Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER 2016

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the three months ended March 31, 2016. All per share figures disclosed below are stated on a diluted basis.

For the periods ended March 31 *($ in thousands, except per share amounts)*		2016	2015
Net revenue	$	35,070	$ 32,304
Operating earnings		11,350	10,476
Net gains		16,778	3,187
Net earnings available to shareholders		23,818	11,310
EBITDA	$	12,478	$ 11,560
Adjusted cash flow		9,583	8,141
Per share:			
Net earnings available to shareholders	$	0.79	$ 0.37
EBITDA		0.42	0.38
Adjusted cash flow		0.32	0.27

As at *($ in millions, except per share amounts)*		2016 March 31	2015 December 31	2015 March 31
Assets under management	$	24,817	$ 24,278	$ 26,093
Assets under administration		14,987	14,943	14,057
Shareholders' equity		498	504	478
Fair value of corporate holdings of securities		534	540	522
Per share:				
Shareholders' equity	$	16.63	$ 16.55	$ 15.42
Fair value of corporate holdings of securities		17.84	17.72	16.86

Summary

The Company's assets under management as at March 31, 2016, were $24.8 billion, an increase of 2% from $24.3 billion at the end of 2015 and a decrease of 5% from $26.1 billion at March 31, 2015. Assets under administration were $15.0 billion at the end of the current quarter, up marginally from $14.9 billion at the end of 2015 and a 7% increase from $14.1 billion at March 31, 2015.

The Company's operating earnings of $11.4 million for the quarter ended March 31, 2016 increased by 8% from $10.5 million in the first quarter of 2015. The resilience of these operating earnings during the volatile and challenging equity market conditions in the first quarter is reflective of its diverse earnings sources.

Net gains of $16.8 million for the current quarter reflected an increase of $13.6 million from $3.2 million in the first quarter of 2015. The current quarter includes a gain of $13.6 million on the sale of 342,400 of the Bank of Montreal shares.

Net earnings available to shareholders for the current quarter were $23.8 million ($0.79 per share), a $12.5 million increase compared to $11.3 million ($0.37 per share) in the first quarter of 2015, resulting from the growth in operating earnings and the increase in net gains, as described above.

EBITDA for the current quarter was $12.5 million, or $0.42 per share, compared to $11.6 million, or $0.38 per share in 2015. Adjusted cash flow from operations for the current quarter was $9.6 million, or $0.32 per share, compared to $8.1 million, or $0.27 per share in 2015. The increases in each of these measures reflect the growth in operating earnings for the quarter and the positive effects of the share buybacks. These two non-IFRS financial measures used by the Company are defined in its quarterly Management's Discussion and Analysis, including a reconciliation of these measures to their most comparable IFRS measures.

The Company's shareholders' equity as at March 31, 2016 was $498 million or $16.63 per share, compared to $504 million, or $16.55 per share at December 31, 2015 and $478 million, or $15.42 per share as at March 31, 2015. The fair value of the Company's holdings of securities as at March 31, 2016 was $534 million, or $17.84 per share, compared to $540 million, or $17.72 per share, as at December 31, 2015 and $522 million, or $16.86 per share, as at March 31, 2015.

Commentary and Outlook

The new year began in tumultuous fashion, with stock markets posting one of their worst starts to a year, because of fears about Chinese and global economic growth, the challenge of a strong and rising US dollar, and concerns regarding currency wars in the emerging markets. At the lows reached on February 11, 2016, the S&P 500 was down 11.4%. Despite this challenging six-week start to the first quarter, the markets rebounded with a V-shaped recovery, and the S&P 500 finished with a 1.4% gain for the period (in US dollars). Commodities mirrored this volatility, being generally weak during the first half of the quarter and then rallying through the remainder of the period. Central bank actions and commentary were key drivers of this positive change in sentiment mid-quarter, as the Federal Reserve held off on further interest rate increases and delivered a more dovish message, and the European Central Bank continued to provide monetary stimulus.

During the quarter, the S&P/TSX Composite rose by 4.5%, with a cumulative return of negative 6.6% for the trailing twelve month period. The S&P 500 was up 1.4% during the quarter, with a cumulative return of 1.8% for the trailing twelve month period, all figures in local currencies. Globally, most markets in the developed world fared poorly during the first quarter, underperforming Canada and the U.S., while emerging markets generally performed well.

Similar to the volatile capital markets in Q1 2016, Canada's economic performance in the first quarter was also uneven. Tough economic conditions prevail in the country's more commodity-dependent provinces, particularly Alberta, but the weak Canadian dollar and low oil prices appear to have rejuvenated some industrial activity in central Canada. The Bank of Canada maintained its benchmark overnight rate at 0.50%. That decision was motivated by the competing factors of providing accommodative monetary policy to support the Canadian economy in light of lower energy prices, stimulating exports via a weaker Canadian dollar, the planned increase in fiscal spending by the new Federal Liberal government, and keeping a close watch on the interest rate differential with the U.S. as the Fed starts on the path of higher interest rates. 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.

The U.S. economy is still delivering modest growth, and activity in the U.S. market was dominated by speculation regarding the pace of interest rate increases by the Federal Reserve and headlines generated by the campaigning for the U.S. presidential election coming in November. During the quarter, the Fed opted to hold rates steady, and cut its forecast for rate increases in 2016 to two rate hikes from four, and Fed funds futures indicate that the market is looking for only one rate increase this year. Overall, Fed Chair Janet Yellen presented a more dovish outlook than the market was expecting (citing caution regarding the global economy), and this was an important catalyst for the recovery in the markets through the second half of the quarter.

The quarter ending rally in the S&P/TSX was the main factor in the increase in the Company's AUM by 2% in the first quarter. However, the more challenging performance of the equity markets in the first half of the quarter limited any growth in overall investment management revenues for the quarter. Overall operating net revenues for the Company were up 9% for the three months ended March 31, 2016, compared to the same period in 2015. The growth in consolidated net revenues compared to the comparable period in the prior year is largely due to the growth in commission revenue from the Managing General Agency ("MGA") subsidiary, administrative services income from the international banking subsidiary and dividend and interest income from the corporate securities portfolio. Management fee income, which is generated by the investment management business segment, contributed slightly less than 50% of total operating revenues in the first quarter of 2016, and was 2% lower than in the first quarter of 2015. Consolidated operating earnings for the three months ended March 31, 2016 of $11.4 million were 8% above the $10.5 million in the same period in 2015.

