Guardian

Guardian Capital Group Limited

Report to Shareholders

First Quarter

March 31, 2020

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the period ended March 31, 2020. All per share figures disclosed below are stated on a diluted basis.

For the three months ended March 31		
($ in thousands, except per share amounts)	**2020**	2019
Net revenue	**$ 49,901**	$ 44,291
Operating earnings	**10,813**	11,176
Net gains (losses)	**(161,289)**	65,883
Net earnings (loss) attributable to shareholders	**(136,368)**	67,220
EBITDA (1)	**$ 14,370**	$ 14,509
Adjusted cash flow from operations (1)	**13,320**	10,504
Per share:		
Net earnings (loss) attributable to shareholders	**$ (5.35)**	$ 2.43
EBITDA (1)	**0.53**	0.53
Adjusted cash flow from operations (1)	**0.49**	0.38

As at	**2020**	**2019**	
($ in millions, except per share amounts)	**March 31**	December 31	March 31
Assets under management	**$ 27,527**	$ 31,147	$ 29,621
Assets under administration	**18,152**	20,248	18,745
Shareholders' equity	**563**	683	656
Securities	**524**	682	674
Per share:			
Shareholders' equity (1)	**$ 20.94**	$ 25.01	$ 23.66
Securities (1)	**19.50**	24.99	24.30

Summary

During the current quarter, the COVID-19 pandemic caused a series of events which led to significant disruptions in the global financial markets and economies. Although the Company was not immune to the negative impact, its operating business segments have shown resiliency during this challenging period. The diversification of the Company's businesses and revenue sources has helped to shield its Operating earnings from the full impact of the pandemic. The significant, rapid decline in the public equities markets towards the end of Q1 2020, especially its impact on the value of Bank of Montreal shares, posed the greatest stress to the Company's financial position and results. The write down in the fair value of the Securities resulted in significant Net losses being recorded in the current quarter. These Net losses were largely unrealized losses. The extent to which Guardian's business, financial condition and results of operations will continue to be impacted by the COVID-19 pandemic is highly uncertain and will depend on future developments, including the duration and spread of the outbreak and related public health advisories and restrictions.

On March 16th, the Company initiated its business continuity plan ("BCP") in response to the public health guidelines on physical distancing issued by the various levels of government in Canada and abroad. To protect its employees, they were transitioned to work remotely from their homes at that time. As a result, substantially all of the employees continue to work safely from their homes and are fully operational. The transition to the BCP was smooth, with no material interruptions to our day-to-day operations.

The Company's total assets under management ("AUM") were $27.5 billion as at March 31, 2020, compared to $31.1 billion at December 31, 2019 and $29.6 billion as at March 31, 2019. The decrease in AUM was approximately 12% in the current quarter and can mainly be attributed to the market downturn caused by the COVID-19 pandemic on the world economies and the global financial markets. Overall, the client asset net outflows were a small part of the decline in AUM due largely to the healthy inflow of new assets into the Fundamental Global Equity strategy, ending the quarter with $4.5 billion in AUM, an increase of $0.5 billion during the quarter.

The Company's assets under administration ("AUA") were $18.2 billion as at March 31, 2020, compared to $20.2 billion at the end of 2019 and $18.7 billion as at March 31, 2019. Included in the current quarter were $0.4 billion of AUA provided by Aurrea Signature Inc. ("Aurrea"), and MGA, which was acquired on December 31, 2019.

As the volatility of the financial markets can result in significant fluctuations in the Company's Net gains (losses) and Net earnings (losses) available to shareholders, management believes that Operating earnings and EBTIDA are better measures of the Company's performance, during such periods.

Guardian's consolidated Operating earnings for the quarter ended March 31, 2020 were $10.8 million, as compared to $11.2 million during the same quarter in the prior year, a 3% decrease.

Net revenue increased to $49.9 million in the quarter, $5.6 million or 13% higher than the $44.3 million in the prior year. The main contributors to the revenue growth were a $2.8 million increase in Net management fee, due largely to the growth in GuardCap, and $2.3 million increase in Net commissions. Included in the current quarter Net commission revenue was a$1.5 million contribution from Aurrea.

The impact of COVID-19 on Net revenue was largely limited to March 2020 revenue . If the lower equity market levels continue for a prolonged period-of-time, Net revenue in future quarters may be further negatively impacted.

Offsetting the increase in Net revenue was the increase in expenses to $39.1 million in the quarter, $6.0 million higher than the prior year expenses of $33.1 million. Included in the increase were largely variable compensation expenses from the growing UK investment management business, the expenses associated with the inclusion of Aurrea, the continued investments made in technology in the Dealers business, the enhanced distribution resources in Canadian Retail Asset management team and additional expenses in the Corporate Activities and Investments Segment to support all of its operating businesses.

As discussed above, due to the downturn in the global financial markets Net losses of $161.3 million were recorded in the current quarter, compared to Net gains of $65.9 million in the same quarter in the prior year.

As a result of the Net losses and Operating earnings described above, the Company's Net loss attributable to shareholders in the current quarter was $136.4 million, compared to Net earnings attributable to shareholders of $67.2 million in 2019.

EBITDA[(1)] for the quarter was $14.4 million, largely unchanged from the $14.5 million for the same period in 2019. Adjusted cash flow from operations[(1)] for the quarter was $13.3 million, a 27% increase compared to $10.5 million in the same period in 2019. The increase in Adjusted cash flow from operations[(1)] was due largely to lower income tax installments paid in the current quarter, compared to the prior year.

The Company's Shareholders' equity as at March 31, 2020 was $563 million, or $20.94 per share[(1)], compared to $683 million, or $25.01 per share[(1)] as at December 31, 2019, and $653 million, or $23.66 per share[(1)], as at March 31, 2019. The fair value of the Company's Securities as at March 31, 2020 was $524 million, or $19.50 per share[(1)], compared to $682 million, or $24.99 per share[(1)], as at December 31, 2019, and $653 million or $24.30 per share[(1)], as at March 31, 2019.

[(1)] These terms do not have standardized measures under International Financial Reporting Standard ("IFRS"). These non-IFRS measures used by the Company are defined in the quarterly Management's Discussion and Analysis, including a reconciliation of these measures to their most comparable IFRS measures.

Commentary

Market Recap

It seems like a very long time ago, but at the start of the first quarter of 2020, things were looking quite good as markets sprinted out of the gates. The main risks that hampered activity for much of the last few years were moving to the backburner. Brexit was finally moving toward a clear resolution and, more importantly for the global growth outlook, tensions between the US and China were showing signs of softening as progress was made toward a trade agreement. US President Trump was facing impeachment, but it seemed pretty clear that his acquittal was pre-ordained. The OEDC's Composite Leading Indicator, a forward-looking gauge of economic trajectory based on activity data for thirty-six industrialized economies and six major emerging economies, had been rising for the first time in two years, and had posted its strongest rate of growth since 2010. Policymakers worldwide were continuing to err on the side of caution, meaning that any potential policy mistake was likely to be too much stimulation, rather than overtightening, which has been a factor of almost every economic downturn in the post-World War II era.

Equity markets reflected the optimism that things were improving, as the first half of the quarter seemed like a continuation of the good times of the preceding twelve months. By mid-February, both the S&P 500 and the S&P/TSX were already roughly 5% above their levels at the end of 2019. Momentum in equity markets came despite whispers of troubling news from China about a potentially deadly, novel form of the Coronavirus infecting people in that country's Hubei province. It is amazing to think that as recently as mid-February the news was spending much of its time talking about things like pipeline protests, Michael Bloomberg being part of the presidential debates and other issues nobody has heard on the news since. Mid-February also marked the time markets started to discount the fact that COVID-19 was not contained in China, and was becoming a global pandemic. The following month resulted in one of the steepest drawdowns in market history. For the full quarter, the S&P/TSX Composite Index had a total return of -20.9%, with a cumulative trailing twelve-month total return of -14.2% while the S&P 500 had a total return of -19.6%, with a cumulative trailing twelve-month total return of -7%. Similar declines were felt throughout the globe. It is clear that we are in a time of global economic, social and fiscal turmoil the likes of which almost no one alive today has ever experienced. It is also clear that governments, and monetary authorities, have learned lessons from the financial crises of the preceding 20 years, and have reacted very quickly to pour money into the economy through bailouts, increasing available liquidity to banks, and emergency cash payments to small businesses and individuals. What is not clear is how the pandemic will evolve with the gradual withdrawal of emergency shelter-in-place and self-isolation requirements, which seem to have helped "flatten the curve" of viral infection throughout the most affected regions. The next few months should start granting us clarity on how the staged re-opening of the economy affects infection rates, economic growth and ultimately financial markets.

The COVID-19 Emergency

On March 16, 2020, Guardian's senior management decided that it would be prudent to ask all employees to work from home if they could do so. Guardian's Business Continuity Plan (BCP) had been initiated and all of our physical workspaces across our operating business units were left almost completely vacated. Since the BCP was initiated, Guardian's senior management, the leaders of each of our subsidiaries, our head of information technology and other senior management have participated in regular BCP virtual meeting updates, and in turn business unit heads continue to have regular update communications with their direct reports in the various business segments. We are pleased to report that our BCP has stood up to our requirements and expectations extremely well, and no significant problems have been encountered. All of our employees are safe and substantially all continue to work remotely as of the time of writing this report. Our service to our clients has transitioned seamlessly to remote working arrangements and is prepared to sustain such a work arrangement for a prolonged period of time. We extend our thanks to all our employees who made it possible.

Investment Management

By the end of the first quarter of 2020, Guardian's assets under management (AUM) had declined to $27.5 billion, a decrease of roughly 12% from $31.1 billion at the end of 2019. Almost all of the decline was a result of the markets' steep, pandemic-related, drawdown in the latter half of the quarter. Net client asset flows were marginally negative as strong positive subscriptions for our Fundamental Global Equity strategy managed to offset the majority of redemptions in other asset classes. Even with greater than three quarters of our AUM in equities, we were able to limit our total AUM declines to much less than the -20% return posted in Canadian equities market. This was due to our growing presence in global equity solutions, which performed relatively better when factored into Canadian dollar terms, given the steep weakness in the Canadian currency relative to the US dollar. Consistent with recent trends in our investment management business segment, we continued to witness net revenue growth despite net AUM outflows as our gross sales largely consists of higher-paying fee strategies such as Global Equity, whereas loss of assets in domestic strategies tend to be lower fee generating revenues. Demand remains very strong for our Fundamental Global Equity strategy, as the team continued to demonstrate its skill, with significant outperformance relative to the benchmark and peers through the end of Q1. The net inflows for this strategy are encouraging for the foreseeable future given its strong long term track record. Despite the extreme pressure in the global equity markets this strategy ended the first quarter with an increase in AUM from year-end 2019, with approximately $4.5 billion in total. Aside from our continuing relative strong performance and success from our UK-based Fundamental Global Equity team, we are also very excited for several other actively-managed strategies throughout our firm, which have exhibited superior risk mitigation and alpha generation relative to passive investing. During the quarter, another set of our global strategies, managed by our Toronto-based Guardian Systematics team, using quantitative machine-learning and artificial intelligence-driven processes, continued to outperform in several of their strategies, including its flagship Global Dividend strategy. Over the last few years, dividend-based strategies lagged the unabating momentum in quality growth companies. During this period, our quantitative Global Dividend strategy experienced brief periods of underperformance, but the defensive nature of the strategy has reminded many of our existing investors of the benefits of such a strategy in their client portfolios. As a result, we believe there are excellent prospects for re-establishing positive net sales in this strategy, given its widespread access to many retail intermediary platforms. The Global Dividend strategy has a loyal following through retail intermediaries across a diversified roster of financial sponsors, primarily broker-dealers, where the strategies are promoted to advisors using separately managed wrap accounts. Another successful strategy in this client segment, also managed with a consistent quality defensive mindset, but by our Fixed Income team, is our Core Bond strategy, which finished the quarter as the top percentile performing strategy against the universe of peer managers outperforming the core bond index by approximately 2%. We are pleased with the results of the above mentioned strategies and others that have performed well through this crisis. One significant benefit for us emanating from the crisis is the possible seeding of doubt about the growing momentum toward passive investing over active investing. During heightened market volatility, it provides the environment to remind investors of inherent risk with passive investing and the potential benefits available from skilled active management.

