

# Guardian

## GUARDIAN CAPITAL GROUP LIMITED Report to Shareholders

FIRST QUARTER  
MARCH 31, 2021



## TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the periods ended March 31, 2021 and 2020. All per share figures disclosed below are stated on a diluted basis.

<b>For the three months ended March 31</b>			
<i>(\$ in thousands, except per share amounts)</i>		<b>2021</b>	<b>2020</b>
Net revenue		\$ <b>64,694</b>	\$ 49,901
Operating earnings		<b>17,504</b>	10,813
Net gains (losses)		<b>41,971</b>	(161,289)
Net earnings (loss) attributable to shareholders		<b>49,625</b>	(136,368)
Attributable to shareholders:			
EBITDA <sup>(1)</sup>		\$ <b>21,211</b>	\$ 14,370
Adjusted cash flow from operations <sup>(1)</sup>		<b>18,492</b>	13,320
Attributable to shareholders, per share:			
Net earnings (loss)		\$ <b>1.83</b>	\$ (5.35)
EBITDA <sup>(1)</sup>		<b>0.78</b>	0.53
Adjusted cash flow from operations <sup>(1)</sup>		<b>0.68</b>	0.49

<b>As at</b>	<b>2021</b>		<b>2020</b>	
	<i>(\$ in millions, except per share amounts)</i>		December 31	March 31
	<b>March 31</b>			
Assets under management	\$ <b>47,643</b>	\$	45,984	\$ 27,527
Assets under administration	<b>28,680</b>		22,289	18,152
Shareholders' equity	<b>737</b>		700	563
Securities	<b>654</b>		633	524
Per share:				
Shareholders' equity <sup>(1)</sup>	\$ <b>27.14</b>	\$	25.69	\$ 20.94
Securities <sup>(1)</sup>	<b>24.05</b>		23.23	19.50

### Summary

The Company is reporting another set of record highs in both assets under management ("AUM") and assets under administration ("AUA") this quarter, for a total of \$76.3 billion in total client assets. This growth was achieved while navigating through the challenging environment over the past year. The Company has continued the practice stated in its 2020 Annual Report, whereby it has not furloughed any employees as a result of the pandemic, nor has it accessed any government wage subsidies or support throughout this period.

The Company's AUM grew to \$47.6 billion as at March 31, 2021, a 4% increase from \$46.0 billion as at December 31, 2020, and a 73% increase from \$27.5 billion as at March 31, 2020. The continued recovery in the global financial markets, the strong inflow of assets experienced by GuardCap Asset Management Limited ("GuardCap"), the UK-based investment management subsidiary, and the addition of assets through acquisitions drove the growth in AUM. The AUM managed by GuardCap has grown to \$12.2 billion as at March 31, 2021, \$1.5 billion growth since the beginning of the quarter, and tripling from the \$4.0 billion reported at the end of 2019.

The Company's AUA grew to \$28.7 billion as at March 31, 2021, a 29% increase from \$22.3 billion as at December 31, 2020 and a 58% increase from \$18.2 billion as at March 31, 2020. The acquisition of a Canadian wealth management business on March 1, 2021, which was subsequently renamed Guardian Partners Inc. ("GPI") added \$5.4 billion in total client assets, of which \$5.1 billion is included in AUA and \$0.3 billion in AUM.

The Company is reporting Operating earnings of \$17.5 million for the quarter ended March 31, 2021, 62% or \$6.7 million higher than the \$10.8 million reported in the first quarter of 2020. The significant growth experienced by the Company's businesses was led by GuardCap, IDC Worldsource Insurance Network Inc., the MGA subsidiary and, to a lesser extent, the contributions from the businesses acquired over the past two quarters.

The Net revenue for the current quarter grew to a historic high of \$64.7 million, 30% or \$14.8 million higher than the \$49.9 million reported in the same quarter in the prior year. The increase reflects our successful organic growth in revenues since March 31, 2020, and to a lesser extent the addition of revenues from the acquired businesses.

Expenses in the current quarter were \$47.2 million, an \$8.1 million increase from \$39.1 million in the same quarter in the prior year. The higher expenses reflect the growth in our businesses, and the addition of \$4.0 million in new expenses from the acquired businesses.

The global equities markets continued to experience positive performance since the pandemic induced steep decline in the first quarter of 2020. As a result, the Company's Net gains in the current quarter were \$42.0 million, compared to Net losses of \$161.3 million in the first quarter of 2020.

As a result of the Net gains and Operating earnings described above, the Company's Net earnings attributable to shareholders in the current quarter were \$49.6 million, compared to a Net loss of \$136.4 million in the same quarter in 2020.

EBITDA attributable to shareholders <sup>(1)</sup> for the current quarter was \$21.2 million, compared to \$14.4 million in the same period in the prior year. Adjusted cash flow from operations attributable to shareholders <sup>(1)</sup> for the current quarter was \$18.5 million, compared to \$13.3 million in the same quarter in the prior year. The increases of 47% and 38%, respectively, in these measures are reflective of the growth delivered by the Company's operating businesses.

The Company's Shareholders' equity as at March 31, 2021 increased to \$737 million, or \$27.14 per share<sup>(1)</sup>, from \$700 million, or \$25.69 per share<sup>(1)</sup> as at December 31, 2020, and \$563 million or \$20.94 per share<sup>(1)</sup> as at March 31, 2020. The fair value of the Company's Securities as at March 31, 2021 increased to \$654 million, or \$24.05 per share<sup>(1)</sup>, from \$633 million, or \$23.23 per share<sup>(1)</sup> as at December 31, 2020 and \$524 million or \$19.50 per share<sup>(1)</sup> as at March 31, 2020.

The Board of Directors has declared a quarterly eligible dividend of \$0.18 per share, payable on July 19, 2021, to shareholders of record on July 12, 2021.

*<sup>(1)</sup> 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. Certain of the names of these measures were amended to include the words "attributable to shareholders" to better describe the measures.*

## Commentary

### Market Recap

The first quarter of 2021 continued to show signs of strong growth, following the great COVID economic collapse of the first half of 2020, and the subsequent partial recovery. Generally, equity markets had positive returns, with some signs that more valuation focused investments may be starting to outperform. Other than higher-yielding corporates, fixed-income markets had negative performance, reflecting worries about inflation in the pipeline. The initial wave of lockdowns that were put in place a year ago saw output across the G7 economies drop by a massive 12%, more than doubling the hit from the aftermath of the financial crisis of 2008/09. While there remains a historically large gap that needs to be refilled just to get back to pre-crisis level, world economies are showing signs of economic adjustment and the ability to be more resilient in surviving new lockdowns. This is indicated by the fact that more recent economic restrictions are having a comparably modest impact on overall economic activity relative to the earliest lockdowns. It is worth noting that, although almost all G20 economies continue to operate below their pre-crisis levels, indicators compiled using alternative high-frequency data such as mobility, energy consumption and public transportation usage show that economies have not been derailed from their recovery tracks, and more traditional macroeconomic data have persistently come in above market expectations. This economic resilience in the face of adversity in part reflects the way households and businesses the world over have adapted to the pandemic during the past year, with lockdowns no longer crimping life to the same degree as they did a year ago. Beyond that, the key driver of the positive surprises has been the strength of consumers across the world. Despite a crisis that forced millions into unemployment, the overall health of household finances is good, largely due to sustained increases in the values of most asset categories, including equities and housing, as well as generous government support programs. This is a big reason why, ultimately, the full recovery from this period is likely to be faster than experienced following previous large-scale economic downturns, when household wealth took much longer to recover. Ultimately, however, a full return to normalcy will require worldwide vaccinations. While it has taken some time to get the supply, distribution and administration up and running, inoculation programs are gathering momentum. Clearly the ability to immunize the population to COVID-19 is the key to putting the pandemic in the rearview mirror and enabling economies to reopen fully. Based on the current pace of vaccination, more than half of the world's population may be able to receive a jab fairly soon, a simple projection suggesting around mid-year for most developed economies with Emerging Market countries in the fall.

### The COVID-19 Pandemic 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) was initiated and all of our physical workspaces across our operating business units were left almost completely vacated. 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 writing of this report. Our service to our clients has transitioned seamlessly to remote working arrangements and we are prepared to sustain such a work arrangement for a prolonged period of time. Guardian has continued the practice stated in our 2020 Annual Report, whereby we have not furloughed any employees as a result of the pandemic, nor has Guardian accessed any government wage subsidies or support throughout this period. We have dedicated considerable effort to developing a phased approach to safely bringing our employees back to our physical workplaces. We continue to mandate that only essential attendance at our offices be allowed. The process of bringing our employees back continues to be based on government and health official guidelines, local conditions and an abundance of caution on our part, and we are prepared to change course, hopefully relatively soon, when conditions warrant such a decision. We extend our thanks to all our employees who are making it possible.

### Investment Management

In the first quarter, positive market performance in equities was offset by declines in fixed-income, but net new inflows across the group, particularly new client wins and positive client cash flows into our Fundamental Global Equity strategy, have resulted in positive AUM growth. As at March 31, Guardian's assets under management (AUM) had grown to \$47.6 billion, an increase of 3.6% since December 31 2020.