Net gains from investments were $16.8 million in the quarter, compared to $3.2 million in the same period in 2015. The increase in net gains in the current quarter was due largely to the $13.6 million gain on the sale of 342,400 of the Bank of Montreal shares, the net proceeds of which were largely reinvested into the Guardian Fundamental Global Equity UCITS fund managed by our UK subsidiary, which has shown strong relative performance since inception. The investment in the UCITS fund was driven by our goal to achieve scale in this fund. Having higher AUM in our UCITs is expected to encourage investment from third parties, who may otherwise be reluctant to invest in a relatively small fund, thus accelerating the overall growth in our UK operation. The Company's corporate holdings of securities represent a significant amount of the total assets on our balance sheet, with a market value of approximately $534 million at March 31, 2016. Bank of Montreal shares remain a significant proportion of the overall corporate securities portfolio, but a steadily declining percentage of the overall assets, as we re-allocate to other investments. As at March 31, 2016, we continue to own 4,188,720 shares of BMO with a market value of $330 million, representing approximately 62% of the total fair market value of the corporate holdings of securities. A significant proportion of equity mutual funds and other equity securities are invested in global marketable securities with US dollar exposure. Net gains will continue to be lumpy, as many of our gains or losses are triggered either by a rebalancing of our investment portfolio or due to market fluctuations which can cause large unrealized gains or losses within a number of mutual funds we have seeded with corporate capital, and which are considered under IFRS to be controlled by Guardian.

We continue to focus our efforts on building long-term sustainable operating earnings, concurrently with a more diversified suite of investment strategies. We plan to achieve this next stage of growth by taking 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 dampening effect on earnings. In Q1 2016, our investment to build the UK-based global and emerging market equity investment management team and the domestic real estate investment management business incurred operating losses of $1.0 million, compared to $0.7 million in the same quarter last year. We, however, expect 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 high quality discussions with prospective clients regarding these new initiatives, and we remain optimistic that our efforts will be rewarded in due course. Overall firm-wide, net new asset flows remained neutral in the quarter, as the re-balancing from retail intermediary clients out of Canadian equity income solutions has eased, with the recent rebound in both commodity prices and the Canadian dollar. The firm's global systematic equity investment team continues to deliver a credible long-term track record in global equity income solutions, and has provided a meaningful offset to the negative flows from the domestic asset class over the past twelve months. As global equities increases its representation in our total assets under management, our total AUM will also fluctuate with any significant currency movements compared to our reporting currency, the Canadian dollar. Coupled with a recovery from the lows in the equity markets in the early part of the first quarter, we hope to see improvements in both assets under management and management fee income in the second quarter.

The Company's financial advisory business, through its subsidiary Worldsource Wealth Management, continues to deliver a consistent level of quarterly operating earnings. Assets under administration (AUA) as at March 31, 2016 were $15 billion, slightly higher than the $14.9 billion at December 31, 2015 and 7% higher than the $14.1 billion at March 31, 2015. The growth in AUA over the past year, and continued growth in new life insurance policy sales, are significant variables that led to the net commission revenue of $9.2 million in the first quarter, an increase of 14% compared to $8.1 million a year earlier. The MGA business, which is less correlated to the equity markets, was the largest contributor to the growth, generating $6.3 million in net commission revenue in the quarter, a 22% increase from the prior year.

The Company 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 your Company's overall performance, as revenue sources such as commissions 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 the Company's balance sheet to support their patient, long-term strategic business objectives of becoming meaningful contributors to the Company's operating profit. With improved operating fundamentals and strong cash flows, the Company continues to share these rewards with its shareholders. In Q1 2016, the Company paid a dividend of $2.2 million and, through its Normal Course Issuer Bid, purchased and cancelled 472,000 shares, a combination of Class A and Common, for total consideration of $8.3 million. In April of this year, the Company paid to shareholders a quarterly dividend of $0.085 per share, and the Board is pleased to report that we have declared the next quarterly dividend of $0.085 per share, payable on July 18, 2016 to shareholders of record on July 11, 2016.

On behalf of the Board,

May 12, 2016

James Anas
Chairman of the Board

George Mavroudis
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	March 31 2016	December 31 2015
ASSETS		
Current assets		
Cash	$ 26,819	$ 22,276
Interest-bearing deposits with banks	144,139	112,636
Accounts receivables and other	27,919	28,961
Receivables from clients and broker	60,822	49,125
Prepaid expenses	2,222	2,044
	261,921	215,042
Securities (note 3)	533,845	539,920
Other assets		
Deferred tax assets	1,822	1,854
Intangible assets	28,024	28,376
Equipment	4,003	4,059
Goodwill	15,014	15,014
Investment in associate	333	333
	49,196	49,636
Total assets	$ 844,962	$ 804,598
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 4)	$ 65,215	$ 54,755
Client deposits	144,143	112,687
Accounts payable and other	24,006	30,251
Income taxes payable	3,509	868
Payable to clients	60,822	49,125
	297,695	247,686
Other liability	637	666
Deferred tax liabilities	44,527	47,720
Total liabilities	342,859	296,072
EQUITY		
Shareholders' equity		
Capital stock (note 5)	20,675	20,929
Treasury stock (note 6)	(23,758)	(21,563)
Contributed surplus	12,626	12,280
Retained earnings	304,702	291,317
Accumulated other comprehensive income	183,411	201,292
	497,656	504,255
Non-controlling interests	4,447	4,271
Total equity	502,103	508,526
Total liabilities and equity	$ 844,962	$ 804,598

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the periods ended March 31 *($ in thousands, except per share amounts)*	**2016**	2015
Revenue		
Gross commission revenue	**$ 29,272**	$ 27,842
Commissions paid to advisors	**(20,086)**	(19,786)
	9,186	8,056
Management fee income, net (note 7)	**16,219**	16,479
Administrative services income	**4,187**	3,101
Dividend and interest income (note 8)	**5,478**	4,668
Net revenue	**35,070**	32,304
Expenses		
Employee compensation and benefits	**14,907**	13,831
Amortization	**1,040**	948
Interest	**213**	224
Other expenses	**7,560**	6,825
	23,720	21,828
Operating earnings	**11,350**	10,476
Net gains (note 9)	**16,778**	3,187
Net earnings before income taxes	**28,128**	13,663
Income tax expense	**4,056**	2,112
Net earnings	**$ 24,072**	$ 11,551
Net earnings available to:		
Shareholders	**$ 23,818**	$ 11,310
Non-controlling interests	**254**	241
	$ 24,072	$ 11,551
Net earnings available to shareholders per Class A and Common share (note 10)		
Basic	**$ 0.83**	$ 0.38
Diluted	**0.79**	0.37

