**--**	386
Net earnings available to shareholders	**6,053**	7,715	**26,967**	28,794
EBITDA	**$ 12,115**	$ 11,251	**$ 36,329**	$ 31,458
Adjusted cash flow	**10,385**	9,882	**29,070**	26,398
Per share:				
Net earnings available to shareholders	**$ 0.20**	$ 0.25	**$ 0.88**	$ 0.92
EBITDA	**0.40**	0.36	**1.18**	1.01
Adjusted cash flow	**0.34**	0.32	**0.95**	0.85

As at	**2015**		**2014**	
($ in millions, except per share amounts)	**September 30**	June 30	December 31	September 30
Assets under management	**$ 24,015**	$ 25,007	$ 24,968	$ 25,039
Assets under administration	**14,530**	14,821	13,126	12,849
Shareholders' equity	**471**	474	489	482
Fair value of corporate holdings of securities	**507**	515	525	525
Per share:				
Shareholders' equity	**$ 15.23**	$ 15.32	$ 15.62	$ 15.39
Fair value of corporate holdings of securities	**16.40**	16.64	16.78	16.75

[1] During the second quarter of 2015, certain of the Company's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis. The reclassification had the effect of re-presenting net gains, income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above table reflects the effects of the retrospective application of this reclassification.

Summary

The Company's operating earnings for the current quarter were $10.9 million, an increase of 8% from $10.1 million in Q3 2014. All segments of the Company's operations contributed positively to the growth in operating earnings. Net losses of $2.4 million in the current quarter increased from the losses of $0.2 million recorded in 2014, due to declines in global equity markets and foreign currency losses during the current quarter, compared to the prior year.

Net earnings available to shareholders for the quarter were $6.1 million, or $0.20 per share, compared to $7.7 million, or $0.25 per share, for Q3 2014. The reduction in the current quarter was due largely to the increase in net losses, referred to above, offsetting the increase in operating earnings.

The Company's assets under management ("AUM") as at September 30, 2015 were $24.0 billion, down 4% from $25.0 billion as at June 30, 2015, December 31, 2014 and September 30, 2014. Assets under administration ("AUA") were $14.5 billion as at September 30, 2015, a slight decrease of 2% since June 30, 2015, but an increase of 11% and 13% since December 31, 2014 and September 30, 2014, respectively. The declines in AUM and AUA over the past quarter were due largely to the Canadian equity market decline.

EBITDA for the quarter was $12.1 million, or $0.40 per share, compared to $11.3 million, or $0.36 per share for Q3 2014. Adjusted cash flow from operations for the quarter was $10.4 million, or $0.34 per share, compared to $9.9 million, or $0.32 per share for Q3 2014. These two non-IFRS financial measures used by the Company are defined in its quarterly Management's Discussion and Analysis. The increases in each of these measures reflect the year over year growth in the Company's quarterly operating earnings.

The Company's shareholders' equity as at September 30, 2015 was $471 million, or $15.23 per share, compared to $489 million, or $15.62 per share, at December 31, 2014 and $482 million, or $15.39 per share, as at September 30, 2014. The fair value of the Company's corporate holdings of securities as at September 30, 2015 was $507 million, or $16.40 per share, compared to $525 million, or $16.78 per share, as at December 31, 2014 and $525 million, or $16.75 per share, as at September 30, 2014.

Commentary and Outlook

Globally, the third quarter was challenging for equity markets, as there were no major markets that delivered positive returns during the period. During the quarter, the S&P/TSX Composite fell 7.9%, with a cumulative negative return of 8.4% for the trailing twelve month period. The S&P 500 also fell by 6.4% during the quarter, with a cumulative negative return of 0.6% for the trailing twelve month period. (All figures are in local currencies). Europe, Japan, and Emerging Markets all underperformed relative to the S&P 500. The markets were a reflection of a series of negative macroeconomic events in Europe, China, and the U.S during the quarter.

The Bank of Canada reduced its benchmark overnight rate by another 25 bps to 0.50% in mid-July, amid a weaker outlook for oil prices and a downgrade to its growth forecasts. According to the Bank of Canada, real GDP contracted modestly in the first half of the year, resulting in higher excess capacity and additional downward pressure on inflation. The Bank of Canada cited a lower oil price outlook and weak investment from energy producers, and headwinds for Canada as a result of China undergoing a structural transition, as factors resulting in a lower growth forecast for the country. The central bank lowered its growth forecast for 2015 to 1.1% (from 1.9%), and lowered its 2016 growth projection to 2.3% (from 2.5%). Depending on the length of this commodity and energy softness, the Canadian equity market will be challenged for any significant gains in the near term. The performance of the Canadian equity market 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 Europe, the quarter began with angst regarding Greece shutting its banks and defaulting on an IMF loan, and then holding a national referendum on the bailout terms of a rescue by the European Central Bank (ECB). The result of the referendum was a "no" vote, which prompted fears of a Greek exit from the Euro. This fear has not materialized, as the Greek parliament subsequently approved tough austerity measures requested by the ECB in exchange for financing. There has also been some market speculation that the ECB may expand the scale of its quantitative easing program, due to low inflation and a weak external macro-economic environment. Furthermore, Europe began experiencing a mass migration not witnessed since World War II. The impact on the economy is uncertain. There was also considerable concern regarding the health of the Chinese economy as China's stock market plunged 40% from its mid-June peak, and the country devalued the yuan amid an environment of a deceleration in growth. In the U.S., the market remained preoccupied with the potential timing of the first interest rate increase by the Federal Reserve. The Fed kept its benchmark rate unchanged at its most recent meeting in September, noting its caution was in part due to weak global growth and its concern with respect to possible deflationary pressures. The Fed has shifted from being U.S. data-dependent to global data-dependent.

The weakness across all equity markets was the main factor in the decline in AUM by 4% for the third quarter. Despite the decline in AUM, the overall operating revenues for the Company were up 8% for the three months ended September 30, 2015 compared to the same period in 2014. Management fee income in the third quarter of 2015, which is generated by the investment management business segment and contributes approximately 50% of total operating revenues, was 2% greater than in the third quarter of 2014, and consolidated operating earnings for the three months ended September 30, 2015 of $10.9 million were 8% above the $10.1 million in the same period in 2014. Net losses from investments were $2.4 million in the quarter compared to $0.2 million in the same period in 2014 and will continue to be lumpy as much of our gains or losses are either triggered by a rebalancing of our investment portfolio or due to market fluctuations which affect large unrealized gains or losses within controlled mutual funds we have seeded with corporate capital.

We continue to focus our efforts on building long term sustainable operating earnings, concurrently with a more diversified suite of investment strategies. In order to achieve this next stage of growth, we will take advantage of our current operating platform success and invest in existing and new investment capabilities. In line with our strategy, these planned additional investments are expected to require increased expenditures, which may over the short term continue to have a negative effect on earnings. In Q3 2015, our investment to build the UK-based global and emerging market equity investment management and the domestic real estate investment management business incurred operating losses of $0.8 million compared to $0.5 million in the same quarter last year. We, however, believe that the short-term cost, and its effect on operating earnings within the investment management business segment, will lead to improved future operating earnings and long-term value. The firm continues to have frequent and quality prospective client discussions regarding these new initiatives, and we remain optimistic that our efforts will be rewarded in due course. Overall firm-wide net new asset flows remain challenged in the near term as we are witnessing a steady re-balancing from retail intermediary clients out of Canadian equity income solutions into global equity income solutions. The firm's more advanced development of its systematic equity investment team delivering a credible long term track record in global equity income solutions is providing a meaningful offset to the negative flows from the domestic asset class. Coupled with a recovery from the lows in the equity markets of the third quarter, we hope to see improvements in both assets under management and management fee income in the fourth quarter.

The Company's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to deliver for the current fiscal year a consistent level of quarterly operating earnings. Assets under administration (AUA) in the current quarter were down only 2% as the negative returns in the markets were slightly offset by net positive client asset due to successful recruitment of new advisors, and net new sales from existing advisors on our wealth management platform. The mutual fund and securities dealerships continue to show steady improvements in revenues and operating earnings and contributed roughly 50% of this segment's operating earnings. Our life insurance managing general agency continued with strong new life insurance sales and a healthy pipeline of new life insurance policy applications submitted, which is historically a precursor to actual life policies being issued. In the third quarter, the $13.5 million of premiums on life insurance policies sold was 26% higher than in the same period last year, and throughout the first nine months of 2015 a total of $40.5 million of premiums on life insurance policies have been sold, which is 24% higher than the same period in the prior year. The strong premiums on life insurance policies sold results in both current and future net commission revenue for the financial advisory segment. With a healthy pipeline of new life insurance policy applications submitted and the ongoing success in adding independent life insurance advisors to our network, we expect to continue the strong financial results within our managing general agency for the balance of the year.

Both the investment management and financial advisory businesses have the financial strength of the Company's balance sheet to support their patient, long-term strategic business objectives of becoming meaningful contributors to operating profit for the Company. With improved operating fundamentals and strong cash flows, the Company continues to share these rewards with its shareholders. In Q3 2015, the Company paid a dividend of $2.2 million but did not have any meaningful opportunity to buy back any of its shares. However, more recently, post Q3, there have been opportunities to be active under its Normal Course Issuer Bid, and as a result, we have purchased and cancelled more than 400,000 shares, both Class A and Common, for total consideration paid of $7.0 million. In October of this year, the Company paid to shareholders a quarterly dividend of $0.075 per share, and the Board is pleased to report that we have declared the next quarterly dividend of $0.075 per share payable on January 18, 2016, to shareholders of record on January 11, 2016.

