Guardian

Guardian Capital Group Limited
Report to Shareholders

Second Quarter
June 30, 2020

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the periods ended June 30, 2020. All per share figures disclosed below are stated on a diluted basis.

For the periods ended June 30	**Three months**		**Six months**	
($ in thousands, except per share amounts)	**2020**	2019	**2020**	2019
Net revenue	**$ 50,124**	$ 45,963	**$ 100,025**	$ 90,254
Operating earnings	**13,427**	12,590	**24,240**	23,766
Net gains (losses)	**43,254**	7,957	**(118,035)**	73,840
Net earnings (loss) attributable to shareholders	**50,486**	16,838	**(85,882)**	84,058
EBITDA (1)	**$ 17,302**	$ 16,238	**$ 31,672**	$ 30,747
Adjusted cash flow from operations (1)	**15,403**	12,524	**28,723**	23,028
Per share:				
Net earnings (loss) attributable to shareholders	**$ 1.87**	$ 0.62	**$ (3.38)**	$ 3.06
EBITDA (1)	**0.64**	0.60	**1.18**	1.12
Adjusted cash flow from operations (1)	**0.57**	0.46	**1.07**	0.84

As at	**2020**	**2019**	
($ in millions, except per share amounts)	**June 30**	December 31	June 30
Assets under management	**$ 31,196**	$ 31,147	$ 30,090
Assets under administration	**20,010**	20,248	18,784
Shareholders' equity	**596**	683	648
Securities	**511**	682	663
Per share:			
Shareholders' equity (1)	**$ 22.07**	$ 25.01	$ 23.73
Securities (1)	**18.92**	24.99	24.29

Summary

The Company's second quarter 2020 Operating earnings benefited from the sharp rebound in the global financial markets, as they recovered from the significant declines in the first quarter of 2020, at the onset of the COVID-19 pandemic. The Company is reporting Operating earnings of $13.4 million for the quarter ended June 30, 2020, a 24% increase from $10.8 million reported in the pandemic-affected first quarter of 2020, and a 7% increase from the $12.6 million reported in the second quarter of 2019.

The Net revenue for the current quarter grew to $50.1 million, $4.1 million or 9% higher than the $46.0 million reported in the same quarter in the prior year. Excluding the revenue contributions from Aurrea Signature Inc. ("Aurrea"), the Quebec-based MGA acquired on December 31, 2019, the growth in Net revenue was $2.3 million. This organic growth was largely in the Investment Management Segment, which grew its assets under management ("AUM") to $31.2 billion from $30.1 billion a year earlier with increased proportion of non-Canadian equity AUM, which earn fees at higher rates. Global and US equity AUM now represents approximately 50% of the Company's institutional AUM, compared to 39% a year ago.

Expenses in the current quarter were $36.7 million, a $3.3 million increase from $33.4 million in the same quarter in the prior year. Included in the current quarter's expenses are the expenses in Aurrea, plus those in Modern Advisor, the digital-advisory business acquired in the previous quarter, and the expenses involved with the expansion of a Canadian Retail Asset Management team, which is focused on providing investment solutions to the retail market in Canada. The total expenses associated with these businesses were $2.8 million in the current quarter. Without these strategically important investments, the increase in expenses would have been a modest $0.5 million.

The Company's AUM reached $31.2 billion as at June 30, recovering from the March 31 low point to exceed the December 31, 2019 levels, providing a 4% growth from June 30, 2019. The sharp recovery in the global financial markets and significant inflow of assets, largely into the Fundamental Global Equity strategy managed by our UK subsidiary, drove the growth in AUM during the current quarter. The AUM managed by the UK subsidiary has grown to $6.5 billion at the end of the current quarter, a 44% growth from $4.5 billion at March 31, 2020 and almost three times the $2.3 billion at the end of the second quarter of 2019.

The Company's assets under administration ("AUA") were $20.0 billion as at June 30, 2020, compared to $20.2 billion at the end of 2019 and $18.8 billion as at June 30, 2019. Included at June 30 were $0.5 billion of AUA provided by Aurrea.

As discussed above, the global financial markets experienced significant recoveries during the second quarter, causing the fair value of the Company's Securities to increase, resulting in Net gains of $43.3 million being recorded in the current quarter, compared to Net gains of $8.0 million in the same quarter in the prior year.

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 $50.5 million, compared to $16.8 million in the same quarter in 2019.

EBITDA[1] for the current quarter was $17.3 million, compared to $16.2 million in the same period in the prior year. Adjusted cash flow from operations[1] for the current quarter was $15.4 million, compared to $12.5 million in the same quarter in the prior year.

The Company's Shareholders' equity as at June 30, 2020 was $596 million, or $22.07 per share[1], compared to $683 million, or $25.01 per share[1] as at December 31, 2019, and $648 million or $23.73 per share[1] as at June 30, 2019.

As the equity markets rebounded in the second quarter, the fair value of the Company's Securities also experienced a significant rebound, which was largely offset by the disposal of certain Securities during the quarter, $71 million of the proceeds from which were used to repay debt. The repayment of debt has increased the Company's borrowing capacity to approximately $100 million. The resulting fair value of the Company's Securities as at June 30, 2020 was $511 million, or $18.92 per share[1], compared to $682 million, or $24.99 per share[1] as at December 31, 2019 and $663 million or $24.29 per share[1] as at June 30, 2019.

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

Commentary

Market Recap

When the global economy went into lockdown in the first quarter, it was broadly assumed that the economy would sustain a major hit. On June 8, in the US, the National Bureau for Economic Research's Business Cycle Dating Committee (the arbiters of the economic cycle) surprised no one when they officially declared that the US economy entered a recession in March. That declaration formally ended the expansion that began in July 2009 and closed the books on the longest stretch of continuous growth on record. The aggregate real output from the G7 economies is estimated to have contracted 2% over the first three months of 2020, and is expected to have plunged by a record 10% in Q2. For some context, Q1's GDP decline alone is comparable to the total decline in the worst recession suffered by the group at any time before the 2008/09 financial crisis. At the same time, the assumed cumulative 12% drop in the first half of this year is more than double the impact from the historic downturn just over a decade ago. The unprecedented hit to the global economy quickly led to fear being the dominant emotion in the financial markets. This fear triggered a spike in financial market volatility, which coincided with a historically quick and sharp sell-off in risk assets, stopping the 11-year equity bull market dead in its tracks.

Heightened concern and pessimism permeated expectations for growth, causing these questions: Would the future trajectory of the global economy be a continuous decline until the pandemic, one way or another, wore itself out? Would we suffer a large decline followed by stagnant growth and overwhelming unemployment? Would corporations large and small run out of money and cease operations en masse? The answers are still unknown, but buying was brought back into the markets by: what looked like a V-shaped recovery in China after the end of their lockdown; some encouraging news about potential treatments and vaccines; and an unprecedented surge of fiscal, monetary and policy supports for people and businesses harmed by the economic impact of the COVID-19 pandemic. Since March, governments across the G20 economies have pledged nearly $8 trillion USD in fiscal support from programs, including direct payments to individuals, loans for businesses and infrastructure investments, while central bank balance sheets have expanded by nearly $6 trillion USD since February. In the second quarter, markets responded to the improving outlook and the vast injections of money into the economy. Swift government and central bank actions resulted in the stock markets rising very strongly. The Federal Reserve (along with most major central banks) flooded the market with liquidity in various forms to prevent credit markets from grinding to a halt. Feedback from companies throughout North America has indicated that the worst of the economic hit was in early April, and that their businesses have improved versus their initial fears as the quarter progressed. The result is that essentially all risky asset classes had strongly positive returns after their nearly universal declines in the first quarter, and many are not far from their highs for the year.

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. Since the BCP was initiated, Guardian's senior management, the leaders of each of our subsidiaries and our head of information technology have participated in regular BCP virtual meeting updates, and in turn, business unit heads continue to have regular updating communications with their direct reports in the various business segments. We are pleased to report that our BCP has stood up to our requirements and expectations extremely well, and no significant problems have been encountered. All of our employees are safe and substantially all continue to work remotely as of the time of writing this report. Our service to our clients has transitioned seamlessly to remote working arrangements and we are prepared to sustain such a work arrangement for a prolonged period of time. We have dedicated considerable effort to developing a phased approach to safely bringing our employees back to our physical workplaces, which is just beginning. The process of bringing our employees back is based on government and health official guidelines, local conditions and an abundance of caution on our side, and we will be prepared to reverse course if and when, conditions warrant such a decision. We extend our thanks to all our employees who are making it all possible.