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

For the periods ended March 31 *($ in thousands)*	**2016**	2015
Net earnings	**$ 24,072**	$ 11,551
Other comprehensive loss		
Available for sale securities, net of taxes:		
Net change in fair value	**3,716**	(28,217)
Income tax (recovery) provision	**224**	(3,869)
	3,492	(24,348)
Transfer to net earnings of unrealized (gains) upon disposal	**(12,802)**	(412)
Reversal of income taxes	**1,713**	17
Net change in available for sale securities, net of taxes	**(7,597)**	(24,743)
Net change in foreign currency translation adjustment on foreign subsidiaries	**(10,284)**	10,161
Other comprehensive loss	**(17,881)**	(14,582)
Comprehensive income (loss)	**$ 6,191**	$ (3,031)
Comprehensive income (loss) available to:		
Shareholders	**$ 5,937**	$ (3,272)
Non-controlling interests	**254**	241
Comprehensive income (loss)	**$ 6,191**	$ (3,031)

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended March 31 ($ in thousands)	2016	2015
Total equity, beginning of period	$ 508,526	$ 492,234
Shareholders' equity, beginning of period	504,255	488,835
Capital stock		
Balance, beginning of period	20,929	21,434
Acquired and cancelled (note 5c)	(254)	(189)
Capital stock, end of period	20,675	21,245
Treasury stock		
Balance, beginning of period	(21,563)	(19,890)
Acquired	(2,200)	(1,740)
Disposed of	5	17
Treasury stock, end of period	(23,758)	(21,613)
Contributed surplus		
Balance, beginning of period	12,280	10,841
Stock-based compensation expense	346	347
Redemption of equity-based entitlements	--	(17)
Contributed surplus, end of period	12,626	11,171
Retained earnings		
Balance, beginning of period	291,317	269,752
Net earnings available to shareholders	23,818	11,310
Dividends declared and paid (note 5d)	(2,238)	(1,946)
Capital stock acquired and cancelled (note 5c)	(8,012)	(4,134)
Acquisition of non-controlling interests (note 14)	(183)	--
Retained earnings, end of period	304,702	274,982
Accumulated other comprehensive income		
Balance, beginning of period	201,292	206,698
Unrealized gains on available for sale securities, net of income taxes:		
Balance, beginning of period	169,746	196,948
Net change during period	(7,597)	(24,743)
Balance, end of period	162,149	172,205
Foreign currency translation adjustment on foreign subsidiaries:		
Balance, beginning of period	31,546	9,750
Net change during period	(10,284)	10,161
Balance, end of period	21,262	19,911
Accumulated other comprehensive income, end of period	183,411	192,116
Shareholders' equity , end of period	497,656	477,901
Non-controlling interests		
Balance, beginning of period	4,271	3,399
Net earnings available to non-controlling interests	254	241
Acquisition of non-controilling interests (note 14)	(78)	--
Non-controlling interests, end of period	4,447	3,640
Total equity, end of period	$ 502,103	$ 481,541

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended March 31 *($ in thousands)*	**2016**	2015
Operating activities		
Net earnings	**$ 24,072**	$ 11,551
Adjustments for:		
Income taxes paid	**(2,957)**	(3,543)
Income tax expense	**4,056**	2,112
Net (gains)	**(16,778)**	(3,187)
Amortization of intangible assets	**857**	753
Amortization of equipment	**183**	195
Stock-based compensation	**346**	347
Other non-cash expenses	**150**	190
	9,929	8,418
Net change in non-cash working capital items (note 12)	**(5,479)**	(10,222)
Net cash from (used in) operating activities	**4,450**	(1,804)
Investing activities		
Net acquisition of securities	**(18,331)**	(14,089)
Acquisition of intangible assets	**(699)**	(1,274)
Acquisition of equipment	**(188)**	(43)
Disposition of intangible assets	**248**	428
Net cash used in investing activities	**(18,970)**	(14,978)
Financing activities		
Dividends	**(2,238)**	(1,946)
Acquisition and cancellation of capital stock	**(8,266)**	(4,323)
Acquisition of treasury stock	**(2,200)**	(1,740)
Disposition of treasury stock	**5**	17
Net proceeds of bank loan and bankers acceptances	**4,441**	7,751
Net subscriptions from third party investors in consolidated mutual funds	**22,344**	--
Acquisition of non-controlling interests (note 14)	**(261)**	--
Net cash from (used in) financing activities	**13,825**	(241)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	**(781)**	1,299
Net change in net cash	**(1,476)**	(15,724)
Net cash, beginning of period	**20,674**	27,768
Net cash, end of period	**$ 19,198**	$ 12,044
Net cash represented by:		
Cash	**$ 26,819**	$ 18,695
Net bank indebtedness	**(7,621)**	(6,651)
	$ 19,198	$ 12,044

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, 2015. 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, 2015, which are included in the Company's 2015 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 2015 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 May 12, 2016.

(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.

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which is to replace IAS 17 *Leases*. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact IFRS 16 will have on its consolidated financial statements.

3. SECURITIES

(a) Classification of securities

An analysis of the Company's securities by available for sale and held for trading classifications and by the type of security is as follows:

As at	March 31 2016	December 31 2015
Available for sale securities:		
Short-term securities (i)	$ 2,058	$ 2,058
Bonds	1,104	1,102
Fixed income mutual funds	7,972	8,139
Equity mutual funds	46,477	47,949
Bank of Montreal common shares (ii)	330,071	353,790
Other equity securities	20,811	20,949
Real estate funds (iii)	22,341	22,284
	430,834	456,271
Held for trading securities (iv):		
Equity securities	133,119	89,300
Less: investments by third parties in consolidated mutual funds	(30,108)	(5,651)
	103,011	83,649
	$ 533,845	$ 539,920

(i) Short-term securities shown above include investments in non-controlled mutual funds that primarily invest in short-term securities, as well as directly held short-term securities.

(ii) During the quarter, the Company sold 342 of its Bank of Montreal common shares. The gain on this sale is disclosed in note 9.

(iii) As at March 31, 2016, the Company has invested $21,488 (December 31, 2015 - $21,488) of the $25,000 commitment to invest in a real estate limited partnership managed by a subsidiary.

(iv) Held for trading securities consist of securities held by consolidated mutual funds which meet the criteria for this classification, less amounts invested by third parties in those consolidated mutual funds. Changes in the net fair value of these securities are included in net gains.