On behalf of the Board,

November 12, 2015

[signed "James Anas"]

James Anas
Chairman of the Board

[signed "George Mavroudis"]

George Mavroudis
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at ($ in thousands)	September 30 2015	December 31 2014
ASSETS		
Current assets		
Cash	$ 21,435	$ 29,230
Interest-bearing deposits with banks	70,401	61,729
Accounts receivables and other	27,633	29,293
Receivables from clients and broker	45,208	46,160
Income taxes receivable	118	--
Prepaid expenses	2,007	1,854
	166,802	168,266
Securities (notes 2(c) and 3)	506,524	525,352
Other assets		
Deferred tax assets	2,070	3,060
Intangible assets	29,433	23,791
Equipment	3,350	3,656
Goodwill	15,014	12,299
Investment in associate	333	333
	50,200	43,139
Total assets	$ 723,526	$ 736,757
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 51,682	$ 51,312
Client deposits	70,398	61,747
Accounts payable and other	34,795	31,688
Income taxes payable	--	2,276
Payable to clients	45,208	46,160
	202,083	193,183
Other liability (note 5)	1,304	1,097
Deferred tax liabilities	45,559	50,243
Total liabilities	248,946	244,523
EQUITY		
Shareholders' equity		
Capital stock (note 6)	21,160	21,434
Treasury stock (note 7)	(21,597)	(19,890)
Contributed surplus	11,930	10,841
Retained earnings	284,212	269,752
Accumulated other comprehensive income	174,828	206,698
	470,533	488,835
Non-controlling interests	4,047	3,399
Total equity	474,580	492,234
Total liabilities and equity	$ 723,526	$ 736,757

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the periods ended September 30	**Three months**		**Nine months**	
($ in thousands, except per share amounts)	**2015**	2014	**2015**	2014
Revenue				
Gross commission revenue	**$ 29,191**	$ 25,217	**$ 85,371**	$ 73,805
Commissions paid to advisors	**(20,630)**	(18,091)	**(60,764)**	(53,873)
	8,561	7,126	**24,607**	19,932
Management fee income, net (note 8)	**16,364**	16,123	**49,216**	45,680
Administrative services income	**3,190**	2,965	**9,544**	8,355
Dividend and interest income (note 9)	**5,073**	4,592	**15,191**	13,818
Net revenue	**33,188**	30,806	**98,558**	87,785
Expenses				
Employee compensation and benefits	**13,809**	13,092	**41,397**	38,174
Amortization	**1,057**	939	**2,984**	2,646
Interest	**196**	245	**673**	760
Other expenses	**7,250**	6,479	**20,762**	18,399
	22,312	20,755	**65,816**	59,979
Operating earnings	**10,876**	10,051	**32,742**	27,806
Net gains (losses) (notes 2 (c) and 10)	**(2,407)**	(194)	**1,382**	6,412
Net earnings before income taxes and net gains on securities held for sale	**8,469**	9,857	**34,124**	34,218
Income tax expense (notes 2 (c) and 10)	**2,191**	1,980	**6,509**	5,429
Net earnings before net gains on securities held for sale	**6,278**	7,877	**27,615**	28,789
Net gains on securities held for sale (notes 2 (c) and 10)	**--**	--	**--**	386
Net earnings	**$ 6,278**	$ 7,877	**$ 27,615**	$ 29,175
Net earnings available to:				
Shareholders (note 11)	**$ 6,053**	$ 7,715	**$ 26,967**	$ 28,794
Non-controlling interests	**225**	162	**648**	381
	$ 6,278	$ 7,877	**$ 27,615**	$ 29,175
Net earnings available to shareholders per Class A and Common share (note 12)				
Basic	**$ 0.21**	$ 0.26	**$ 0.91**	$ 0.95
Diluted	**0.20**	0.25	**0.88**	0.92

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2015**	2014	**2015**	2014
Net earnings	**$ 6,278**	$ 7,877	**$ 27,615**	$ 29,175
Other comprehensive income (loss)				
Available for sale securities, net of taxes:				
Net change in fair value	**(17,802)**	15,369	**(54,321)**	57,870
Income tax (recovery) provision	**(1,005)**	2,401	**(6,049)**	7,378
	(16,797)	12,968	**(48,272)**	50,492
Transfer to net earnings of unrealized (gains) upon disposal	**275**	(530)	**(807)**	(6,474)
Reversal of income taxes	**41**	26	**68**	390
Net change in available for sale securities, net of taxes	**(16,481)**	12,464	**(49,011)**	44,408
Net change in foreign currency translation adjustment on foreign subsidiaries	**8,841**	4,898	**17,141**	5,051
Other comprehensive income (loss)	**(7,640)**	17,362	**(31,870)**	49,459
Comprehensive income (loss)	**$ (1,362)**	$ 25,239	**$ (4,255)**	$ 78,634
Comprehensive income (loss) available to:				
Shareholders	**$ (1,587)**	$ 25,077	**$ (4,903)**	$ 78,253
Non-controlling interests	**225**	162	**648**	381
Comprehensive income (loss)	**$ (1,362)**	$ 25,239	**$ (4,255)**	$ 78,634

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2015**	2014	**2015**	2014
Total equity, beginning of period	**$ 477,766**	$ 466,328	**$ 492,234**	$ 417,788
Shareholders' equity, beginning of period	**473,944**	463,306	**488,835**	414,985
Capital stock				
Balance, beginning of period	**21,160**	21,637	**21,434**	21,679
Acquired and cancelled (note 6c)	**--**	(165)	**(274)**	(207)
Capital stock, end of period	**21,160**	21,472	**21,160**	21,472
Treasury stock				
Balance, beginning of period	**(21,597)**	(19,930)	**(19,890)**	(18,700)
Acquired	**--**	--	**(1,740)**	(1,285)
Disposed of	**--**	40	**33**	95
Treasury stock, end of period	**(21,597)**	(19,890)	**(21,597)**	(19,890)
Contributed surplus				
Balance, beginning of period	**11,543**	10,214	**10,841**	9,583
Stock-based compensation expense	**387**	337	**1,122**	1,018
Redemption of equity-based entitlements	**--**	(40)	**(33)**	(90)
Contributed surplus, end of period	**11,930**	10,511	**11,930**	10,511
Retained earnings				
Balance, beginning of period	**280,370**	262,826	**269,752**	245,961
Net earnings available to shareholders	**6,053**	7,715	**26,967**	28,794
Dividends declared and paid	**(2,211)**	(1,963)	**(6,376)**	(5,296)
Capital stock acquired and cancelled (note 6c)	**--**	(3,680)	**(6,131)**	(4,561)
Acquisition of non-controlling interests	**--**	(640)	**--**	(640)
Other	**--**	(30)	**--**	(30)
Retained earnings, end of period	**284,212**	264,228	**284,212**	264,228
Accumulated comprehensive income				
Balance, beginning of period	**182,468**	188,559	**206,698**	156,462
Unrealized gains on available for sale securities, net of income taxes:				
Balance, beginning of period	**164,418**	187,555	**196,948**	155,611
Net change during period	**(16,481)**	12,464	**(49,011)**	44,408
Balance, end of period	**147,937**	200,019	**147,937**	200,019
Foreign currency translation adjustment on foreign subsidiaries:				
Balance, beginning of period	**18,050**	1,004	**9,750**	851
Net change during period	**8,841**	4,898	**17,141**	5,051
Balance, end of period	**26,891**	5,902	**26,891**	5,902
Accumulated comprehensive income , end of period	**174,828**	205,921	**174,828**	205,921
Shareholders' equity , end of period	**470,533**	482,242	**470,533**	482,242
Non-controlling interests				
Balance, beginning of period	**3,822**	3,022	**3,399**	2,803
Net earnings available to non-controlling interests	**225**	162	**648**	381
Non-controlling interests, end of period	**4,047**	3,184	**4,047**	3,184
Total equity, end of period	**$ 474,580**	$ 485,426	**$ 474,580**	$ 485,426

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30 ($ in thousands)	Three months 2015	Three months 2014	Nine months 2015	Nine months 2014
Operating activities				
Net earnings	$ 6,278	$ 7,877	$ 27,615	$ 29,175
Adjustments for:				
Income taxes paid	(1,885)	(1,131)	(7,756)	(4,744)
Income tax expense	2,191	1,980	6,509	5,429
Net (gains) losses	2,407	170	(1,382)	(6,436)
Net gains on securities held for sale	--	--	--	(108)
Amortization of intangible assets	880	756	2,436	2,137
Amortization of equipment	177	183	548	509
Stock-based compensation	387	337	1,122	1,018
Other non-cash expenses	331	--	992	--
	10,766	10,172	30,084	26,980
Net change in non-cash working capital items (note 14)	3,985	9,369	(57)	(211)
Net cash from operating activities	14,751	19,541	30,027	26,769
Investing activities				
Net (acquisition) disposition of securities (note 2c)	(3,806)	(10,001)	(20,535)	(12,980)
Acquisition of securities held for sale (note 2c)	--	--	--	(278)
Acquisition of intangible assets	(730)	(648)	(2,465)	(2,318)
Acquisition of equipment	(58)	(3)	(139)	(485)
Disposition of intangible assets	442	228	1,146	669
Business acquisitions (note 16)	--	--	(3,548)	(1,231)
Net cash used in investing activities	(4,152)	(10,424)	(25,541)	(16,623)
Financing activities				
Dividends	(2,211)	(1,963)	(6,376)	(5,296)
Acquisition and cancellation of capital stock	--	(3,845)	(6,405)	(4,768)
Acquisition of treasury stock	--	--	(1,740)	(1,285)
Disposition of treasury stock	--	40	33	95
Net (repayments) proceeds of bank loan and bankers acceptances	(11,043)	(5,051)	1,659	(7,841)
Acquisition of non-controlling interests	--	(1,271)	--	(1,271)
Net cash used in financing activities	(13,254)	(12,090)	(12,829)	(20,366)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	458	329	1,837	290
Net change in net cash	(2,197)	(2,644)	(6,506)	(9,930)
Net cash, beginning of period	23,459	20,431	27,768	27,717
Net cash, end of period	$ 21,262	$ 17,787	$ 21,262	$ 17,787
Net cash represented by:				
Cash			$ 21,435	$ 25,129
Net bank indebtedness			(173)	(7,342)
			$ 21,262	$ 17,787

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

Guardian Capital Group Limited ("Guardian") is a publicly traded company with its common and class A shares listed on the Toronto Stock Exchange. Guardian is incorporated under the laws of the Province of Ontario, and its principal business office is located at Suite 3100, 199 Bay Street, Toronto, Ontario. Guardian, through its subsidiaries, provides investment management and financial advisory services to a wide range of clients in Canada and abroad, and maintains and manages a proprietary investment portfolio.

2. ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2014. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014, which are included in the Company's 2014 annual report.

These consolidated interim financial statements are presented in Canadian dollars, which is Guardian's functional currency. In these notes, all dollar amounts and numbers of shares are stated in thousands. Per share amounts and option exercise prices are stated in dollars and cents.

Certain reclassifications have been made to the 2014 comparative financial information in order to conform to the current period's presentation.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on November 12, 2015.

(b) Future Changes in Accounting Policies

On July 24, 2014, the IASB issued its fourth and final version of IFRS 9 Financial *Instruments* ("IFRS 9"), which is to replace IAS 39 *Financial Instruments: Recognition and Measurement,* with revised guidance on classification and measurement of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 9 will have on its consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a new framework for the recognition of revenue from contracts with customers and replaces several other standards and interpretations. The core principle of IFRS 15 is that an entity recognizes revenue upon the transfer of services to customers which reflects the payments to which it expects to be entitled. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact IFRS 15 will have on its consolidated financial statements.

(c) Securities Held for Sale Reclassification

During the second quarter of 2015, the Company reclassified on a retrospective basis its interest in certain mutual funds from held for sale to held for trading. These mutual funds are deemed to be controlled by the Company, and were initially classified into the held for sale category with the intention of disposing of its control within a twelve month period. The Company now anticipates that this process will take longer than twelve months and, as a result, the securities have been reclassified in accordance with its policy. The following is a summary of the changes to the current and prior period's balances and results:

As at	September 30 2015	December 31 2014
Increase in securities holdings	$ --	$ 25,385
Decrease in securities held for sale	--	(25,385)
Net change in securities	$ --	$ --

For the periods ended September 30	Three months 2015	Three months 2014	Nine months 2015	Nine months 2014
Increase (decrease) in net gains	$ --	$ (182)	$ --	$ 40
Increase (decrease) in income tax expense	--	(26)	--	(26)
Increase (decrease) in net gains held for sale	--	156	--	(66)
Net change in net earnings	$ --	$ --	$ --	$ --

3. SECURITIES

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

As at		September 30 2015		December 31 2014
Available for sale securities:				
Short-term securities	$	8,897	$	5,373
Bonds		1,100		1,077
Fixed income mutual funds		8,236		7,735
Equity mutual funds		39,420		41,410
Bank of Montreal common shares (d)		344,481		388,944
Other equity securities		34,755		31,882
Real estate funds (b)		22,213		22,239
		459,102		498,660
Held for trading securities:				
Equity securities (a) and (c)		47,422		26,692
	$	506,524	$	525,352

(a) During the period, the Company reclassified certain of its investments in mutual funds from the held for sale category to the held for trading category on a retrospective basis, as described in note 2 (c). The comparative figures in the table above have been restated to reflect the reclassification.

(b) As of September 30, 2015, the Company has invested $21,488 (December 31, 2014 - $21,488) of the $25,000 commitment to invest in a real estate limited partnership managed by a subsidiary.

(c) Held for trading securities consists of securities held by consolidated mutual funds which meet the criteria for this classification. Changes in fair value are included in net gains.

(d) Subsequent to September 30, 2015, the Company sold 204 Bank of Montreal common shares for proceeds of $15,412 and the proceeds were invested in mutual funds, which are managed by a subsidiary, and are categorized as held for trading securities.

The Company's securities have been categorized based upon a fair value hierarchy, as follows:

As at		September 30 2015		December 31 2014
Level 1	$	477,995	$	497,140
Level 2		22,213		22,239
Level 3		6,316		5,973
	$	506,524	$	525,352

During 2015 and 2014, there have been no transfers of securities between Levels.

An analysis of the movements in securities categorized as Level 3 is as follows:

For the periods ended September 30		Three months				Nine months		
		2015		2014		2015		2014
Securities categorized as Level 3, beginning of period	$	7,402	$	6,106	$	5,973	$	5,910
Increase (decrease) in fair value, recognized in Other Comprehensive Income		(1,086)		250		343		446
Disposals		--		(356)		--		(356)
Securities categorized as Level 3, end of period	$	6,316	$	6,000	$	6,316	$	6,000

4. BANK LOANS AND BORROWINGS

As at		September 30 2015		December 31 2014
Net bank indebtedness	$	173	$	1,462
Bankers' acceptances payable		51,400		49,600
Bank loan		109		250
	$	51,682	$	51,312

5. OTHER LIABILITY

The other liability represents a deferred payment related to a 2014 acquisition of a UK-based investment management business. The liability is the present value of an estimated US dollar payment due on or about April 14, 2018, which will be calculated based on the level of assets under management then achieved in certain investment strategies, to a maximum of $2,750 US.

6. CAPITAL STOCK

(a) Authorized

i) Unlimited preferred shares, without par value, may be issued in an unlimited number of series, the designation, rights, privileges, conditions and other provisions of which are to be determined by the Board of Directors.

ii) Unlimited Class A non-voting shares without par value, convertible into common shares on a one-for-one basis, under certain terms and conditions, the highlights of which are as follows: if any person other than an insider of the Company acquires ownership, control or direction over in excess of 50% of the common shares, or makes an offer to all common shareholders to buy common shares, the Class A shares may be converted into common shares, unless holders of over 50% of the outstanding common shares do not accept the offer, or an equivalent offer is made to the holders of Class A shares.

iii) Unlimited common shares, without par value, convertible on a one-for-one basis into Class A non-voting shares.

(b) Issued and Outstanding

For the three months ended September 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Class A shares				
Outstanding, beginning of period	**27,005**	**$ 20,005**	27,637	$ 20,482
Acquired and cancelled	**--**	**--**	(219)	(165)
Outstanding, end of period	**27,005**	**20,005**	27,418	20,317
Common shares				
Outstanding, beginning and end of period	**4,777**	**1,155**	4,777	1,155
Total outstanding, end of period	**31,782**	**$ 21,160**	32,195	$ 21,472

For the nine months ended September 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Class A shares				
Outstanding, beginning of period	**27,368**	**$ 20,279**	27,534	$ 20,487
Acquired and cancelled	**(363)**	**(274)**	(274)	(207)
Converted from Common	**--**	**--**	158	37
Outstanding, end of period	**27,005**	**20,005**	27,418	20,317
Common shares				
Outstanding, beginning of period	**4,777**	**1,155**	4,935	1,192
Converted from Common	**--**	**--**	(158)	(37)
Outstanding, end of period	**4,777**	**1,155**	4,777	1,155
Total outstanding, end of period	**31,782**	**$ 21,160**	32,195	$ 21,472

(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	
	2015	2014	**2015**	2014
Class A shares acquired and cancelled	**--**	219	**363**	274
Consideration paid	**$ --**	$ 3,845	**$ 6,405**	$ 4,768
Average issue price, charged to share capital	**--**	(165)	**(274)**	(207)
Excess consideration charged to retained earnings	**$ --**	$ 3,680	**$ 6,131**	$ 4,561

Subsequent to September 30, 2015, the Company acquired and cancelled 218 Common shares and 184 Class A shares for total consideration of $7,015.

(d) Dividends

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

For the periods ended September 30	Three months		Nine months	
	2015	2014	**2015**	2014
Dividends declared and paid, per share	**$ 0.075**	$ 0.065	**$ 0.215**	$ 0.175

The Company has also declared dividends of $0.075 and $0.075 per share payable on October 16, 2015 and January 18, 2016 respectively, on the common and class A shares outstanding. These dividends, which will be recognized on the record date, have not been reflected in these financial statements.