Investment Management

At the end of the second quarter of 2020, Guardian's assets under management (AUM), aided by a strong market rebound, and a number of significant flows into our Fundamental Global Equity strategy, have strongly rebounded from the lows of the first quarter to $31.2 billion, an increase of roughly 13% from the $27.5 billion at the end of Q1. All of the major asset classes we manage were the beneficiaries of strong market returns, and asset levels were uniformly above the levels of the prior quarter. Net client asset flows were mixed by asset class but, in aggregate, flows were quite strongly positive. Cash flows were bifurcated by asset type, however, following a pattern that has become quite familiar, as extremely strong subscriptions for our Fundamental Global Equity strategy overwhelmed redemptions from our Canadian equity strategies. The multi-year organic build of our UK asset management business required patient capital to fund Operating losses, however with the current success in growing third-party AUM and a strong pipeline for future flows, this business unit is set to continue being a meaningful and growing contributor of Operating earnings for the Investment Management Segment. The timely success of the UK asset management business allows us to more than offset a drop in Operating earnings from our current Domestic Investment Management business and confidently set out to make the investments necessary in pursuing continued growth for the overall business segment. We have set out over the last few months a strategic objective to build a dedicated Canadian retail distribution team where we can create new investment vehicles to serve the needs of financial advisors across both securities and mutual fund dealers. The focus of our efforts is to leverage the growing ecosystem within the Group by creating solutions that innovate and meet the changing investment needs of the retail client segment. Similar to our strategy in building out our UK asset management business, we expect to incur accelerated costs as we resource this effort, which will precede meaningful management fees from new assets under management. We are very aware of the competitive nature to serve the needs of Canadian financial advisors, however we anticipate a fresh, innovative approach to creating solutions from a leading independent asset manager will be a welcome entrant into the market. Ultimately, the goal is to improve on the quality of our domestic asset management business, which, if successful, will garner higher average management fees. Year-to-date we have spent a great deal of time resourcing and preparing for new investment solution launches. As was announced earlier this week we have launched a series of five Exchange-Traded Funds (ETFs) which will offer exclusively Guardian-managed, non-domestic equity exposure, for investors with a variety of risk tolerance and income generation goals. We plan several more waves of launches over the foreseeable future, as we assemble the roster of solutions to offer, driven by freshly conceived branding campaigns. Our focus for the future is to highlight the best ideas of our asset management in as many formats as possible, considering SMA, mutual fund, ETF, closed-end funds and insurance wrapped products.

Financial Advisory

Worldsource, our Financial Advisory Segment, essentially serves two distinct types of independent financial advisors across Canada. It operates a mutual fund and securities dealership (the "Dealers") which focuses largely on independent financial advisors offering investment advice to their clients, and it operates a life insurance Managing General Agency (the "MGA") which is focused on servicing independent life insurance advisors. Over the course of the last few years, our dealer business has devoted a great deal of time, energy and finances to upgrading our management team, our technology suite, and our service offering to our advisor partners. While these investments have come at the expense of reduced earnings, we feel that our Dealers business has vastly improved its value proposition and we are in an improved position to start benefitting from the investments we have made. Our major initiatives at the Dealers include expanding and improving our offering of Guardian-managed investment products, increasing our penetration of Guardian's products into Worldsource, more aggressively recruiting independent advisors and corporate partners, and improving our pricing discipline when negotiating with new partners. In the second quarter, Worldsource assets under administration increased to $20.0 billion from $18.1 billion on March 31, an increase which reflects both the efforts of Worldsource and the market rebound.

IDC WIN, our MGA business, performed well in the quarter. Operating earnings for the quarter were up compared to the prior year, even without the positive impact of Aurrea, the Quebec-based business we acquired at the end of the prior the year. We are also pleased to report that Aurrea has performed in line with our expectations, adding to IDC WIN's Operating earnings. The COVID-19 pandemic has made it slightly more difficult to process larger cases, but we have a healthy backlog of pending cases going into the second half of the year. 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 so far, we see no concerns on this front. Additionally, our advisors are continuing to place new business, as insurance companies are making it easier to place business electronically, potentially leading to improvements in the efficiency of our operations going forward. Notably, approximately 50% of our business in the second quarter was processed electronically, double the rate of last year. New sales of segregated funds has slowed since the pandemic started, but trailer revenues from the segregated fund assets under administration in the second quarter have made a significant recovery from the prior quarter. All in all, we are pleased with the resilience of this business.

Corporate Securities

In addition to our core operating businesses, Investment Management and Financial Advisory, steady and reliable investment income from our corporate securities portfolio has been a meaningful contributor to Guardian's profitability and long-term financial health. At quarter end, our investment portfolio was valued at $511 million, down from $524 million at the end of the first quarter, and it generated total dividend and interest income of $4.6 million in the quarter. Over the last two quarters, and in line with our strategy, Guardian sold in aggregate 800,000 shares of the Bank of Montreal ("BMO"), and also raised liquidity from seed investments in strategies which had performed relatively well during the market dislocation in the second quarter, in order to improve our financial flexibility and reduce risk during the pandemic. Proceeds of these sales were initially used to invest in short term securities, and subsequently to decrease bank borrowings. Currently, our bank facilities offer us approximately $100 million of available cash liquidity. Our increased financial flexibility will be primarily used to seed proprietary strategies and their respective investment vehicles as well as any future operating business unit acquisitions or buyback of Guardian stock which we may continue to acquire under our normal course issuer bid.

In the second quarter, BMO dividends contributed $3.0 million to Guardian revenues, declining from $3.7 million in the first quarter. Our holding of BMO stock has historically provided an important source of dividend income. However, it has been steadily decreasing in importance, both 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. As a result of the recent sales described above, roughly 38% of our securities position is held in BMO, down from 52% at the end of 2019. 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 six months of the year, Guardian has returned roughly $8.3 million to shareholders through dividends, while $2.1 million was spent on share buybacks. Guardian has historically focused, and will continue to allocate its free cash flow to a combination of growth initiatives, dividend increases and share buybacks. With respect to share buybacks, there has been a fair bit of public debate on the subject, which has become even more of a focus during the stimulus and bailout packages resulting from the COVID-19 pandemic. Many public company management teams have been reproached for prioritizing this capital allocation decision at the expense of increased leverage on the balance sheet, or capital allocation toward growth investment for future business successes, with the result that some companies have lost financial flexibility in a time of crisis. 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. 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 regulatory opposition, as stewards for all shareholders invested for the long-term, we will strategically continue to buy more shares when the opportunity arises. In April, our dividend was increased from $0.15 per share to $0.16 per share. The Board is pleased to report that we have declared another quarterly dividend of $0.16 per share, payable on October 19, 2020 to the shareholders of record on October 12, 2020.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. Clients, Shareholders, Employees, Partners and other stakeholders of Guardian should be assured that, from top to bottom, our organization embraces the responsibilities with which we are entrusted very seriously, and is continuously striving to make improvements to all aspects of how we do business. COVID-19 has created an unprecedented crisis. The current uncertainty surrounding COVID-19 continues to challenge us to best 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 approximately five hundred employees across Guardian, all of whom have had the opportunity to continue working with us throughout this crisis. The safety and support of our employees will remain a priority as we continue to 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,	August 13, 2020
(signed) "James Anas"	(signed) "George Mavroudis"
Chairman of the Board	President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	**June 30** **2020**	December 31 2019
ASSETS		
Current assets		
Cash	**$ 32,051**	$ 34,198
Interest-bearing deposits with banks	**69,031**	107,253
Accounts receivable and other	**47,067**	62,542
Receivables from clients and broker	**71,870**	37,984
Income taxes receivable	**850**	1,163
Securities backing third party investor liabilities (note 3)	**14,014**	14,252
	234,883	257,392
Securities (note 4)	**511,151**	682,279
Other assets		
Deferred tax assets	**1,283**	1,328
Intangible assets	**137,765**	129,808
Equipment	**16,944**	18,513
Goodwill (note 5)	**41,616**	40,643
	197,608	190,292
Total assets	**$ 943,642**	$ 1,129,963
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 6)	**$ 60,432**	$ 113,729
Third party investor liabilities (note 3)	**14,014**	14,252
Client deposits	**67,741**	106,430
Accounts payable and accrued liabilities	**40,166**	70,929
Lease obligations	**2,757**	2,694
Income taxes payable	**9,514**	2,060
Payable to clients	**71,869**	38,073
	266,493	348,167
Lease obligations	**11,158**	12,364
Other liabilities (note 7)	**22,966**	20,091
Deferred tax liabilities	**34,481**	55,140
Total liabilities	**335,098**	435,762
EQUITY		
Shareholders' equity		
Capital stock (note 8a and 8b)	**18,646**	18,705
Treasury stock (note 9a)	**(30,724)**	(28,129)
Contributed surplus	**20,976**	20,008
Retained earnings	**561,922**	658,139
Accumulated other comprehensive income	**25,445**	14,054
	596,265	682,777
Other equity interests	**12,279**	11,424
Total equity	**608,544**	694,201
Total liabilities and equity	**$ 943,642**	$ 1,129,963