Over the past decade, Guardian has invested in a diverse set of investment teams with wide appeal across various types of clients and geographies. Investment strategies using skilled and proven fundamental processes or cutting-edge quantitative systems that have domain expertise with machine learning and artificial intelligence applications, have built a rich variety of investment solutions for single asset class products or multi-managed solutions. Our curiosity and interest as investors have cultivated a rich and diverse set of investment solutions which we believe are relevant to the current demands and needs of asset owners. Although we are unlikely to ever overshadow our passion for research and product development, our greater priority year-to-date has been the search for and focus on hiring senior and established professionals to build our distribution and client servicing capabilities in Canada and in select US and international geographies. We expect that adding such expertise will help us generate interest in our diverse product line in a wide selection of client segments which includes such traditional channels of focus as institutional public or private pension plans, endowments, family offices and third party retail intermediaries, as well as strategically focusing on segments of the direct retail advisor channel. In Q1, we welcomed several new senior business development individuals and we expect in the near future to add additional resources to further enhance our distribution capabilities. In doing so, we are expecting associated costs to rise but we ultimately see this as a valuable investment for future growth in revenues.

Financial Advisory

Worldsource, our Financial Advisory Segment, essentially serves two distinct types of independent financial advisors across Canada. It operates a mutual fund and securities dealership (the "Dealers") which focuses largely on independent financial advisors offering investment advice to their clients, and it operates a life insurance Managing General Agency (the "MGA") which is focused on servicing independent life insurance advisors. During 2019, the Dealers brought in several high quality, experienced people into senior management roles. We also continue to explore ways to bring more value to our advisors in the Dealers by introducing new technology, training, financing and investment capabilities and offerings to our advisors. It will take some time for these initiatives to produce meaningful financial benefits to Guardian but we continue to get positive feedback from our advisors, and positive flows into investment products we manage. Many of these initiatives have budgeted for higher costs as they are a prerequisite to ensuring resources are in place to successfully implement a more aggressive recruitment campaign to add independent advisors and institutional corporate advisor-led firms onto our platform. In the first quarter, Worldsource assets under administration declined to $18.1 billion from $20.2 billion on December 31 2019, which decline is in line with broad negative market returns in the first quarter.

IDC WIN, our MGA business, performed well once again, generally meeting our growth expectations despite the dislocation that the COVID-19 crisis created in the broad economy. It is important to remember that roughly two thirds of our MGA's revenues are recurring commission payments on renewal of insurance products sold in prior years. Advisors are still placing new business, and insurance companies are making it easier to place business electronically, potentially leading to improvements in the efficiency of our operations going forward. While we can reasonably expect some slowdown in new business, it is not significant at this time. We believe the current environment might even improve new business application submissions in the near-term, as clients have more time to consider the need for estate planning, highlighting the need to protect families from the risk of unexpected events affecting income-producing family members.

Corporate Securities

In addition to our core operating businesses, Investment Management and Financial Advisory, steady and reliable investment income from our corporate securities portfolio has been a meaningful contributor to Guardian's profitability and long term financial health. At quarter end, our investment portfolio was valued at $524 million, down from $682 million at the end of 2019, and it generated total dividend and interest income of $6.2 million. With the intention of improving our financial flexibility, and reducing risk during the pandemic, Guardian sold 600,000 shares of the Bank of Montreal ("BMO") for proceeds of almost $40 million during the quarter, and another 100,000 shares, subsequent to the quarter-end, for additional proceeds of $7.5 million. We also raised $30 million of liquidity from seed investments in strategies which performed relatively well during the market dislocation. Subsequent to the quarter-end, a portion of the proceeds was used to pay down over $69 million in bank borrowings. The current facilities now offer us approximately $100 million of available cash liquidity, which essentially was created through our efforts to de-risk our balance sheet. Our holding of BMO stock has been the most dominant source of dividend income, but it has been decreasing in importance as we have cautiously diversified from a high concentration in this investment over the last several years. As a result of the sales described above, we now hold under 40% of our securities position in BMO. In the first quarter, BMO dividends contributed $3.7 million to Guardian revenues, and given the recent sales 700,000 shares, such revenues are expected to be reduced accordingly in the quarters to follow. The balance of the portfolio is invested largely in short term fixed income securities, Global, Emerging Market and US equity strategies managed by various in-house portfolio management teams, and smaller but still significant holdings in our Canadian direct real estate fund, and other public and private investments. We will continue to utilize our balance sheet to seed new strategies, and to support growth in our respective operating business segments.

Capital Allocation

Quality companies generate strong cash flows and, as we grow these financial metrics, Guardian is committed to balancing the distribution of these cash flows between investing sufficient funds into the business for future growth and returning an ever-increasing amount of cash to its shareholders. Through the first three months of the year, Guardian has returned roughly $4.0 million to shareholders through dividends, while $2.1 million was spent on share buybacks. Guardian has historically focused and will continue to allocate its free cash flow on a combination of growth initiatives, dividend increases and share buybacks. With respect to share buybacks, there has been a fair bit of public debate on the subject, which has become even more of a focus during the stimulus and bailout packages resulting from the COVID-19 crisis. Many executive management teams of public companies have been reproached for prioritizing this capital allocation decision at the expense of increased leverage on the balance sheet or resisting further capital allocation toward growth investment for future business successes with the result that some companies have lost financial flexibility in times of crisis. Guardian's management team and Board of Directors remain committed to our buyback program and feel that buying back our shares has not diminished the quality of our balance sheet nor have we starved capital allocation for future growth initiatives. We have tried to balance all of the above, considering all of our constituents. If Guardian's shares continue to trade at a discount to their intrinsic value and we conclude that, absent significant regulatory or shareholder opposition, as stewards for all shareholders invested for the long-term, we will strategically continue to buy back more shares when the opportunity arises. Our April dividend was increased from $0.15 per share to $0.16 per share. The Board is pleased to report that we have again declared a quarterly dividend of $0.16 per share, payable on July 17, 2020 to the shareholders of record on July 10, 2020.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. Clients, Shareholders, Employees, Partners and other stakeholders of Guardian should be assured that, from top to bottom, our organization embraces the responsibilities with which we are entrusted very seriously, and is continuously striving to make improvements to all aspects of how we do business. COVID-19 has created an unprecedented crisis with few in society being spared from serious disruption. Based on our core values we are determined to maintain stability for all of our stakeholders and, in particular, to the approximately five hundred employees across Guardian, all of whom have had the opportunity to continue working with us throughout this crisis. The safety and support of our employees will remain a priority as we continue to serve the best interests of our clients. The consistency of delivering on our stated objectives along with the balancing of all stakeholders' interests through both good and challenging times is one further measure of the quality of institution which Guardian represents. As long as we continue to live up to these expectations, all of our stakeholders should expect to benefit from our success.

On behalf of the Board,	May 13, 2020
(signed) "James Anas"	(signed) "George Mavroudis"
Chairman of the Board	President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	**March 31 2020**	December 31 2019
ASSETS		
Current assets		
Cash	$ **35,438**	$ 34,198
Interest-bearing deposits with banks	**80,735**	107,253
Accounts receivable and other	**56,246**	62,542
Receivables from clients and broker	**71,931**	37,984
Income taxes receivable	**1,108**	1,163
Securities backing third party investor liabilities (note 3)	**9,594**	14,252
	255,052	257,392
Securities (note 4)	**524,254**	682,279
Other assets		
Deferred tax assets	**1,344**	1,328
Intangible assets	**142,105**	129,808
Equipment	**18,102**	18,513
Goodwill (note 5)	**42,486**	40,643
	204,037	190,292
Total assets	$ **983,343**	$ 1,129,963
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 6)	$ **131,504**	$ 113,729
Third party investor liabilities (note 3)	**9,594**	14,252
Client deposits	**79,393**	106,430
Accounts payable and accrued liabilities	**36,606**	70,929
Lease obligations	**2,819**	2,694
Income taxes payable	**8,793**	2,060
Payable to clients	**71,931**	38,073
	340,640	348,167
Lease obligations	**11,914**	12,364
Other liabilities (note 7)	**23,524**	20,091
Deferred tax liabilities	**31,822**	55,140
Total liabilities	**407,900**	435,762
EQUITY		
Shareholders' equity		
Capital stock (note 8a and 8b)	**18,646**	18,705
Treasury stock (note 9a)	**(30,724)**	(28,129)
Contributed surplus	**20,300**	20,008
Retained earnings	**515,696**	658,139
Accumulated other comprehensive income	**38,903**	14,054
	562,821	682,777
Other equity interests	**12,622**	11,424
Total equity	**575,443**	694,201
Total liabilities and equity	$ **983,343**	$ 1,129,963

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2020**	2019
Revenue		
Commissions revenue, gross	$ 40,518	$ 36,157
Commissions paid to advisors	(25,974)	(23,862)
	14,544	12,295
Management fees, gross	26,458	23,798
Fees paid to referring agents	(1,477)	(1,637)
	24,981	22,161
Administrative services income	4,169	3,988
Dividend and interest income (note 10)	6,207	5,847
Net revenue	49,901	44,291
Expenses		
Employee compensation and benefits	23,114	19,163
Amortization	4,332	3,313
Interest	922	1,126
Other expenses	10,720	9,513
	39,088	33,115
Operating earnings	10,813	11,176
Net gains (losses) (note 11)	(161,289)	65,883
Earnings (loss) before taxes	(150,476)	77,059
Income tax expense (recovery)	(15,565)	8,960
Net earnings (loss)	(134,911)	68,099
Other comprehensive income (loss)		
Net change in foreign currency translation on foreign subsidiaries	26,911	(5,775)
Comprehensive income (loss)	$ (108,000)	$ 62,324
Net earnings (loss) attributable to:		
Shareholders	$ (136,368)	$ 67,220
Non-controlling interests	1,457	879
	$ (134,911)	$ 68,099
Net earnings (loss) attributable to shareholders per Class A and Common share (note 12)		
Basic	$ (5.35)	$ 2.57
Diluted	(5.35)	2.43
Comprehensive income (loss) attributable to:		
Shareholders	$ (111,519)	$ 61,971
Non-controlling interests	3,519	353
Comprehensive income (loss)	$ (108,000)	$ 62,324