Returns were mixed for the quarter for the diverse set of asset classes we manage. Fixed-income generally saw declines, as markets started pricing in inflation risk; however, client rebalancing into fixed income resulted in positive flows into our mandates. Conversely, Canadian equities were among the best performing asset classes in the quarter, but we continued to see outflows (albeit moderate) from this asset class. Most of our inflows in the quarter, and indeed for the last few years, were into our Fundamental Global Equity product, managed by GuardCap, our UK-based asset management subsidiary, which gathered roughly \$1.4 billion in net client inflows. We are also pleased to note that our Emerging Markets team at GuardCap has created a very strong track record of performance, and we remain determined to build on this strong track record with growth in new client assets. The challenge, as always, is that larger clients tend to be unwilling to invest in products that have relatively small AUM. We have invested a fair amount of seed money into our Emerging Markets team, and so far the returns for us have been good, but we believe that we need further growth in our AUM before we can be very optimistic for larger inflows. The growing financial contribution from GuardCap allows us to more than offset a drop in Operating earnings from our current Domestic Investment Management business, and confidently continue to make the investments necessary in pursuing growth for the overall business segment.

Among the many investments we continue to make to grow our overall Investment Management Segment, our largest increase in expenditures since late 2019 has been on building a dedicated Canadian retail distribution team focused on creating new investment vehicles to serve the needs of financial advisors from both securities and mutual fund dealers. The focus of our efforts is to leverage the growing ecosystem within the Group by creating focused solutions that innovate and meet the changing investment needs of the retail client segment. Similar to our strategy in building GuardCap, we expect to incur accelerated costs as we resource this effort, which will precede meaningful management fees from new AUM. We are very aware of the competitive market to serve the needs of Canadian financial advisors. However, we anticipate that a fresh, innovative approach to creating solutions from a leading independent asset manager will be a welcome entrant into the market. Ultimately, part of our goal is to find new markets for our domestic asset management business, which has seen a secular decline in demand from institutions. If successful, Guardian overall, and our domestic asset management group, will benefit from growth in AUM and higher average management fees. Our focus for the future is to highlight the best ideas of our asset management teams in as many formats as possible, considering broker dealer WRAP models, mutual fund, ETF, closed-end funds and insurance-wrapped products. Our near-term goals are focused on developing brand awareness of the concept of our "Prosperity Journey" with its attention to the two main investing phases in life, the accumulation phase and the decumulation phase, represented by our Guardian Create and Guardian Prosper positioning. We are also working to capitalize on Guardian's presence in the broker dealer WRAP space to cross-sell ETF and mutual funds to those advisors who already are familiar with us, and we are building on and leveraging our presence in the Worldsource channel to drive AUM growth. We have formed a small but growing and capable team to manage this initiative. To date, our team has launched 9 ETFs to complement a diverse investment platform of 30 mutual funds we have been managing, and although new client flows are modest to date we are encouraged by the early adoption into our ETFs, in addition to Guardian's own seed capital. Our efforts to build this initiative organically is another test of our discipline to identify a strategy, hire the human resource talent, invest in additional operational infrastructure and allocate meaningful seed capital and operating working capital to patiently build the track record. Patient capital, perseverance and confidence with the execution of the strategy, despite minimal early-stage financial rewards, will be key to achieving our long-term goals. Although new asset inflows are expectedly modest, we are excited with the reception we are receiving from advisors and the flows from these early adopters, for what we are confident will be much greater successes in the years ahead.

## Wealth Management

To better reflect the business aim of this segment of our operations, we have re-named our Financial Advisory segment as “Wealth Management”, a reference that is used by many companies in our industry. The largest part of this business is composed of the Worldsource companies, which have formed the bulk of this segment for many years. The Worldsource companies essentially serve two distinct types of independent financial advisors across Canada. They operate a mutual fund and securities dealership (the “Dealers”) which focuses on independent financial advisors and corporate partners offering investment advice to their clients, and a life insurance Managing General Agency (the “MGA”) which is focused on servicing independent life insurance advisors. Over the course of the last few years we have made significant upgrades to our management team, our technology capability, and our product offering. We are also more closely integrating the Worldsource companies with other related parts of our business, which are under common executive management and have been operating in tandem for some time. These associated business operations include two of our recent corporate acquisitions, our robo-advisor platform Modern Advisor Canada Inc. (“Modern Advisor”), and our “Outsourced Chief Investment Officer” (OCIO) operation Guardian Partners Inc. (“Guardian Partners”). In addition, two existing related businesses which provide services to our Private Wealth clients, Guardian Capital Advisors LP (“GCA”) and Alexandria Bancorp Limited (“ABL”), have now been re-categorized into this Wealth Management business segment. At March 31, the segment had a total of \$28.7 billion of assets under administration (“AUA”) and \$3.9 billion of AUM, as described in the paragraphs below.

In our Dealers, the upgrading of our core systems is largely complete, with our IIROC dealer now fully upgraded, following the upgrading of our MFDA dealer’s systems two years earlier. We will continue to work to identify new technologies, skillsets and product offerings for this business going forward, but significant improvements have been made. These investments have come at the expense of reduced margins, but we feel that our Dealers business has vastly improved its value proposition and we are focused on taking advantage of this by actively recruiting new advisors and corporate partners. Furthermore, Modern Advisor, our advisor-focused robo-advice platform acquired in 2020, is slowly starting to win business from select advisors, is working continuously to improve its offering, and is being integrated with our Dealers business to offer a robust digital solution to all advisors across Worldsource to accelerate the efficiency of their respective client books of business. With an improved operating platform and digital enablement strategy, we are focusing our major initiatives at the Dealers to include increasing our penetration of Guardian’s investment solutions into Worldsource, more aggressively recruiting independent advisors and corporate partners, and improving our pricing discipline when negotiating with new partners. We are optimistic that our value proposition will prove to be attractive to several potential partners with whom discussions are taking place. Worldsource’s dealerships have been able to grow at a rate slightly higher than that reported by the overall industry, despite the focus on upgrading our technology offering, and we plan on improving on this track record going forward. We also wish to note that Guardian managed products at Worldsource are now approaching \$1.2 billion. At March 31, the Dealers combined AUM increased slightly faster than the market to \$15.8 billion from \$15.1 billion at December 31, 2020.

IDC WIN, our MGA business, had another strong quarter in Q1, as the integration of the two large Quebec-based businesses acquired in 2019 and 2020 has gone well, and the financial results we are achieving from these businesses have exceeded expectations, as have results from the rest of IDC WIN. We are also pleased that we have identified some potential cost synergies, as well as new procedures in the acquired businesses, which will be rolled out throughout IDC WIN and should further improve our ability to generate new business. A significant increase in the number of applications in the quarter give us confidence that new life premiums should remain relatively strong over the next several months as well. Operating earnings and revenue in the quarter were meaningfully above the prior year and exceeded our most aggressive expectations. We believe that we have built a very comprehensive National MGA, including the latest effort to address a prior weakness by building Quebec as a strong regional contributor to the overall business. 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. In order to realize this revenue, insured clients must continue paying their premiums and hence our attention to historical high persistency in renewals. We have also seen significant uptake of electronically-placed business, as insurance companies have made it easier to place business in this manner, leading us to expect improvements in the efficiency of our operations going forward. New sales of segregated funds accelerated in the quarter, helped by overall demand for the products, but also assisted by the addition of two specialists in the area, hired to assist our advisor base in identifying products suitable for their clients. We continue to be very pleased with the performance of this business. At March 31, IDC WIN’s total AUA amounted to \$7.5 billion, consisting mainly of segregated fund assets, up from \$7.2 billion at December 31, 2020.

The acquisition we made at the beginning of March of BNY Mellon’s Canadian OCIO subsidiary, which we renamed Guardian Partners, will for us be an ongoing focus for growth. We are very bullish on the Ultra high-net-worth advisory/family office segment of the market, and with this acquisition, we have become a meaningful player in this market. Guardian Partners receives advisory fees from these clients, in return for choosing and overseeing investment advisors for their portfolios, which advisors are chosen from among many available managers, as the best fit for the client’s requirements. Over the mid to long term, we are confident of the viability of this market, and of our ability to grow our client base, but the first steps have been to contact as many of our new clients as possible to introduce Guardian to them, and outline our commitment to this business. We are also working to evaluate the business, and to add further capabilities and headcount, where necessary. As a result, while we do not expect a significant near-term contribution to our bottom line, our plan is to grow Guardian Partners as the leading OCIO serving ultra-high net worth and family offices. We believe there is strong demand for these services, which will present us the opportunity to scale the business and ultimately build another diversified profitable business unit. Our other businesses serving the Wealth Management needs of high net worth clients, now part of this business segment, GCA and ABL, complete our effort to provide a continuum of services to a spectrum of clients: the traditional high-net-worth through individual portfolios and mutual funds provided to clients by GCA; the ultra-high-net-worth through Guardian Partners; and the international private clients invested through separately managed accounts or our offshore mutual fund through the offshore private bank ABL. At March 31, 2021, Guardian Partners had \$5.1 billion of AUA earning advisory fees, while GCA and ABL had \$3.9 billion of combined AUM, compared to \$3.5 billion at the end of 2020.

## Corporate Securities

In addition to our core operating businesses, Investment Management and Wealth Management, 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 \$653 million, up from \$632 million at the end of 2020, and it generated total dividend and interest income of \$4.1 million in the quarter. During the first quarter we did not sell any of our significant position in Bank of Montreal (“BMO”) shares, and as of quarter-end we continue to hold 2,300,000 shares. Overall, as we see demand for seeding of proprietary strategies and their respective investment vehicles, as well as any future operating business unit acquisitions or buybacks of Guardian stock under our normal course issuer bid, we have ample capacity to fund these initiatives with further sale of BMO shares or through the use of borrowing.