(b) Fair value hierarchy

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

As at	March 31 2016	December 31 2015
Level 1	$ 445,717	$ 449,953
Level 2	75,513	77,049
Level 3	12,615	12,918
	$ 533,845	$ 539,920

During 2016 and 2015, there have been no transfers of securities between Levels.

(c) Changes in Level 3 securities

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

For the periods ended March 31	2016	2015
Securities categorized as Level 3, beginning of period	$ 12,918	$ 5,973
Increase (decrease) in fair value, recognized in Other Comprehensive Income	(303)	1,271
Securities categorized as Level 3, end of period	$ 12,615	$ 7,244

4. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at	March 31 2016	December 31 2015
Net bank indebtedness	$ 7,621	$ 1,602
Bankers' acceptances payable	57,100	53,100
Bank loan	494	53
	$ 65,215	$ 54,755

5. CAPITAL STOCK

(a) Authorized

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

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

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

(b) Issued and Outstanding

For the periods ended March 31	2016		2015	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	26,979	$ 19,878	27,368	$ 20,279
Acquired and cancelled	(282)	(208)	(250)	(189)
Converted from common	150	37	--	--
Outstanding, end of period	26,847	19,707	27,118	20,090
Common shares				
Outstanding, beginning of period	4,349	1,051	4,777	1,155
Acquired and cancelled	(190)	(46)	--	--
Converted into class A	(150)	(37)	--	--
Outstanding, end of period	4,009	968	4,777	1,155
Total outstanding, end of period	30,856	$ 20,675	31,895	$ 21,245

(c) Issuer Bid

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

For the periods ended March 31	2016	2015
Shares purchased and cancelled		
Class A	282	250
Common	190	--
Consideration paid	$ 8,266	$ 4,323
Average issue price, charged to share capital	254	189
Excess consideration charged to retained earnings	$ 8,012	$ 4,134

Under the current NCIB, the Company may purchase up to 217,437 common shares and 2,014,904 class A shares during the period from November 20, 2015 to November 19, 2016. To date, the Company has purchased and cancelled 190 common shares and 303 class A shares under this NCIB.

(d) Dividends

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

For the periods ended March 31	2016	2015
Dividends declared and paid, per share	$ 0.075	$ 0.065

The Company has also declared dividends of $0.085 and $0.085 per share payable on April 18, 2016 and July 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.

6. TREASURY STOCK

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

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

For the periods ended March 31	2016		2015	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,299	$ 21,563	2,204	$ 19,890
Acquired	130	2,200	101	1,740
Disposed of	(1)	(5)	(2)	(17)
Balance, end of period	2,428	$ 23,758	2,303	$ 21,613

(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 equity-based entitlement or an option-like entitlement, as described below.

i) 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 March 31	2016	2015
Equity based entitlements, beginning of period	803	708
Provided	130	101
Exercised	--	(2)
Equity based entitlements, end of period	933	807

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 months had a fair value of $2,200 (2015 - $1,740).

ii) 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 periods ended March 31	2016		2015	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	**1,496**	**$ 8.95**	1,496	$ 8.95
Exercised	**(1)**	**9.69**	--	--
Option-like entitlements, end of period	**1,495**	**$ 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.

7. MANAGEMENT FEE INCOME, NET

Management fee income, net is composed of the following:

For the periods ended March 31	2016	2015
Management fee income, gross	**$ 17,078**	$ 17,203
Less: fees paid to referring agents	**(859)**	(724)
	$ 16,219	$ 16,479

8. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended March 31	2016	2015
Dividends on Bank of Montreal shares	**$ 3,806**	$ 3,788
Other dividends	**1,254**	559
Dividend income	**5,060**	4,347
Interest income	**418**	321
	$ 5,478	$ 4,668

9. NET GAINS

Net gains are composed of the following:

For the periods ended March 31	2016	2015
Held for trading securities (i)	**$ 3,380**	$ 3,403
Available for sale securities (ii)	**13,324**	415
Net gains on securities	**16,704**	3,818
Gains on disposal of intangible assets	**107**	180
Foreign exchange losses (iii)	**(33)**	(811)
	$ 16,778	$ 3,187

(i) Net gains 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) Included in net gains on available for sale securities are gains of $13,636 (2015 - $ nil) from the sale of 342 (2015 – nil) Bank of Montreal common shares. An income tax expense of $1,807 (2015 - $ nil) was recorded in the consolidated statement of operations as a result of this sale.

(iii) Foreign exchange losses include exchange gains and 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.

10. 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 March 31	2016	2015
Weighted average number of Class A and common shares outstanding:		
Basic	28,734	29,673
Effects of outstanding entitlements from stock-based compensation plans	1,449	1,361
Diluted	30,183	31,034
Net earnings available to shareholders:		
Basic	23,818	11,310
Effects of outstanding entitlements from stock-based compensation plans	54	105
	23,872	11,415

11. BUSINESS SEGMENTS

The Company operates in the following three main business segments: Investment Management, which involves the earning of management fees relating to investment management services provided to clients and administration fees earned on managed mutual funds; Financial Advisory, which relates to the earning of sales commissions and administrative services revenue from assets under administration and the sale of life insurance policies; and Corporate Activities and Investments, 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 periods ended March 31	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue										
Gross commission revenue	--	--	29,474	28,015	--	--	(202)	(173)	29,272	27,842
Commissions paid to advisors	--	--	(20,086)	(19,786)	--	--	--	--	(20,086)	(19,786)
	--	--	9,388	8,229	--	--	(202)	(173)	9,186	8,056
Management fee income, net	16,017	16,340	--	--	--	--	202	139	16,219	16,479
Administrative services income	2,245	1,357	1,942	1,744	--	--	--	--	4,187	3,101
Dividend and interest income	42	38	161	187	5,322	4,474	(47)	(31)	5,478	4,668
Net revenue	18,304	17,735	11,491	10,160	5,322	4,474	(47)	(65)	35,070	32,304
Expenses										
Employee compensation and benefits	8,369	8,204	4,351	3,666	2,187	1,961	--	--	14,907	13,831
Amortization	75	62	843	715	122	171	--	--	1,040	948
Interest	53	53	51	36	156	166	(47)	(31)	213	224
Other expenses	4,706	4,655	3,635	3,055	(781)	(885)	--	--	7,560	6,825
	13,203	12,974	8,880	7,472	1,684	1,413	(47)	(31)	23,720	21,828
Operating earnings	5,101	4,761	2,611	2,688	3,638	3,061	--	(34)	11,350	10,476
Net gains (losses)	458	(614)	102	186	16,218	3,581	--	34	16,778	3,187
Net earnings before income taxe	5,559	4,147	2,713	2,874	19,856	6,642	--	--	28,128	13,663
Income tax expense	1,408	1,175	790	800	1,858	137	--	--	4,056	2,112
Net earnings	4,151	2,972	1,923	2,074	17,998	6,505	--	--	24,072	11,551
Net earnings available to:										
Shareholders	4,151	2,972	1,669	1,833	17,998	6,505	--	--	23,818	11,310
Non-controlling interests	--	--	254	241	--	--	--	--	254	241
	4,151	2,972	1,923	2,074	17,998	6,505	--	--	24,072	11,551
Capital expenditures on segment assets:										
Intangible assets	25	--	650	1,274	24	--	--	--	699	1,274
Equipment	33	2	6	18	149	23	--	--	188	43
As at March 31, 2016 and December 31, 2015										
Segment assets and liabilities:										
Assets	198,688	167,614	127,360	115,906	610,785	614,184	(91,871)	(93,106)	844,962	804,598
Liabilities	155,604	127,609	129,728	119,935	149,398	141,634	(91,871)	(93,106)	342,859	296,072