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31 *($ in thousands)*	2020	2019
Total equity, beginning of period	$ 694,201	$ 611,979
Shareholders' equity, beginning of period	682,777	599,311
Capital stock, beginning of period	18,705	19,060
Acquired and cancelled (note 8c)	(59)	--
Capital stock, end of period	18,646	19,060
Treasury stock, beginning of period	(28,129)	(25,235)
Acquired (note 9a)	(2,941)	(2,995)
Disposed of (note 9a)	346	--
Treasury stock, end of period	(30,724)	(28,230)
Contributed surplus, beginning of period	20,008	17,600
Stock-based compensation expense	638	523
Redemption of equity-based entitlements	(346)	--
Contributed surplus, end of period	20,300	18,123
Retained earnings, beginning of period	658,139	560,479
Initial application of new accounting standard	--	767
Adjusted balance, beginning of period	658,139	561,246
Net earnings (loss)	(136,368)	67,220
Dividends declared and paid (note 8d)	(4,007)	(3,410)
Capital stock acquired and cancelled (note 8c)	(2,060)	--
Other	(8)	--
Retained earnings, end of period	515,696	625,056
Accumulated other comprehensive income, beginning of period	14,054	27,407
Other comprehensive income (loss)	24,849	(5,249)
Accumulated other comprehensive income, end of period	38,903	22,158
Shareholders' equity, end of period	562,821	656,167
Other equity interests, beginning of period	11,424	12,668
Non-controlling interests, beginning of period	31,515	31,674
Initial application of new accounting standard	--	96
Adjusted balance, beginning of period	31,515	31,770
Net earnings	1,457	879
Other comprehensive income (loss)	2,062	(526)
Dividends declared and paid	(436)	(709)
Other	18	--
Acquisition of subsidiary (note 16)	1,530	--
Non-controlling interests, end of period	36,146	31,414
Obligations to non-controlling interests, beginning of period	(20,091)	(19,006)
On acquisition of subsidiary	(648)	--
Change during period	(2,785)	(69)
Obligations to non-controlling interests, end of period	(23,524)	(19,075)
Other equity interests, end of period	12,622	12,339
Total equity, end of period	$ 575,443	$ 668,506

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31 *($ in thousands)*	2020	2019
Operating activities		
Net earnings (loss)	$ (134,911)	$ 68,099
Adjustments for:		
Income taxes (paid)	(233)	(3,113)
Income tax expense (recovery)	(15,565)	8,960
Net (gains) losses	161,289	(65,883)
Amortization of intangible assets	3,276	2,493
Amortization of equipment	1,056	820
Stock-based compensation	638	523
Other non-cash expenses	--	38
	15,550	11,937
Net change in non-cash working capital items (note 14)	(11,300)	(17,264)
Net cash from (used in) operating activities	4,250	(5,327)
Investing activities		
Net disposition of securities	14,464	13,188
Income taxes (paid)	(2,690)	--
Net acquisition of securities backing third party investor liabilities	(5,008)	(1,341)
Acquisition of intangible assets	(2,839)	(4,136)
Acquisition of equipment	(216)	(180)
Disposition of intangible assets	461	1,306
Acquisition of subsidiaries (note 16)	(15,253)	--
Net cash from (used in) investing activities	(11,081)	8,837
Financing activities		
Dividends paid to shareholders	(4,007)	(3,410)
Dividends paid to non-controlling interests	(436)	(709)
Acquisition and cancellation of capital stock (note 8c)	(2,119)	--
Acquisition of treasury stock (note 9a)	(2,941)	(2,995)
Disposition of treasury stock (note 9a)	346	--
Net proceeds of bank loan and bankers' acceptances	26,184	4,638
Principal payments on lease obligations	(548)	(498)
Net funds from third party investors in consolidated mutual funds	5,008	1,341
Payment to non-controlling interest for shares acquired in prior period	(995)	--
Net cash from (used in) financing activities	20,492	(1,633)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	1,246	287
Net change in net cash	14,907	2,164
Net cash, beginning of period	20,531	25,177
Net cash, end of period	$ 35,438	$ 27,341
Net cash represented by:		
Cash	$ 35,438	$ 33,522
Bank indebtedness	--	(6,181)
	$ 35,438	$ 27,341

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, 2019. 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, 2019, which are included in the Company's 2019 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 2019 comparative financial information in order to conform to the current period's presentation. In note 13(a) Business segments, the Company reclassified certain Other expenses to Employee compensation and benefits. The items reclassified were recoveries by the Corporate Activities and Investments segment from the other two business segments pertaining to employee compensation and benefits.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on May 13, 2020.

3. SECURITIES BACKING THIRD PARTY INVESTOR LIABILITIES AND THIRD PARTY INVESTOR LIABILITIES

Securities backing third party investor liabilities represent the third party investors' proportionate interests in the assets of consolidated investment funds. These securities are classified as fair value through the profit or loss and are categorized as Level 1, based upon the fair value hierarchy.

Third party investor liabilities represent third party investors' proportionate ownership interests in the consolidated funds. The liabilities are payable on redemption of the units of the funds by the third party investors and will be settled with the proceeds from the disposition of securities backing third party investor liabilities. The value of the liabilities is equal to and varies with the value of the securities backing third party investor liabilities. These liabilities are classified as fair value through the profit or loss and are categorized as Level 1, based upon the fair value hierarchy.

4. SECURITIES

(a) Classification of securities

An analysis of the Company's securities by classifications and by the type of security is as follows:

As at	March 31 2020	December 31 2019
Fair value through profit or loss:		
Short-term securities (i)	$ 70,237	$ 14,725
Fixed-income securities (i)	18,711	18,049
Bank of Montreal common shares (ii)	205,378	351,750
Other equity securities (i) (iii)	201,905	270,391
Real estate fund (iii)	23,023	22,364
	519,254	677,279
Amortized cost securities (iv)	5,000	5,000
	$ 524,254	$ 682,279

(i) These securities may include units of investment funds in addition to individual securities.
(ii) Details of sales of Bank of Montreal common shares are as follows:

For the three months ended March 31	2020	2019
Shares sold	600	100
Proceeds	$ 39,307	$ 9,810

Subsequent to March 31, 2020, an additional 100 Bank of Montreal common shares were sold for proceeds of $7,503 and used the proceeds to reduce bank borrowings.

(iii) The Company's outstanding capital commitments for future investments are as follows:

For the three months ended March 31	2020	2019
Real Estate fund managed by subsidiary		
Commitment, beginning of period	$ 16,040	$ 17,886
Called capital	(668)	(396)
Commitment, end of period	15,372	17,490
Private equity fund		
Commitment, beginning of period	10,031	10,370
Called capital	--	--
Commitment, end of period	10,031	10,370
	$ 25,403	$ 27,860

(iv) Amortized cost securities are an investment in term preferred shares which mature on January 2, 2026 and have a dividend yield of 9% per annum.

(b) Fair value hierarchy

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

As at	March 31 2020	December 31 2019
Level 1	$ 443,513	$ 596,065
Level 2	62,293	65,395
Level 3	13,447	15,819
	$ 519,253	$ 677,279

During 2020 and 2019, there have been no transfers of securities between Levels.

(c) Analysis of Level 3 securities

The change in the fair value of Level 3 securities is as follows:

For the three months ended March 31	2020	2019
Securities categorized as Level 3, beginning of period	$ 15,819	$ 14,726
Change in fair value	(3,335)	1,338
Foreign exchange translation adjustments	963	(209)
Securities categorized as Level 3, end of period	$ 13,447	$ 15,854

5. GOODWILL

Due to the significant downturn in the global financial markets caused by the COVID 19 pandemic and the resulting decrease in the Company's Assets Under Management ("AUM"), the Company conducted an assessment of its goodwill associated with its investment management business. The Company reviewed goodwill associated with its financial advisory business for indications of impairment due to decreases in assets under administration and the Company determined the decrease was not significant enough to be an indication of impairment, therefore the Company did not conduct an assessment of this goodwill.

The carrying amount of goodwill that has been allocated to the relevant cash generating units ("CGU") for this assessment are as follows:

As at	March 31 2020	December 31 2019
Financial Advisory		
Mutual fund distributor	$ 4,227	$ 4,227
Life insurance managing general agency	16,481	16,481
Investment management		
UK based manager	888	888
USA based manager	20,890	19,047
	$ 42,486	$ 40,643

A CGU is considered impaired if its recoverable amount is less than its carrying value. The recoverable amount is the higher of the estimated fair value less the cost to sell ("FVLCTS") or the value in use ("VIU"), as determined by the net present value of the expected cash flows generated by the unit. The Company is not expected to calculate the recoverable amounts under both methods if one of the methods exceeds the carrying value. The Company's primary test in prior periods had been to estimate the FVLCTS of the CGU using a percentage of AUM.

As at March 31, 2020, the assessment on the US-based manager using this multiple of AUM method indicated that estimated FVLCTS of the CGU was less than the carrying value by $4,317. As a result, the Company was required to assess the goodwill in this unit using the VIU method. The net present value of the expected cash flow the Company used in calculating the VIU was a multi-year projection of cash flows based on current levels of AUM and assumptions on market appreciation, net sales and operating margins. The Company also employed a similar assessment method with the UK-based manager.

Based on the VIU method, the Company determined that these units were not impaired at March 31, 2020. The most significant and sensitive assumption used in the assessments were the discount rates, which were11.85% for the US-based manager and 13.19% for the UK-based manager. An increase in the discount rate by 35 bps used in the evaluation of the US-based manager CGU, with all other assumptions held constant, would have resulted in the VIU use equaling the unit's carrying value. A similar increase in the discount rate used in the evaluation of the UK-based manager CGU would not have had a significant impact.

6. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at			March 31 2020		December 31 2019
Bank indebtedness		$	--	$	13,667
Bankers' acceptances payable:	Canadian dollar		73,147		52,601
	US dollar		58,357		47,461
		$	131,504	$	113,729

The bankers' acceptances have maturities of one month or less and bear interest at rates negotiated in the bankers' acceptance market plus 0.50% for Canadian dollar borrowings, and at LIBOR plus 0.50% for US dollar borrowings. During the quarter, the Company increased borrowing limits of one of its facilities by $5,000. Subsequent to current period end, the Company reduced its bankers' acceptances payable by $69,354 using primarily the proceeds from disposition of its short-term securities and Bank of Montreal common shares. Other terms remained unchanged.

7. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at		March 31 2020		December 31 2019
Obligations to non-controlling interests				
Alta (i)	$	22,868	$	20,091
Modern Advisor (ii)		656		--
	$	23,524	$	20,091

i) The minority shareholders of Alta Capital Management, LLC ("Alta") may sell their interests in Alta to the Company in the future at prices determined based on the level of revenue achieved by Alta at that time. The obligation is an estimated present value of the payments potentially required on the earliest date the option becomes exercisable and due, discounted at 11.6%. The options are exercisable at certain times between January 2, 2023 and January 2, 2038.

ii) The minority shareholders of the recently acquired Modern Advisor Canada Inc. ("Modern Advisor") may sell their interests in Modern Advisor to the Company in the future at prices determined based on certain earnings before interest, taxes, depreciation and amortization achieved by the Modern Advisor at that time. The obligation is an estimated present value of the payments potentially required on the earliest date the option becomes exercisable and due, discounted at 15.5%. The options are exercisable at certain times between March 31, 2025 and March 31, 2035.