In the first quarter, BMO dividends contributed \$2.4 million to Guardian revenues, flat from the last quarter. Our holding of BMO stock has historically provided an important source of dividend income. However, it has been steadily decreasing in importance, as our cash flows from our operating businesses have grown strongly over the last decade, and we have been diversifying our investment portfolio into higher-growth, but generally lower-yielding investments. At March 31, Guardian’s holding of Bank of Montreal shares represented roughly 39% of our total securities, up from 35% at the end of 2020 due to strong relative performance in the holding. The balance of the portfolio is invested largely in Global, Emerging Market and US Equity strategies managed by various in-house portfolio management teams, short-term fixed-income securities, and smaller but still significant holdings in our Canadian direct real estate fund, Canadian Equity and Fixed-Income portfolios 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 \$4.3 million to shareholders through dividends, while \$1.5 million was spent on share buybacks. Guardian has historically focused on, and will continue to allocate its free cash flow to a combination of, growth initiatives, dividend increases and share buybacks. Guardian's management team and Board of Directors remain committed to our buyback program, and feel that buying 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. In recent months, Guardian has been actively buying shares for cancellation as part of our Normal course issuer bid. If Guardian's shares continue to trade at what we believe to be a discount to their intrinsic value and we conclude that, absent significant requirements for growth initiatives, acting as stewards for all shareholders invested for the long term, we will continue to buy more shares when the opportunity arises. With regard to dividends, the Board is pleased to report that we have declared another quarterly dividend of \$0.18 per share, payable on July 19, 2021 to the shareholders of record on July 12, 2021.

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 very seriously embraces the responsibilities with which we are entrusted, and is continuously striving to make improvements to all aspects of how we do business. COVID-19 has created an unprecedented crisis. The current uncertainty surrounding the pandemic continues to challenge us to plan for all eventualities. Based on our core values, we are determined to maintain stability for all of our stakeholders and, in particular, for the almost six 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 focus on serving 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 we expect Guardian to represent. As long as we continue to live up to these expectations, all of our stakeholders should expect to benefit from our successes.

On behalf of the Board,

(signed) "James Anas"

Chairman of the Board

May 12, 2021

(signed) "George Mavroudis"

President and Chief Executive Officer

**CONSOLIDATED BALANCE SHEETS (Unaudited)**

<b>As at</b> (\$ in thousands)	<b>March 31</b> <b>2021</b>	December 31 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 40,588	\$ 41,677
Interest-bearing deposits with banks	46,161	43,197
Accounts receivable and other	62,582	60,211
Receivables from clients and broker	74,704	77,313
Income taxes receivable	3,852	1,193
Securities backing third party investor liabilities (note 3)	78,877	59,063
	<b>306,764</b>	<b>282,654</b>
<b>Securities (note 4)</b>	<b>653,529</b>	<b>632,571</b>
<b>Other assets</b>		
Deferred tax assets	824	805
Intangible assets	164,026	161,186
Equipment	16,320	16,112
Goodwill	64,550	60,234
	<b>245,720</b>	<b>238,337</b>
<b>Total assets</b>	<b>\$ 1,206,013</b>	<b>\$ 1,153,562</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank loans and borrowings (note 5)	\$ 105,080	\$ 95,737
Third party investor liabilities (note 3)	78,877	59,063
Client deposits	44,639	43,128
Accounts payable and accrued liabilities	54,252	65,825
Lease obligations	2,847	2,607
Income taxes payable	3,545	10,169
Payable to clients	74,704	77,313
	<b>363,944</b>	<b>353,842</b>
Lease obligations	10,904	10,816
Other liabilities (note 6)	31,455	31,093
Deferred tax liabilities	45,020	40,104
<b>Total liabilities</b>	<b>451,323</b>	<b>435,855</b>
<b>EQUITY</b>		
<b>Shareholders' equity</b>		
Capital stock (note 7a and 7b)	18,599	18,634
Treasury stock (note 8a)	(32,206)	(29,511)
Contributed surplus	22,802	22,136
Retained earnings	724,952	681,023
Accumulated other comprehensive income	3,216	7,328
	<b>737,363</b>	<b>699,610</b>
<b>Other equity interests</b>	<b>17,327</b>	<b>18,097</b>
<b>Total equity</b>	<b>754,690</b>	<b>717,707</b>
<b>Total liabilities and equity</b>	<b>\$ 1,206,013</b>	<b>\$ 1,153,562</b>

See accompanying selected explanatory notes to consolidated financial statements.



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

(Unaudited)

<b>For the three months ended March 31</b>		
<i>(\$ in thousands, except per share amounts)</i>	<b>2021</b>	2020
<b>Net revenue</b>		
Commissions revenue, gross	\$ 46,479	\$ 40,518
Commissions paid to advisors	(28,449)	(25,974)
Net commission revenue	18,030	14,544
Management and advisory fees, gross	39,725	26,458
Fees paid to referring agents and other	(1,825)	(1,477)
Net management and advisory fees	37,900	24,981
Administrative services income	4,652	4,169
Dividend and interest income (note 9)	4,112	6,207
	<b>64,694</b>	49,901
<b>Expenses</b>		
Employee compensation and benefits	30,225	23,114
Amortization	4,974	4,332
Interest	345	922
Other expenses	11,646	10,720
	<b>47,190</b>	39,088
<b>Operating earnings</b>	<b>17,504</b>	10,813
Net gains (losses) (note 10)	41,971	(161,289)
Earnings (loss) before taxes	59,475	(150,476)
Income tax expense (recovery)	8,614	(15,565)
<b>Net earnings (loss)</b>	<b>50,861</b>	(134,911)
<b>Other comprehensive income (loss)</b>		
Net change in foreign currency translation on foreign subsidiaries	(4,512)	26,911
<b>Comprehensive income (loss)</b>	<b>\$ 46,349</b>	\$ (108,000)
Net earnings (loss) attributable to:		
Shareholders	\$ 49,625	\$ (136,368)
Non-controlling interests	1,236	1,457
	<b>\$ 50,861</b>	<b>\$ (134,911)</b>
Net earnings (loss) attributable to shareholders per Class A and Common share (note 11)		
Basic	\$ 1.95	\$ (5.35)
Diluted	1.83	(5.35)
Comprehensive income (loss) attributable to:		
Shareholders	\$ 45,513	\$ (111,519)
Non-controlling interests	836	3,519
Comprehensive income (loss)	<b>\$ 46,349</b>	<b>\$ (108,000)</b>

See accompanying selected explanatory notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)**

<b>For the three months ended March 31</b> <i>(\$ in thousands)</i>	<b>2021</b>	<b>2020</b>
<b>Total equity, beginning of period</b>	<b>\$ 717,707</b>	<b>\$ 694,201</b>
<b>Shareholders' equity, beginning of period</b>	<b>699,610</b>	<b>682,777</b>
<b>Capital stock, beginning of period</b>	<b>18,634</b>	<b>18,705</b>
Acquired and cancelled (note 7c)	<b>(35)</b>	<b>(59)</b>
Capital stock, end of period	<b>18,599</b>	<b>18,646</b>
<b>Treasury stock, beginning of period</b>	<b>(29,511)</b>	<b>(28,129)</b>
Acquired (note 8a)	<b>(3,360)</b>	<b>(2,941)</b>
Disposed of (note 8a)	<b>665</b>	<b>346</b>
Treasury stock, end of period	<b>(32,206)</b>	<b>(30,724)</b>
<b>Contributed surplus, beginning of period</b>	<b>22,136</b>	<b>20,008</b>
Stock-based compensation expense	<b>666</b>	<b>638</b>
Redemption of equity-based entitlements	<b>--</b>	<b>(346)</b>
Contributed surplus, end of period	<b>22,802</b>	<b>20,300</b>
<b>Retained earnings, beginning of period</b>	<b>681,023</b>	<b>658,139</b>
Net earnings (loss)	<b>49,625</b>	<b>(136,368)</b>
Dividends declared and paid (note 7d)	<b>(4,274)</b>	<b>(4,007)</b>
Capital stock acquired and cancelled (note 7c)	<b>(1,422)</b>	<b>(2,060)</b>
Other	<b>--</b>	<b>(8)</b>
Retained earnings, end of period	<b>724,952</b>	<b>515,696</b>
<b>Accumulated other comprehensive income, beginning of period</b>	<b>7,328</b>	<b>14,054</b>
Other comprehensive income (loss)	<b>(4,112)</b>	<b>24,849</b>
Accumulated other comprehensive income, end of period	<b>3,216</b>	<b>38,903</b>
<b>Shareholders' equity, end of period</b>	<b>737,363</b>	<b>562,821</b>
<b>Other equity interests, beginning of period</b>	<b>18,097</b>	<b>11,424</b>
<b>Non-controlling interests, beginning of period</b>	<b>44,184</b>	<b>31,515</b>
Net earnings	<b>1,236</b>	<b>1,457</b>
Other comprehensive income (loss)	<b>(400)</b>	<b>2,062</b>
Dividends declared and paid	<b>(1,188)</b>	<b>(436)</b>
Acquisition of subsidiary	<b>--</b>	<b>1,530</b>
Other	<b>--</b>	<b>18</b>
Non-controlling interests, end of period	<b>43,832</b>	<b>36,146</b>
<b>Obligations to non-controlling interests, beginning of period</b>	<b>(26,087)</b>	<b>(20,091)</b>
On acquisition of subsidiary	<b>--</b>	<b>(648)</b>
Change during period	<b>(418)</b>	<b>(2,785)</b>
Obligations to non-controlling interests, end of period	<b>(26,505)</b>	<b>(23,524)</b>
<b>Other equity interests, end of period</b>	<b>17,327</b>	<b>12,622</b>
<b>Total equity, end of period</b>	<b>\$ 754,690</b>	<b>\$ 575,443</b>

See accompanying selected explanatory notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)**