7. TREASURY STOCK

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

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

For the three months ended September 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,302**	**$ 21,597**	2,208	$ 19,930
Disposed of	**--**	**--**	(4)	(40)
Balance, end of period	**2,302**	**$ 21,597**	2,204	$ 19,890

For the nine months ended September 30	2015		2014	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	**2,204**	**$ 19,890**	2,136	$ 18,700
Acquired	**101**	**1,740**	84	1,285
Disposed of	**(3)**	**(33)**	(16)	(95)
Balance, end of period	**2,302**	**$ 21,597**	2,204	$ 19,890

(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	2015		2014	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Option-like entitlements, beginning and end of period	**1,496**	**$ 8.95**	1,496	$ 8.95

For the nine months ended September 30	2015		2014	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	**1,496**	**$ 8.95**	1,497	$ 8.95
Exercised	**--**	**--**	(1)	9.71
Option-like entitlements, end of period	**1,496**	**$ 8.95**	1,496	$ 8.95

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

These entitlements are accounted for as options and valued using the Black-Scholes option pricing model. The value of the entitlements provided is recorded as compensation cost over the vesting period of the entitlements, and is credited to contributed surplus. On exercise of an entitlement, treasury stock is reduced for the value of the entitlement exercised.

ii) Equity-based entitlements

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

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

For the periods ended September 30	Three months		Nine months	
	2015	2014	**2015**	2014
Equity based entitlements, beginning of period	**806**	712	**708**	639
Provided	**--**	--	**101**	84
Exercised	**--**	(4)	**(3)**	(15)
Equity based entitlements, end of period	**806**	708	**806**	708

Equity-based entitlements are valued at the fair market value of the shares purchased by the EPSP Trust on the date of the provision of the entitlement. This value is recorded by the Company as compensation cost over the vesting period, and is credited to contributed surplus. In addition, the dividends received on the treasury shares underlying these entitlements are paid to the employees and are recorded as a compensation cost. On exercise of an entitlement, treasury stock and contributed surplus are reduced for the value of the entitlement exercised.

Equity-based entitlements provided during the three and nine months had a fair value of nil and $1,740 respectively (2014 - $ nil and $1,285).

8. MANAGEMENT FEE INCOME, NET

Management fee income, net is composed of the following:

For the periods ended September 30	Three months		Nine months	
	2015	2014	**2015**	2014
Management fee income, gross	**$ 17,147**	$ 16,738	**$ 51,527**	$ 47,396
Less: fees paid to referring agents	**(783)**	(615)	**(2,311)**	(1,716)
	$ 16,364	$ 16,123	**$ 49,216**	$ 45,680

9. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended September 30	Three months		Nine months	
	2015	2014	**2015**	2014
Dividends on Bank of Montreal shares	**$ 3,883**	$ 3,693	**$ 11,459**	$ 10,940
Other dividends	**870**	589	**2,784**	2,103
Dividend income	**4,753**	4,282	**14,243**	13,043
Interest income	**320**	310	**948**	775
	$ 5,073	$ 4,592	**$ 15,191**	$ 13,818

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

(a) Net gains (losses) are composed of the following:

For the periods ended September 30	Three months		Nine months	
	2015	2014	**2015**	2014
Held for trading securities (i)	**$ (1,769)**	$ (208)	**$ 1,339**	$ 132
Available for sale securities	**(274)**	495	**810**	6,663
Net gains (losses) on securities	**(2,043)**	287	**2,149**	6,795
Gains on disposal of intangible assets	**244**	57	**526**	172
Foreign exchange losses (ii)	**(608)**	(538)	**(1,293)**	(555)
	$ (2,407)	$ (194)	**$ 1,382**	$ 6,412

(i) Net gains (losses) on held for trading securities are composed of realized net gains (losses) and the net change in the fair value of securities owned by mutual funds that are consolidated.

(ii) Foreign exchange losses consist mainly of exchange losses on Canadian dollars held by the international private banking subsidiary, which uses the US dollar as its functional currency. Upon translation of this subsidiary's results to Canadian dollars on consolidation, an equal and offsetting gain is recorded in other comprehensive income. In addition, the foreign exchange losses include losses on the revaluation of the other liability, which is payable in US dollars.

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

For the periods ended September 30	Three months 2015	Three months 2014	Nine months 2015	Nine months 2014
Net gains (losses)	$ --	$ --	$ --	$ 228
Other income	--	--	--	278
Income tax expense	--	--	--	120
	$ --	$ --	$ --	$ 386

(c) Reclassification of net gains on securities held for sale

During the second quarter of 2015, the Company reclassified certain of its investments in mutual funds from the held for sale category to the held for trading category on a retrospective basis, as described in note 2 (c). The comparative figures in the tables above have been restated to reflect the effects of this reclassification

11. NET EARNINGS AVAILABLE TO SHAREHOLDERS

Net earnings available to shareholders are comprised of the following:

For the periods ended September 30	Three months 2015	Three months 2014	Nine months 2015	Nine months 2014
Available to shareholders:				
Net earnings before net gains on securities held for sale	$ 6,053	$ 7,715	$ 26,967	$ 28,408
Net gains on securities held for sale	--	--	--	386
	$ 6,053	$ 7,715	$ 26,967	$ 28,794

12. NET EARNINGS PER SHARE

The calculations of net earnings per share are based on the following number of shares and net earnings:

For the periods ended September 30	Three months 2015	Three months 2014	Nine months 2015	Nine months 2014
Weighted average number of Class A and common shares outstanding:				
Basic	29,480	30,179	29,564	30,238
Effects of outstanding entitlements from stock-based compensation plans	1,422	1,337	1,409	1,268
Diluted	30,902	31,516	30,973	31,506
Net earnings available to shareholders:				
Basic	$ 6,053	$ 7,715	$ 26,967	$ 28,794
Effects of outstanding entitlements from stock-based compensation plans	111	108	334	304
	$ 6,164	$ 7,823	$ 27,301	$ 29,098

13. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients and administration fees earned on managed mutual funds; b) the financial advisory segment, which relates to the earning of sales commissions and administrative services revenue from assets under administration and the sale of life insurance policies; and, c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures. The Company also operates in various geographic regions. The following tables disclose certain information about the Company's operations by segment and geography:

For the three months ended September 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue										
Gross commission revenue	**$ --**	$ --	**$ 29,393**	$ 25,429	**$ --**	$ --	**$ (202)**	$ (212)	**$ 29,191**	$ 25,217
Commissions paid to advisors	**--**	--	**(20,630)**	(18,091)	**--**	--	**--**	--	**(20,630)**	(18,091)
	--	--	**8,763**	7,338	**--**	--	**(202)**	(212)	**8,561**	7,126
Management fee income, net	**16,094**	15,858	**--**	--	**--**	--	**270**	265	**16,364**	16,123
Administrative services income	**1,414**	1,473	**1,776**	1,492	**--**	--	**--**	--	**3,190**	2,965
Dividend and interest income	**32**	21	**155**	199	**5,017**	4,467	**(131)**	(95)	**5,073**	4,592
Net revenue	**17,540**	17,352	**10,694**	9,029	**5,017**	4,467	**(63)**	(42)	**33,188**	30,806
Expenses										
Employee compensation and benefits	**7,869**	7,508	**3,847**	3,389	**2,093**	2,195	**--**	--	**13,809**	13,092
Amortization	**90**	63	**835**	740	**132**	136	**--**	--	**1,057**	939
Interest	**54**	51	**51**	47	**139**	189	**(48)**	(42)	**196**	245
Other expenses	**4,679**	4,466	**3,407**	3,095	**(821)**	(1,082)	**(15)**	--	**7,250**	6,479
	12,692	12,088	**8,140**	7,271	**1,543**	1,438	**(63)**	(42)	**22,312**	20,755
Operating earnings	**4,848**	5,264	**2,554**	1,758	**3,474**	3,029	**--**	--	**10,876**	10,051
Net gains (losses)	**(435)**	--	**250**	58	**(2,222)**	(252)	**--**	--	**(2,407)**	(194)
Net earnings before income taxes and net gains on securities held for sale	**4,413**	5,264	**2,804**	1,816	**1,252**	2,777	**--**	--	**8,469**	9,857
Income tax expense	**1,427**	1,387	**747**	577	**17**	16	**--**	--	**2,191**	1,980
Net earnings before net gains on securities held for sale	**2,986**	3,877	**2,057**	1,239	**1,235**	2,761	**--**	--	**6,278**	7,877
Net gains on securities held for sale	**--**	--	**--**		**--**	--	**--**	--	**--**	--
Net earnings	**$ 2,986**	$ 3,877	**$ 2,057**	$ 1,239	**$ 1,235**	$ 2,761	**$ --**	$ --	**$ 6,278**	$ 7,877
Net earnings available to:										
Shareholders	**$ 2,986**	$ 3,877	**$ 1,832**	$ 1,077	**$ 1,235**	$ 2,761	**$ --**	$ --	**$ 6,053**	$ 7,715
Non-controlling interests	**--**	--	**225**	162	**--**	--	**--**	--	**225**	162
	$ 2,986	$ 3,877	**$ 2,057**	$ 1,239	**$ 1,235**	$ 2,761	**$ --**	$ --	**$ 6,278**	$ 7,877
Capital expenditures on segment assets:										
Intangible assets	**$ 30**	$ 25	**$ 674**	$ 623	**$ 26**	$ --	**$ --**	$ --	**$ 730**	$ 648
Equipment	**3**	3	**18**	--	**37**	--	**--**	--	**58**	3
As at September 30, 2015 and December 31, 2014										
Segment assets and liabilities:										
Assets	**$ 123,786**	$ 130,626	**$ 116,780**	$ 105,154	**$ 572,912**	$ 587,100	**$ (89,952)**	$ (86,123)	**$ 723,526**	$ 736,757
Liabilities	**89,680**	85,292	**122,517**	116,910	**126,701**	128,444	**(89,952)**	(86,123)	**248,946**	244,523