8. 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

A summary of the changes in the Company's capital stock is as follows:

For the three months ended March 31	2020			2019		
	Shares		Amount	Shares		Amount
Class A shares						
Outstanding, beginning of period	24,944	$	18,006	25,186	$	18,282
Acquired and cancelled	(81)		(59)	--		--
Converted from common	--		--	91		22
Outstanding, end of period	24,863		17,947	25,277		18,304
Common shares						
Outstanding, beginning of period	2,895		699	3,219		778
Acquired and cancelled	--		--	--		--
Converted into class A	--		--	(91)		(22)
Outstanding, end of period	2,895		699	3,128		756
Total outstanding, end of period	27,758	$	18,646	28,405	$	19,060

(c) Issuer bid

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

For the three months ended March 31		2020		2019
Shares purchased and cancelled				
Class A		81		--
Common		--		--
Consideration paid	$	2,119	$	--
Less average issue price, charged to share capital		59		--
Excess consideration charged to retained earnings	$	2,060	$	--

Under the current NCIB, which commenced on November 21, 2019 and expires on November 20, 2020, the Company may purchase up to 156 common shares and 1,883 class A shares. In addition to the shares purchased and canceled in the current period, the Company had purchased and cancelled 117 common shares under the current NCIB in the period prior to December 31, 2019.

(d) Dividends

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

For the three months ended March 31		2020		2019
Dividends declared and paid, per share	$	0.150	$	0.125

The Company has also declared dividends of $0.16 per share payable on April 17, 2020 and July 17, 2020, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

9. TREASURY STOCK

The Company provides stock-based entitlements to certain senior employees of the Company through an Employee Profit Sharing Plan Trust (the "EPSP Trust"). The EPSP Trust purchases and holds shares of the Company related to the stock-based entitlements, which are in the form of either equity-based entitlements or option-like entitlements, and the shares are accounted for as treasury stock. The purchases are financed by a bank loan facility from a major chartered bank, which is secured by the shares held by the EPSP Trust and a guarantee issued by the Company.

(a) Changes in treasury stock

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

For the three months ended March 31	2020			2019		
	Shares		Amount	Shares		Amount
Balance, beginning of period	2,298	$	28,129	2,173	$	25,235
Acquired	109		2,941	130		2,995
Disposed	(24)		(346)	--		--
Balance, end of period	2,383	$	30,724	2,303	$	28,230

The treasury stocks were disposed for proceeds equal to their cost.

As at March 31, 2020, the treasury stock was composed of 30 common shares (2019 – 30) and 2,353 class A shares (2019 – 2,268).

(b) Equity-based entitlements

Equity-based entitlements allow the employees to purchase shares of the Company from the EPSP Trust at zero cost, subject to predetermined vesting arrangements and other conditions.

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

For the three months ended March 31	2020	2019
Equity-based entitlements, beginning of period	1,171	1,045
Provided	109	130
Exercised	(24)	--
Equity-based entitlements, end of period	1,256	1,175

During the three months ended March 31, 2020, the equity-based entitlements provided had a fair value of $2,941 (2019 - $2,995).

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

(c) Option-like entitlements

The option-like entitlements allow the employees to purchase shares of the Company from the EPSP Trust for an amount that is equal to the amount of borrowings pertaining to those shares, subject to predetermined vesting arrangements and other conditions. Due to the nature of these entitlements and the conditions attached to them, the contractual life of the entitlement is indeterminable.

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

For the three months ended March 31	2020			2019		
	Shares		Weighted average exercise price	Shares		Weighted average exercise price
Option-like entitlements, beginning of period	1,127	$	9.64	1,128	$	9.64
Exercised	--		--	--		--
Option-like entitlements, end of period	1,127	$	9.64	1,128	$	9.64

No option-like entitlements were provided in 2020 or 2019.

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.

10. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31		2020		2019
Dividends on Bank of Montreal shares	$	3,710	$	3,650
Other dividends		1,328		878
Dividend income		5,038		4,528
Interest income		1,169		1,319
	$	6,207	$	5,847

11. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the three months ended March 31		2020		2019
Bank of Montreal common shares	$	(107,065)	$	39,600
Other securities		(48,629)		24,854
Net gains (losses) on securities (i)		(155,694)		64,454
Net gains (losses) on disposal of intangible assets		338		303
Net foreign exchange gains (losses) (ii)		(5,933)		1,126
	$	(161,289)	$	65,883

(i) Net gains (losses) on securities are a result of net amounts realized on disposal and changes in fair value of securities, securities backing third party investor liabilities, and the third party investor liabilities.

(ii) Foreign exchange gains (losses) arise from monetary assets and liabilities denominated in currencies, which are different from the functional currency of Guardian or its subsidiaries.

12. CALCULATIONS OF EARNINGS (LOSS) PER SHARE

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

For the three months ended March 31		2020		2019
Weighted average number of Class A and common shares outstanding:				
Basic		25,498		26,152
Effects of outstanding entitlements from stock-based compensation plans		--		1,605
Diluted		25,498		27,757
Net earnings (loss) attributable to shareholders:				
Basic	$	(136,368)	$	67,220
Effects of outstanding entitlements from stock-based compensation plans		--		128
Diluted	$	(136,368)	$	67,348

13. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Financial Advisory, which relates to the earning of commissions from the sale of life insurance products, mutual funds and other securities, and the continuing service commissions related to these products; and c) 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.

(a) Business segments

The following tables disclose certain information about the Company's operations by business segment:

For the three months ended March 31	Investment Management 2020	Investment Management 2019	Financial Advisory 2020	Financial Advisory 2019	Corporate Activities and Investments 2020	Corporate Activities and Investments 2019	Inter-Segment Transactions 2020	Inter-Segment Transactions 2019	Consolidated 2020	Consolidated 2019
Net revenue										
Commission revenue	$ --	$ --	$ 41,418	$ 36,773	$ --	$ --	$ (900)	$ (616)	$ 40,518	$ 36,157
Commissions paid to advisors	--	--	(25,974)	(23,862)	--	--	--	--	(25,974)	(23,862)
Net commission revenue	--	--	15,444	12,911	--	--	(900)	(616)	14,544	12,295
Management fees	26,748	24,063	--	--	--	--	(290)	(265)	26,458	23,798
Fees paid to referring agents	(2,377)	(2,253)	--	--	--	--	900	616	(1,477)	(1,637)
Net management fees	24,371	21,810	--	--	--	--	610	351	24,981	22,161
Administrative services income	1,828	1,818	2,328	2,157	13	13	--	--	4,169	3,988
Dividend and interest income	307	237	608	618	5,078	4,930	214	62	6,207	5,847
	26,506	23,865	18,380	15,686	5,091	4,943	(76)	(203)	49,901	44,291
Expenses										
Employee compensation	13,920	11,752	7,638	6,269	1,556	1,142	--	--	23,114	19,163
Amortization	1,759	1,560	2,291	1,481	282	272	--	--	4,332	3,313
Interest	37	73	183	315	709	896	(7)	(158)	922	1,126
Other expenses	5,519	5,158	4,674	4,305	596	95	(69)	(45)	10,720	9,513
	21,235	18,543	14,786	12,370	3,143	2,405	(76)	(203)	39,088	33,115
Operating earnings	5,271	5,322	3,594	3,316	1,948	2,538	--	--	10,813	11,176
Net gains (losses)	(631)	79	348	288	(161,006)	65,516	--	--	(161,289)	65,883
Net earnings (loss) before income taxes	4,640	5,401	3,942	3,604	(159,058)	68,054	--	--	(150,476)	77,059
Income tax expense (recovery)	1,526	1,122	1,100	1,037	(18,191)	6,801	--	--	(15,565)	8,960
Net earnings (loss)	$ 3,114	$ 4,279	$ 2,842	$ 2,567	$ (140,867)	$ 61,253	$ --	$ --	$ (134,911)	$ 68,099
Net earnings (loss) attributable to:										
Shareholders	$ 2,155	$ 3,876	$ 2,344	$ 2,091	$ (140,867)	$ 61,253	$ --	$ --	$ (136,368)	$ 67,220
Non-controlling interests	959	403	498	476	--	--	--	--	1,457	879
	$ 3,114	$ 4,279	$ 2,842	$ 2,567	$ (140,867)	$ 61,253	$ --	$ --	$ (134,911)	$ 68,099
Additions to segment assets										
Intangible assets	$ 7,261	$ 538	$ 2,363	$ 3,543	$ --	$ 55	$ --	$ --	$ 9,624	$ 4,136
Equipment	70	--	31	34	165	147	--	--	266	180
Goodwill	--	--	--	--	--	--	--	--	--	--

As at March 31, 2020 and December 31, 2019	Investment Management 2020	Investment Management 2019	Financial Advisory 2020	Financial Advisory 2019	Corporate Activities and Investments 2020	Corporate Activities and Investments 2019	Inter-Segment Transactions 2020	Inter-Segment Transactions 2019	Consolidated 2020	Consolidated 2019
Segment assets and liabilities:										
Assets	$ 234,172	$ 251,369	$ 200,777	$ 172,613	$ 593,168	$ 756,709	$ (44,774)	$ (50,728)	$ 983,343	$ 1,129,963
Liabilities	131,312	165,908	148,265	122,574	173,097	198,008	(44,774)	(50,728)	407,900	435,762

(b) Geographic segments

The Company's business units operate in various geographic regions. The Company attributes revenues generated by a business unit to the geographic region based on where that business unit resides. The following tables disclose certain information about the Company's operations by geography:

	Canada 2020	Canada 2019	Rest of the World 2020	Rest of the World 2019	Inter-Segment Transactions 2020	Inter-Segment Transactions 2019	Consolidated 2020	Consolidated 2019
For the three months ended March 31								
Net revenue	$ 39,094	$ 36,119	$ 12,435	$ 8,290	$ (1,628)	$ (118)	$ 49,901	$ 44,291
As at March 31, 2020 and December 31, 2019								
Non-current assets:								
Intangible assets	$ 76,680	$ 68,966	$ 65,425	$ 60,842	$ --	$ --	$ 142,105	$ 129,808
Equipment	13,814	14,289	4,288	4,224	--	--	18,102	18,513
Goodwill	20,709	20,709	21,777	19,934	--	--	42,486	40,643

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the three months ended March 31		2020		2019
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	$	30,518	$	12,265
Accounts receivable and other		3,995		(4,442)
Receivables from clients and broker		(33,947)		16,673
Increase (decrease) in non-cash working capital liabilities:				
Client deposits		(31,007)		(12,175)
Accounts payable and other		(14,717)		(16,873)
Payable to clients		33,858		(12,712)
	$	(11,300)	$	(17,264)

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 $205,378 (December 31, 2019 – $351,750) investment in the Bank of Montreal shares, which represents 39% (December 31, 2019 – 52%) of the Company's securities. 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 gain or loss of $20,538 (December 31, 2019 - $35,175) being recorded in net gains.