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

For the periods ended June 30	**Three months**		**Six months**	
($ in thousands, except per share amounts)	**2020**	2019	**2020**	2019
Net revenue				
Commission revenue	$ **38,729**	$ 37,338	$ **79,247**	$ 73,495
Commissions paid to advisors	**(24,397)**	(24,699)	**(50,371)**	(48,561)
Net commission revenue	**14,332**	12,639	**28,876**	24,934
Management fees	**28,301**	24,870	**54,759**	48,668
Fees paid to referring agents	**(1,536)**	(1,502)	**(3,013)**	(3,139)
Net management fees	**26,765**	23,368	**51,746**	45,529
Administrative services income	**4,173**	3,929	**8,342**	7,917
Dividend and interest income (note 10)	**4,854**	6,027	**11,061**	11,874
	50,124	45,963	**100,025**	90,254
Expenses				
Employee compensation and benefits	**22,703**	19,266	**45,817**	38,429
Amortization	**4,427**	3,373	**8,759**	6,686
Interest	**373**	1,129	**1,295**	2,255
Other expenses	**9,194**	9,605	**19,914**	19,118
	36,697	33,373	**75,785**	66,488
Operating earnings	**13,427**	12,590	**24,240**	23,766
Net gains (losses) (note 11)	**43,254**	7,957	**(118,035)**	73,840
Earnings (loss) before taxes	**56,681**	20,547	**(93,795)**	97,606
Income tax expense (recovery)	**5,437**	2,946	**(10,128)**	11,906
Net earnings (loss)	$ **51,244**	$ 17,601	$ **(83,667)**	$ 85,700
Other comprehensive income (loss)				
Net change in foreign currency translation on foreign subsidiaries	**(14,450)**	(9,515)	**12,461**	(15,290)
Comprehensive income (loss)	$ **36,794**	$ 8,086	$ **(71,206)**	$ 70,410
Net earnings (loss) attributable to:				
Shareholders	$ **50,486**	$ 16,838	$ **(85,882)**	$ 84,058
Non-controlling interests	**758**	763	**2,215**	1,642
	$ **51,244**	$ 17,601	$ **(83,667)**	$ 85,700
Net earnings (loss) attributable to shareholders per Class A and Common share (note 12)				
Basic	$ **1.99**	$ 0.65	$ **(3.38)**	$ 3.24
Diluted	**1.87**	0.62	**(3.38)**	3.06
Comprehensive income (loss) attributable to:				
Shareholders	$ **37,028**	$ 7,835	$ **(74,491)**	$ 69,806
Non-controlling interests	**(234)**	251	**3,285**	604
Comprehensive income (loss)	$ **36,794**	$ 8,086	$ **(71,206)**	$ 70,410

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended June 30 *($ in thousands)*	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Total equity, beginning of period	$ 575,443	$ 668,506	$ 694,201	$ 611,979
Shareholders' equity, beginning of period	562,821	656,167	682,777	599,311
Capital stock, beginning of period	18,646	19,060	18,705	19,060
Acquired and cancelled (note 8c)	--	(326)	(59)	(326)
Capital stock, end of period	18,646	18,734	18,646	18,734
Treasury stock, beginning of period	(30,724)	(28,230)	(28,129)	(25,235)
Acquired (note 9a)	--	--	(2,941)	(2,995)
Disposed of (note 9a)	--	--	346	--
Treasury stock, end of period	(30,724)	(28,230)	(30,724)	(28,230)
Contributed surplus, beginning of period	20,300	18,123	20,008	17,600
Stock-based compensation expense	676	639	1,314	1,162
Redemption of equity-based entitlements	--	--	(346)	--
Contributed surplus, end of period	20,976	18,762	20,976	18,762
Retained earnings, beginning of period	515,696	625,056	658,139	560,479
Initial application of new accounting standard	--	--	--	767
Adjusted balance, beginning of period	515,696	625,056	658,139	561,246
Net earnings (loss)	50,486	16,838	(85,882)	84,058
Dividends declared and paid (note 8d)	(4,260)	(4,091)	(8,267)	(7,501)
Capital stock acquired and cancelled (note 8c)	--	(10,035)	(2,060)	(10,035)
Transactions with non-controlling interests	--	(2,206)	(8)	(2,206)
Retained earnings, end of period	561,922	625,562	561,922	625,562
Accumulated other comprehensive income, beginning of period	38,903	22,158	14,054	27,407
Other comprehensive income (loss)	(13,458)	(9,003)	11,391	(14,252)
Accumulated other comprehensive income, end of period	25,445	13,155	25,445	13,155
Shareholders' equity, end of period	596,265	647,983	596,265	647,983
Other equity interests, beginning of period	12,622	12,339	11,424	12,668
Non-controlling interests, beginning of period	36,146	31,414	31,515	31,674
Initial application of new accounting standard	--	--	--	96
Adjusted balance, beginning of period	36,146	31,414	31,515	31,770
Net earnings	758	763	2,215	1,642
Other comprehensive income (loss)	(992)	(512)	1,070	(1,038)
Dividends declared and paid	(667)	(707)	(1,103)	(1,416)
Transactions with non-controlling interests	--	(1,352)	18	(1,352)
Acquisition of subsidiary (note 16)	--	--	1,530	--
Non-controlling interests, end of period	35,245	29,606	35,245	29,606
Obligations to non-controlling interests, beginning of period	(23,524)	(19,075)	(20,091)	(19,006)
On acquisition of subsidiary	--	--	(648)	--
Change during period	558	(61)	(2,227)	(130)
Obligations to non-controlling interests, end of period	(22,966)	(19,136)	(22,966)	(19,136)
Other equity interests, end of period	12,279	10,470	12,279	10,470
Total equity, end of period	$ 608,544	$ 658,453	$ 608,544	$ 658,453

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended June 30 *($ in thousands)*	Three months **2020**	 2019	Six months **2020**	 2019
Operating activities				
Net earnings (loss)	**$ 51,244**	$ 17,601	**$ (83,667)**	$ 85,700
Adjustments for:				
Income taxes (paid)	**(1,536)**	(2,658)	**(1,769)**	(5,771)
Income tax expense (recovery)	**5,437**	2,946	**(10,128)**	11,906
Net (gains) losses	**(43,254)**	(7,957)	**118,035**	(73,840)
Amortization of intangible assets	**3,353**	2,537	**6,629**	5,030
Amortization of equipment	**1,074**	837	**2,130**	1,657
Stock-based compensation	**676**	639	**1,314**	1,162
Other non-cash expenses	**--**	(114)	**--**	(76)
	16,994	13,831	**32,544**	25,768
Net change in non-cash working capital items (note 14)	**7,823**	5,437	**(3,477)**	(11,827)
Net cash from operating activities	**24,817**	19,268	**29,067**	13,941
Investing activities				
Net disposition of securities	**49,184**	9,644	**63,648**	22,832
Income taxes (paid) refunded	**--**	--	**(2,690)**	--
Net (acquisition) of securities backing third party investor liabilities	**(1,711)**	(16,332)	**(6,719)**	(17,673)
Acquisition of intangible assets	**(2,381)**	(3,052)	**(5,220)**	(7,188)
Acquisition of equipment	**(262)**	(216)	**(478)**	(396)
Disposition of intangible assets	**797**	296	**1,258**	1,602
Acquisition of subsidiaries (note 16)	**(177)**	--	**(15,430)**	--
Net cash from (used in) investing activities	**45,450**	(9,660)	**34,369**	(823)
Financing activities				
Dividends paid to shareholders	**(4,260)**	(4,091)	**(8,267)**	(7,501)
Dividends paid to non-controlling interests	**(667)**	(707)	**(1,103)**	(1,416)
Acquisition and cancellation of capital stock	**--**	(10,361)	**(2,119)**	(10,361)
Acquisition of treasury stock	**--**	--	**(2,941)**	(2,995)
Disposition of treasury stock	**--**	--	**346**	--
Net repayments of bank loan and bankers' acceptances	**(69,403)**	(14,223)	**(43,219)**	(9,585)
Principal payments on lease obligations	**(558)**	(498)	**(1,106)**	(996)
Net subscriptions by third party investors	**1,711**	16,332	**6,719**	17,673
Acquisition of non-controlling interests	**--**	(4,462)	**(995)**	(4,462)
Issuance of non-controlling interests	**--**	904	**--**	904
Net cash used in investing activities	**(73,177)**	(17,106)	**(52,685)**	(18,739)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	**(477)**	(411)	**769**	(124)
Net change in net cash	**(3,387)**	(7,909)	**11,520**	(5,745)
Net cash, beginning of period	**35,438**	27,341	**20,531**	25,177
Net cash, end of period	**$ 32,051**	$ 19,432	**$ 32,051**	$ 19,432
Net cash represented by:				
Cash			**$ 32,051**	$ 25,730
Net bank indebtedness			**--**	(6,298)
			$ 32,051	$ 19,432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

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

2. ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2019. Certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019, which are included in the Company's 2019 annual report.