<b>For the three months ended March 31</b> (\$ in thousands)	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net earnings (loss)	\$ 50,861	\$ (134,911)
Adjustments for:		
Income taxes (paid)	(2,633)	(233)
Income tax expense (recovery)	8,614	(15,565)
Net (gains) losses	(41,971)	161,289
Amortization of intangible assets	3,911	3,276
Amortization of equipment	1,063	1,056
Stock-based compensation	666	638
Other non-cash expenses	12	--
	<b>20,523</b>	15,550
Net change in non-cash working capital items (note 13)	(14,466)	(11,300)
Net cash from operating activities	<b>6,057</b>	4,250
<b>Investing activities</b>		
Net disposition of securities	12,873	14,464
Income taxes (paid)	(11,992)	(2,690)
Net acquisition of securities backing third party investor liabilities	(18,105)	(5,008)
Acquisition of intangible assets	(1,949)	(2,839)
Acquisition of equipment	(258)	(216)
Disposition of intangible assets	672	461
Acquisition of subsidiaries (note 15)	(8,819)	(15,253)
Net cash used in investing activities	<b>(27,578)</b>	(11,081)
<b>Financing activities</b>		
Dividends paid to shareholders	(4,274)	(4,007)
Dividends paid to non-controlling interests	(1,188)	(436)
Acquisition and cancellation of capital stock (note 8c)	(1,457)	(2,119)
Acquisition of treasury stock (note 9a)	(3,360)	(2,941)
Disposition of treasury stock (note 9a)	665	346
Net proceeds of bank loan and bankers' acceptances	18,050	26,184
Principal payments on lease obligations	(642)	(548)
Net funds from third party investors in consolidated mutual funds	18,105	5,008
Payment to non-controlling interest for shares acquired in prior period	--	(995)
Issuance of non-controlling interests	--	--
Net cash from financing activities	<b>25,899</b>	20,492
<b>Foreign exchange</b>		
Net effect of foreign exchange rate changes on cash balances	(146)	1,246
Net change in net cash	<b>4,232</b>	14,907
Net cash, beginning of period	<b>28,472</b>	20,531
Net cash, end of period	<b>\$ 32,704</b>	\$ 35,438
Net cash represented by:		
Cash	\$ 40,588	\$ 35,438
Bank indebtedness and loans	(7,884)	--
	<b>\$ 32,704</b>	<b>\$ 35,438</b>

See accompanying selected explanatory notes to consolidated financial statements.

## 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, 2020. 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, 2020, which are included in the Company's 2020 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 2020 comparative financial information in order to conform to the current period's presentation. To reflect its current operating structure, the Company reclassified in note 12(a) Business segments, certain revenues, expenses, assets and liabilities from the Investment Management segment to the Wealth Management segment (formerly Financial Advisory).

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on May 12, 2021.

## 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 2021	December 31 2020
Fair value through profit or loss:		
Short-term securities (i)	\$ 24,199	\$ 44,904
Fixed-income securities (i)	12,289	12,197
Bank of Montreal common shares (ii)	257,462	222,295
Other equity securities (i) (iii)	334,732	328,328
Real estate fund (iii)	24,847	24,847
	\$ 653,529	\$ 632,571

(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	2021	2020
Shares sold	--	600
Proceeds	\$ --	\$ 39,307

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

For the three months ended March 31	2021	2020
Real Estate fund managed by subsidiary		
Commitment, beginning of period	\$ 13,875	\$ 16,040
Called capital	--	(668)
New commitments	--	--
Commitment, end of period	13,875	15,372
Private equity fund		
Commitment, beginning of period	8,320	10,031
Called capital	(3,210)	--
New commitments	12,621	--
Commitment, end of period	17,731	10,031
	\$ 31,606	\$ 25,403

**(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 2021	December 31 2020
Level 1	\$ 563,391	\$ 548,103
Level 2	67,469	67,910
Level 3	22,669	16,558
	\$ 653,529	\$ 632,571

During 2021 and 2020, 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	2021	2020
Securities categorized as Level 3, beginning of period	\$ 16,558	\$ 15,819
Change in fair value	3,015	(3,335)
Additions	3,210	--
Foreign exchange translation adjustments	(114)	963
Securities categorized as Level 3, end of period	\$ 22,669	\$ 13,447

**5. BANK LOANS AND BORROWINGS**

Bank loans and borrowings are composed of the following:

As at	March 31 2021	December 31 2020
Bank indebtedness and loans	\$ 7,884	\$ 13,347
Bankers' acceptances payable: Canadian dollar	65,900	47,100
US dollar	31,296	35,290
	\$ 105,080	\$ 95,737

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. Subsequent to current quarter end, the borrowings were renewed on similar terms and for similar amounts.

**6. OTHER LIABILITIES**

Other liabilities are comprised of the following:

As at	March 31 2021	December 31 2020
Current (included in accounts payable and other):		
Acquisition related (i)	\$ 2,299	\$ --
Non-current:		
Acquisition related (i)	4,950	5,006
Obligations to non-controlling interests (ii)	26,505	26,087
	31,455	31,093
	\$ 33,754	\$ 31,093

i) These are amounts owed by the Company relating to acquisitions completed to date. The non-current amount is payable in USD.

ii) These are obligations of the Company to purchase the portion of certain subsidiaries which it does not wholly own, should the non-controlling

shareholders exercise their option to sell their holdings to the Company. These liabilities relate to future transactions with non-controlling interest, acting in their capacity as owners, therefore all changes in fair values of these obligations are reflected in the statement of equity.

## 7. 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	2021		2020	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,845	\$ 17,935	24,944	\$ 18,006
Acquired and cancelled	(49)	(35)	(81)	(59)
Converted from common	9	2	--	--
Outstanding, end of period	24,805	17,902	24,863	17,947
Common shares				
Outstanding, beginning of period	2,895	699	2,895	699
Converted into class A	(9)	(2)	--	--
Outstanding, end of period	2,886	697	2,895	699
Total outstanding, end of period	27,691	\$ 18,599	27,758	\$ 18,646

### (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	2021	2020
Shares purchased and cancelled		
Class A	49	81
Consideration paid	\$ 1,457	\$ 2,119
Less average issue price, charged to share capital	35	59
Excess consideration charged to retained earnings	\$ 1,422	\$ 2,060

Subsequent to March 31, 2021, the Company purchased 294 Class A shares for \$9,228 under the NCIB for cancellation.

Under the current NCIB, which commenced on November 21, 2020 and expires on November 20, 2021, the Company may purchase up to 145 common shares and 1,715 class A shares. In late 2020, the Company purchased 17 Class A shares, which pertains to the current bid.

### (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	2021	2020
Dividends declared and paid, per share	\$ 0.160	\$ 0.150

The Company has also declared dividends of \$0.18 per share payable on April 17, 2021 and July 16, 2021, 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.

## 8. 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	2021		2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,234	\$ 29,511	2,298	\$ 28,129
Acquired	121	3,360	109	2,941
Disposed	(68)	(665)	(24)	(346)
Balance, end of period	2,287	\$ 32,206	2,383	\$ 30,724

The treasury stock was disposed of for proceeds equal to their cost.

As at March 31, 2021, the treasury stock was composed of 30 common shares (2020 – 30) and 2,257 class A shares (2020 – 2,204).

**(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	2021	2020
Equity-based entitlements, beginning of period	1,209	1,171
Provided	123	109
Exercised	--	(24)
Equity-based entitlements, end of period	1,332	1,256

During the three months ended March 31, 2021, the equity-based entitlements provided had a fair value of \$3,360 (2020 - \$2,941).

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 option-like entitlements is as follows:

For the three months ended March 31	2021		2020	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	1,023	\$ 9.64	1,127	\$ 9.64
Exercised	(68)	9.82	--	--
Option-like entitlements, end of period	955	\$ 9.63	1,127	\$ 9.64

No option-like entitlements were provided in 2021 or 2020.

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.

**9. DIVIDEND AND INTEREST INCOME**

Dividend and interest income is composed of the following:

For the three months ended March 31	2021	2020
Dividends on Bank of Montreal shares	\$ 2,438	\$ 3,710
Other dividends	1,362	1,328
Dividend income	3,800	5,038
Operating activities	208	858
Investing activities	104	310
Interest income	312	1,169
	\$ 4,112	\$ 6,207

**10. NET GAINS (LOSSES)**

Net gains(losses) are composed of the following:

For the three months ended March 31	2021	2020
Bank of Montreal common shares	\$ 35,167	\$ (107,065)
Other securities	5,917	(48,629)
Securities (i)	41,084	(155,694)
Disposal of intangible assets	647	338
Foreign exchange (ii)	240	(5,933)
	\$ 41,971	\$ (161,289)

- (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.

**11. 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	2021	2020
Weighted average number of Class A and common shares outstanding:		
Basic	25,471	25,498
Effects of outstanding entitlements from stock-based compensation plans	1,744	--
Diluted	27,215	25,498
Net earnings (loss) attributable to shareholders:		
Basic	\$ 49,625	\$ (136,368)
Effects of outstanding entitlements from stock-based compensation plans	83	--
Diluted	\$ 49,708	\$ (136,368)



## 12. 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) Wealth Management, which primarily involves earning investment management and advisory fees for such services to high and ultra-high net worth clients, earning transactional and continuing commissions on life insurance products, mutual funds and other securities and other fees for related services; 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 segmented operating results below includes certain centralized costs which are allocated from Corporate Activities and Investments segment to operating segments to better reflect the costs associated with each of the segments.

To reflect its current operating structure, the Company reclassified in sub note (a) Business segments, certain prior year revenues, expenses, assets and liabilities from the Investment Management segment to the Wealth Management segment, formerly Financial Advisory.