(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
Price risk, the risk of a gain or loss resulting from movements in the price of securities, arises when the Company invests in securities. The Company is exposed to price risk with its investment in equity securities. Changes in the fair values of its securities are recognized in net gains (losses) and can have a significant impact on net earnings (loss) attributable to shareholders. This risk is managed through the use of professional in-house expertise, which takes a disciplined approach to investment management. The securities holdings, excluding the Bank of Montreal shares, are diversified by asset class and, as shown in the chart below, by geographical region. The chart also indicates the gain or loss which would be recognized in net earnings as a result of a 10% change in the market prices:

		Securities classified as fair value through the profit and loss		Gain or loss recognized from a 10% change in fair value
As at March 31, 2020				
Canada	$	36,090	±$	3,609
Rest of World		188,838		18,884
	$	224,928	±$	22,493
As at December 31, 2019				
Canada	$	39,437	±$	3,944
Rest of World		253,318		25,332
	$	292,755	±$	29,276

This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The Company's securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and by geographical region. The price risk associated with Securities backing third party investor liabilities and Third party investor liabilities are equal to and offsetting as a result, they have been excluded from the above analysis.

The impact of COVID 19 pandemic on the world economies and financial markets have made valuation of certain securities more difficult, especially those with little or no market transactional volumes. In such circumstances, normal market assumptions may not be reasonable. As such, estimated fair values of certain securities held by the Company, at the end of the current period, may be materially different from those that may be realized in an arm's length market transaction.

ii) Currency risk
Currency risk, the risk of gain or loss resulting from the movements in currency exchange rates, arises when the Company or one of its subsidiaries is party to financial instruments which are denominated in a currency which is different from its functional currency. The Company's most significant exposure to currency risk is as follows:

As at		March 31 2020		December 31 2019
Bank loans and borrowings	$	58,357	$	47,461

The Company's currency risk is primarily related to the USD borrowings used to finance the purchase of a US-based subsidiary. This risk is mitigated by the USD cash flows which are generated by the US-based subsidiary which was acquired. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of $5,836 (2019 – $4,746) being recognized in net earnings.

From time to time, a foreign subsidiary may hold an unhedged position in Canadian dollar, which can result in foreign exchange gains or losses in that subsidiary. Upon translation of their results on consolidation, the Company will recognize an equal and offsetting foreign currency translation adjustment 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
Interest rate risk, the risk of increased or decreased income and expense or gain or loss resulting from changes in interest rates, arises when the Company is party to an interest-bearing financial instrument. The Company's significant exposure to interest rate risk is as follows:

As at		March 31 2020		December 31 2019
Interest rate sensitive assets:				
Interest-bearing deposits with banks	$	80,735	$	107,253
Short term securities		70,236		14,725
Fixed-income securities		18,711		18,049
Amortized cost securities		5,000		5,000
	$	174,682	$	145,027
Interest rate sensitive liabilities:				
Bank loans and borrowings	$	131,504	$	113,729
Client deposits		79,393		106,430
	$	210,897	$	220,159

The Company's most significant exposure to interest rate risk is through its bank loans and borrowings as detailed above. The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. The Company's investment in short-term securities partially offsets this risk.

The Company holds $18,711 (2019 – $18,049) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed-income securities is managed first by the Company, which selects appropriate fixed-income funds for various interest rate environments, and then by the subsidiary, which manages the funds selected in accordance with each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities. The interest rate risk associated with the Company's investment in amortized cost securities is minimal, as the Company intends to hold this investment until maturity. Should the Company change its intention and dispose of the investment prior to maturity, it will be exposed to a gain or loss from changes in interest rates at that time.

(c) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to another 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 2020		December 31 2019
Cash	$	35,438	$	34,198
Interest-bearing deposits with banks		80,735		107,253
Accounts receivable and other		56,246		61,402
Receivables from clients and broker		71,931		37,984
Short-term securities		70,236		14,725
Fixed-income securities		18,711		18,049
Amortized cost securities		5,000		5,000
	$	338,297	$	278,611

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 Accounts receivable and other are generally amounts due from customers, and the credit risk is low due to the nature of the Company's customers. The accounts receivable may also include amounts that the Company is owed from advisors for advances or commission reversals. The credit risk associated with these amounts is mitigated by management's review of the advisors' ability to repay the advances or commission reversals, particularly, before amounts are paid to the advisors. The credit exposure on Receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company's investment in fixed-income securities are managed by the periodic monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the fund's investments, manages the fund's credit risk. The short-term securities are government treasury bills, investments in money market funds which hold government treasury bills or investment-quality securities with very short duration and low credit risk. The credit risk on the investment in the amortized cost security was minimized by a careful and through examination of the borrower's business by the Company and its in-house investment professionals.

(d) Liquidity risk
Liquidity risk, the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities arises when the Company has insufficient resources to meet its obligations as they come due. The Company is exposed to liquidity risk because it has significant obligations which are due within one year. The Company manages this financial risk by managing its cash flows from operations, maintaining a portfolio of liquid securities, and by arranging for significant borrowing facilities, which are secured by collateral, with two major Canadian banks. During the quarter, the Company took measures to increase the liquidly of is securities holdings by selling certain equity securities and investing the proceeds in short-term securities. Subsequent to the quarter-end, the Company sold a portion of its short-term securities and Bank of Montreal common shares and used the proceeds to repay $69,354 of bank borrowings. After these repayments the Company's available borrowing capacity was approximately $100,000.

16. ACQUISITIONS

(a) Modern Advisor Canada Inc.
On February 28, 2020, the Company acquired an approximately 71% interest in Modern Advisor Canada Inc. ("Modern Advisor"), a leading Canadian digital platform. The primary reason for acquiring Modern Advisor is to obtain an established digital platform, which will allow the Company to service clients and distribute investment products in this increasingly important medium. The key employees of Modern Advisor have entered into new employment agreements with the Company.

The total consideration for the transaction was $3,722, which was comprised of $3,545 paid on closing and a deferred payment of $177 paid at the end of April 2020.

The provisional accounting for the transaction is as follows:

Fair of consideration		
Cash	$	3,545
Deferred payment		177
	$	3,722
Fair value of the identifiable net assets acquired		
Intangibles - software	$	5,309
Intangibles - customer relaltions and other		1,759
Net working capital and other (including cash of $28)		59
Right of use asset		44
Lease obligation		(46)
Deferred taxes		(1,873)
Fair value of the identifiable net assets acquired		5,252
Non-controlling interests		(1,530)
	$	3,722

The acquisition accounting is provisional, as the Company is still in the process of finalizing the fair value of identifiable net assets acquired and determining any deferred tax liabilities. The non-controlling interests recognized on acquisition are at their proportionate interest in the fair value of the identifiable net assets acquired.

As part of the transaction, the Company provided an option to the minority shareholders of Modern Advisor to sell their remaining interests in Modern Advisor, and the Company received an option to buy the remaining minority interest in Modern Advisor on the same terms and conditions. These options become exercisable commencing on the fifth anniversary of the acquisition and expire on the 10th anniversary of the acquisition, and have exercise prices which are determined based on the level of certain earnings before interest, taxes and depreciation and amortization achieved by Modern Advisor. The Company has recognized a liability of $648 in respect of the options held by the non-controlling interests, based on the estimated present value of the expected payment required by the Company on the earliest date the options become exercisable.
Modern Advisor's contribution to the Company since acquisition is as follows:

For the three months ended March 31, 2020		
Net revenues	$	48
Net earnings & comprehensive income		(122)
Net earnings & comprehensive income attributable shareholders		(87)

Had the acquisition occurred on January 1, 2020, the Company estimates that its consolidated net revenue and net loss would have been $144 and ($366) respectively.

(b) Cash payments in respect of prior acquisitions
During the quarter, the Company made the following cash payments in respect of acquisitions which had been completed in prior periods:

For the three months ended March 31		2020		2019
Alta Capital Management LLC	$	6,492	$	--
Aurrea Signature Inc.		5,244		--
	$	11,736	$	--

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 for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the period ended March 31, 2020 and the comparative periods in the year 2019, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2019 Annual Report and 2019 quarterly reports previously issued. This discussion and analysis has been prepared as of May 13, 2020.

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: investment management, financial advisory, and corporate activities and investments. The institutional investment management business is operated through the Toronto, Ontario-based Guardian Capital LP "(GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap") and Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta"). In addition, Private wealth management business is operated through Guardian Capital Advisors LP ("GCA"), international private bank through Alexandria Bancorp Limited ("ABL"), and the recently acquired robo-advisory business through Modern Advisor Canada Inc. (Modern Advisor"). The financial advisory business is operated through IDC Worldsource Insurance Network Inc. ("IDC WIN"), our insurance managing general agency ("MGA"), and Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"). Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. As at March 31, 2020, Guardian had $27.5 billion of assets under management ("AUM") and $18.2 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which had a fair value of $524 million at the end of the quarter.

USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA per share, adjusted cash flow from operations, adjusted cash flow from operations per share, equity per share, and securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results. On pages 26 and 27 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

SIGNIFICANT EVENTS

During the current quarter, the COVID-19 pandemic caused a series of events which led to significant disruptions in the global financial markets and economies. The S&P/TSX Composite Index declined 20.9 %, S&P 500 Total Return Index declined 19.6% (in USD) and MSCI World Index declined 21.05% (in USD) during the same period. Although Guardian was not immune to the negative impact, its operating segments have shown resiliency during this challenging period. The diversification of Guardian's businesses and revenue sources has helped to shield its Operating earnings from the full impact of the pandemic. Over 30% of Operating earnings is generated from IDC WIN, which is less influenced by the fluctuations in the financial markets, and a steady stream of dividend income provided by the Securities portfolio, reducing the effects of the negative market performance on revenues and Operating earnings from other businesses. In addition, the growth in the GuardCap subsidiary continued throughout the quarter, despite the challenging financial market environment, finishing the quarter with $4.5 billion in Fundamental Global Equity AUM, an increase of $0.5 billion during the quarter. As a result, GuardCap was able to deliver another historic highs in both Net management fees and Operating earnings. The significant and rapid decline in the public equities markets towards the end of Q1 2020, especially its impact on the value of Bank of Montreal shares, posed the greatest stress to Guardian's financial position and results. The write down in the fair value of the Securities, resulted in significant Net losses being recorded in the current quarter. The Net losses in the current quarter were largely unrealized losses. The extent to which Guardian's business, financial condition and results of operations will continue to be impacted by the COVID-19 pandemic is highly uncertain and will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions.

On March 16, 2020, Guardian initiated its business continuity plan ("BCP") in response to the public health guidelines on physical distancing issued by the various levels of governments in Canada and abroad. To protect its employees, they were transitioned to work remotely from their homes at that time. As a result, substantially all of the employees continue to work safely from their homes and are fully operational. The transition to the BCP was smooth, with no material interruptions to our day-to-day operations.