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

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

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

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

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

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

4. SECURITIES

(a) Classification of securities

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

As at	June 30 2020	December 31 2019
Fair value through profit or loss:		
Short-term securities (i)	$ 34,941	$ 14,725
Fixed-income securities (i)	11,994	18,049
Bank of Montreal common shares (ii)	194,130	351,750
Other equity securities (i) (iii)	247,021	270,391
Real estate fund (iii)	23,065	22,364
	511,151	677,279
Amortized cost securities (iv)	--	5,000
	$ 511,151	$ 682,279

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

For the periods ended June 30	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Number of shares sold	200	100	800	200
Proceeds of disposition	$ 14,656	$ 10,573	$ 53,964	$ 20,384

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

For the periods ended June 30	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Real Estate fund managed by subsidiary				
Commitment, beginning of period	**$ 15,372**	$ 17,490	**$ 16,040**	$ 17,886
Called capital	**--**	(636)	**(668)**	(1,032)
Commitment, end of period	**15,372**	16,854	**15,372**	16,854
Private equity fund				
Commitment, beginning of period	**10,031**	10,370	**10,031**	10,370
Called capital	**--**	(82)	**--**	(82)
Commitment, end of period	**10,031**	10,288	**10,031**	10,288
	$ 25,403	$ 27,142	**$ 25,403**	$ 27,142

(iv) Amortized cost securities, which were term-preferred shares yielding 9% per annum, were called by the issuer on June 30, 2020 for cash proceeds of $5,000.

(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	June 30 2020	December 31 2019
Level 1	**$ 437,424**	$ 596,065
Level 2	**60,268**	65,395
Level 3	**13,459**	15,819
	$ 511,151	$ 677,279

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

(c) Analysis of Level 3 securities

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

For the periods ended June 30	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Securities categorized as Level 3, beginning of period	**$ 13,447**	$ 15,854	**$ 15,819**	$ 14,726
Increase (decrease) in fair value	**335**	(53)	**(3,000)**	1,284
Foreign exchange translation adjustments	**(323)**	(242)	**640**	(451)
Additions	**--**	82	**--**	82
Securities categorized as Level 3, end of period	**$ 13,459**	$ 15,641	**$ 13,459**	$ 15,641

5. GOODWILL

Due to the significant downturn in the global financial markets caused by the COVID-19 pandemic and the resulting decrease in the Company's Assets Under Management ("AUM") during the first quarter, the Company conducted an assessment of its goodwill associated with its investment management business as at March 31, 2020. Based on its value in use assessment the Company determined that the units were not impaired at that time. During the second quarter, global financial markets recovered significantly, resulting in increases in the Company's AUM. Based on the results of its first quarter assessment, and the significant recovery in AUM in the current quarter, the Company has determined that indications of impairment did not exist and therefore, another impairment assessment was not required as at June 30, 2020.

6. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at		June 30 2020	December 31 2019
Bank indebtedness		**$ --**	$ 13,667
Bankers' acceptances payable:	Canadian dollar	**32,647**	52,601
	US dollar	**27,785**	47,461
		$ 60,432	$ 113,729

The bankers' acceptances have maturities of one month or less and bear interest at rates negotiated in the bankers' acceptance market plus 0.50% for Canadian dollar borrowings, and at LIBOR plus 0.50% for US dollar borrowings. During the first quarter of 2020, the Company increased borrowing limits of one of its facilities by $5,000. Other terms remained unchanged. Subsequent to current quarter end, all borrowings were renewed on the same terms and for similar amounts.

7. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at		June 30 2020		December 31 2019
Obligations to non-controlling interests				
Alta (i)	$	22,286	$	20,091
Modern Advisor (ii)		680		--
	$	22,966	$	20,091

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

ii) The minority shareholders of the recently acquired Modern Advisor Canada Inc. ("Modern Advisor") may sell their interests in Modern Advisor to the Company in the future, at prices determined based on certain earnings before interest, taxes, depreciation and amortization achieved by the Modern Advisor at that time. The obligation is an estimated present value of the payments potentially required on the earliest date the option becomes exercisable and due, discounted at 15.5%. The options are exercisable at certain times between June 30, 2025 and June 30, 2035.

8. CAPITAL STOCK

(a) Authorized

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

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

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

(b) Issued and outstanding

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

For the three months ended June 30	2020			2019		
	Shares		Amount	Shares		Amount
Class A shares						
Outstanding, beginning of period	24,863	$	17,947	25,277	$	18,304
Acquired and cancelled	--		--	(449)		(326)
Outstanding, end of period	24,863		17,947	24,828		17,978
Common shares						
Outstanding, beginning and end of period	2,895		699	3,128		756
Total outstanding, end of period	27,758	$	18,646	27,956	$	18,734

For the six months ended June 30	2020			2019		
	Shares		Amount	Shares		Amount
Class A shares						
Outstanding, beginning of period	24,944	$	18,006	25,186	$	18,282
Acquired and cancelled	(81)		(59)	(449)		(326)
Converted from Common	--		--	91		22
Outstanding, end of period	24,863		17,947	24,828		17,978
Common shares						
Outstanding, beginning of period	2,895		699	3,219		778
Converted into class A	--		--	(91)		(22)
Outstanding, end of period	2,895		699	3,128		756
Total outstanding, end of period	27,758	$	18,646	27,956	$	18,734

(c) Issuer bid

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

For the periods ended June 30	Three months		Six months	
	2020	2019	**2020**	2019
Shares purchased and cancelled				
Class A	**--**	449	**81**	449
Consideration paid	**$ --**	$ 10,361	**$ 2,119**	$ 10,361
Less average issue price, charged to share capital	**--**	326	**59**	326
Excess consideration charged to retained earnings	**$ --**	$ 10,035	**$ 2,060**	$ 10,035

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

(d) Dividends

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

For the periods ended June 30	Three months		Six months	
	2020	2019	**2020**	2019
Dividends declared and paid, per share	**$ 0.160**	$ 0.150	**$ 0.310**	$ 0.275

The Company has also declared dividends of $0.16 per share payable on July 17, 2020 and October 19, 2020, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

9. TREASURY STOCK

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

(a) Changes in treasury stock

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

For the three months ended June 30	**2020**		2019	
	Shares	**Amount**	Shares	Amount
Balance, beginning and end of period	**2,383**	**$ 30,724**	2,303	$ 28,230

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

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

As at June 30, 2020, the treasury stock was composed of 30 common shares (2019 – 30) and 2,353 class A shares (2019 – 2,273).

(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 periods ended June 30	Three months		Six months	
	2020	2019	**2020**	2019
Equity-based entitlements, beginning of period	**1,256**	1,175	**1,171**	1,045
Provided	**--**	--	**109**	130
Exercised	**--**	--	**(24)**	--
Forfeited	**(2)**	--	**(2)**	--
Equity-based entitlements, end of period	**1,254**	1,175	**1,254**	1,175

During the six months ended June 30, 2020, the equity-based entitlements provided had a fair value of $2,941 (2019 - $2,995).

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

(c) Option-like entitlements

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

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

For the three and six months ended June 30	2020		2019	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning and end of period	1,127	$ 9.64	1,128	$ 9.64

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

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

10. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended June 30	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Dividends on Bank of Montreal shares	$ 2,968	$ 3,500	$ 6,678	$ 7,150
Other dividends	1,367	1,380	2,696	2,257
Dividend income	4,335	4,880	9,374	9,407
Operating activities	265	641	1,123	1,439
Investing activities	254	506	564	1,028
Interest income	519	1,147	1,687	2,467
	$ 4,854	$ 6,027	$ 11,061	$ 11,874

11. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the periods ended June 30	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Bank of Montreal common shares	$ 3,409	$ (3,436)	$ (103,656)	$ 36,164
Other securities	37,215	9,803	(11,414)	34,657
Net gains (losses) on securities (i)	40,624	6,367	(115,070)	70,821
Disposal of intangible assets	541	165	879	468
Foreign exchange gains (losses) (ii)	2,089	1,425	(3,844)	2,551
	$ 43,254	$ 7,957	$ (118,035)	$ 73,840

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

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

12. CALCULATIONS OF EARNINGS (LOSS) PER SHARE

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

For the periods ended June 30	Three months 2020	Three months 2019	Six months 2020	Six months 2019
Weighted average number of Class A and common shares outstanding:				
Basic	25,375	25,767	25,437	25,959
Effects of outstanding entitlements from stock-based compensation plans	1,632	1,637	--	1,617
Diluted	27,007	27,404	25,437	27,576
Net earnings (loss) attributable to shareholders:				
Basic	$ 50,486	$ 16,838	$ (85,882)	$ 84,058
Effects of outstanding entitlements from stock-based compensation plans	81	129	--	257
Diluted	$ 50,567	$ 16,967	$ (85,882)	$ 84,315

13. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Financial Advisory, which relates to the earning of commissions from the sale of life insurance products, mutual funds and other securities, and the continuing service commissions related to these products; and c) Corporate Activities and Investments, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures.