For the periods ended March 31	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Net revenue	32,447	30,523	2,820	1,877	(197)	(96)	35,070	32,304
As at March 31, 2016 and December 31, 2015								
Segment non-current assets:								
Intangible assets	26,923	27,186	1,101	1,190	--	--	28,024	28,376
Equipment	3,195	3,174	808	885	--	--	4,003	4,059
Goodwill	13,826	13,826	1,188	1,188	--	--	15,014	15,014

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

Net change in non-cash working capital items is comprised of the following:

For the periods ended March 31	2016	2015
Decrease (increase) in non-cash working capital assets:		
Interest-bearing deposits with banks	$ (40,691)	$ 15,475
Accounts receivable and other	994	745
Receivables from clients and broker	(11,697)	3,940
Prepaid expenses	(233)	125
Increase (decrease) in non-cash working capital liabilities:		
Client deposits	40,628	(15,492)
Accounts payable and other	(6,177)	(11,075)
Payable to clients	11,697	(3,940)
	$ (5,479)	$ (10,222)

13. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. 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 $330,071 (December 31, 2015 - $353,790) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. This investment represents 62% (December 31, 2015 – 66%) of the securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in an unrealized gain or loss of $33,007 (December 31, 2015 - $35,379) 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 in other comprehensive income for available for sale securities. The securities holdings, excluding the Bank of Montreal shares, are 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 for trading securities	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 March 31, 2016				
Canada	**$ 2,800**	**±$ 280**	**$ 35,665**	**±$ 3,566**
United States	**--**	**--**	**18,349**	**1,835**
Rest of World	**100,211**	**10,021**	**35,615**	**3,562**
	$ 103,011	**±$ 10,301**	**$ 89,629**	**±$ 8,963**
As at December 31, 2015				
Canada	$ 2,263	±$ 226	$ 35,074	±$ 3,507
United States	--	--	19,057	1,906
Rest of World	81,386	8,139	37,051	3,705
	$ 83,649	±$ 8,365	$ 91,182	±$ 9,118

ii) Currency Risk

The Company's main exposure to currency risk is on its investments in its foreign subsidiaries, amounting to $145,294 (December 31, 2015 - $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 monitored by management but not actively managed, due to the long-term nature of these investments. 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 $65,215 (December 31, 2015 - $54,755) and its investments in fixed income mutual funds and bonds of $9,076 (December 31, 2015 - $9,241). 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 $144,139 (December 31, 2015 - $112,636), and the client deposits liability of $144,143 (December 31, 2015 - $112,687). 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		March 31 2016		December 31 2015
Cash	$	26,819	$	22,276
Interest-bearing deposits with banks		144,139		112,636
Accounts receivable and other		27,919		28,961
Receivables from clients and broker		60,822		49,125
Short-term securities		2,058		2,058
Bonds		1,104		1,102
Fixed income mutual funds		7,972		8,139
	$	270,833	$	224,297

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 monitoring and managing cash flows from various segments of the business, maintaining liquid securities within the securities holdings, and by arranging for sufficient borrowing facilities with major Canadian banks, which currently total $103,000.

14. ACQUISITION OF NON-CONTROLLING INTERESTS

During the quarter, the Company purchased, for cash consideration of $261, a portion of the non-controlling interest in its insurance managing general agency, thereby increasing the Company's interest from 79.3% to 79.7%. This transaction was recorded in the equity accounts as follows:

Consideration paid	$	261
Carrying value of non-controlling interests		78
Excess consideration charged to retained earnings	**$**	**183**

15. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows pertains to the financial position of Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") for the three months ended March 31, 2016 and the comparative period in the year 2015, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2015 Annual Report. This discussion and analysis has been prepared as of May 12, 2016.

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 wealth investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer and a securities dealer (together, the "Dealers"); and corporate activities and investments. Guardian is headquartered in Canada and also operates through its subsidiaries in the UK ("GuardCap") and the Caribbean ("Alexandria"). As at March 31, 2016, Guardian had $24.8 billion in assets under management ("AUM") and $15.0 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 $534 million at the end of the quarter.

HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2016

In the midst of volatile and challenging equity markets, Guardian delivered another quarter of solid financial results. For the quarter ended March 31, 2016, the operating earnings were $11.4 million, an 8% increase from $10.5 million in 2015. The resiliency of Guardian's earnings is reflective of its diverse earnings sources.

During the quarter, Guardian sold 342,400 of the Bank of Montreal shares for total proceeds of $26.1 million, and recognized a gain of $13.6 million. The proceeds from the sale of the Bank of Montreal shares were redeployed largely into the UCITS fund managed by GuardCap, the UK investment management subsidiary. With this investment and a modest inflow of client assets during the quarter, the UCITS has now surpassed $100 million in AUM.

Net earnings available to shareholders were $23.8 million, or $0.79 per share compared to $11.3 million or $0.37 per share, a year ago. In addition, Guardian returned $10.5 million to shareholders in the form of dividends and share buybacks during the quarter.