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31 *($ in thousands, except per share amounts)*	**2020**	2019
Net revenue	**$ 49,901**	$ 44,291
Expenses	**39,088**	33,115
Operating earnings	**10,813**	11,176
Net gains (losses)	**(161,289)**	65,883
Net earnings (loss) before income taxes	**(150,476)**	77,059
Income tax expense (recovery)	**(15,565)**	8,960
Net earnings (loss)	**$ (134,911)**	$ 68,099
Net earnings (loss) attributable to shareholders	**$ (136,368)**	$ 67,220
EBITDA	**14,370**	14,509
Adjusted cash flow from operations	**13,320**	10,504
Diluted per share amounts		
Net earnings (loss) attributable to shareholders	**$ (5.35)**	$ 2.43
EBITDA	**0.53**	0.53
Adjusted cash flow from operations	**0.49**	0.38

As at *($ in millions, except per share amounts)*	**2020** **March 31**	2019 December 31	 March 31
Assets under management	**$ 27,527**	$ 31,147	$ 29,621
Assets under administration	**18,152**	20,248	18,745
Shareholders' equity	**563**	683	656
Securities	**524**	682	674
Diluted per share			
Shareholders' equity	**$ 20.94**	$ 25.01	$ 23.66
Securities	**19.50**	24.99	24.30

RESULTS OF OPERATIONS

For the quarter ended March 31, 2020, Guardian's Operating earnings were $10.8 million, a 3% decrease from the $11.2 million reported for the same quarter in 2019. The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were $5.3 million, substantially unchanged from the same quarter in the prior year. Our UK-based subsidiary, GuardCap, continued to experience a healthy inflow of new client assets and continued to contribute increasing Operating earnings. The new assets continue to diversify the geographic reach of this subsidiary's clients. Offsetting this increase were lower Operating earnings in other businesses within this Segment. The lower AUM caused by the significant market downturn resulted in lower revenues and lower Operating earnings within these businesses. Guardian's overall AUM were $27.5 billion as at March 31, 2020, a 7% decrease from $29.6 billion a year earlier.

The Financial Advisory Segment's Operating earnings in the current quarter were $3.6 million, compared to $3.3 million in the same quarter in the prior year. The increase in Operating earnings for this Segment can be attributed mainly to an increased contribution from the MGA, IDC WIN. IDC WIN's Net commission revenues were not significantly affected by the COVID-19 disruptions. The growth in annual servicing commission revenues helped drive the growth in Operating earnings. This revenue stream is earned on the renewal of life insurance policies sold in prior years, and is less influenced by the fluctuations in the financial markets. The increased Operating earnings for the Segment were delivered while continuing to invest in the Dealers business. As discussed in prior periods, we expect elevated levels of expenses to continue in the near term, as we make enhancements to the technology platform and add additional resources to enhance advisor experience.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were $1.9 million, compared to $2.5 million during the same quarter in the prior year. The Segment's compensation expenses and costs associated with consolidated investment funds increased compared to the prior year. The compensation costs increased due largely to the additions of senior associates during the latter half of 2019 and in early 2020 to better support our operating businesses. The investment fund-related expenses are costs incurred by the investment funds Guardian has seeded to support the operating businesses.

Net losses in the current quarter were $161.3 million, compared to a Net gain of $65.9 million in the same quarter in the prior year. The downturn in the global financial markets in the current quarter, in reaction to the COVID-19 pandemic, caused a significant decrease in the fair value of the Securities portfolio. These losses were largely unrealized losses.

During the current quarter, Guardian reallocated a portion of its equity exposure in the Securities portfolio into short-term, fixed-income securities. This reallocation included disposing of 600,000 shares of the Bank of Montreal ("BMO") and investing the proceeds in treasury bills.

The Net loss attributable to shareholders were $136.4 million, compared to Net earnings of $67.2 million in the prior year. The decrease was largely due to the significant Net losses in the current quarter, as described above.

EBITDA for the quarter was $14.4 million, largely unchanged from the $14.5 million for the same period in 2019. Adjusted cash flow from operations for the quarter was $13.3 million, a 27% increase compared to $10.5 million in the same period in 2019. The increase in Adjusted cash flow from operations was due largely to lower income tax installments paid in the current quarter, compared to the prior year.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at	2020	2019	
($ in millions)	March 31	December 31	March 31
Assets under management			
Institutional			
Canadian equities	$ 6,722	$ 8,937	$ 9,870
Global equities	10,996	11,528	9,728
Fixed income	6,794	7,465	6,957
	24,513	27,930	26,555
Private wealth and international private banking	3,014	3,217	3,066
Total assets under management	$ 27,527	$ 31,147	$ 29,621
Assets under administration	$ 18,152	$ 20,248	$ 18,745

Guardian's AUM at the end of the current quarter was $27.5 billion, a decrease of 12% from $31.1 billion at the end of 2019, and down 7% from $29.6 billion as at March 31, 2019. The decrease in AUM in the current quarter can be attributed mainly to the market downturn caused by the COVID-19 pandemic. However, with approximately 45% of our institutional AUM now being invested in Global Equity strategies, we benefited from the appreciation of major global currencies against the Canadian dollar, partially shielding our AUM from the full impact of the equity market downturn. Guardian also benefited from 28% of the institutional AUM being invested in fixed-income strategies. During the quarter, there were some outflows, largely in retail intermediary assets. These were offset by a healthy inflow of new assets into the Fundamental Global Equity strategy, increasing the total AUM in this strategy by $0.5 billion to $4.5 billion at the end of the current quarter.

The AUA at March 31, 2020 was $18.2 billion, a decrease of 10% from $20.2 billion at the end of 2019 and a 3% decrease from $18.7 billion as at March 31, 2020. Included in the current quarter's AUA figure is AUA of $0.4 billion provided by Aurrea Signature which was acquired on December 31, 2019. Adjusting for those assets, the AUA decrease from March 31, 2019 would be approximately 5%. The decrease in AUA can primarily be attributed to the global financial market downturn during Q1 2020.

REVENUES AND EXPENSES

Net Management Fees

Management fees, net of fees paid to referring agents ("Net management fees") earned by Guardian is generated by providing continuing investment management services to client AUM. Net management fees for the quarter ended March 31, 2020 were $25.0 million, a 13% increase from the $22.2 million in the same quarter in the prior year. The following analysis of Net management fees should be read in conjunction with note 12 (a) – Business Segments in Guardian's first quarter Consolidated Financial Statements. The totals for the Segment quoted below are before inter-segment transactions.

Institutional Net management fees earned in the current quarter were $20.4 million, a 16% increase from $17.4 million a year earlier. The increase in institutional Net management fees was driven largely by the growth in fees earned on the Fundamental Global Equity strategy. The combination of the higher rate of fees earned on those assets and the significant growth in AUM for this strategy helped drive the growth. Partially offsetting this growth was the lower Net management fees earned in all other institutional asset management strategies due to the lower AUM within these businesses. Net management fees from our total Global equity AUM now accounts for 65% of total institutional Net management fees, compared to 55% in the same quarter in 2019. Net management fees earned in wealth investment management in the current quarter amounted to $4.2 million, slightly lower than the $4.4 million earned in the prior year. These include fees earned in our Private wealth, international private banking and the recently acquired Modern Advisor business. The fees were lower due to the lower AUM as a result of the market downturn in the current quarter.

It should be noted that while the COVID-19 pandemic had a negative impact on Guardian's Net management fee revenue in Q1 2020, it generally only impacted one month of revenue in the quarter, as most management fees are calculated on a monthly basis. If equity markets remain at March 31, 2020 levels throughout the second quarter, the reducing effect on Net management fees may be greater in the second quarter.

Net Commission Revenue

Net commission revenue earned by Guardian results from the sale of life insurance products, mutual funds and other securities, as well as from continuing trailer and servicing commissions related to AUA and in-force life insurance policies, net of commissions paid to advisors. Net commission revenue generated for the current quarter was $14.5 million, an 18% increase from the $12.3 million a year earlier. The following analysis of Net commission revenue should be read in conjunction with note 12 (a) – Business Segments in Guardian's first quarter Consolidated Financial Statements. The totals for the Segment quoted below are before inter-segment transactions.

Net commissions from the MGA, IDC WIN, in the current quarter were $11.2 million, a 20% increase compared to $9.3 million in the same quarter a year earlier. Included in the current quarter are $1.5 million of Net commissions from Aurrea Signature Inc. ("Aurrea"), which was acquired on December 31, 2019. Excluding Aurrea's Net commissions, the increase would have been 5%, or $0.5 million. The driver behind the overall growth is a $1.1 million increase in annual service commission revenue to $5.6 million, a 25% increase from the same period in the prior year. The Premiums Sold were $22 million in the current quarter, including $3 million from Aurrea, compared to $31 million in the same period in the prior year. This significant reduction, compared to Q1, 2019, resulted from a number of very large policies being sold in that quarter. Some of IDC WIN's top producing advisors sell very large policies, resulting in period fluctuations in Premiums Sold and Net commission revenue. Nevertheless, IDC WIN's sales levels have shown resiliency during the pandemic and the prospect of continued strong level of sales appears to be good, with a very healthy number and face value of new policies in the pipeline. Net commissions from the Dealers business in the current quarter were $4.2 million, increase of $0.6 million from $3.6 million in the same quarter of 2019.

Administrative Services Income

Administrative services income is comprised of registered plan administration and other fees earned in the Financial Advisory Segment, trust and corporate administration and other related fees earned in the International Private Banking business, and fund administration fees earned from managed investment funds in the Investment Management Segment. This income amounted to $4.2 million for the current quarter, as compared to $4.0 million in the prior year. Both the Investment Management and Financial Advisory Segments contributed to the increase in fee revenue, with larger contribution coming from the Dealer business driven by increased number of registered client accounts opened than in the prior year.

Dividend and Interest Income

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

For the three months ended March 31 *($ in thousands)*		2020		2019
Dividends on Bank of Montreal shares	$	3,710	$	3,650
Other dividends		1,328		878
Dividend income		5,038		4,528
Investing activities		254		855
Operating activities		915		464
Interest income		1,169		1,319
	$	6,207	$	5,847

Dividend income remained relatively consistent when comparing the current quarter to the same quarter in the prior year. Dividends on the BMO shares increased slightly as the dividend rate increased in the current quarter. Other dividends increased primarily as a result of dividends earned from the additional seed capital invested in the new 40-Act funds launched since Q1 of 2019. The lower interest income earned in the current quarter compared to the same quarter in the prior year is primarily due to the redemption of a portion of a preferred share investment during the second quarter of 2019.

During the current quarter, Guardian disposition of 600,000 shares of BMO, and another 100,000 shares subsequent to the quarter-end. The quarterly dividends on those shares were received in the current quarter prior to the disposition. Going forward, the dividend income on BMO shares will be lower, as a result.

Expenses

Guardian's expenses increased to $39.1 million in the current quarter, a $6.0 million increase from $33.1 million in the same quarter in the prior year. Expenses in the Investment Management Segment increased by $2.7 million over the prior year. The most significant increase occurred in the UK operations, relating to increased incentive compensation expenses and other marketing and distribution expenses. In addition, as part of our strategic objective to enhance our distribution capabilities within the Canadian retail segment, the current quarter includes the new costs associated with the buildout of this team. In the Financial Advisory Segment, the expenses increased by $2.4 million, with $1.6 million of the increase relating to the inclusion of Aurrea's expenses in IDC WIN. In the Dealers business, the expenses increased $0.5 million from the same period in the prior year. As discussed in prior periods, we expect to incur elevated levels of expenses in this business in the near term, as we continue to invest into the business to better leverage the new technology platform and add additional staff to enhance the advisor experience.