(a) Business segments

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

For the three months ended June 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue										
Commission revenue	$ --	$ --	$ 39,590	$ 38,095	$ --	$ --	$ (861)	$ (757)	$ 38,729	$ 37,338
Commissions paid to advisors	--	--	(24,397)	(24,699)	--	--	--	--	(24,397)	(24,699)
Net commission revenue	--	--	15,193	13,396	--	--	(861)	(757)	14,332	12,639
Management fees	28,530	25,147	--	--	--	--	(229)	(277)	28,301	24,870
Fees paid to referring agents	(2,397)	(2,257)	--	--	--	--	861	755	(1,536)	(1,502)
Net management fees	26,133	22,890	--	--	--	--	632	478	26,765	23,368
Administrative services income	1,832	1,699	2,329	2,218	12	12	--	--	4,173	3,929
Dividend and interest income	79	135	219	579	4,422	5,204	134	109	4,854	6,027
	28,044	24,724	17,741	16,193	4,434	5,216	(95)	(170)	50,124	45,963
Expenses										
Employee comp. & benefits	14,255	12,066	7,095	6,363	1,353	837	--	--	22,703	19,266
Amortization	1,816	1,454	2,320	1,634	291	285	--	--	4,427	3,373
Interest	37	77	74	282	262	884	--	(114)	373	1,129
Other expenses	5,039	4,991	3,937	4,064	313	606	(95)	(56)	9,194	9,605
	21,147	18,588	13,426	12,343	2,219	2,612	(95)	(170)	36,697	33,373
Operating earnings	6,897	6,136	4,315	3,850	2,215	2,604	--	--	13,427	12,590
Net gains	272	(46)	539	170	42,443	7,833	--	--	43,254	7,957
Net earnings before income taxes	7,169	6,090	4,854	4,020	44,658	10,437	--	--	56,681	20,547
Income tax expense	1,366	1,514	1,264	1,057	2,807	375	--	--	5,437	2,946
Net earnings	$ 5,803	$ 4,576	$ 3,590	$ 2,963	$ 41,851	$ 10,062	$ --	$ --	$ 51,244	$ 17,601
Net earnings attributable to:										
Shareholders	$ 5,640	$ 4,123	$ 2,995	$ 2,653	$ 41,851	$ 10,062	$ --	$ --	$ 50,486	$ 16,838
Non-controlling interests	163	453	595	310	--	--	--	--	758	763
	$ 5,803	$ 4,576	$ 3,590	$ 2,963	$ 41,851	$ 10,062	$ --	$ --	$ 51,244	$ 17,601
Additions to segment assets:										
Intangible assets	$ 274	$ 346	$ 1,738	$ 2,706	$ --	$ --	$ --	$ --	$ 2,381	$ 3,052
Equipment	12	--	154	23	90	192	--	--	256	216
Goodwill	--	--	--	--	--	--	--	--	--	--

As at June 30, 2020 and December 31, 2019	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment assets and liabilities:										
Assets	$ 210,671	$ 251,369	$ 204,343	$ 172,613	$ 572,235	$ 756,709	$ (43,607)	$ (50,728)	$ 943,642	$ 1,129,963
Liabilities	124,912	165,908	148,085	122,574	105,708	198,008	(43,607)	(50,728)	335,098	435,762

For the six months ended June 30	Investment Management		Financial Advisory		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue										
Commission revenue	$ --	$ --	$ 81,008	$ 74,868	$ --	$ --	$ (1,761)	$ (1,373)	$ 79,247	$ 73,495
Commissions paid to advisors	--	--	(50,371)	(48,561)	--	--	--	--	(50,371)	(48,561)
Net commission revenue	--	--	30,637	26,307	--	--	(1,761)	(1,373)	28,876	24,934
Management fees	55,278	49,210	--	--	--	--	(519)	(542)	54,759	48,668
Fees paid to referring agents	(4,774)	(4,510)	--	--	--	--	1,761	1,371	(3,013)	(3,139)
Net management fees	50,504	44,700	--	--	--	--	1,242	829	51,746	45,529
Administrative services income	3,660	3,517	4,657	4,375	25	25	--	--	8,342	7,917
Dividend and interest income	386	372	827	1,197	9,500	10,134	348	171	11,061	11,874
	54,550	48,589	36,121	31,879	9,525	10,159	(171)	(373)	100,025	90,254
Expenses										
Employee comp. & benefits	28,175	23,971	14,733	12,807	2,909	1,651	--	--	45,817	38,429
Amortization	3,575	3,014	4,611	3,115	573	557	--	--	8,759	6,686
Interest	74	150	257	597	971	1,780	(7)	(272)	1,295	2,255
Other expenses	10,558	9,996	8,611	8,194	909	1,029	(164)	(101)	19,914	19,118
	42,382	37,131	28,212	24,713	5,362	5,017	(171)	(373)	75,785	66,488
Operating earnings	12,168	11,458	7,909	7,166	4,163	5,142	--	--	24,240	23,766
Net gains (losses)	(359)	67	887	458	(118,563)	73,315	--	--	(118,035)	73,840
Net earnings (loss) before income taxes	11,809	11,525	8,796	7,624	(114,400)	78,457	--	--	(93,795)	97,606
Income tax expense (recovery)	2,892	2,636	2,364	2,094	(15,384)	7,176	--	--	(10,128)	11,906
Net earnings (loss)	$ 8,917	$ 8,889	$ 6,432	$ 5,530	$ (99,016)	$ 71,281	$ --	$ --	$ (83,667)	$ 85,700
Net earnings (loss) attributable to:										
Shareholders	$ 7,795	$ 8,033	$ 5,339	$ 4,744	$ (99,016)	$ 71,281	$ --	$ --	$ (85,882)	$ 84,058
Non-controlling interests	1,122	856	1,093	786	--	--	--	--	2,215	1,642
	$ 8,917	$ 8,889	$ 6,432	$ 5,530	$ (99,016)	$ 71,281	$ --	$ --	$ (83,667)	$ 85,700
Additions to segment assets										
Intangible assets	$ 7,535	$ 884	$ 4,101	$ 6,249	$ --	$ 55	$ --	$ --	$ 11,636	$ 7,188
Equipment	82	--	185	57	255	339	--	--	522	396
Goodwill	--	--	--	--	--	--	--	--	--	--

(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	
	2020	2019	2020	2019	2020	2019	2020	2019
For the three months ended June 30								
Net revenue	$ 37,426	$ 36,954	$ 14,528	$ 10,587	$ (1,830)	$ (1,578)	$ 50,124	$ 45,963
For the six months ended June 30								
Net revenue	$ 76,519	$ 73,073	$ 26,964	$ 18,877	$ (3,458)	$ (1,696)	$ 100,025	$ 90,254
As at June 30, 2020 and December 31, 2019								
Non-current assets:								
Intangible assets	$ 76,159	$ 68,966	$ 61,606	$ 60,842	$ --	$ --	$ 137,765	$ 129,808
Equipment	13,065	14,289	3,879	4,224	--	--	16,944	18,513
Goodwill	20,741	20,709	20,875	19,934	--	--	41,616	40,643

14. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the periods ended June 30	Three months		Six months	
	2020	2019	**2020**	2019
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	**$ 8,299**	$ 4,563	**$ 38,817**	$ 16,828
Accounts receivable and other	**5,148**	(1,188)	**9,143**	(5,630)
Receivables from clients and broker	**61**	1,439	**(33,886)**	18,112
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	**(8,158)**	(4,583)	**(39,165)**	(16,758)
Accounts payable and accrued liabilities	**2,535**	5,326	**(12,182)**	(11,547)
Payable to clients	**(62)**	(120)	**33,796**	(12,832)
	$ 7,823	$ 5,437	**$ (3,477)**	$ (11,827)

15. FINANCIAL RISKS MANAGEMENT

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

(a) Concentration risk

The Company is exposed to concentration risk associated with the $194,130 (December 31, 2019 – $351,750) investment in the Bank of Montreal shares, which represents 38% (December 31, 2019 – 52%) of the Company's securities. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in gain or loss of $19,413 (December 31, 2019 - $35,175) being recorded in net gains.

(b) Market risk

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

i) Price risk

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

	Securities classified as fair value through the profit and loss	Gain or loss recognized from a 10% change in fair value
As at June 30, 2020		
Canada	**$ 38,802**	**±$ 3,880**
Rest of World	**231,284**	**23,128**
	$ 270,086	**±$ 27,008**
As at December 31, 2019		
Canada	$ 39,437	±$ 3,944
Rest of World	253,318	25,332
	$ 292,755	±$ 29,276

The price risk associated with Securities backing third party investor liabilities and Third party investor liabilities are equal to and offsetting. As a result, they have been excluded from the above analysis.

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

ii) Currency risk

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

As at	**June 30 2020**	December 31 2019
Bank loans and borrowings	**$ 27,785**	$ 47,461

The Company's currency risk is primarily related to the USD borrowings used to finance the purchase of a US-based subsidiary. This risk is mitigated by the USD cash flows which are generated by the US-based subsidiary which was acquired. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of $2,779 (2019 – $4,746) 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		June 30 2020		December 31 2019
Interest rate sensitive assets:				
Interest-bearing deposits with banks	$	69,031	$	107,253
Short term securities		34,941		14,725
Fixed-income securities		11,994		18,049
Amortized cost securities		--		5,000
	$	115,966	$	145,027
Interest rate sensitive liabilities:				
Bank loans and borrowings	$	60,432	$	113,729
Client deposits		67,741		106,430
	$	128,173	$	220,159

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

The Company holds $11,994 (2019 – $18,049) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed-income securities is managed first by the Company, which selects appropriate fixed-income funds for various interest rate environments, and then by the subsidiary, which manages the funds selected in accordance with each fund’s investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities.