USE OF NON-IFRS MEASURES

Guardian's management uses certain measures to evaluate and assess the performance of its business. Two of the measures that Guardian uses, EBITDA and adjusted cash flow from operations, are not defined within International Financial Reporting Standards ("IFRS"). 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 defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses, less amounts attributable to non-controlling interests. Guardian believe this is an important measure, as it allows management 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, the amounts of net earnings available to non-controlling interests and the level of 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 March 31 *($ in thousands)*	**2016**	2015
Net earnings, as reported	**$ 24,072**	$ 11,551
Add (deduct):		
Income tax expense	**4,056**	2,112
Net (gains)	**(16,778)**	(3,187)
Stock-based compensation	**346**	347
Interest expense	**213**	224
Amortization	**1,040**	948
Non-controlling interests	**(471)**	(435)
EBITDA	**$ 12,478**	$ 11,560

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 available to shareholders, without the distortions caused by fluctuations in its working capital. Many companies similar to Guardian use a similar measure in this manner. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow.

The following is a reconciliation of the IFRS measure to this non-IFRS measure:

For the periods ended March 31 *($ in thousands)*	2016	2015
Net cash from (used in) operating activities, as reported	$ 4,450	$ (1,804)
Add (deduct):		
Net change in non-cash working capital items	5,479	10,222
Non-controlling interests	(346)	(277)
Adjusted cash flown from operations	$ 9,583	$ 8,141

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended March 31 *($ in thousands, except per share amounts)*	2016	2015
Net revenue	$ 35,070	$ 32,304
Expenses	23,720	21,828
Operating earnings	11,350	10,476
Net gains	16,778	3,187
Net earnings before income taxes	28,128	13,663
Income tax expense	4,056	2,112
Net earnings	$ 24,072	$ 11,551
Net earnings available to shareholders	$ 23,818	$ 11,310
EBITDA	12,478	11,560
Adjusted cash flow from operations	9,583	8,141
Diluted per share amounts		
Net earnings available to shareholders	$ 0.79	$ 0.37
EBITDA	0.42	0.38
Adjusted cash flow from operations	0.32	0.27

As at *($ in millions, except per share amounts)*	2016 March 31	2015 December 31	2015 March 31
Assets under management	$ 24,817	$ 24,278	$ 26,093
Assets under administration	14,987	14,943	14,057
Shareholders' equity	498	504	478
Fair value of corporate holding of securities	534	540	522
Diluted per share			
Shareholders' equity	$ 16.63	$ 16.55	$ 15.42
Fair value of corporate holding of securities	17.84	17.72	16.86

RESULTS OF OPERATIONS

The AUM at Guardian as at March 31, 2016 was $24.8 billion, up 2% from $24.3 billion at December 31, 2015, and down 5% from $26.1 billion at March 31, 2015. The increase in AUM during the current quarter from the end of 2015 was largely due to the improvements in the Canadian equity market. The decrease in AUM compared to the first quarter in 2015 was due to market declines and to redemptions during 2015 in the mutual funds sub-advised by Guardian. The AUA at March 31, 2016 was $15.0 billion, a slight increase from $14.9 billion at December 31, 2015 and a 7% increase from $14.1 billion at March 31, 2015. The largest contributor to the increase in AUA compared to the first quarter in 2015 was due to the inclusion of AUA related to the acquisition by the MGA subsidiary on June 1, 2015.

For the quarter ended March 31, 2016, Guardian's operating earnings were $11.4 million, an 8% growth from the $10.5 million reported for the same quarter in 2015, demonstrating earnings resilience during these volatile and challenging equity market conditions. The Corporate Activities and Investments segment contributed over one-half of the growth, as a result of the growth in dividend and interest income earned from the corporate holdings of securities, including the growth in distributions earned on the investment in the real estate fund managed by a subsidiary. The Investment Management segment also contributed to operating earnings growth in the current quarter, as the increases in management fees earned from the Systematic Global Equity strategies and the administrative services income earned in this segment more than offset the reduction in management fees earned from domestic strategies.

The operating earnings growth was achieved while continuing to invest in the development of the UK investment management and the real estate investment management businesses. Included in the operating earnings are $1.0 million in operating losses in the current quarter related to these two businesses, compared with $0.7 million in 2015. The UK subsidiary continued to see some modest gains during the quarter, as the marketing efforts are starting to materialize into client assets in the UCITS fund.

Total net revenue for the current quarter was $35.1 million, a 9% increase from $32.3 million during the same quarter in 2015. The growth in net revenue was driven by the growth in dividend and interest income earned on the securities portfolio, commission revenue from the MGA subsidiary, and the administrative services income from the international banking subsidiary. The total expenses for the quarter were $23.7 million, an 8% increase from $21.8 million in 2015. The increase in expenses was mainly related to the MGA subsidiary business which completed the acquisition of First Prairie in the second quarter of 2015, the increased expenses in the UK investment management subsidiary and the effects of the lower Canadian dollar related to the expenses of the foreign subsidiaries, denominated in US dollars and UK pounds.

Net gains for the quarter were $16.8 million, compared to $3.2 million in 2015. The net gains in the current quarter were due largely to the $13.6 million gain on the sale of 342,400 of the Bank of Montreal shares. The increase in income tax expense for the current quarter compared to 2015 was due to the increase in operating earnings and $1.5 million related to the gains recognized on the sale of the Bank of Montreal shares.

Net earnings available to shareholders were $23.8 million in the current quarter, a $12.5 million increase compared to $11.3 million in the same quarter in the prior year. The increase was due to the increase in operating earnings and the higher net gains realized in the current quarter, as described above.

EBITDA for the quarter was $12.5 million, a 10% increase compared to $11.6 million in 2015. The adjusted cash flow from operations for the quarter was $9.6 million, a 21% increase from $8.1 million in 2015. The increase in EBITDA and adjusted cash flow from operations are due largely to the increase in operating earnings.

ASSETS UNDER MANAGEMENT

The following is a summary of the assets under management and supervision:

As at	2016	2015	
($ in millions)	March 31	December 31	March 31
Institutional	$ 22,483	$ 21,994	$ 23,841
Private client	2,334	2,284	2,252
Total AUM	$ 24,817	$ 24,278	$ 26,093
Institutional AUM is composed of:			
Canadian equities	$ 12,314	$ 11,715	$ 13,679
Global equities	3,122	3,389	2,996
Fixed income	7,047	6,890	7,166
Total Institutional AUM	$ 22,483	$ 21,994	$ 23,841

REVENUES AND EXPENSES

Management Fee Income, Net

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

Management fees, net of referral fees paid, for the first quarter of 2016 were $16.2 million, a 2% decrease from $16.5 million in the same quarter in the prior year, as a result of lower average AUM in the current quarter. Institutional management fees earned in the quarter were $12.8 million, a 2% decrease from $13.1 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, the same as a year earlier.