NET GAINS (LOSSES)

The following chart summarizes the main components of net gains (losses) during the current period, with the prior year as a comparison.

For the three months ended March 31 *($ in thousands)*		2020		2019
Bank of Montreal common shares	$	(107,065)	$	39,600
Other securities		(48,629)		24,854
Net gains (losses) on securities		(155,694)		64,454
Net gains on disposal of intangible assets		338		303
Net foreign exchange gains (losses)		(5,933)		1,126
	$	(161,289)	$	65,883

With the significant retreat in the global financial markets in the current quarter, the fair values of Guardian's securities have experienced significant decline, resulting in Net losses of $155.7 million being recorded, compared to Net gains of $64.5 million in the same quarter in the prior year. In addition, Guardian recorded a $5.9 million in Net foreign exchange losses related largely to the US dollar loan outstanding, resulting from the depreciation in the Canadian dollar against the US dollar during the quarter.

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 operation; make the necessary capital expenditures and investments 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 balance sheet is supported by the substantial securities portfolio, as presented below:

As at *($ in thousands, except per share amounts)*		**2020** **March 31**		2019 December 31		 March 31
Securities, carried at fair value						
Proprietary investment strategies						
Fixed-income securities	**$**	**18,711**	$	18,049	$	18,119
Canadian equities		**6,706**		10,717		21,321
Global equities		**181,619**		243,703		194,004
Real estate		**23,023**		22,364		19,956
		230,059		294,833		253,400
Bank of Montreal common shares		**205,378**		351,750		359,460
Short-term securities		**70,237**		14,725		34,860
Equities		**13,580**		15,971		16,006
		519,254		677,279		663,726
Securities, carried at amortized cost		**5,000**		5,000		10,000
Securities	**$**	**524,254**	$	682,279	$	673,726
Total securities per share, diluted	**$**	**19.50**	$	24.99	$	24.30

Guardian's securities as at March 31, 2020 had a fair value of $524.3 million, or $19.50 per share, diluted, compared with $682.3 million, or $24.99 per share, diluted, at the end of 2019. Shareholders' equity as at March 31, 2020 amounted to $562.8 million, or $20.94 per share, diluted, compared to $656.2 million, or $25.01 per share, diluted, at the end of 2019.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of $160 million. As at March 31, 2020, the total borrowings amounted to $131.5 million, $17.8 million higher compared to $113.7 million at the end of 2019. Guardian's Adjusted cash flow from operations for the current quarter was $13.3 million, a 27% increase compared to $10.5 million in the same quarter in 2019. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, quarterly dividends, share repurchases under its Normal Course Issuer Bid, capital expenditures and, when possible, debt repayments. From time to time, Guardian may use a combination of debt and partial disposal of Securities to help finance temporary working capital requirements or capital expenditures.

The strength of Guardian's balance sheet played an important role in navigating its way through the pandemic-induced financial market disruptions during the current quarter. The first quarter of every year has the highest cash requirements due to the payments of annual performance bonuses for employees and the acquisition of Treasury Stock to provide stock-based compensation. These cash requirements were compounded by the additional required payments associated with various acquisitions completed in the current and prior quarters of $15.3 million. Details of these required payments are described in note 16 of Guardian's Q1 2020 Consolidated Financial Statements. In addition, during the first half of the quarter, Guardian returned a total of $6.1 million to shareholders in a combination of dividends and share buybacks. The obligations were paid using a combination of Adjusted cash flow from operations, debt and partial disposition of investments from the Securities portfolio.

As the COVID-19 pandemic started to disrupt the global financial markets, Guardian began to de-risk the large equity exposure on our balance sheet. Guardian disposed of approximately $78 million of its equity investments in the Securities portfolio during the month of March, including 600,000 shares of BMO, and invested a portion of the proceeds into treasury bills, to secure liquidity during the market disruptions. The ability to quickly raise and secure such large amount of liquidity provided confidence that any further deterioration in the financial markets can be managed despite the length of volatility of the markets.

Subsequent to the quarter-end, Guardian used approximately $69.4 million from the proceeds of disposition of the treasury bills and Bank of Montreal common shares to reduce its bank borrowing. With the repayments, Guardian currently has approximately $100 million of borrowing capacity available under its various arrangements.

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, 2020 *($ in thousands)*		Total		Within one year		One to three years		Three to five years		After five years
Bank loans and borrowings	$	131,504	$	131,504	$	--	$	--	$	--
Client deposits		79,393		79,393		--		--		--
Payable to clients		71,931		71,931		--		--		--
Accounts payable and accrued liabilities		45,399		45,399		--		--		--
Other liabilities		23,524		--		23,524		--		--
Investment commitments		25,403		25,403		--		--		--
Scheduled lease payments		14,862		2,838		5,035		3,782		3,207
Third party investor liabilities		9,594		9,594		--		--		--
Total contractual obligations	$	401,610	$	366,062	$	28,559	$	3,782	$	3,207

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. The third party investor liabilities are supported by securities backing third party investor liabilities.

SUMMARY OF QUARTERLY RESULTS

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

	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
As at ($ in millions)								
Assets under management	**$ 27,527**	$ 31,147	$ 30,243	$ 30,088	$ 29,631	$ 26,962	$ 29,185	$ 29,731
Assets under administration	**18,152**	20,248	19,040	18,784	18,745	17,385	18,096	17,980
For the three months ended ($ in thousands)								
Net revenue	**$ 49,901**	$ 49,865	$ 45,983	$ 45,963	$ 44,291	$ 44,300	$ 42,773	$ 42,924
Operating earnings	**10,813**	13,030	12,105	12,590	11,176	12,137	12,444	11,302
Net gains (losses)	**(161,289)**	24,140	(1,274)	7,957	65,883	(89,001)	28,481	20,800
Net earnings (loss)	**(134,911)**	31,808	8,952	17,601	68,099	(69,652)	35,079	26,245
Net earnings (loss) attributable to	**(136,368)**	30,787	8,275	16,838	67,220	(70,449)	34,320	25,385
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share *(in $)*								
Basic	**$ (5.35)**	$ 1.20	$ 0.32	$ 0.65	$ 2.57	$ (2.63)	$ 1.28	$ 0.95
Diluted	**(5.35)**	1.13	0.31	0.62	2.43	(2.63)	1.21	0.90
Dividends paid *(in $)*	**$ 0.150**	$ 0.150	$ 0.150	$ 0.150	$ 0.125	$ 0.125	$ 0.125	$ 0.125
As at								
Shareholders' equity *($ in thousands)*	**$562,821**	682,777	653,983	647,983	656,167	599,311	670,382	644,956
Per Class A and Common share *(in $)*								
Basic	**$ 22.18**	$ 26.73	$ 25.49	$ 25.26	$ 25.14	$ 22.85	$ 24.98	$ 24.06
Diluted	**20.94**	25.01	23.93	23.73	23.66	21.57	23.57	22.74
Total Class A and Common shares outstanding *(shares in thousands)*	**27,758**	27,956	27,956	27,956	28,405	28,405	29,012	29,012

Over the past 8 quarters presented above, Guardian's Net revenue has generally shown an upward trend, although it has fluctuated from time to time. These fluctuations have influenced operating earnings and have been driven largely by the factors described below.

Management fees earned in the Investment Management Segment and trailer commissions earned on mutual funds and segregated funds in the Financial Advisory Segment are highly correlated to the changes in AUM and AUA, which are affected by the volatility of the financial markets and additions and withdrawals of client assets. Offsetting this volatility is the significant insurance commissions earned in the MGA business, which are less correlated to the volatility of the financial markets. However, the volatility in the MGA revenue can also arise from the timing of large insurance policies being placed by the advisors. With the focus on recruiting top-producing advisors, these advisors deal in significantly larger insurance policies which can influence the timing and the level of the insurance commission revenue earned, depending on when these policies are placed. In the Corporate Investing and Activities Segment, some fluctuations in dividend income can be seen in the second quarter and, to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities, which pay semi-annual dividends and some "special" dividends mid-year during those periods. In addition, the timing of consolidation or deconsolidation of certain investment funds can also have an impact on the level of dividend income recorded in the period.

Net revenue in the first quarter of 2020 increased although the AUM and AUA decreased, due to the timing of the AUM and AUA decrease only impacting one month of revenue for the quarter, offset by growth in higher fee earning AUM in our GuardCap subsidiary during the quarter. In addition, the insurance commission revenue increased due to the inclusion of Aurrea's commission revenue in this period. Net revenue in the fourth quarter of 2018 increased although the AUM and AUA decreased, due to the increase in insurance commission revenues offsetting the reduction in other revenues during the period. The most significant increase was in the annual service commission revenue which is not correlated to the financial markets. In 2018, the increases in net revenue included the contributions from Alta, which was acquired on January 1, 2018. Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly impacted Net earnings (losses) attributable to shareholders during those periods.

The quarterly fluctuations in shareholders' equity shown above are caused largely by Guardian's Net earnings (loss), less dividends paid and shares repurchased.

RISK FACTORS

Guardian is exposed to a number of risk factors, including the key risk factors listed below. A key component of a successful business is its ability to manage its risk. Due to the nature of Guardian's businesses its largest risk is tied to its exposure to financial markets. A significant portion of its revenue is derived from management of client assets or advisory on clients' wealth. During the current period due to the pandemic disruptions, many of the risks listed below are heightened and are more challenging to manage or mitigate. Readers are encouraged to refer to note 15 to Guardian's first quarter 2020 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

Market can have a significant effect on the value of both clients' portfolios and our earnings, since management fees, which make up a significant part of our revenues, are generally based on market values. In the Financial Advisory Segment, market fluctuations can significantly impact the amounts being invested by clients, thereby increasing or decreasing 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 securities 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 are subject to risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 15 of Guardian's first quarter of 2020 Consolidated Financial Statements. 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. As at March 31, 2020, Guardian holds $205 million of BMO shares (December 31, 2019 – $352 million), which represents 39% of Guardian's securities (2019 – 52%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.1 million shares, including 600,000 shares in the first quarter, since the second quarter of 2013. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. At March 31, 2020, the corporate holding of securities consisted of 49% Canadian equities (December 31, 2019 – 57%), primarily consisting of Bank of Montreal shares, 34% of non- Canadian equities (December 31, 2019 – 37%) and 17% short-term investments and fixed-income securities (December 31, 2019 – 6%).

The recent financial market disruptions and volatility caused by the COVID-19 pandemic has made valuing securities more challenging, especially those that are not traded on an active market. The assumptions and key inputs used in financial models to estimate fair values of those securities may not be appropriate or are not available. As a result, there is a higher risk that the estimated fair values may materially differ from actual amounts realized in an arm's length market transaction.

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 (losses), but are recorded in the "Net change in foreign currency translation on foreign subsidiaries" in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets. With the acquisition of Alta in 2018, Guardian now also recognizes obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries, in that they are not actively managed, due to the long-term nature of the investments, but are closely monitored by management.