## (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		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Net revenue</b>										
Commission revenue	\$ --	\$ --	\$ 47,157	\$ 41,092	\$ --	\$ --	\$ (678)	\$ (574)	\$ 46,479	\$ 40,518
Commissions paid to advisors	--	--	(28,449)	(25,974)	--	--	--	--	(28,449)	(25,974)
Net commission revenue	--	--	18,708	15,118	--	--	(678)	(574)	18,030	14,544
Management and advisory fees	33,121	21,396	7,195	5,604	--	--	(591)	(542)	39,725	26,458
Fees paid to referring agents	(1,188)	(972)	(1,568)	(1,357)	--	--	931	852	(1,825)	(1,477)
Net management and advisory fees	31,933	20,424	5,627	4,247	--	--	340	310	37,900	24,981
Administrative services income	1,235	989	3,401	3,167	16	13	--	--	4,652	4,169
Dividend and interest income	1	--	227	915	3,798	5,078	86	214	4,112	6,207
	33,169	22,824	27,963	22,036	3,814	5,091	(252)	(50)	64,694	49,901
<b>Expenses</b>										
Employee comp. & benefits	16,486	11,074	12,140	10,484	1,599	1,556	--	--	30,225	23,114
Amortization	1,786	1,539	2,874	2,511	314	282	--	--	4,974	4,332
Interest	43	12	100	208	217	709	(15)	(7)	345	922
Other expenses	5,240	4,540	6,087	5,627	556	596	(237)	(43)	11,646	10,720
	23,555	17,165	21,201	18,830	2,686	3,143	(252)	(50)	47,190	39,088
<b>Operating earnings</b>										
Net gains (losses)	9,614	4,248	6,762	4,617	1,128	1,948	--	--	17,504	10,813
Net earnings (loss) before income taxes	(207)	(179)	712	(104)	41,466	(161,006)	--	--	41,971	(161,289)
Income tax expense (recovery)	9,407	4,069	7,474	4,513	42,594	(159,058)	--	--	59,475	(150,476)
	1,819	1,316	2,088	1,310	4,707	(18,191)	--	--	8,614	(15,565)
<b>Net earnings (loss)</b>	\$ 7,588	\$ 2,753	\$ 5,386	\$ 3,203	\$ 37,887	\$ (140,867)	\$ --	\$ --	\$ 50,861	\$ (134,911)
Net earnings (loss) attributable to:										
Shareholders	\$ 6,920	\$ 1,758	\$ 4,818	\$ 2,741	\$ 37,887	\$ (140,867)	\$ --	\$ --	\$ 49,625	\$ (136,368)
Non-controlling interests	668	995	568	462	--	--	--	--	1,236	1,457
	\$ 7,588	\$ 2,753	\$ 5,386	\$ 3,203	\$ 37,887	\$ (140,867)	\$ --	\$ --	\$ 50,861	\$ (134,911)
Additions to segment assets										
Intangible assets	\$ 477	\$ 193	\$ 7,289	\$ 9,431	\$ --	\$ --	\$ --	\$ --	\$ 7,766	\$ 9,624
Equipment	25	70	903	31	22	165	--	--	950	266
Goodwill	--	--	4,702	--	--	--	--	--	4,702	--
<b>As at March 31, 2021 and December 31, 2020</b>										
	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment assets and liabilities:										
Assets	\$ 168,986	\$ 167,352	\$ 214,724	\$ 311,337	\$ 776,078	\$ 732,684	\$ 46,225	\$ (57,811)	\$ 1,206,013	\$ 1,153,562
Liabilities	56,855	62,867	130,104	231,456	218,139	199,343	46,225	(57,811)	451,323	435,855

**(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		Rest of the World		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
For the three months ended March 31								
Net revenue	\$ 44,198	\$ 39,094	\$ 20,507	\$ 12,435	\$ (11)	\$ (1,628)	\$ 64,694	\$ 49,901
As at March 31, 2021 and December 31, 2020								
Non-current assets:								
Intangible assets	\$ 90,874	\$ 85,312	\$ 73,152	\$ 75,874	\$ --	\$ --	\$ 164,026	\$ 161,186
Equipment	14,226	11,796	2,094	4,316	--	--	16,320	16,112
Goodwill	35,390	30,688	29,160	29,546	--	--	64,550	60,234

**13. 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	2021	2020
Decrease (increase) in non-cash working capital assets:		
Interest-bearing deposits with banks	\$ (3,547)	\$ 30,518
Accounts receivable and other	(84)	3,995
Receivables from clients and broker	2,609	(33,947)
Increase (decrease) in non-cash working capital liabilities:		
Client deposits	2,143	(31,007)
Accounts payable and other	(12,978)	(14,717)
Payable to clients	(2,609)	33,858
	\$ (14,466)	\$ (11,300)

**14. 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 \$257,462 (December 31, 2020 – \$222,295) investment in the Bank of Montreal shares, which represents 39% (2020 – 35%) 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 \$25,746 (December 31, 2020 - \$22,223) being recorded in net gains (losses).

**(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, 2021		
Canada	\$ 51,205	±\$ 5,120
Rest of World	308,374	30,838
	\$ 359,579	±\$ 35,958
As at December 31, 2020		
Canada	\$ 45,031	±\$ 4,503
Rest of World	308,144	30,814
	\$ 353,175	±\$ 35,317

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.

## ii) Currency risk

Currency risk, the risk that the fair value of a financial instrument will fluctuate due to 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 2021	December 31 2020
USD currency exposure:		
Bank loans and borrowings	\$ 31,296	\$ 35,290

The Company's currency risk is primarily related to the bankers' acceptance payable, which are denominated in USD. This risk associated with these borrowings is mitigated by the USD cash flows that are generated by the Company's US-based subsidiaries. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of \$3,130 (December 31, 2020 – \$3,529) being recognized in net earnings.

From time to time, a foreign subsidiary may hold an unhedged position in financial instruments denominated in Canadian dollars, 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 2021	December 31 2020
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 46,161	\$ 43,197
Short term securities	24,199	44,904
Fixed-income securities	12,289	12,197
	\$ 82,649	\$ 100,298
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 105,080	\$ 95,737
Client deposits	44,639	43,128
	\$ 149,719	\$ 138,865

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 \$12,289 (December 31, 2020 – \$12,197) 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.

## (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 2021	December 31 2020
Cash	\$ 40,588	\$ 41,677
Interest-bearing deposits with banks	46,161	43,197
Accounts receivable and other	62,582	60,211
Receivables from clients and broker	74,704	77,313
Short-term securities	24,199	44,904
Fixed-income securities	12,289	12,197
	\$ 260,523	\$ 279,499

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.

**(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. Earlier in the year, the Company took measures to reduce its liquidity risk by selling certain equity securities and using a portion of the proceeds to pay down bank borrowings. The Company now has \$54,920 available on its borrowing facilities with banks.

**15. ACQUISITIONS****(a) Guardian Partners Inc.**

On March 1, 2021, the Company acquired a 100% interest in BNY Mellon Wealth Management, Advisory Services, Inc., BNY Mellon's Canadian based wealth management business, for a purchase price of \$10,000 in cash on closing and an adjustment for excess net working capital, which is expected to be paid during the second quarter. The transaction expands the Company's wealth management capabilities in the ultra-high net worth and family office segment and adds in excess of \$5.0 billion of client assets. Subsequent to the transaction, the Company renamed the subsidiary Guardian Partners Inc. ("GPI"). The key employees of the subsidiary were retained as part of the transaction.

The provisional accounting for the transaction is as follows:

Fair value of the consideration:	
Cash	\$ 10,000
Estimated net working capital adjustment	2,299
	\$ 12,299
Fair value of the identifiable net assets acquired:	
Intangibles – customer relations	\$ 6,105
Net current assets, including \$1,181 of cash	2,637
Equipment & leased assets	692
Lease liability, non-current	(219)
Deferred taxes	(1,618)
	7,597
Goodwill	4,702
	\$ 12,299

The above accounting for the transaction is provisional as the fair value of the net assets acquired and the consideration for the net working capital has not yet been determined. Goodwill, which is not deductible for income tax purposes, represents the retention of the key employees, access to established distribution, networks in key markets, addition of new products and other potential synergies.

The costs associated with this transaction were approximately \$153. The cash used in this transaction was \$8,819, the \$10,000 paid on closing less the acquired cash of \$1,181.

GPI's contribution to the Company since acquisition is as follows:

Net revenue	\$ 507
Net earnings and comprehensive income	(129)
Net earnings and comprehensive income attributable to shareholders	(129)

If the acquisition date for the acquisition had been at the beginning of the year then the Company estimates that its reported results would have been as follows:

Net revenue	\$ 1,521
Net earnings	(387)

**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 three month period ended March 31, 2021 and the comparative period in the year 2020, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2020 Annual Report. This discussion and analysis has been prepared as of May 12, 2021.

Additional information relating to Guardian and its business, including Guardian's Annual Information Form, is available on "SEDAR" at [www.sedar.com](http://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 placed 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, the economic and global financial impact of COVID-19 pandemic, 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, Wealth Management (formerly Financial Advisory), and Corporate Activities and Investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. The Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap"), Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta") and Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt"). The Wealth Management business is operated through the following businesses: Guardian Capital Advisors LP ("GCA") and Guardian Partners Inc. ("GPI"), which serve the wealth management and advisory needs of high and ultra-high net worth clients; Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"), which provides an independent platform for financial advisors to service their clients; IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency ("MGA"), which provides insurance advisory services; Modern Advisor Canada Inc. ("Modern Advisor") which is a digital-advisory operation which also serves as the technology platform for Guardian's digital strategy; and Alexandria Bancorp Limited ("ABL"), a Caribbean-based international private bank serving the wealth management needs of international clients. At the end of the current quarter, Guardian had \$47.6 billion of assets under management ("AUM") and \$28.7 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$654 million at the end of the current quarter.

### USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, some of which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA attributable to shareholders, EBITDA attributable to shareholders per share, adjusted cash flow from operations attributable to shareholders, adjusted cash flow from operations attributable to shareholder per share, all of which have changed its names to add the words "attributable to shareholders" to better describe the measure. Other Non-IFRS are 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. In the Non-IFRS Measures section of this Management Discussion and Analysis a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

### COVID-19 UPDATE

Guardian continues to monitor the constantly evolving COVID-19 pandemic, including its recent rise in infection rates in various parts of the world and the global vaccination efforts. Another wave of increased infection rates could negatively impact the global economic recovery and increase volatility in the global financial markets. Guardian is prepared to respond to various scenarios which may unfold, but these future developments and their impact on Guardian's financial performance is highly uncertain and difficult to predict.

### ACQUISITION

On March 1, 2021, Guardian acquired a 100% interest in BNY Mellon Wealth Management Advisory Services, Inc., BNY Mellon's Canadian-based wealth management business, for a purchase price of \$10 million, plus an adjustment for working capital. Subsequent to the transaction, the entity was renamed Guardian Partners Inc. ("GPI") to align with the strength of Guardian's brand and commitment to partnership. The transaction expands Guardian's wealth management capabilities in the ultra-high net worth, family office, endowment and foundation segment. As at March 31, 2021, GPI advised clients on \$5.1 billion of assets and managed \$0.3 billion of assets on their behalf. More detailed descriptions of the above acquisition is provided in Note 15 to Guardian's First Quarter 2021 Consolidated Financial Statements.

### CHANGES TO SEGMENTED REPORTING

During the current quarter, Guardian realigned its segmented reporting structure to better align with its operating structure. The financial advisory segment has been renamed Wealth Management. This segment retains the two businesses previously included in the financial advisory segment, IDC WIN and the Dealers. It now also includes GPI, the newly acquired business referred to above, plus certain businesses previously included in the Investment Management Segment: GCA, the private wealth business; Modern Advisor, digital-advisory business; and ABL, the international private bank. The above section, Overview of Guardian's Business, provides the list of businesses now included in the Investment Management Segment. The following discussions include restatement of prior period to reflect the new alignment.

**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)		2021	2020	
Net revenue		\$ 64,694	\$	49,901
Expenses		47,190		39,088
Operating earnings		17,504		10,813
Net gains (losses)		41,971		(161,289)
Net earnings (loss) before income taxes		59,475		(150,476)
Income tax expense (recovery)		8,614		(15,565)
Net earnings (loss)		\$ 50,861	\$	(134,911)
Attributable to shareholders:				
Net earnings (loss)		\$ 49,625	\$	(136,368)
EBITDA		21,211		14,370
Adjusted cash flow from operations		18,492		13,320
Attributable to shareholders, diluted per share amounts:				
Net earnings (loss)		\$ 1.83	\$	(5.35)
EBITDA		0.78		0.53
Adjusted cash flow from operations		0.68		0.49
As at				
(\$ in millions, except per share amounts)		2021	2020	
		March 31	December 31	March 31
Assets under management		\$ 47,643	\$ 45,984	\$ 27,527
Assets under administration		28,680	22,289	18,152
Shareholders' equity		737	700	563
Securities		654	633	524
Diluted per share				
Shareholders' equity		\$ 27.14	\$ 25.69	\$ 20.94
Securities		24.05	23.23	19.50

**RESULTS OF OPERATIONS**

For the quarter ended March 31, 2021, Guardian's Operating earnings were \$17.5 million, a \$6.7 million or 62% increase from \$10.8 million reported in the first quarter of 2020. The growth reflects a combination of strong organic growth of \$6.0 million, led by GuardCap, the UK-based subsidiary and IDCWIN, the MGA subsidiary and, to a lesser extent, the net contributions from the businesses acquired over the recent two quarters.

With the continued positive performance in the global equities markets and the net inflows of client assets during the current quarter, Guardian's AUM increased to \$47.6 billion as at March 31, 2021. This is a 4% increase from \$46.0 billion as at December 31, 2020, and a 73% increase from \$27.5 billion as at March 31, 2020. Included in the March 31, 2021 AUM is \$9.0 billion managed by Agincourt, acquired on October 1, 2020, and \$0.3 billion managed by the recently acquired GPI. GuardCap's success continued into the current quarter, growing its AUM to \$12.2 billion at the end of the current quarter, from \$10.7 billion at the end of 2020.

Guardian's AUA increased to \$28.7 billion, a 29% increase from \$22.3 billion as at December 31, 2020 and a 58% increase from \$18.2 billion as at March 31, 2020. Included in the March 31, 2021 AUA is \$5.1 billion of client assets advised by the recently acquired GPI and \$0.4 billion associated with the Copoloff business acquired in Q4 2020.

The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were \$9.6 million, a \$5.4 million or 129% increase from \$4.2 million in the same quarter in the prior year. GuardCap was the largest contributor of Operating earnings, delivering \$6.1 million in the current quarter, growing \$4.7 million since the first quarter of 2020. Included in the current quarter Operating earnings was a \$0.7 million contribution from Agincourt, acquired in Q4, 2020. Also contributing to the growth were higher Operating earnings in Alta and i<sup>3</sup> (formerly Systematic Global Equity business), offset by \$1.1 million in Operating losses incurred in the Canadian Retail Asset Management strategic initiative. We expect the losses from this strategic initiative to continue in the near term as we build out this multi-year strategy to strengthen our distribution capabilities to the retail market.

The Wealth Management Segment's Operating earnings in the current quarter were \$6.8 million, a \$2.2 million or 48% increase from the \$4.6 million reported in the same quarter in the prior year. The increase can be attributed mainly to the increase in Operating earnings from IDC WIN, our MGA business, and to a lesser extent the growth in GCA and the Dealers. IDC WIN's Operating earnings grew to \$5.6 million, including \$0.1 million contribution from the acquisition completed in Q4, 2020, from \$3.5 million in the same quarter in the prior year. Partially offsetting the growth were \$0.7 million in Operating losses in Modern Advisor, ABL and the newly acquired GPI. As mentioned in prior periods, we expect the losses in Modern Advisor to continue while we build out our digital strategy in the Wealth Management Segment. We also expect to incur Operating losses in GPI in the near term while we invest to upgrade, rebuild and integrate this business into our overall Wealth Management offering.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.1 million, compared to \$1.9 million for the same quarter in the prior year. The lower Operating earnings in the current quarter were due to lower dividend income earned, partially offset by lower interest expense. The lower dividend income was largely the result of reduced holdings of 1.2 million shares of BMO disposed of in 2020. The lower interest expense is due to lower borrowing rates and, to a lesser extent, lower levels of bank borrowing outstanding.

Net gains in the current quarter were \$42.0 million, compared to Net losses of \$161.3 million in the same quarter in the prior year. The continued positive performance in the global equities markets has contributed to these Net gains, compared to significant Net losses recorded in the prior year when the onset of the pandemic caused a steep decline in the global equities markets.

The Net earnings attributable to shareholders were \$49.6 million, compared to Net loss of \$136.4 million in the prior year. The increase was due to the



combination of the significant improvements in Operating earnings and the large swing to Net gains from Net losses in the prior year.

EBITDA attributable to shareholders for the quarter was \$21.2 million, a 48% increase from \$14.4 million for the same period in 2020. Consistent with Operating earnings, GuardCap and IDCWIN are the two largest contributors, accounting for 60% of Guardian's EBITDA attributable to shareholders this quarter. IDC WIN's EBITDA attributable to shareholders for the current quarter was \$6.3 million, including \$0.3 million from the Copoloff business acquired in Q4 2020, a 43% increase from \$4.4 million earned in the first quarter of 2020. IDC WIN's EBITDA attributable to shareholders represents Guardian's proportionate share. A portion attributable to non-controlling interest of \$1.3 million in the current quarter and \$0.9 million in the prior year have been excluded in calculating this measure. GuardCap's EBITDA for the quarter was \$6.2 million, compared to \$1.6 million in the same quarter in 2020, not materially different from Operating earnings described above. Adjusted cash flow from operations attributable to shareholders for the quarter was \$18.5 million, a 39% increase from \$13.3 million in the same period in 2020. The increases in both metrics are reflective of the tremendous growth experienced in Guardian's operating businesses.

### ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2021		2020	
	March 31	December 31	December 31	March 31
<b>Assets under management</b>				
Institutional				
Canadian equities	\$ 7,762	\$ 7,356		6,723
Global equities	19,934	18,510		10,996
Fixed income	16,064	16,630		6,794
Institutional assets under management	43,760	42,496		24,513
Wealth management	3,883	3,488		3,014
<b>Total assets under management</b>	<b>\$ 47,643</b>	<b>\$ 45,984</b>	<b>\$ 45,984</b>	<b>\$ 27,527</b>
<b>Assets under administration</b>				
Dealers	\$ 15,765	\$ 15,107	\$ 15,107	\$ 12,688
MGA segregated	7,474	7,182	7,182	5,464
Outsourced Chief Investment Officer and other	5,441	--	--	--
<b>Total assets under administration</b>	<b>\$ 28,680</b>	<b>\$ 22,289</b>	<b>\$ 22,289</b>	<b>\$ 18,152</b>

Guardian's AUM at the end of the current quarter reached a historic high of \$47.6 billion, a 4% growth from \$46.0 billion at December 31, 2020, and a 73% increase from the \$27.5 billion reported as at March 31, 2020. The strong growth in AUM was achieved through a combination of continued success in attracting new assets by GuardCap, the addition of \$9.0 billion from Agincourt, acquired during the fourth quarter of 2020, the addition of \$0.3 billion from GPI, acquired on March 1, 2021, and the continued positive global equities market returns. GuardCap's AUM at the end of the current quarter was \$12.2 billion, a 14% growth from \$10.7 billion at December 31, 2020.