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.

Cautious investor sentiment amidst the market volatility in the first quarter of 2016 created a challenging environment for the financial advisory business. Our Financial Advisory segment nevertheless grew its net commission revenue to $9.2 million in the first quarter, an increase of 14% compared to $8.1 million a year earlier, led by the growth in the MGA business. The MGA business, which is less correlated to the equity markets, continued its success, generating $16.6 million in premiums on life insurance policies sold during the quarter, compared to $12.8 million in the prior year. Its commission revenue for the quarter was $6.3 million, a 22% increase from the prior year, as a result of the increased sales of life insurance policies, the additional continuing service fee revenue from the prior year sales and the inclusion of $0.6 million in commission revenue associated with the First Prairie acquisition. The Dealers' net commission revenue for the quarter increased 2%, compared to the prior year, due largely to the increase in AUA.

Administrative Services Income

Administrative services income is comprised 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, corporate administration and other related fees earned in the international private banking business. This income amounted to $4.2 million for the first quarter, an increase of $0.9 million or 35% from the $3.1 million a year earlier, with the largest growth coming from the international private banking business.

Dividend and Interest Income

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

For the periods ended March 31		Three months		
($ in thousands)		**2016**		2015
Dividends on Bank of Montreal shares	**$**	**3,806**	$	3,788
Other dividends		**1,254**		559
Dividend income		**5,060**		4,347
Interest income		**418**		321
Total dividend and interest income	**$**	**5,478**	$	4,668

The increase in other dividends and interest income in the current quarter compared to the same quarter in the prior year is due to the increase in the quarterly distribution received from the real estate fund, and increases in other non-Canadian investments. The increase in the dividend rate on the Bank of Montreal shares from $0.80 per share in the first quarter of 2015 to $0.84 per share in 2016 did not have a material impact on Guardian, as the increase was offset by the reduction in the number of shares held during the current quarter.

Expenses

Guardian's expenses, excluding amortization and interest, were $22.5 million in the first quarter of 2016, compared with $20.7 million in the first quarter of 2015, an increase of 9%. The increase in expenses was mainly related to the MGA subsidiary business, which now includes the acquisition of First Prairie completed in the second quarter of 2015, the increased expenses in the UK investment management subsidiary and the effects of the lower Canadian dollar related to the expenses of the foreign subsidiaries, denominated in US dollars and UK pounds. 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

For the periods ended March 31				
($ in thousands)		**2016**		2015
Held for trading securities	**$**	**3,380**	$	3,403
Available for sale securities		**13,324**		415
Net gains on securities		**16,704**		3,818
Gains on disposal of intangible assets		**107**		180
Foreign exchange losses		**(33)**		(811)
Net gains	**$**	**16,778**	$	3,187

The increased net gains during the current quarter were substantially due to the gain of $13.6 million on the sale of Bank of Montreal shares, whereas none were sold in 2015. Net gains from held for trading securities are comprised of realized net gains and net changes in fair value of securities held by the consolidated mutual funds. Net foreign exchange losses relate mainly 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; maintain appropriate levels of working capital in each of its areas of operations; make the necessary capital expenditures to develop its businesses; and make appropriate use of borrowings, including financing the expansion of its businesses. We are confident that the strength of Guardian's balance sheet will continue to provide benefits in the future.

Guardian's shareholders' equity as at March 31, 2016 amounted to $498 million, or $16.63 per share, diluted, compared to $504 million, or $16.55 per share, diluted, at the end of 2015. Guardian's corporate holdings of securities as at March 31, 2016 had a fair value of $534 million, or $17.84 per share, diluted, compared with $540 million, or $17.72 per share, diluted, at the end of 2015. The increase in per share amounts at the end of the current quarter, while the absolute values decreased, was due to the effects of the share buybacks completed during the quarter. As at March 31, 2016, the securities holdings consisted of 62% Bank of Montreal shares and 38% in largely proprietary investment funds and strategies, compared with 66% and 34%, respectively, at the end of 2015. At the end of the current quarter, the non-Canadian equity exposure in the securities holdings increased to 29%, compared to 26% at the end of 2015.

Guardian's total bank borrowings at March 31, 2016 amounted to $65.2 million, compared with $54.8 million at the end of 2015. The total credit available, under various borrowing arrangements, amounts to $103 million.

Guardian generated adjusted cash flow from operations of $9.6 million in the first quarter, an increase of 18% from $8.1 million in 2015. In addition to adjusted cash flow from operations, Guardian also disposed of 342,400 of the Bank of Montreal shares and generated total proceeds of $26.1 million.

Using a combination of its cash flow, debt and redeployment of its securities, Guardian increased its investment by $26.1 million into the Fundamental Global Equity UCITS fund managed by its UK subsidiary, paid $2.2 million in dividends to shareholders and returned a further $8.3 million to the shareholders in the form of share purchases during the quarter.

The following is a summary of Guardian's corporate holdings of securities:

As at *($ in thousands, except per share amounts)*	2016 March 31	2015 December 31	March 31
Securities:			
Short-term securities	$ 2,058	$ 2,058	$ 5,377
Bonds	1,104	1,102	1,104
Fixed income mutual funds	7,972	8,139	8,279
Equity mutual funds	46,477	47,949	45,147
Bank of Montreal common shares	330,071	353,790	358,971
Other equity securities	153,930	110,249	39,664
Real estate funds	22,341	22,284	22,239
Securities, gross	563,953	545,571	480,781
Less: Amounts invested by third parties into consolidated mutual funds	(30,108)	(5,651)	(1,354)
Securities, net	$ 533,845	$ 539,920	$ 479,427
Total securities per share, diluted	$ 17.84	$ 17.72	$ 16.86

The changes in the fair value of securities from March 31, 2015 to March 31, 2016 were due mainly to market fluctuations.