(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		June 30 2020		December 31 2019
Cash	$	32,051	$	34,198
Interest-bearing deposits with banks		69,031		107,253
Accounts receivable and other		47,067		61,402
Receivables from clients and broker		71,870		37,984
Short-term securities		34,941		14,725
Fixed-income securities		11,994		18,049
Amortized cost securities		--		5,000
	$	266,954	$	278,611

The Cash and Interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank’s financial strength. The Accounts receivable and other are generally amounts due from customers, and the credit risk is low due to the nature of the Company’s customers. The accounts receivable may also include amounts that the Company is owed from advisors for advances or commission reversals. The credit risk associated with these amounts is mitigated by management’s review of the advisors’ ability to repay the advances or commission reversals, particularly, before amounts are paid to the advisors. The credit exposure on Receivables from clients is offset with securities, which are held in the client margin accounts of the securities dealer subsidiary. There are controls on the amounts that these clients may borrow, depending upon the securities that are pledged. The credit risk associated with the Company’s investment in fixed-income securities are managed by the periodic monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the fund’s investments, manages the fund’s credit risk. The short-term securities are government treasury bills, investments in money market funds which hold government treasury bills or investment-quality securities with very short duration and low credit risk.

(d) Liquidity risk
Liquidity risk, the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities arises when the Company has insufficient resources to meet its obligations as they come due. The Company is exposed to liquidity risk because it has significant obligations which are due within one year. The Company manages this financial risk by managing its cash flows from operations, maintaining a portfolio of liquid securities, and by arranging for significant borrowing facilities, which are secured by collateral, with two major Canadian banks. During the first half of the current 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 $99,568 available on its borrowing facilities with banks.

16. ACQUISITIONS

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

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

The provisional accounting for the transaction is as follows:

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

The non-controlling interests recognized on acquisition are at their proportionate interest in the fair value of the identifiable net assets acquired.

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

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

For the periods ended June 30, 2020		Three months		Six months
Net revenues	$	119	$	166
Net loss & comprehensive loss		(276)		(398)
Net loss & comprehensive loss attributable to shareholders		(219)		(306)

Had this acquisition occurred on January 1, 2020, the Company's estimated consolidated net revenue and net loss for the six months to June 30, 2020 would have been $100,123 and $83,911 respectively.

(b) Cash used in acquisitions
Details of cash used in acquisition of subsidiaries during the periods ended June 30 are as follows:

For the periods ended June 30	Three months				Six months			
		2020		2019		2020		2019
Alta Capital Management LLC	$	--	$	--	$	6,492	$	--
Aurrea Signature Inc.		--		--		5,244		--
Modern Advisors		177		--		3,722		--
Less cash acquired		--		--		(28)		--
	$	177	$	--	$	15,430	$	--

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 and six-month periods ended June 30, 2020 and the comparative periods in the year 2019, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2019 Annual Report and 2019 Quarterly reports previously issued. This discussion and analysis has been prepared as of August 13, 2020.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be place on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, 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, Financial Advisory, and Corporate Activities and Investments. The institutional investment management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap") and Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta"). In addition, Private wealth management is operated through Guardian Capital Advisors LP ("GCA"), international private banking through Alexandria Bancorp Limited ("ABL"), and the recently-acquired digital-advisory business through Modern Advisor Canada Inc. ("Modern Advisor"). The financial advisory business is operated through IDC Worldsource Insurance Network Inc. ("IDC WIN") and Aurrea Signature Inc. ("Aurrea"), which was acquired on December 31, 2019, our insurance managing general agencies (together the "MGA"), and Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"). Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. As at June 30, 2020, Guardian had $31.2 billion of assets under management ("AUM") and $20.0 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities which had a fair value of $511 million at the end of the quarter.

USE OF NON-IFRS MEASURES

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

COVID-19 UPDATE

Guardian's second quarter 2020 Operating earnings benefited from the sharp rebound in the global financial markets, as they recovered from the significant declines in the first quarter of 2020, at the onset of the COVID-19 pandemic. In addition, the actions taken to de-risk the balance sheet, repay debt to raise liquidity and to manage costs prepared Guardian well to emerge from the market disruptions, which had occurred in the first quarter.

The sharp rebound in the global financial markets increased the fair value of Securities in the current quarter. However, the rebound was not as dramatic as the decrease in the first quarter. The Canadian equities market, to which the large holding in the Bank of Montreal ("BMO") shares are exposed, lagged the other equities markets in recovery. In addition, 800,000 shares of BMO were sold year-to-date to de-risk the balance sheet and to pay down a portion of the debt outstanding, in response to the pandemic. These two factors resulted in the fair value of securities being lower than they were at the end of Q1 2020 and at the end of 2019.

Guardian's Business Continuity Plan ("BCP") continues to operate effectively with substantially all of its Associates being able to work from their homes. Guardian has started to plan and allow certain Associates to return to their offices, if they chose to do so, but under strict safety protocols. Throughout the period, Guardian has been able to protect and retain substantially all of its Associates, who were instrumental in our successful operations during the disruptions caused by the pandemic. The retention of our Associates throughout the market disruptions better prepared Guardian to benefit from the rebound in the global financial markets and to weather any future market volatility.

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended June 30	Three months		Six months	
($ in thousands, except per share amounts)	**2020**	2019	**2020**	2019
Net revenue	**$ 50,124**	$ 45,963	**$ 100,025**	$ 90,254
Expenses	**36,697**	33,373	**75,785**	66,488
Operating earnings	**13,427**	12,590	**24,240**	23,766
Net gains (losses)	**43,254**	7,957	**(118,035)**	73,840
Net earnings before income taxes	**56,681**	20,547	**(93,795)**	97,606
Income tax expense	**5,437**	2,946	**(10,128)**	11,906
Net earnings	**$ 51,244**	$ 17,601	**$ (83,667)**	$ 85,700
Net earnings (loss) attributable to shareholders	**$ 50,486**	$ 16,838	**$ (85,882)**	$ 84,058
EBITDA	**17,302**	16,238	**31,672**	30,747
Adjusted cash flow from operations	**15,403**	12,524	**28,723**	23,028
Diluted per share amounts				
Net earnings (loss) attributable to shareholders	**$ 1.87**	$ 0.62	**$ (3.38)**	$ 3.06
EBITDA	**0.64**	0.60	**1.18**	1.12
Adjusted cash flow from operations	**0.57**	0.46	**1.07**	0.84

As at	**2020**	**2019**	
($ in millions, except per share amounts)	**June 30**	December 31	June 30
Assets under management	**$ 31,196**	$ 31,147	$ 30,090
Assets under administration	**20,010**	20,248	18,784
Shareholders' equity	**596**	683	648
Securities	**511**	682	663
Diluted per share			
Shareholders' equity	**$ 22.07**	$ 25.01	$ 23.73
Securities	**18.92**	24.99	24.29

RESULTS OF OPERATIONS

For the quarter ended June 30, 2020, Guardian's Operating earnings were $13.4 million, a 24% improvement from the first quarter of 2020, and 7% from the $12.6 million reported in the second quarter of 2019. The growth in AUM, and to a lesser extent the addition of Aurrea, which was acquired at the end of 2019, contributed to higher revenues and drove Operating earnings higher, compared to the same quarter in 2019, while the improvements from the first quarter of 2020 were also achieved through reduced discretionary and interest expenses.

With the tailwinds of the sharp recoveries in the financial markets and the significant net inflows of client assets during the current quarter, Guardian's AUM increased to $31.2 billion as at June 30, 2020. This is a 13% increase during the quarter, bringing the AUM back to December 31, 2019 level, and a 4% increase from June 30, 2019. The net inflows of AUM were largely into the Fundamental Global Equities strategy, managed by the UK subsidiary, GuardCap, pushing its AUM to $6.5 billion at the end of the quarter, a 60% increase from December 31, 2019 and a 183% increase from June 30, 2019.

The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were $6.9 million, a 12% increase from the same quarter in the prior year. While the global financial market recoveries benefited Guardian, another significant driver of the increase was the success of GuardCap, which increased its Operating earnings more than 300% since the second quarter of 2019. Partially offsetting the increased Operating earnings from GuardCap were lower Operating earnings in the Domestic business, the Operating losses incurred in the newly acquired Modern Advisor and by the Canadian Retail Asset Management unit, which is focused on providing investment solutions for the retail market. The Operating losses in these new businesses were $1.1 million in the current quarter. As part of our multi-year strategic plan for these units, we expect these Operating losses to continue and likely increase in the near term before they generate meaningful revenues in future periods.