For the three months ended September 30	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net revenue	**$ 31,400**	$ 28,268	**$ 1,988**	$ 2,644	**$ (200)**	$ 107	**$ 33,188**	$ 30,806
As at September 30, 2015 and December 31, 2014								
Segment non-current assets:								
Intangible assets	**$ 27,539**	$ 21,879	**$ 1,894**	$ 1,912	**$ --**	$ --	**$ 29,433**	$ 23,791
Equipment	**2,791**	3,165	**559**	491	**--**	--	**3,350**	3,656
Goodwill	**13,826**	11,111	**1,188**	1,188	**--**	--	**15,014**	12,299

For the nine months ended September 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue										
Gross commission revenue	**$ --**	$ --	**$ 85,921**	$ 74,389	**$ --**	$ --	**$ (550)**	$ (584)	**$ 85,371**	$ 73,805
Commissions paid to advisors	**--**	--	**(60,764)**	(53,873)	**--**	--	**--**	--	**(60,764)**	(53,873)
	--	--	**25,157**	20,516	**--**	--	**(550)**	(584)	**24,607**	19,932
Management fee income, net	**48,613**	45,169	**--**	--	**--**	--	**603**	511	**49,216**	45,680
Administrative services income	**4,104**	3,720	**5,440**	4,635	**--**	--	**--**	--	**9,544**	8,355
Dividend and interest income	**91**	81	**525**	570	**14,771**	13,316	**(196)**	(149)	**15,191**	13,818
Net revenue	**52,808**	48,970	**31,122**	25,721	**14,771**	13,316	**(143)**	(222)	**98,558**	87,785
Expenses										
Employee compensation and benefits	**23,964**	21,950	**11,158**	10,332	**6,275**	5,892	**--**	--	**41,397**	38,174
Amortization	**257**	218	**2,315**	2,023	**412**	405	**--**	--	**2,984**	2,646
Interest	**160**	142	**128**	138	**501**	605	**(116)**	(125)	**673**	760
Other expenses	**13,788**	11,752	**9,722**	9,129	**(2,721)**	(2,482)	**(27)**	--	**20,762**	18,399
	38,169	34,062	**23,323**	21,622	**4,467**	4,420	**(143)**	(125)	**65,816**	59,979
Operating earnings	**14,639**	14,908	**7,799**	4,099	**10,304**	8,896	**--**	(97)	**32,742**	27,806
Net gains (losses) (1)	**(946)**	--	**537**	173	**1,791**	6,239	**--**	--	**1,382**	6,412
Net earnings before income taxes and net gains on securities held for sale	**13,693**	14,908	**8,336**	4,272	**12,095**	15,135	**--**	(97)	**34,124**	34,218
Income tax expense (1)	**4,274**	3,937	**2,316**	1,261	**(81)**	231	**--**	--	**6,509**	5,429
Net earnings before net gains on securities held for sale (1)	**9,419**	10,971	**6,020**	3,011	**12,176**	14,904	**--**	(97)	**27,615**	28,789
Net gains on securities held for sale (1)	**--**	--	**--**		**--**	289	**--**	97	**--**	386
Net earnings	**$ 9,419**	$ 10,971	**$ 6,020**	$ 3,011	**$ 12,176**	$ 15,193	**$ --**	$ --	**$ 27,615**	$ 29,175
Net earnings available to:										
Shareholders	**$ 9,419**	$ 10,971	**$ 5,372**	$ 2,630	**$ 12,176**	$ 15,193	**$ --**	$ --	**$ 26,967**	$ 28,794
Non-controlling interests	**--**	--	**648**	381	**--**	--	**--**	--	**648**	381
	$ 9,419	$ 10,971	**$ 6,020**	$ 3,011	**$ 12,176**	$ 15,193	**$ --**	$ --	**$ 27,615**	$ 29,175
Capital expenditures on segment assets:										
Intangible assets	**$ 45**	$ 1,184	**$ 8,507**	$ 2,293	**$ 26**	$ --	**$ --**	$ --	**$ 8,578**	$ 3,477
Equipment	**11**	197	**53**	176	**75**	112	**--**	--	**139**	485

For the nine months ended September 30	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Net revenue	**$ 93,223**	$ 83,080	**$ 5,836**	$ 5,003	**$ (501)**	$ (323)	**$ 98,558**	$ 87,785

(1) During the second quarter, certain of the Company's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis as described further in note 2(c). The reclassification had the effect of re-presenting net gains, income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above tables reflect the effects of the retrospective application of the reclassification.

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

For the periods ended September 30	Three months		Nine months	
	2015	2014	**2015**	2014
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	**$ 3,587**	$ 7,875	**$ 2,175**	$ 6,864
Accounts receivable and other	**1,466**	700	**1,854**	(1,613)
Receivables from clients and broker	**(194)**	(746)	**952**	(1,423)
Prepaid expenses	**(259)**	99	**(82)**	305
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	**(3,588)**	(6,596)	**(2,198)**	(6,715)
Accounts payable and other	**2,779**	7,291	**(1,806)**	948
Payable to clients	**194**	746	**(952)**	1,423
	$ 3,985	$ 9,369	**$ (57)**	$ (211)

15. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. The following are the more significant risks associated with financial instruments to which the Company is subject:

(a) Concentration Risk

The Company is exposed to concentration risk associated with the $344,481 (December 31, 2014 - $388,944) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $34,448 (December 31, 2014 - $38,894) being recorded in other comprehensive income.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, currency risk and interest rate risk.

i) Price Risk

The Company is exposed to price risk with its equity securities. Unrealized changes in the values of its securities are recognized in net earnings for held for trading securities and securities held for sale, and in other comprehensive income for available for sale securities. The price risk associated with the Company's securities is managed by maintaining a diversified portfolio, other than the Bank of Montreal shares which are discussed separately under Concentration Risk, and by monitoring the activities of the portfolio managers who, in accordance with the statement of investment policies and procedures, execute a disciplined security selection process. The securities holdings, excluding the Bank of Montreal shares are also diversified by asset class and by geographical region, as shown in the chart below. The chart also indicates the gain or loss which would be recognized in net earnings and other comprehensive income as a result of a 10% change in the market prices:

	Fair value of held trading securities and securities held for sale	Unrealized gain or loss recognized in net earnings from a 10% change in market value	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 a 10% change in market value
As at September 30, 2015				
Canada	**$ 1,647**	**±$ 165**	**$ 42,929**	**±$ 4,293**
United States	**--**	**--**	**12,137**	**1,214**
Rest of World	**45,775**	**4,577**	**49,558**	**4,956**
	$ 47,422	**±$ 4,742**	**$ 104,624**	**±$ 10,463**
As at December 31, 2014				
Canada	$ 1,307	±$ 131	$ 43,299	±$ 4,330
United States	--	--	11,514	1,151
Rest of World	25,385	2,539	48,454	4,845
	$ 26,692	±$ 2,670	$ 103,267	±$ 10,326

ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $120,050 (December 31, 2014 - $109,915). Changes in the value of these investments caused by changes in the US dollar and UK pound exchange rates are reflected in other comprehensive income in the period in which the change occurs. These foreign currency exposures are not actively managed, due to the long-term nature of these investments, but are closely monitored by management. From time to time, certain foreign subsidiaries may hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, the Company recognizes equal and offsetting gains or losses in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

iii) Interest Rate Risk

The Company is exposed to interest rate risk through its bank loans and borrowings of $51,682 (December 31, 2014 - $51,312) and its investments in fixed income mutual funds and bonds of $9,336 (December 31, 2014 - $8,812). The interest rates on the borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. The interest rate risk associated with the Company's investments in fixed-income mutual funds and bonds are managed by monitoring the activities of the portfolio managers who manage this risk by positioning the investments for various interest rate environments. The Company is also exposed to interest rate risk in its international banking operation, through the asset interest-bearing deposits with banks of $70,401 (December 31, 2014 - $61,729), and the client deposits liability of $70,398 (December 31, 2014 - $61,747). This risk is considered to be low, as it is managed through the matching of interest rates and maturities on these balances.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at	**September 30 2015**	December 31 2014
Cash	**$ 21,435**	$ 29,230
Interest-bearing deposits with banks	**70,401**	61,729
Accounts receivable and other	**27,633**	29,293
Receivables from clients and broker	**45,208**	46,160
Short-term securities	**8,897**	5,373
Bonds	**1,100**	1,077
Fixed income mutual funds	**8,236**	7,735
	$ 182,910	$ 180,597

The Company considers its exposure to credit risk to be low. The cash and interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The credit exposure on receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary and there are controls on the amounts that these clients may borrow, depending upon the securities that are pledged as collateral. The credit risk associated with the Company's investments in fixed income mutual funds and bonds is managed by monitoring the activities of the portfolio managers who, through diversification and credit quality reviews of the investments, manage the credit risk. The short-term securities are investment-quality securities.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities, which are substantially all due within one year. The Company manages this financial risk by maintaining a portfolio of securities, and by arranging for significant borrowing facilities with major Canadian banks.

16. ACQUISITION

On June 1, 2015, the Company's life insurance managing general agency ("MGA") subsidiary, IDC Worldsource Insurance Network Inc. ("IDC WIN"), acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta. The key employees of First Prairie entered into employment agreements with IDC WIN as part of the transaction. The acquisition further strengthens IDC WIN's operations and its presence in the Prairie region.