The AUA at March 31, 2021 also grew to an historic high of \$28.7 billion, a 29% increase from \$22.3 billion at the end of 2020 and a 58% increase from \$18.2 billion as at March 31, 2020. Approximately \$5.1 billion of the increase in AUA since December 31, 2020 was due to the acquisition of GPI on March 1, 2021 and another \$0.4 billion increase since March 31, 2020 was due to the acquisition of Copoloff.

### REVENUES AND EXPENSES

#### Net Management and Advisory Fees

Management and advisory fees, net of fees paid to referring agents ("Net management and advisory fees") earned by Guardian are generated by providing continuing management and advisory services to clients' investment assets (AUM and AUA). The following analysis of Net management and advisory fees should be read in conjunction with note 12 (a) – Business Segments in Guardian's First Quarter Consolidated Financial Statements, as the totals for this Segment quoted below are before inter-segment transactions.

Net management and advisory fees earned by the operating Segments for the quarter ended March 31, 2021 were \$37.5 million before inter-segment transactions. In the same quarter in the prior year, the Net management and advisory fees were \$24.7 million before inter-segment transactions.

Net management and advisory fees earned in the Investment Management Segment in the current quarter were \$31.9 million, a 56% increase from \$20.4 million a year earlier. The increase was driven largely by the growth in GuardCap, more than doubling its fees to \$14.3 million, the addition of \$3.1 million earned by Agincourt, which was acquired during Q4 2020, and a 16% increase in Alta, partially offset by a slight decrease in the Domestic business.

Net management and advisory fees earned in the Wealth Management Segment amounted to \$5.6 million in the current quarter, up 33% from the \$4.2 million earned in the prior year. The increase was due largely to the combination of growth in GCA, the addition of \$0.5 million from the acquisition of GPI on March 1, 2021 and a slight increase in Modern Advisor.

#### 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 renewal commissions (previously referred to as servicing commissions) related to AUA and in-force life insurance policies, net of commissions paid to advisors. 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, as the totals for this Segment quoted below are before inter-segment transactions.

Net commission revenue earned in the current quarter was \$18.7 million before inter-segment transactions. In the same quarter in the prior year, the Net commission revenue was \$15.1 million before inter-segment transactions.

Net commissions from IDC WIN in the current quarter were \$14.6 million, a 30% increase compared to \$11.2 million in the same quarter a year earlier. The renewal commissions included above in the current quarter were \$6.4 million, up 16% from \$5.6 million in the same quarter in the prior year. Included in the current quarter are \$1.0 million of Net commissions from Copoloff, of which \$0.5 million were renewal commissions. The contractual

Premiums Sold were \$55 million in the current quarter, including \$2 million from Copoloff, compared to \$22 million in the same period in the prior year. The renewal of the policies associated with Premiums Sold generate renewal commissions in future periods when the policies are renewed. Net commissions from the Dealers business in the current quarter were \$4.1 million, up 5% from \$3.9 million in the same quarter of 2020.

#### Administrative Services Income

Administrative services income is comprised of registered plan administration, trust and corporate administration and other fees earned in the Wealth Management Segment, and fund administration fees earned from managed investment funds in the Investment Management Segment. This income amounted to \$4.7 million for the current quarter, as compared to \$4.2 million 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)	2021	2020
Dividends on Bank of Montreal shares	\$ 2,438	\$ 3,710
Other dividends	1,362	1,328
Dividend income	3,800	5,038
Investing activities	208	855
Operating activities	104	314
Interest income	312	1,169
	\$ 4,112	\$ 6,207

Dividend income declined in the current quarter by \$1.2 million, compared to the same period one year earlier, due largely to lower dividend income earned on BMO shares as a result of 1.2 million shares being sold throughout 2020. As part of the response to the pandemic-induced market downturn in the first half of last year, Guardian sold a portion of the BMO shares and used a significant portion of the proceeds to lower its bank borrowings.

Interest income declined in the current quarter by \$0.9 million compared to the same period, one year earlier. The Dealers and ABL saw the biggest decline as lower interest rates reduced the interest spreads on client cash balances. In the Corporate Activities and Investments Segment, interest income was lower due to the combination of lower balances of interest-earning investments being held and lower interest rates.

#### Expenses

Total expenses in the current quarter amounted to \$47.2 million, compared to \$39.1 million in the same quarter in 2020, an increase of \$8.1 million. The increase resulting from the new businesses acquired since the first quarter of 2020, which includes GPI, Agincourt and Copoloff, amounted to \$4.0 million. The remaining increase in expenses can mainly be attributed to higher compensation expenses in GuardCap, in line with the growth of the business, and the increased investments made into the Canadian Retail Asset Management initiatives and Modern Advisor. Partially offsetting these increases were lower interest expenses due to lower interest rates charged on bank borrowings and lower travel, entertainment and marketing expenses.

#### NET GAINS (LOSSES)

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

For the three months ended March 31 (\$ in thousands)	2021	2020
Bank of Montreal common shares	\$ 35,167	\$ (107,065)
Other securities	5,917	(48,629)
Net gains (losses) on securities	41,084	(155,694)
Net gains on disposal of intangible assets	647	338
Net foreign exchange gains (losses)	240	(5,933)
	\$ 41,971	\$ (161,289)

Net gains in the quarter were \$42.0 million compared to Net losses of \$161.3 million, a year earlier. The most significant factor influencing the levels of Net gains (losses) was the changes in fair market values of securities resulting from the global equities market movements over each of the periods. The current quarter benefited from the positive performance in the global equities markets, compared to a steep decline in the first quarter of 2020 when the onset of the pandemic introduced significant volatility into the markets.



**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)	<b>2021</b> <b>March 31</b>	December 31	2020 March 31
<b>Securities, carried at fair value</b>			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 21,366	\$ 36,244	\$ 18,711
Canadian equities	11,737	11,422	6,706
Global equities	300,181	300,204	181,619
Real estate	24,847	24,847	23,023
	<b>358,131</b>	<b>372,717</b>	<b>230,059</b>
Bank of Montreal common shares	257,462	222,295	205,378
Short-term securities	15,122	20,857	70,237
Equities	22,814	16,702	13,580
	<b>653,529</b>	<b>632,571</b>	<b>519,254</b>
<b>Securities, carried at amortized cost</b>	<b>--</b>	<b>--</b>	<b>5,000</b>
<b>Securities</b>	<b>\$ 653,529</b>	<b>\$ 632,571</b>	<b>\$ 524,254</b>
<b>Total securities per share, diluted</b>	<b>\$ 24.05</b>	<b>\$ 23.23</b>	<b>\$ 19.50</b>

Guardian's securities as at March 31, 2021 had a fair value of \$653.5 million, or \$24.05 per share, diluted, compared with \$632.6 million, or \$23.23 per share, diluted, at the end of 2020. Shareholders' equity as at March 31, 2021 amounted to \$737.4 million, or \$27.14 per share, diluted, compared to \$699.6 million, or \$25.69 per share, diluted, at the end of 2020.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$160.0 million. As at March 31, 2021, the total borrowings amounted to \$105.1 million, compared to \$95.7 million at the end of 2020. Guardian's Adjusted cash flow from operations for the current quarter was \$18.5 million, compared to \$13.3 million in the same quarter in 2020. The increase in the current quarter, compared to the same period one year earlier was due to improved Operating earnings, partially offset by increased tax payments. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, for capital expenditures, including acquisitions, and repay debt where possible. From time to time, Guardian may use a combination of debt and disposal of Securities to help finance temporary working capital requirements or capital expenditures.

**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, 2021 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 105,080	\$ 105,080	\$ --	\$ --	\$ --
Client deposits	44,639	44,639	--	--	--
Payable to clients	74,704	74,704	--	--	--
Accounts payable and accrued liabilities	57,797	57,797	--	--	--
Other liabilities	31,455	--	26,617	4,838	--
Investment commitments	28,985	28,985	--	--	--
Scheduled lease payments, undiscounted	14,928	3,270	5,871	3,928	1,859
Third party investor liabilities	78,877	78,877	--	--	--
<b>Total contractual obligations</b>	<b>\$ 436,465</b>	<b>\$ 393,352</b>	<b>\$ 32,488</b>	<b>\$ 8,766</b>	<b>\$ 1,859</b>

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, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
<i>As at (\$ in millions)</i>								
Assets under management	\$ 47,643	\$ 45,984	\$ 32,734	\$ 31,196	\$ 27,527	\$ 31,147	\$ 30,243	\$ 30,088
Assets under administration	28,680	22,289	20,755	20,010	18,152	20,248	19,040	18,784
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 64,694	\$ 63,724	\$ 52,042	\$ 50,124	\$ 49,901	\$ 49,865	\$ 45,983	\$ 45,963
Operating earnings	17,504	18,493	12,108	13,427	10,813	13,030	12,105	12,590
Net gains (losses)	41,971	80,983	35,739	43,254	(161,289)	24,140	(1,274)	7,957
Net earnings (loss)	50,861	87,083	42,652	51,244	(134,911)	31,808	8,952	17,601
Net earnings (loss) attributable to shareholders	49,625	86,039	42,201	50,486	(136,368)	30,787	8,275	16,838
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share (in \$)								
Basic	\$ 1.95	\$ 3.38	\$ 1.66	\$ 1.99	\$ (5.35)	\$ 1.20	\$ 0.32	\$ 0.65
Diluted	1.83	3.16	1.56	1.87	(5.35)	1.13	0.31	0.62
Dividends paid on Class A and Common shares (in \$)								
	\$ 0.160	\$ 0.160	\$ 0.160	\$ 0.160	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.150
<i>As at</i>								
Shareholders' equity (\$ in thousands)								
	\$ 737,363	\$ 699,610	\$ 631,863	\$ 596,265	\$ 562,821	\$ 682,777	\$ 653,983	\$ 647,983
Per Class A and Common share (in \$)								
Basic	\$ 29.02	\$ 27.54	\$ 24.80	\$ 23.50	\$ 22.18	\$ 26.73	\$ 25.49	\$ 25.26
Diluted	27.14	25.75	23.25	22.07	20.94	25.01	23.93	23.73
Total Class A and Common shares outstanding (shares in thousands)								
	27,691	27,740	27,758	27,758	27,758	27,839	27,956	27,956

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.