The Financial Advisory Segment's Operating earnings in the current quarter were $4.3 million, a 12% increase from the $3.9 million in the same quarter in the prior year. The increase can be attributed mainly to IDC WIN, our MGA business. Included in IDCWIN's increased Operating earnings were the contributions from Aurrea. The increased Operating earnings for the Segment were delivered while continuing to invest in the Dealers business. As discussed in prior periods, we expect elevated levels of expenses to continue in the near term, as we make enhancements to the technology platform and add additional resources to enhance advisor experience.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were $2.2 million, compared to $2.6 million during the same quarter in the prior year. Year to date, Guardian has sold 800,000 BMO shares, to de-risk the balance sheet and reduce debt. The resulting reduction of $0.5 million in dividends received from the Bank of Montreal in the second quarter compared to the second quarter of 2019, plus the effect of lower interest rates and lower balance of interest-earning investments held during the current quarter, reduced the Dividend and interest income by $0.8 million, compared to the second quarter of 2019. The lower Dividend and interest income was partially offset by lower interest expense, as the debt levels and interest rates decreased in the current quarter.

Net gains in the current quarter were $43.3 million, compared to a Net gain of $8.0 million in the same quarter in the prior year. The sharp recoveries in the global equities markets have partially reversed the significant Net losses recorded in the first quarter of 2020. The rebound in the second quarter was not as dramatic as the decrease in the first quarter, as the Canadian equities market, to which the large holding in BMO shares are exposed, lagged the other equities markets in recovery.

The Net earnings attributable to shareholders were $50.5 million, compared to Net earnings of $16.8 million in the prior year. The increase was due largely to the significant Net gains in the current quarter and the improved Operating earnings, as described above.

EBITDA for the quarter was $17.3 million, a 7% increase from $16.2 million for the same period in 2019, in line with the increase in Operating earnings discussed above. Adjusted cash flow from operations for the quarter was $15.4 million, a 23% increase from $12.5 million in the same period in 2019. The increase in Adjusted cash flow from operations was due to the combination of improved Operating earnings and to lower income tax installments paid in the current quarter, compared to the prior year.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at	2020	2019	
($ in millions)	June 30	December 31	June 30
Assets under management			
Institutional			
Canadian equities	$ 7,048	$ 8,937	$ 9,054
Global equities	13,632	11,528	10,525
Fixed income	7,253	7,465	7,407
	27,933	27,930	26,986
Private wealth and international private banking	3,263	3,217	3,104
Total assets under management	$ 31,196	$ 31,147	$ 30,090
Assets under administration	$ 20,010	$ 20,248	$ 18,784

Guardian's AUM at the end of the current quarter were $31.2 billion, adding $3.7 billion during the current quarter to return to December 31, 2019 levels of $31.1 billion, and a 4% growth from the $30.1 billion reported as at June 30, 2019. The current AUM level was achieved through a combination of market performance and successful addition of net new assets, especially in GuardCap. GuardCap's AUM at the end of the current quarter were $6.5 billion, a 60% increase from December 31, 2019 and approximately three-times the balance at June 30, 2019. Global equities, which earn fees at higher rates, now represent just under 50% of our institutional AUM.

The AUA at June 30, 2020 was $20.0 billion, a slight decrease from $20.2 billion at the end of 2019 and a 7% increase from $18.7 billion as at June 30, 2020. Included in the current quarter is $0.5 billion of AUA provided by Aurrea. Adjusting for those assets, the AUA increase from June 30, 2019 would be approximately 4%.

REVENUES AND EXPENSES

Net Management Fees

Management fees, net of fees paid to referring agents ("Net management fees") earned by Guardian is generated by providing continuing investment management services to client AUM. Net management fees for the quarter ended June 30, 2020 were $26.8 million, a 15% increase from the $23.4 million in the same quarter in the prior year.

The following analysis of Net management fees should be read in conjunction with note 12 (a) – Business Segments in Guardian's second quarter Consolidated Financial Statements and the totals for the Segment quoted below are before inter-segment transactions. Institutional Net management fees earned in the current quarter were $21.5 million, a 16% increase from $18.6 million a year earlier. The increase in institutional Net management fees was driven largely by the growth in Global equities AUM, which generate higher rates of fees than the other classes of AUM. The proportion of AUM in Global equities has increased to 49% in the current quarter from 39% a year earlier, while the total institutional AUM grew by only 4%. Net management fees earned in Private Wealth and International Private Banking in the current quarter amounted to $4.6 million, slightly higher than the $4.3 million earned in the prior year. These include fees earned in the recently acquired Modern Advisor business.

Net Commission Revenue

Net commission revenue earned by Guardian results from the sale of life insurance products, mutual funds and other securities, as well as from continuing trailer and servicing commissions related to AUA and in-force life insurance policies, net of commissions paid to advisors. Net commission revenue generated for the current quarter was $14.3 million, a 13% increase from the $12.6 million a year earlier.

The following analysis of Net commission revenue should be read in conjunction with note 12 (a) – Business Segments in Guardian's second quarter Consolidated Financial Statements and the totals for the Segment quoted below are before inter-segment transactions.
Net commissions from the MGA, IDC WIN, in the current quarter were $11.3 million, an 18% increase compared to $9.5 million in the same quarter a year earlier. Included in the current quarter are $1.8 million of Net commissions from Aurrea. The Premiums Sold were $26 million in the current quarter, including $4.1 million from Aurrea, compared to $22 million in the same period in the prior year. IDC WIN continued to maintain strong sales levels, showing resiliency through the pandemic-induced slowdown in the economy. The prospect of continued strong levels of sales appears to be good, with a very healthy number and face value of new policies in the pipeline. Net commissions from the Dealers business in the current quarter were $3.9 million, substantially unchanged from $3.8 million in the same quarter of 2019.

Administrative Services Income

Administrative services income is comprised of registered plan administration and other fees earned in the Financial Advisory Segment, trust and corporate administration and other related fees earned in the International Private Banking business, and fund administration fees earned from managed investment funds in the Investment Management Segment. This income amounted to $4.2 million for the current quarter, as compared to $3.9 million in the prior year. Both the Investment Management and Financial Advisory Segments contributed to the increase in fee revenue.

Dividend and Interest Income

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

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2020**	2019	**2020**	2019
Dividends on Bank of Montreal shares	**$ 2,968**	$ 3,500	**$ 6,678**	$ 7,150
Other dividends	**1,367**	1,380	**2,696**	2,257
Dividend income	**4,335**	4,880	**9,374**	9,407
Operating activities	**265**	641	**1,123**	1,439
Investing activities	**254**	506	**564**	1,028
Interest income	**519**	1,147	**1,687**	2,467
	$ 4,854	$ 6,027	**$ 11,061**	$ 11,874

Dividend income declined in the current quarter by $0.5 million, when compared to the same period one year earlier, largely due to lower dividend income being earned on BMO shares. Guardian sold 800,000 of its BMO share holdings to de-risk the balance sheet in response to the pandemic-induced market downturn in the first half of the year. In future quarters, dividend income on BMO shares will be lower due to fewer shares held, assuming the dividend rate does not change.

Interest income declined in the current quarter by $0.6 million compared to the same period one year earlier. The Dealer business saw the biggest decline where lower interest rates reduced the interest spreads available on client cash balances. In the Corporate Activities and Investments Segment, the interest income was lower due to lower balances of interest earning investments being held in the current quarter, as half of 9% preferred share investment had been redeemed during the past year. As the balance of that investment was redeemed at the end of the current quarter, interest income is expected to further decline in future quarters.

Expenses

During the current quarter, Guardian managed its expenses guided by the following priorities: firstly, continuing to make expenditures in strategically important investments for future growth; secondly, protecting our Associates' jobs during these difficult times; and lastly, selectively reducing discretionary expenditures. Guardian's expenses were $36.7 million in the current quarter, compared to $33.4 million in the same quarter in the prior year. Included in the current expenses were approximately $2.8 million in new expenses, including expenses incurred by the recently-acquired Aurrea, Modern Advisor, and the recently-formed Canadian Retail Asset Management unit, including the costs associated with the pending launch of Guardian's initial line of ETFs. Without these new expenses, the increase would have been a modest $0.5 million. This modest increase was the net result of the continued investments made in the Dealers business, as described in prior period reports, the increased compensation costs incurred in GuardCap as it continued to succeed in gathering new client assets, and partially offset by the reduction in certain discretionary expenditures, such as travel, entertainment and promotional expenses, and lower interest expenses due to lower debt levels.

NET GAINS (LOSSES)

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

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2020**	2019	**2020**	2019
Bank of Montreal common shares	**$ 3,409**	$ (3,436)	**$ (103,656)**	$ 36,164
Other securities	**37,215**	9,803	**(11,414)**	34,657
Net gains (losses) on securities	**40,624**	6,367	**(115,070)**	70,821
Disposal of intangible assets	**541**	165	**879**	468
Foreign exchange gains (losses)	**2,089**	1,425	**(3,844)**	2,551
	$ 43,254	$ 7,957	**$ (118,035)**	$ 73,840

Equity markets rebounded significantly in the current quarter but the rebound did not fully offset the market declines in the first quarter of the year, especially in the Canadian equity market where Guardian has the greatest exposure through the holdings of BMO shares. Guardian recorded Net gains in the current quarter from its Securities of $40.6 million, which are significantly higher than $6.4 million reported in the same quarter in 2019. However, on a year-to-date basis the security values have not recovered to December 31, 2019 levels, resulting in Net losses of $115 million. The Canadian dollar strengthened in the quarter compared to the US dollar and this resulted in Guardian recording a net gain on foreign exchange of $2.1 million, largely on the US dollar loan outstanding.