The provisional accounting for the acquisition is as follows:

Fair value of consideration paid:		
Cash on closing	$	3,625
Payments to made over a period of 12 months		3,625
Total consideration		7,250
Fair value of identifiable net assets acquired		
Intangibles		6,113
Deferred tax liabilities		(1,620)
Net non-cash working capital		(76)
Other assets		42
Cash		77
Net value of net assets acquired		4,536
Goodwill	$	2,714

The acquisition price consists of cash consideration payable, net of cash acquired, of $7,173. On closing, $3,625 of the cash consideration was paid and the remaining amount is to be paid over the 12 month period from closing.

Goodwill, which is not deductible for income tax purposes, represents expectations that the Company will be able to maximize the value of the contracts with major insurance carriers and that synergies will be realized to maximize the profitability of the combined business.

Since the acquisition, the acquired business has contributed net revenue of $879 and net earnings of $196 to the Company's results. If the acquisition had occurred on January 1, 2015, management estimates that First Prairie would have earned net revenue of $2,054 and net earnings of $524 for the nine months and, as a result, the Company's reported net revenue and net earnings for the nine months ended September 30, 2015 would have been approximately $99,733 and $27,943, respectively. In determining these amounts, management has assumed that the fair value adjustments determined above, which arose on the date of acquisition, would have been the same on January 1, 2015. Management has also assumed amortization of the intangible assets of $314 and a provision for income taxes of $189 for the nine months to September 30, 2015.

17. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows pertains to the financial position of Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") for the three months and nine months ended September 30, 2015 and the comparative period in the year 2014, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2014 Annual Report. This discussion and analysis has been prepared as of November 12, 2015.

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at www.sedar.com.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Guardian may, from time to time, make "forward-looking statements" in annual and quarterly reports, and in other documents prepared for shareholders or filed with securities regulators. These statements, characterized by such words as "goal", "outlook", "intends", "expects", "plan", "prospects", "are confident", "believe" and "anticipate", are intended to reflect Guardian's objectives, plans, expectations, estimates, beliefs and intentions.

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be place on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private client investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer and a securities dealer (together, the "Dealer"); and corporate activities and investments. Guardian is headquartered in Canada and also operates through subsidiaries in the UK and the Caribbean. As at September 30, 2015, Guardian had $24.0 billion in assets under management ("AUM") and $14.5 billion of financial advisory assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which, together with its investment in Bank of Montreal shares, had a fair value of approximately $507 million at the end of the quarter.

KEY EVENTS

Acquisitions

On June 1, 2015, Guardian's MGA subsidiary, IDC Worldsource Insurance Network Inc. ("IDC WIN"), acquired First Prairie Financial Inc. ("First Prairie"), a leading regional MGA in Alberta, in exchange for $7.3 million in cash, 50% of which was paid on closing and the remaining amount to be paid over a 12 month period from closing. The acquisition continues to strengthen IDC WIN's operations and its presence in the Prairie region.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. Two of the measures that Guardian uses are not in accordance with International Financial Reporting Standards ("IFRS"). These non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be strictly comparable to similar measures presented by other companies. However, Guardian's management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results.

EBITDA

Guardian's management measures the performance of Guardian's business by using EBITDA, which is disclosed in the chart under "Consolidated Financial Results". Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, net gains or losses and net gains or losses on securities held for sale, less amounts attributable to non-controlling interests. We believe this is an important measure, as it allows us to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, and capital expenditures. The most comparable IFRS measure is "Net earnings", which is disclosed in Guardian's Consolidated Statements of Operations. The following is a reconciliation of the IFRS measure to this non-IFRS measure:

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2015**	2014	**2015**	2014
Net earnings, as reported	**$ 6,278**	$ 7,877	**$ 27,615**	$ 29,175
Add (deduct):				
Net (gains) on securities held for sale	**--**	--	**--**	(386)
Income tax expense	**2,191**	1,980	**6,509**	5,429
Net losses (gains)	**2,407**	194	**(1,382)**	(6,412)
Stock-based compensation	**387**	337	**1,122**	1,018
Interest expense	**196**	245	**673**	760
Amortization	**1,057**	939	**2,984**	2,646
Non-controlling interests	**(401)**	(321)	**(1,192)**	(772)
EBITDA	**$ 12,115**	$ 11,251	**$ 36,329**	$ 31,458

Adjusted cash flow from operations

Adjusted cash flow from operations is used by management to indicate the amount of cash either provided by or used in Guardian's operating activities which is available to shareholders. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. The following is a reconciliation of the IFRS measure to this non-IFRS measure:

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2015**	2014	**2015**	2014
Net cash from operating activities, as reported	**$ 14,751**	$ 19,541	**$ 30,027**	$ 26,769
Add (deduct):				
Net change in non-cash working capital items	**(3,985)**	(9,369)	**57**	211
Non-controlling interests	**(381)**	(290)	**(1,014)**	(582)
Adjusted cash flown from operations	**$ 10,385**	$ 9,882	**$ 29,070**	$ 26,398

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended September 30	Three months		Nine months	
($ in thousands, except per share amounts)	**2015**	2014	**2015**	2014
Net revenue	**$ 33,188**	$ 30,806	**$ 98,558**	$ 87,785
Expenses	**22,312**	20,755	**65,816**	59,979
Operating earnings	**10,876**	10,051	**32,742**	27,806
Net gains (losses) (1)	**(2,407)**	(194)	**1,382**	6,412
Net earnings before income taxes and net gains on securities held for sale	**8,469**	9,857	**34,124**	34,218
Income tax expense (1)	**2,191**	1,980	**6,509**	5,429
Net earnings before net gains on securities held for sale (1)	**6,278**	7,877	**27,615**	28,789
Net gains on securities held for sale (1)	**--**	--	**--**	386
Net earnings	**$ 6,278**	$ 7,877	**$ 27,615**	$ 29,175
Net earnings available to shareholders	**$ 6,053**	$ 7,715	**$ 26,967**	$ 28,794
EBITDA	**12,115**	11,251	**36,329**	31,458
Adjusted cash flow from operations	**10,385**	9,882	**29,070**	26,398
Diluted per share amounts				
Net earnings available to shareholders	**$ 0.20**	$ 0.25	**$ 0.88**	$ 0.92
EBITDA	**0.40**	0.36	**1.18**	1.01
Adjusted cash flow from operations	**0.34**	0.32	**0.95**	0.85

As at	2015	2014	
($ in millions, except per share amounts)	**September 30**	December 31	September 30
Assets under management	**$ 24,015**	$ 24,968	$ 25,039
Assets under administration	**14,530**	13,126	12,849
Shareholders' equity	**471**	489	482
Fair value of corporate holding of securities	**507**	525	525
Diluted per share			
Shareholders' equity	**$ 15.23**	$ 15.62	$ 15.39
Fair value of corporate holding of securities	**16.40**	16.78	16.75

(1) During the second quarter of 2015, certain of Guardian's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis, as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Third Quarter 2015 Report to Shareholders. The reclassification had the effect of re-presenting net gains, income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above table reflects the effects of the retrospective application of this reclassification.

The AUM at Guardian as at September 30, 2015 was $24.0 billion, down 4% from $25.0 billion at June 30, 2015, December 31, 2014 and September 30, 2014. The decline in AUM during the quarter was largely due to the decline in the equity markets. The AUA at September 30, 2015 was $14.5 billion, a 2% decrease from June 30, 2015 and an 11% and 13% increase from December 31, 2014 and September 30, 2014, respectively. The decline in AUA during the third quarter was due largely to the equity markets decline offset slightly by net inflows from clients.

The management fee for the quarter increased 2% to $16.4 million, compared to the same period in 2014. The net commission revenue for the quarter increased 20% compared to the same period in 2014 due partially to the inclusion of net revenue from the recently acquired First Prairie business. The operating earnings in the current quarter were $10.9 million, an increase of $0.8 million or 8% compared to the same period in 2014. This is due largely to the growth in net commission revenue described above and increases in dividend income from the securities portfolio. Guardian continued to invest in the development of two new businesses. Included in the current quarter's operating earnings is $0.8 million of operating losses from the UK-based investment management business and the real estate investment management business, compared with operating losses of $0.5 million in the third quarter one year earlier. The addition of key resources to strengthen the teams has resulted in higher losses in these businesses.

Net losses for the quarter were $2.4 million, compared to $0.2 million in the third quarter of 2014, due to the declines in equity markets during the current quarter and the consolidation of losses incurred in the controlled mutual funds. The increase in income tax expense for the current quarter compared to the same quarter of 2014 was due to the increase in operating earnings.

Net earnings available to shareholders were $6.1 million in the current quarter, a 20% decrease compared to $7.7 million in the same quarter in the prior year. The decrease in the current quarter compared to the prior year was due to the increase in the net losses, offset partially by the increase in operating earnings.

EBITDA for the quarter was $12.1 million, a 7.7% increase compared to $11.3 million in 2014. The increase in EBITDA is largely due to the increase in operating earnings.

Adjusted cash flow from operations for the quarter was $10.4 million, a 5% increase compared to $9.9 million in 2014. The increase is due to the increase in operating earnings, partially offset by the increase in income taxes paid.