Investment management and advisory fees and trailer commissions 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 are the significant insurance commissions earned in the MGA business, which have grown in significance, and are less correlated to the volatility of the financial markets. However, volatility may arise in the MGA revenue from the timing of large insurance policies being placed by contracted advisors. As IDC WIN has built a business with a significant number of top-producing advisors, and these advisors deal mainly in significantly larger and more sophisticated insurance policies, the timing of the placement of these policies can affect the timing and the level of the insurance commission revenue earned. In addition, some cyclical of sales commissions and renewal commissions have developed in IDC WIN, as the first and the fourth quarters of each year tends to have higher Net commission revenues than the other quarters. In the Corporate Activities and Investments Segment, some increases 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" mid-year dividends. In addition, the timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend income recorded in the period.

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 impacts Net earnings (losses) attributable to shareholders. In Q1 of 2020, the pandemic induced bear market had a negative effect on Guardian's fair value of securities, resulting Net (losses).

The quarterly fluctuations in shareholders' equity shown above are caused largely by Guardian's Net earnings (losses), 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 year, due to the ongoing pandemic disruptions, many of the risks listed below are heightened and may be more challenging to manage or mitigate. Readers are encouraged to refer to note 14 to Guardian's first quarter 2021 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 investment management and advisory fees, which make up a significant part of our revenues, are generally based on market values. In the Wealth Management 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 14 of Guardian's first quarter of 2021 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, 2021, Guardian holds \$257 million of BMO shares (December 31, 2020 – \$222 million), which represents 39% of Guardian's securities (December 31, 2020 – 35%). 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 2.7 million shares, 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, 2021, the corporate holding of securities consisted of 45% Canadian equities (December 31, 2020 – 41%), primarily consisting of Bank of Montreal shares, 49% of non-Canadian equities (December 31, 2020 – 50%) and 6% short-term investments and fixed-income securities (December 31, 2020 – 9%).

### 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 and Agincourt in 2020, Guardian 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 outstanding, which were used to finance foreign acquisitions such as Alta and Agincourt. This risk is mitigated by an offsetting, similar amount being recognized on the investment in these foreign subsidiaries as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Guardian may also record Net gains (losses) 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 14 in Guardian's First Quarter 2021 Consolidated Financial Statements for further discussion and sensitivity analyses.

### Credit Risk

Guardian's credit risks are 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. From time to time, advisors in the Dealers or the MGA businesses 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.

### 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.

Certain financial market events may cause disruptions, as recently witnessed with the global COVID-19 pandemic, and 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 and services 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.

#### **Advisory Risk**

Because of the number of in-house and independent advisors who publicly represent the Dealers and the MGA businesses, there are risks associated in their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of these businesses, significant management oversight and insurance coverage carried by both these businesses and the independent 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 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, 2020, 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 Investment Management Segment goodwill is most sensitive to the levels of AUM within the Segment. The valuation approach to Wealth Management Segment goodwill is most sensitive to the levels of AUA and annual service fees within the Segment. The goodwill in all units are tested annually for impairment. In addition, Guardian reviews goodwill for indications of impairment at the end of each reporting period, and if indications of impairment exists, the goodwill is then assessed for impairment in that period.

#### **NON-IFRS MEASURES**

##### **EBITDA attributable to shareholders (formerly EBITDA) and EBITDA attributable to shareholders per share (formerly EBITDA per share)**

Guardian defines EBITDA attributable to shareholders as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses, less amounts attributable to non-controlling interests. EBITDA attributable to shareholders per share is calculated using the same method, which is used to determine net earnings attributable 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)	2021	2020
Net earnings (loss), as reported	\$ 50,861	\$ (134,911)
Add (deduct):		
Income tax expense (recovery)	8,614	(15,565)
Net (gains) losses	(41,971)	161,289
Stock-based compensation	666	638
Interest expense	345	922
Amortization	4,974	4,332
Non-controlling interests	(2,278)	(2,335)
EBITDA attributable to shareholders	\$ 21,211	\$ 14,370

**Adjusted cash flow from operations attributable to shareholders (formerly Adjusted cash flow from operations) and Adjusted cash flow from operations attributable to shareholders per share (formerly Adjusted cash flow from operations per share)**

Guardian defines Adjusted cash flow from operations attributable to shareholders as net cash from operating activities, net of changes in non-cash working capital items and non-controlling interests. Adjusted cash flow from operations attributable to shareholders 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 attributable to shareholders 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)	2021	2020
Net cash from (used in) operating activities, as reported	\$ 6,057	\$ 4,250
Add (deduct):		
Net change in non-cash working capital items	14,466	11,300
Non-controlling interests	(2,031)	(2,230)
Adjusted cash flow from operations attributable to shareholders	\$ 18,492	\$ 13,320

**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**

The pandemic has been a difficult and uncertain experience, but the development of effective vaccines to combat the spread of infection has marked the beginning of the end, creating a viable path toward the better days ahead. The fact that there is more clarity about the road ahead than at any point over the last year, however, does not necessarily ensure that it will be a smooth and fast return to pre-crisis life. Indeed, the rise in infection rates in the first quarter, and the resultant return to lockdowns in some regions serves to emphasize that the global economy is far from being free and clear. With that said, it appears that the world is moving closer to the beginning of the new beginning, and when the all-clear is finally signaled, there are fundamental reasons to anticipate that the global economy will be set to shift into a significantly higher gear. The current environment will remain challenging and plagued by some persistent uncertainty and headline risk, which speaks to maintaining a bias toward higher-quality investments in the core of investment portfolios to help mitigate near-term volatility. The outlook, however, is looking increasingly positive, which would be supportive of tilting portfolio risk exposures toward those asset classes that stand to benefit from a cyclical upswing. We have a positive outlook on the stock market owing to central banks keeping monetary policy accommodative and further fiscal stimulus measures being put in place to support a strong global recovery. Consumer spending should re-accelerate in 2021 driven by stimulus, a pandemic-induced high consumer savings ratio and reducing pandemic related restrictions as herd immunity is approached. On the business side, inventories in the US are at incredibly low levels, so one can anticipate an increase in capital expenditures. However, a risk which we are watching is the speed at which long bond yields rise. US 10-year bond yields have surged to a high of 1.7% from 0.9% at the start of this year, driven by fears of higher inflation. Meanwhile, the Federal Reserve and the Bank of Canada have indicated that they will stay the course of keeping short-term lending rates low until 2023, leading to a steeper yield curve. Higher bond yields have impacted valuations for equities, particularly high-growth stocks. If long bond yields continue a rapid ascent, it could lead to a correction in the stock market, although we do not expect a bear market for the following reasons; central banks are remaining accommodative, significant fiscal stimulus continues, and high savings rates should support consumer spending. A gradual rise in long bond yields coupled with strong economic data is likely to drive stocks higher.

Guardian is fortunate to operate in the investment and wealth management segments of the economy, since during the ongoing Global Pandemic we have not been forced to shut down operations, and our revenues to date have not been materially impacted, and perhaps even assisted, by the monetary and fiscal stimulus in response to COVID-19. Our revenues, earnings, and the value of our balance sheet will experience fluctuations based on prevailing

asset prices but, absent the unlikely scenario of an enduring economic collapse, we will be fit to continue to operate. We are also fortunate that not all of our sources of revenue are correlated with market values across assets. Market levels directly affect our revenue from AUM and AUA, but not the commissions we earn from insurance companies for new clients, or annual renewal on business written in the past, nor does it necessarily mean that dividends and interest payments from our investment portfolio will suffer the same fate. Despite the uncertainty of the pandemic, Guardian has demonstrated its ability to "stay the course" by announcing new acquisitions, and hiring new people, as well as launching and supporting new initiatives. In most advanced economies, the signs are that the crisis is being contained by vaccination along with other preventative measures, but we know it is not over yet. We will continue to do our best to identify new avenues of growth for the company, as well as supporting those initiatives we have already embarked on. Our goal is to have the flexibility to continue prudently investing in our growth initiatives, our people, and our service level to our clients and partners, without being forced to make unpleasant decisions if things do temporarily get worse. We consider ourselves very fortunate at this stage that we have been able to keep our employees active; our clients well taken care of; execute the business continuity plan to keep our employees safe; and have the ability to provide some degree of stability and certainty to all of our stakeholders during this 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 into 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.





Our history. Your future.

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