As Guardian continues to expand into foreign jurisdictions and the revenue and earnings sources grow and diversify into other currencies, the operating results can fluctuate with the changes in the foreign currency exchange rates compared to the Canadian dollar. From time to time, Guardian may record certain foreign exchange gains (losses) in Net earnings, such as on the current US Dollar borrowings used to finance the acquisition of Alta. This risk is mitigated by an offsetting, similar amount being recognized on the investment in Alta as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Guardian may also record gains (losses) in Net earning on Canadian dollar cash balances held by foreign subsidiaries. These foreign exchange gains and losses result in similar offsetting Net gains (losses) being recorded in Other comprehensive income as discussed above. Readers are encouraged to refer to Note 15 in Guardian's first quarter 2020 Consolidated Financial Statements for further discussion and sensitivity analyses.

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 in the Dealers business, which are secured by marketable securities in margin accounts. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it, Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds is managed by the monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manages the funds' credit risk. The credit risk associated with the investment in amortized cost securities is managed by monitoring the issuer's operations through discussions with the issuer's management. From time to time, advisors in the Financial Advisory segment may owe advances received or amounts resulting from reversal of commissions to the Dealer or the MGA. The credit risk associated with these amounts is mitigated by management's review of the advisors' abilities to repay the advances or the potential commission reversals, particularly in the MGA business, before amounts are paid to the advisors.

Interest Rate Risk

Guardian's most significant exposure to interest rate risk is through its bank loans and borrowings. The interest rates on these borrowings are short-term, and Guardian's interest expense and net earnings will fluctuate with the changes in short-term rates. Guardian manages interest rate risk in its international banking operations, largely through matching the interest rates and maturity dates of client deposit liabilities with the assets, interest-bearing deposits with banks. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments. The interest rate risk associated with the investment in amortized cost securities is not actively managed, as it is a long-term investment, but monitored by management.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from operations, by establishing sufficient cash borrowing facilities with major Canadian banks, which currently total $160 million through three credit facilities, and leveraging the support of its significant security portfolio. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this Management 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.

During the current financial market disruptions caused by the COVID-19 pandemic, certain market events may cause a tightening of liquidity in the market, making it difficult or more expensive for Guardian to borrow under its facilities. Guardian's large portfolio of liquid securities can offset some of the risk of tightening of market liquidity.

Product Performance Risk

Product performance risk is the risk that we will not perform as well as the market, our peers, or in line with our clients' expectations. The nature of this risk is both relative and absolute. 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 seek to ensure that we are aware of those expectations, and that we properly communicate with our clients to develop, report on and comply with client mandates on a continuous basis.

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, which allows Guardian to better compete in winning and retaining these clients.

Regulatory and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of Guardian's and certain of its subsidiaries' operations, it may, from time to time, be subject to changes in regulations, 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.

Financial Advisory Risk

Because of the number of advisors who publicly represent each of the Worldsource operating entities, there are risks associated in 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 advisors.

Key Personnel Risk

The success of Guardian is highly dependent on key personnel, including its senior management and investment professionals. The loss of any of these individuals, or an inability to retain these individuals and attract the best of the brightest talent, could have a negative impact on Guardian. To mitigate this risk, Guardian monitors the industry to competitively compensate these individuals, invests into the business to create an environment where both Guardian and these individuals can succeed, and evaluates, on an ongoing basis, the succession plans in place for these key individuals. Guardian's financial strength provides resources necessary to competitively compensate these individuals and to allow us to invest in the business.

Information Technology and Cybersecurity Risk

Guardian uses information technology and the internet to streamline business operations and to improve client and advisor experience. However, the use of information technology can also introduce operational risk related to its use by employees, which may result in errors and lead to financial loss to Guardian. In addition, through the use of mobile devices or remote connections to internal data centres, Guardian is exposed to information security and other technology disruption risks that could potentially have an adverse impact on its business. Guardian actively monitors these risks and continues to develop controls to protect against such threats that are becoming more sophisticated and pervasive.

The cyber security risk has increased during the current period while the majority of Guardian's employees are working remotely and connecting to Guardian's data centres as part of its Business Continuity Plan. Guardian has heightened its monitoring of the internal network traffic and the monitoring of developments in latest known cyber threats.

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, 2019, 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. The valuation approach to level 3 securities is most sensitive to the level of AUM associated with the issuer of the security. The valuation approach to Financial Advisory Segment goodwill is most sensitive to the levels of AUA and annual service fees within the Segment. No changes to the valuation methodologies were made during the current quarter for these assets. For impairment assessment of the Investment Management Segment goodwill, Guardian applied two different methodologies, as required under IFRS when the result of one methodology implies impairment exists. The AUM based methodology resulted in net book value of the cash generating unit being higher than the estimated fair value of the unit. However, using a second method, a discounted cash flow method, which reflects the value in use, the estimated recoverable value of the cash generating unit was higher than the net book value. More detailed discussion of the impairment assessment is described in note 5 to Guardian's first quarter 2020 Consolidated Financial Statements.

NON-IFRS MEASURES

EBITDA and EBITDA per share

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. EBITDA per share is calculated using the same method, which is used to determine net earnings available to shareholders per share, including any adjustment to the average number of shares outstanding, or to income, to calculate the dilutive effect. Guardian believe these are important measures, as they allow management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortions 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 measures are "Net earnings" and "Net earnings available to shareholders per share, diluted", which are disclosed in Guardian's Consolidated Statements of Operations.

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

For the three months ended March 31 *($ in thousands)*		**2020**		2019
Net earnings (loss), as reported	**$**	**(134,911)**	$	68,099
Add (deduct):				
Income tax expense (recovery)		**(15,565)**		8,960
Net (gains) losses		**161,289**		(65,883)
Stock-based compensation		**638**		523
Interest expense		**922**		1,126
Amortization		**4,332**		3,313
Non-controlling interests		**(2,335)**		(1,629)
EBITDA	**$**	**14,370**	$	14,509

Adjusted cash flow from operations and adjusted cash flow from operations per share

Guardian defines Adjusted cash flow from operations as net cash from operating activities, net of changes in non-cash working capital items and non-controlling interests. Adjusted cash flow from operations and the per share amount are used by management to measure 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. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. Adjusted cash flow from operations per share is calculated using the same method, which is used to determine Net earnings available to shareholders per share, including any adjustment to the average number of shares outstanding, or to income, to calculate the dilutive effect.

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

For the three months ended March 31 *($ in thousands)*		**2020**		2019
Net cash from (used in) operating activities, as reported	**$**	**4,250**	$	(5,327)
Add (deduct):				
Net change in non-cash working capital items		**11,300**		17,264
Non-controlling interests		**(2,230)**		(1,433)
Adjusted cash flow from operations	**$**	**13,320**	$	10,504

Shareholders' equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which has been created by Guardian's operations. The most comparable IFRS measure is Shareholders equity, which is disclosed in Guardian's Consolidated Balance Sheet. Shareholders' equity per share is calculated by dividing shareholders' equity by the number of shares and dilutive shares outstanding as at period end.

Securities per share

Securities per share is used by management to indicate the value available to shareholders created by Guardian's investment in securities, without the netting of debt or deferred income taxes associated with the unrealized gains. The most comparable IFRS measure is Securities which is disclosed in Guardian's Consolidated Balance Sheet. Securities per share is calculated by dividing Securities by the number of shares and dilutive shares outstanding as at period end.

OUTLOOK

From an economic perspective, it is important to consider that the current crisis is the result of an exogenous shock and thus represents a different type of downturn than experienced in recent history. The last two global recessions were precipitated by significant imbalances in the marketplace - the tech bubble in the late 1990s/early-2000s and the housing and credit bubble in 2007/08 - with each of these events triggered during a period of tightening monetary policy. The duration of these types of recessions is dependent on how long it takes for these imbalances to get back to an equilibrium, as seen in the aftermath of the housing market crash which put countless households in financial difficulty. This adjustment process can mean a long and drawn out period for demand, and the labour market, to recover. In contrast, a downturn that results from an unforeseen event like a natural disaster or public health crisis, can result in a supply-side shock. In these circumstances, demand has not materially eroded, but there are sudden outside factors inhibiting the ability of businesses to return to normal. Once those external forces have subsided it is possible for activity to normalize fairly quickly, resulting in a quick rebound in economic momentum. Most of the layoffs announced in the past few months have really been more about workers furloughed than being fired, and if all goes well these workers will be able to step back into their old jobs as soon as the "all clear" has been signaled. The most comparable situation, the Spanish flu outbreak that inflicted nearly a third of the world's population and killed 40 million people globally, induced a downturn in 1918/19 which stands among the shortest recessions on record. The present global economy is dramatically different than what existed a century ago, but recent signs that such a rapid rebound can occur are coming from parts of Asia, as societal lockdowns put in place at the end of January have gradually lifted. In China, the epicenter of this pandemic, estimates indicate that the economy is back to running at about 85% of normal, and is expected to further recover in short order, as limitations on activity are further rolled back throughout the country.

Beyond the growth impact from idle activity coming back online, there are other factors at play that could support a rapid, though not necessarily full, rebound once life is cleared to safely resume in a near-normal way. Policymakers around the world have introduced significant policies intended to help lessen the economic hit of COVID-19-related shutdowns on households and businesses. Governments for the G7 economies have announced packages of direct spending, tax deferrals, loans and guarantees that vary from country to country, but in total are equivalent to more than 10% of their gross domestic products. These measures are designed to provide a funding stop-gap to bridge citizens and their erstwhile employers over until they can get back to work. Clearly predicting the future of the economy and financial markets is an inexact process, but there is reason to believe that the worst case scenarios often found in the financial press are not the most likely end results of this crisis.

Guardian and other companies in the investment and wealth management segments are in a very fortunate position relative to companies in many other industries. While businesses globally have been forced to shut down some or all of their operations and lay off employees, Guardian benefits from the fact that our business is still operating and serving client needs, allowing us to earn most of our revenues relatively uninterrupted for the assets under administration, assets under management and the in force life insurance policies sold in prior periods. We are also fortunate that our sources of revenue are diversified. While changes in the levels of market valuations across assets may reduce our revenue from AUM and AUA, it is not highly correlated with commissions we earn from insurance companies for business written in the past, nor does it necessarily mean that dividends and interest payments from our investment portfolio will suffer the same fate. Another positive offset for us at this stage is the fact that a growing percentage of our revenue is denominated in foreign currencies, particularly the US dollar which has been quite strong versus our base reporting currency, the Canadian dollar. Volatility in a cross section of currencies may introduce greater fluctuations in our results; however, we believe this form of diversification is helpful over the long term. The volatility in the global financial markets had a significant impact on our Securities portfolio this quarter and could continue to be significant in future periods. Certainly, the revenues we receive have been, and will continue to be affected by the crisis. However, we consider ourselves very fortunate at this stage to have limited impairment to our active businesses which allows us to keep our employees active; our clients well taken care of; the business continuity plan to keep our employees safe; and ability to provide stability and certainty to all of our employees during a period of heightened anxiety. Clearly, the longer the disruption lasts the more difficult it will be. We are preparing for more challenges, but our healthy, liquid balance sheet gives us resilience, and while exogenous factors may come in to play, we expect to manage these headwinds to allow us to strive for continued positive operating earnings and free cash flow generation in future quarters.

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