REVENUES AND EXPENSES

Investment Management Revenues

The largest source of revenue at Guardian is investment management fees received from clients, which vary as a result of changes in the values of assets managed, and variations in the rates of management fees charged. The following is a summary of the assets under management and supervision:

As at	2015		2014	
($ in millions)	**September 30**	June 30	December 31	September 30
Institutional	**$ 21,832**	$ 22,820	$ 22,831	$ 22,971
Private client	**2,183**	2,187	2,137	2,068
Total AUM	**$ 24,015**	$ 25,007	$ 24,968	$ 25,039
Institutional AUM is composed of:				
Canadian equities	**$ 12,273**	$ 13,164	$ 13,695	$ 13,896
Global equities	**2,982**	3,037	2,460	2,300
Fixed income	**6,577**	6,619	6,676	6,775
Total Institutional AUM	**$ 21,832**	$ 22,820	$ 22,831	$ 22,971

Management fees, net of referral fees paid, for the third quarter of 2015 were $16.4 million, a 2% increase from $16.1 million in the same quarter in the prior year, as a result of the increased average margin on AUM. Institutional management fees earned in the quarter were $13.0 million, a 2% decrease from $13.2 million a year earlier. Private client and international client management fees, net of referral fees paid, earned in the quarter amounted to $3.4 million, an increase of 17% from $2.9 million a year earlier, due to the increase in AUM.

Financial Advisory Commission Revenue

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

Net commission revenue was $8.6 million for the third quarter, an increase of 20% from the $7.1 million a year earlier. The largest contributor to this strong growth was our MGA business. It generated $13.5 million in premiums on life insurance policies sold during the quarter, compared to $10.7 million in the prior year. This strong growth in sales, the additional continuing service fee revenue resulting from the prior year sales, and the inclusion of net revenues from the recently acquired First Prairie business of $0.6 million, increased its net commission revenue 25% compared to a year earlier. The net commission revenue for the quarter from the Dealer increased 12%, due largely to the increase in AUA, resulting from net new money from clients and recruitment of new advisors.

Administrative Services Income

Administrative services income is composed of registered plan and other fees earned in the financial advisory business, administration fees earned from managed investment funds in the investment management business, and trust and corporate administration fees earned in the international business. This income amounted to $3.2 million for the third quarter, an increase of $0.2 million or 8% from the $3.0 million a year earlier, with all areas contributing to the increase in fees.

Dividend and Interest Income

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

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2015**	2014	**2015**	2014
Dividends on Bank of Montreal shares	**$ 3,883**	$ 3,693	**$ 11,459**	$ 10,940
Other dividends	**870**	589	**2,784**	2,103
Dividend income	**4,753**	4,282	**14,243**	13,043
Interest income	**320**	310	**948**	775
	$ 5,073	$ 4,592	**$ 15,191**	$ 13,818

The increase in dividend income in the current quarter compared to same quarter in the prior year is due to the increase in the quarterly dividend rate on the Bank of Montreal shares from $0.78 per share to $0.82 per share, the positive effects of the change in foreign exchange rates on dividends and interest income received in foreign currencies, and increased distributions received from other investments, including Guardian's investment in its real estate fund.

Expenses

Guardian's expenses, excluding amortization and interest, were $21.1 million in the third quarter of 2015, compared with $19.6 million in 2014, an increase of 8%. The increase in expenses was due largely to the inclusion of the First Prairie business acquired during the current year and the increases in compensation and other operating costs to support the growth of the existing and new investment management businesses. The higher amortization expense in the quarter was mainly due to increased amortization of advisor recruitment costs in the financial advisory segment and the amortization of intangibles arising from the First Prairie acquisition.

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

For the periods ended September 30	Three months		Nine months	
($ in thousands)	**2015**	2014	**2015**	2014
Held for trading securities [1]	**$ (1,769)**	$ (208)	**$ 1,339**	$ 132
Available for sale securities	**(274)**	495	**810**	6,663
Net gains (losses) on securities	**(2,043)**	287	**2,149**	6,795
Gains on disposal of intangible assets	**244**	57	**526**	172
Foreign exchange losses	**(608)**	(538)	**(1,293)**	(555)
Net gains (losses) [1]	**$ (2,407)**	$ (194)	**$ 1,382**	$ 6,412
Net gains on securities held for sale [1]	**$ --**	$ --	**$ --**	$ 386

(1) During the second quarter of 2015, Guardian reclassified, on a retrospective basis, its interest in certain mutual funds from held for sale to held for trading as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Third Quarter 2015 Report to the Shareholders. The reclassification had the effect of re-presenting net gains and net gains on securities held for sale in prior periods. The above table reflects the effects of the retrospective application of the reclassification.

Both net gains and net gains on securities held for sale can fluctuate from quarter to quarter, depending on the level of investment activities and the movements in equity markets and exchange rates. The increased net losses from held for trading securities during the quarter are due to increased investment activity in those securities and a decline in the equity markets compared to the same period one year earlier. The net losses on foreign exchange mainly relate to exchange losses on Canadian dollars held by an international subsidiary whose functional currency is the US dollar. On translation of this subsidiary's results to the Canadian dollars upon consolidation, Guardian recorded equal but offsetting gains in other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to attract Associates, provide clients with a high comfort level, make appropriate use of borrowings, and develop its businesses. It has also allowed Guardian to maintain the appropriate levels of working capital in each of its areas of operations. The strong cash flow from operations and its credit facilities enabled Guardian to meet all of its financial commitments, finance the expansion of its businesses and make capital expenditures necessary for the development of those businesses.

During 2015, Guardian invested $14.1 million in new investment funds and investment strategies to support the expansion of the investment management business, paid $3.6 million in initial payment related to the purchase of an insurance MGA business and returned $12.8 million to the shareholders in the form of dividends and share purchases.

Guardian's total bank borrowings at September 30, 2015 amounted to $51.7 million, compared with $51.3 million at December 31, 2014 and $54.7 million at September 30, 2014. The total credit available to Guardian under the various arrangements was increased during the year to $103 million.

We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future. Guardian's corporate holdings of securities as at September 30, 2015 had a fair value of $507 million, or $16.40 per share, diluted, compared with $525 million, or $16.78 per share, diluted, as at December 31, 2014, and $525 million, or $16.75 per share, diluted, at September 30, 2014. The following is a summary of Guardian's corporate holdings of securities:

As at	2015		2014	
($ in thousands, except per share amounts)	**September 30**	June 30	December 31	September 30
Securities:				
Short-term securities	**$ 8,897**	$ 5,383	$ 5,373	$ 5,214
Bonds	**1,100**	1,104	1,077	1,074
Fixed income mutual funds	**8,236**	8,236	7,735	6,431
Equity mutual funds	**39,420**	44,612	41,410	39,816
Bank of Montreal common shares	**344,481**	350,400	388,944	389,560
Other equity securities	**82,177**	82,949	58,574	64,603
Real estate funds	**22,213**	22,160	22,239	18,042
Total securities	**$ 506,524**	$ 514,844	$ 525,352	$ 524,740
Total securities per share, diluted	**$ 16.40**	$ 16.64	$ 16.78	$ 16.75

During the second quarter, Guardian reclassified, on a retrospective basis, its interest in certain mutual funds from held for sale to held for trading as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Third Quarter 2015 Report to the Shareholders. The above table reflects the effects of the retrospective application of the reclassification.

The fluctuations in the fair value of securities holdings from September 30, 2014 to September 30, 2015 were due mainly to market fluctuations, including the investment in the Bank of Montreal shares, which changed in fair value due to market movements.

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:

As at September 30, 2015 *($ in thousands)*	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 51,682	$ 51,682	$ --	$ --	$ --
Client deposits	70,398	70,398	--	--	--
Accounts payable and other	36,099	34,795	--	1,304	--
Payable to clients	45,208	45,208	--	--	--
Investment commitment - real estate fund	3,512	3,512	--	--	--
Operating lease obligations	18,710	2,157	3,946	3,607	9,000
Net earnings available to shareholders	$ 225,609	$ 207,752	$ 3,946	$ 4,911	$ 9,000

Guardian's contractual commitments are supported by its strong financial position, including its securities, referred to above under the heading "Liquidity and Capital Resources". The payable to clients, in Guardian's securities dealer subsidiary, which can fluctuate with client activities, is offset by the receivable from clients and broker. Client deposits in the offshore banking subsidiary are supported by the interest-bearing deposits with banks. Guardian has an outstanding commitment to invest an additional $3.5 million into a real estate limited partnership, which is managed by a subsidiary, and this remaining amount is expected to be invested as appropriate real estate product becomes available, at which time Guardian's management will determine the appropriate strategy for funding this commitment.

SUMMARY OF QUARTERLY RESULTS

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

Three months ended *($ in thousand, except per share amounts)*	**Sep 30, 2015**	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Net revenue	**$ 33,188**	$ 33,066	$ 32,304	$ 31,490	$ 30,806	$ 29,257	$ 27,722	$ 27,907
Operating earnings	**10,876**	11,390	10,476	10,335	10,051	9,199	8,556	8,564
Net gain (losses) (1)	**(2,407)**	602	3,119	311	(168)	2,959	3,647	7,218
Net earnings before net gains on securities held for sale (1)	**6,278**	9,786	11,551	8,438	7,877	10,288	10,624	14,879
Net gains on securities held for sale (1)	**--**	--	--	--	--	--	386	238
Net earnings available to shareholders	**6,053**	9,604	11,310	8,223	7,715	10,163	10,916	14,980
Shareholders' equity	**470,533**	473,944	477,901	488,835	482,242	463,306	438,363	414,985
Net earnings available to shareholders per Class A and Common share								
Basic	**$ 0.21**	$ 0.33	$ 0.38	$ 0.27	$ 0.26	$ 0.34	$ 0.36	$ 0.49
Diluted	**0.20**	0.31	0.37	0.27	0.25	0.33	0.35	0.48
Shareholders' equity per Class A and Common share								
Basic	**$ 15.96**	$ 16.08	$ 16.15	$ 16.33	$ 16.08	$ 15.34	$ 14.49	$ 13.68
Diluted	**15.23**	15.32	15.42	15.62	15.39	14.72	13.93	13.17

(1) During the second quarter of 2015, certain of Guardian's investments in mutual funds were reclassified from the held for sale category to the held for trading category on a retrospective basis as described further in note 2(c) to the Consolidated Financial Statements, contained in Guardian's Third Quarter 2015 Report to Shareholders. The reclassification had the effect of re-presenting net gains (losses), income tax expenses, net earnings before net gains on securities held for sale, and net gains on securities held for sale in prior periods, but did not impact operating earnings or net earnings available to shareholders. The above table reflects the effects of the retrospective application of the reclassification.