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 March 31, 2016 *($ in thousands)*	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 65,215	$ 65,215	$ --	$ --	$ --
Client deposits	144,143	144,143	--	--	--
Accounts payable and other	28,152	27,515	637	--	--
Payable to clients	60,822	60,822	--	--	--
Investment commitment - real estate fund	3,512	3,512	--	--	--
Operating lease obligations	17,648	2,248	3,685	3,733	7,982
Total contractual obligations	$ 319,492	$ 303,455	$ 4,322	$ 3,733	$ 7,982

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)*	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
Net revenue	$ 35,070	$ 34,353	$ 33,188	$ 33,066	$ 32,304	$ 31,490	$ 30,806	$ 29,257
Operating earnings	11,350	10,256	10,876	11,390	10,476	10,335	10,051	9,199
Net gains (losses)	16,778	9,658	(2,407)	602	3,187	311	(168)	2,959
Net earnings	24,072	17,362	6,278	9,786	11,551	8,438	7,877	10,288
Net earnings available to shareholders	23,818	17,138	6,053	9,604	11,310	8,223	7,715	10,163
Shareholders' equity	497,656	504,255	470,533	473,944	477,901	488,835	482,242	463,306
Net earnings available to shareholders per Class A and Common share								
Basic	$ 0.83	$ 0.59	$ 0.21	$ 0.33	$ 0.38	$ 0.27	$ 0.26	$ 0.34
Diluted	0.79	0.56	0.20	0.31	0.37	0.27	0.25	0.33
Shareholders' equity per Class A and Common share								
Basic	$ 17.51	$ 17.37	$ 15.96	$ 16.08	$ 16.15	$ 16.33	$ 16.08	$ 15.34
Diluted	16.63	16.55	15.23	15.32	15.42	15.62	15.39	14.72

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. In addition, as Guardian continues to increase its non-domestic exposure within the securities portfolio, we are seeing an increase in dividend income in the second and the fourth quarter of each year due to dividends from foreign equities being paid semi-annually during those periods.

The growth in net revenue during the periods shown above has generally resulted from the following influences: firstly, reflecting the general growth trend in average AUM and improved margins, management fees in the investment management business have generally increased throughout the periods; secondly, there has been a significant growth in commissions earned in the financial advisory business due to the strong growth in the life insurance MGA business, as a result of the acquisitions made in recent years, together with continuing growth in the mutual fund and securities dealerships; and lastly, dividends and interest income from securities have increased steadily throughout the period as the amounts invested in securities have increased. 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. More recently, Guardian disposed of some of its holdings of the Bank of Montreal shares, resulting in significant gains during the quarters ended March 31, 2016 and December 31, 2015.

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 13 to the Consolidated Financial Statements, contained in Guardian’s First Quarter 2016 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. In the financial advisory business, market fluctuations can have a significant impact on the amounts being invested by the clients, 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 security holdings 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 securities portfolio is subject to price risk. The potential impact of market fluctuations on the value of the portfolio is provided in note 13 to Guardian’s first quarter 2016 Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. With the exception of the $330 million investment 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. At the end of the current quarter, the investment in the Bank of Montreal shares represented 62% (December 31, 2015 – 66%) of the total securities holdings and the securities holdings were made up of 69% (December 31, 2015 - 72%) Canadian equities exposure, consisting mainly of the Bank of Montreal shares, 29% (December 31, 2015 – 26%) non-Canadian equities exposure and 2% (December 31, 2015 – 2%) fixed income securities exposure. All securities are held by well-known independent custodians chosen by Guardian.

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 subsidiaries on 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 cash flows from various segments of the business, maintaining liquid securities within the securities holdings 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, the securities holdings and the borrowing facilities provide sufficient cash resources to manage its liquidity risk.

Regulatory and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of certain of Guardian's subsidiaries, they may, from time to time, be subject to claims or complaints from investment clients and sanctions from governing bodies. These risks are mitigated by maintaining relevant in-house competence in laws and regulations, compliance and product review oversight, adequate insurance coverage and, where appropriate, utilizing assistance from external advisors.

Competition Risk

Guardian operates in a highly competitive environment, with competition based on a variety of factors including investment performance, the type and quality of products offered, business reputation and financial strength. Loss of client assets to competition will result in losses of revenue and earnings to Guardian. Guardian attempts to mitigate this risk by developing and maintaining a competitive product line and competitive relative performance of its products, through the recruitment and retention of high quality investment professionals and a high quality management team. Our ability to compete is also enhanced by our large capital base, which provides Guardian with the financial strength to invest in the development or acquisition of businesses. It also provides existing and future clients with comfort to better compete in winning and retaining these clients.

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, 2015, Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities which are 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 determination of fair value of level 3 securities. No changes to the valuation methodologies were made during the current quarter.

OUTLOOK

The equity markets began the year with one of the worst starts to a year related to fears about Chinese and global economic growth, the challenge of a strong and rising US dollar, and concerns regarding currency wars in the emerging markets. However, midway through the first quarter, the markets began a rally, which continued through the remainder of the period. Central bank actions and commentary were key drivers of this positive change in sentiment mid-quarter, as the Federal Reserve held off on further interest rate increases and delivered a more dovish message, and the European Central Bank continued to provide monetary stimulus. The first quarter ended with the S&P/TSX Composite up by 4.5%, with a cumulative return of negative 6.6% for the trailing twelve month period. The S&P 500 was up 1.4% during the quarter, with a cumulative return of 1.8% for the trailing twelve month period, all figures in local currencies.

While the market has sufficient liquidity to support a continued upward movement, it is expected that the Fed will raise rates twice in 2016 (adding to the first tightening which occurred in December 2015). However, as noted for several years, the Fed will be slow to tighten to avoid truncating the bottom. In Canada, where large segments of the market are influenced by commodities which are in part dependent on global macroeconomic circumstances, the markets will likely remain dependent on sentiment changing about the Chinese economy and/or the U.S. dollar. Last year, the depth of damage to many of the Energy and Material stocks gave us pause to think that perhaps the bottom was near. Having seen the recovery that has taken place since the second half of February, we have more confidence to believe that this is the case and, therefore, have gained cautious optimism for the Canadian equity markets for the balance of the year. The stock market has reasonably favourable valuation metrics to support an upward move. While the S&P/TSX is priced within historic medians and means, and the U.S. market is trading modestly above its historic means and averages, both markets are still priced cheaply relative to interest rates (more than one standard deviation cheaper). Interest rates remain favourable, with lots of leeway to rise before impacting valuations.

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 its systematic global investment capabilities over the past decade has served to offset a portion of its current high concentration in Canadian equity solutions. Our strategic decision to invest in additional global capabilities, with the establishment of a UK-based fundamental investment team, arises from our desire to further diversify our concentrated exposure to Canadian equities. As we diversify both our underlying assets under management and corporate securities portfolio into global equities, Guardian's performance will increasingly be better balanced between the concentrated risks and economic variables impacting the Canadian equity market against the broader characteristics of the global developed equity markets.

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 impacts from the 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 management fees and commission revenue are aligned toward higher levels of assets under management and 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 returns in the form of both dividends and share buybacks.

GUARDIAN
CAPITAL

Our history. Your future.

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

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