Management fees earned in the investment management segment are highly correlated to the level of average AUM and generally not subject to seasonal fluctuations. Guardian may also earn performance management fees on certain accounts, which are determined on an annual and a quarterly basis, and these may be significant. The seasonality which existed in the mutual fund and securities dealer subsidiaries, with some concentration of commissions in the traditional "RSP season" in the first quarter of each year, has largely dissipated. This change is due to the overriding influence of worldwide market movements, which can affect client and advisor behavior throughout the year, the continuing move toward "trailer" fees and other continuing-fee revenues and away from "front-load" commissions, and the increasing significance of commissions from the life insurance MGA, which are less influenced by the "RSP season" and the financial market movements. Some seasonality in the commission revenues is now beginning to occur in the MGA business, where the last quarter of the year sees an increase in revenues from "volume bonuses" earned from the life insurance companies. These volume bonuses are increasing each year and are becoming more significant as the business continues to grow. We are also now starting to see a trend developing in the dividend income, with the second quarter and the fourth quarter of each year seeing increases in revenue, largely due to dividends from foreign equities which pay semi-annual dividends during those periods.

The growth in net revenue during the periods shown above have generally resulted from two influences. Firstly, reflecting the growth in average AUM and improved margins, management fees in the investment management business have increased steadily and substantially throughout the periods. Secondly, there has been significant growth in commissions earned in the financial advisory business, as a result of the strong growth in the life insurance MGA business after the acquisitions made in recent years, together with continuing growth in the mutual fund and securities dealerships.

Net gains (losses) can fluctuate from quarter to quarter, depending on the level of investment activities and the movements in equity markets and exchange rates. The significant net gains recorded in the quarters ended December 31, 2013 to June 30, 2014 and the first quarter of 2015 contributed significantly to higher levels of net earnings in those quarters. Conversely the significant losses in the third quarter of 2015, resulting from declines in the equity markets and certain exchange rates, contributed to a lower level of net earnings. The quarterly fluctuations in Shareholders' equity shown above have been largely caused by changes in the value of Guardian's holdings of securities, including the investment in the Bank of Montreal common shares, less the provision for deferred income taxes and the changes in foreign currency translation adjustment on foreign subsidiaries.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. Readers are encouraged to refer to note 15 to the Consolidated Financial Statements, contained in Guardian's Third Quarter 2015 Report to Shareholders, for additional information on financial risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since management fees are generally based on market values. Additionally, market fluctuations have a significant impact on the amounts being invested by the clients of our financial advisory businesses, increasing or reducing our commission revenues. We manage the risk of market fluctuations by having a diversified client base with different investment needs and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's corporate holdings of securities are managed independently of clients' assets, except for those of our assets that are invested in Guardian's investment funds.

Portfolio Value and Concentration Risks

Guardian's corporate holdings of securities are subject to price fluctuation risk. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. With the exception of the investment of $344 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 and growing dividend payments.

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in net earnings, but are recorded as changes in foreign currency translation adjustment on foreign subsidiary in Guardian's Statements of Comprehensive Income and the cumulative effect is included in accumulated other comprehensive income in the shareholders' equity section of the Consolidated Balance Sheets. This foreign currency exposure is not actively managed, due to the long-term nature of these investments, but is monitored by management. From time to time, the foreign subsidiaries hold unhedged Canadian dollars, which can result in foreign exchange gains or losses being recorded by the subsidiaries. Upon translation of their results on consolidation, Guardian records equal and offsetting gains in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to Guardian.

Credit Risk

Guardian's credit risk is generally considered to be low. Because of the nature of Guardian's business, its receivables are mainly from large institutions, which are considered to pose a relatively low credit risk, or from individuals, which are secured by marketable securities. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant, takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds and bonds are managed by monitoring the activities of the portfolio manager who, through diversification and credit qualify review of the investments, manages the credit risk.

Interest Rate Risk

Guardian manages interest rate risk in its international banking operations, through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks. The interest rate risks associated with Guardian's investment in fixed-income mutual funds and bonds are managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from various segments of the business, and by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $103 million through three credit facilities. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this discussion and analysis. The combination of the cash flows from operations and the borrowing facilities provide sufficient cash resources to manage its liquidity risk.

Regulatory Change Risk

Changes to government regulations, including those related to income taxes, can have an effect on Guardian's business. Examples are the changes in future income tax rates, which have had significant effects on Guardian's income tax expense, and net earnings, in 2006, 2007, 2009 and 2012.

Because there had been a downward trend in income tax rates prior to 2012, the effects on earnings in earlier years had been positive, but they were negative in 2012, and further negative effects could result if tax rates increase again in the future. Another area in which regulation affects Guardian's business is in the regulatory requirements of the government and self-regulatory agencies under which our regulated subsidiaries operate, including the new jurisdictions which Guardian has expanded into during 2014. Through a combination of in-house expertise and external advisors, when appropriate, these subsidiaries are able to comply with these regulatory requirements and adapt to changes in them.

Performance Risk

Product performance presents another risk. It is a relative, as well as an absolute measure, because the risk is that we will not perform as well as the market, our peers, or in line with our clients' expectations. We manage this risk by having a disciplined approach to investment management, and by ensuring that our compliance capabilities are strong. With respect to clients' expectations, we also ensure that we are fully aware of all of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

Financial Advisory Risk

Because of the number of agents who publicly represent each of the Worldsource operating entities, there are risks associated with their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of the Worldsource organization, significant management oversight and insurance coverage carried by both Worldsource and the agents.

Competition Risk

Another risk is competition. Our ability to compete is enhanced by the high quality of our management team, our substantial depth in personnel and resources and a strong balance sheet, which provides us with the flexibility to make the changes necessary to be competitive. In addition, we manage competition risk by tailoring our product and service offerings to market conditions and client needs.

As a result of this risk related to its clients, Guardian has the risk of a reduction in its revenues due to the possible loss of clients, including the possible loss of Worldsource advisors, who could bring their clients to another dealer or MGA. This risk is managed by having strong marketing efforts to replace lost revenue with new client revenues, and by continuing to offer competitive benefits to advisors.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's December 31, 2014, Consolidated Financial Statements. The most significant accounting estimates are related to the determination of fair values of assets and liabilities arising from the acquisition of First Prairie during the second quarter of 2015, the impairment assessment of goodwill and the determination of fair value of securities classified as level 3 within the fair value hierarchy. These valuation approaches are most sensitive to the levels of AUA and annual service fees for goodwill and the level of AUM for the fair value of level 3 securities. No changes to the valuation methodologies were made during the current quarter.

OUTLOOK

The third quarter was challenging for equity markets, as there were no major markets that delivered positive returns during the period. The S&P/TSX Composite fell 7.9% in the quarter, with a cumulative negative return of 8.4% for the trailing twelve month period. The S&P 500 fell by 6.4% during the quarter, with a cumulative negative return of 0.6% for the trailing twelve month period. (All figures are in local currencies). Europe, Japan, and Emerging Markets all underperformed relative to the S&P 500. The markets were a reflection of a series of negative macroeconomic events in Europe, China, and the U.S during the quarter. However, as with our outlook for 2013 and 2014, we remain positive about global equity markets despite the negative returns experienced in the third quarter.

Low competitive interest rates and the improving U.S. economy will likely establish a level of support for equities from the recent correction in the third quarter. After six years of sluggish but improving economic recovery, which has carried on in 2015 with improving momentum, the U.S. should grow at typical post-recovery levels in 2016. Central Banks continue to be highly accommodative with the main outlier among policy-making banks being the Federal Reserve, as it continues to discuss moving its benchmark rate higher, and fixed-income investors continue to wait for clarity from the Federal Reserve.

Despite our positive views of the broader global developed equity markets, we remain cautious with respect to the Canadian equity markets. The Canadian economy continues to face headwinds from lower oil prices, given that oil is Canada's largest export. Depending on the extent and duration of the commodity and energy softness, the Canadian equity markets will be challenged to make any significant gains in the near term. The performance of the S&P/TSX Composite Index remains the external factor having the greatest effect on Guardian's performance, as the majority of our assets under management or administration are exposed to it. Guardian's efforts to diversify its investment solutions by building over the past decade its systematic global investment capabilities has served to offset a portion of its current high concentration in Canadian equity solutions. Our strategic decision to invest in additional global fundamental capabilities with the establishment of a UK-based fundamental investment team arises from our desire to further diversify our investment concentration in Canadian equities. The Canadian equity markets are also a significant factor for Guardian's financial advisory segment and its assets under administration. However, the segment's improved financial contribution from its Managing General Agency, which has lower correlation to the equity markets than its other businesses, and the generally more balanced allocation of assets under administration, better positions this segment to absorb negative impact from a declining Canadian equity market.

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

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 continue rewarding our shareholders with return of capital in the form of both dividends and share buybacks.

Our history. Your future.

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