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	2020	2019	
($ in thousands, except per share amounts)	**June 30**	December 31	June 30
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	**$ 24,776**	$ 18,049	$ 18,132
Canadian equities	**9,389**	10,717	11,133
Global equities	**224,041**	243,703	225,920
Real estate	**23,065**	22,364	20,619
	281,271	294,833	275,804
Bank of Montreal common shares	**194,130**	351,750	345,450
Short-term securities	**22,159**	14,725	--
Equities	**13,591**	15,971	37,050
	511,151	677,279	658,304
Securities, carried at amortized cost	**--**	5,000	5,000
Securities	**$ 511,151**	$ 682,279	$ 663,304
Total securities per share, diluted	**$ 18.92**	$ 24.99	$ 24.29

Guardian's securities as at June 30, 2020 had a fair value of $511.2 million, or $18.92 per share, diluted, compared with $682.3 million, or $24.99 per share, diluted, at the end of 2019. Shareholders' equity as at June 30, 2020 amounted to $596.3 million, or $22.07 per share, diluted, compared to $682.8 million, or $25.01 per share, diluted, at the end of 2019.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of $160 million. As at June 30, 2020, the total borrowings amounted to $60.4 million, compared to $113.7 million at the end of 2019. Guardian's Adjusted cash flow from operations for the current quarter was $15.4 million, a 23% increase compared to $12.5 million in the same quarter in 2019. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, quarterly dividends, share repurchases under its Normal Course Issuer Bid, capital expenditures and, when possible, debt repayments. From time to time, Guardian may use a combination of debt and partial disposal of Securities to help finance temporary working capital requirements or capital expenditures.

As the COVID-19 pandemic disrupted the global financial markets in the first quarter, Guardian began to de-risk the large equity exposure on the balance sheet and reallocated the proceeds into treasury bills. In the second quarter, the treasury bills were disposed of and the proceeds were used repay debt. Over $71 million of debt was repaid during the quarter, using a combination of disposal of securities and Adjusted cash flow from operations. As a result, the fair value of Securities has decreased during the quarter.

Guardian currently has approximately $100 million of borrowing capacity available under its various credit arrangements.

CONTRACTUAL OBLIGATIONS

Guardian has contractual commitments for the payment of certain obligations over a period of time. A summary of those commitments, including a summary of the periods during which they are payable, is shown in the following table:

As at June 30, 2020 *($ in thousands)*	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 60,432	$ 60,432	$ --	$ --	$ --
Client deposits	67,741	67,741	--	--	--
Payable to clients	71,869	71,869	--	--	--
Accounts payable and accrued liabilities	49,680	49,680	--	--	--
Other liabilities	22,966	--	22,966	--	--
Investment commitments	25,403	25,403	--	--	--
Scheduled lease payments	13,990	2,766	4,894	3,559	2,771
Third party investor liabilities	14,014	14,014	--	--	--
Total contractual obligations	$ 326,095	$ 291,905	$ 27,860	$ 3,559	$ 2,771

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:

	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
As at ($ in millions)								
Assets under management	**$ 31,196**	$ 27,527	$ 31,147	$ 30,243	$ 30,088	$ 29,631	$ 26,962	$ 29,185
Assets under administration	**20,010**	18,152	20,248	19,040	18,784	18,745	17,385	18,096
For the three months ended ($ in thousands)								
Net revenue	**$ 50,124**	$ 49,901	$ 49,865	$ 45,983	$ 45,963	$ 44,291	$ 44,300	$ 42,773
Operating earnings	**13,427**	10,813	13,030	12,105	12,590	11,176	12,137	12,444
Net gains (losses)	**43,254**	(161,289)	24,140	(1,274)	7,957	65,883	(89,001)	28,481
Net earnings (loss)	**51,244**	(134,911)	31,808	8,952	17,601	68,099	(69,652)	35,079
Net earnings (loss) attributable to shareholders	**50,486**	(136,368)	30,787	8,275	16,838	67,220	(70,449)	34,320
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share *(in $)*								
Basic	**$ 1.99**	$ (5.35)	$ 1.20	$ 0.32	$ 0.65	$ 2.57	$ (2.63)	$ 1.28
Diluted	**1.87**	(5.35)	1.13	0.31	0.62	2.43	(2.63)	1.21
Dividends paid *(in $)*	**$ 0.160**	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.125	$ 0.125	$ 0.125
As at								
Shareholders' equity *($ in thousands)*	**$ 596,265**	$ 562,821	$ 682,777	$ 653,983	$ 647,983	$ 656,167	$ 599,311	$ 670,382
Per Class A and Common share *(in $)*								
Basic	**$ 23.50**	$ 22.18	$ 26.73	$ 25.49	$ 25.26	$ 25.14	$ 22.85	$ 24.98
Diluted	**22.07**	20.94	25.01	23.93	23.73	23.66	21.57	23.57
Total Class A and Common shares outstanding *(shares in thousands)*	**27,758**	27,758	27,839	27,956	27,956	28,405	28,405	29,012

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

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

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

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

RISK FACTORS

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

Market Risk

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

Portfolio Value and Concentration Risks

Guardian's securities are subject to risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 15 of Guardian's second quarter of 2020 Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. As at June 30, 2020, Guardian holds $194 million of BMO shares (December 31, 2019 – $352 million), which represents 38% of Guardian's securities (2019 – 52%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.3 million shares, including 200,000 shares in the current quarter, since the second quarter of 2013. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. At June 30, 2020, the corporate holding of securities consisted of 46% Canadian equities (December 31, 2019 – 57%), primarily consisting of Bank of Montreal shares, 45% of non- Canadian equities (December 31, 2019 – 37%) and 9% short-term investments and fixed-income securities (December 31, 2019 – 6%).

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

Foreign Currency Risk

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

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

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

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

Regulatory and Legal Risk

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

Financial Advisory Risk

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

Key Personnel Risk

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

Information Technology and Cybersecurity Risk

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's December 31, 2019, Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities which are classified as level 3 within the fair value hierarchy. The valuation approach to level 3 securities is most sensitive to the level of AUM associated with the issuer of the security. The valuation approach to Financial Advisory Segment goodwill is most sensitive to the levels of AUA and annual service fees within the Segment. No changes to the valuation methodologies were made during the current quarter for these assets. For the Investment Management Segment, impairment assessment on goodwill was conducted in the first quarter of 2020 as the Segment's AUM declined along with the global equities markets. The assessment concluded that goodwill was not impaired at that time. With the significant recoveries in the global equities markets during the second quarter, Guardian concluded that there were no indications of impairment, and as a result, another assessment was not required this quarter. More detailed discussion of the impairment assessment is described in note 5 to Guardian's second quarter 2020 Consolidated Financial Statements.

NON-IFRS MEASURES

EBITDA and EBITDA per share

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses, less amounts attributable to non-controlling interests. EBITDA per share is calculated using the same method, which is used to determine net earnings available to shareholders per share, including any adjustment to the average number of shares outstanding, or to income, to calculate the dilutive effect. Guardian believe these are important measures, as they allow management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortions caused by the impact of non-core business items, different financing methods, levels of income taxes, the amounts of net earnings available to non-controlling interests and the level of capital expenditures. The most comparable IFRS measures are "Net earnings" and "Net earnings available to shareholders per share, diluted", which are disclosed in Guardian's Consolidated Statements of Operations.

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

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2020**	2019	**2020**	2019
Net earnings, as reported	**$ 51,244**	$ 17,601	**$ (83,667)**	$ 85,700
Add (deduct):				
Income tax expense (recovery)	**5,437**	2,946	**(10,128)**	11,906
Net (gains) losses	**(43,254)**	(7,957)	**118,035**	(73,840)
Stock-based compensation	**676**	639	**1,314**	1,162
Interest expense	**373**	1,129	**1,295**	2,255
Amortization	**4,427**	3,373	**8,759**	6,686
Non-controlling interests	**(1,601)**	(1,493)	**(3,936)**	(3,122)
EBITDA	**$ 17,302**	$ 16,238	**$ 31,672**	$ 30,747

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

Guardian defines Adjusted cash flow from operations as net cash from operating activities, net of changes in non-cash working capital items and non-controlling interests. Adjusted cash flow from operations and the per share amount are used by management to measure the amount of cash, either provided by or used, in Guardian's operating activities available to shareholders, without the distortions caused by fluctuations in its working capital. The most comparable IFRS measure is "Net cash from operating activities", which is disclosed in Guardian's Consolidated Statements of Cash Flow. Adjusted cash flow from operations per share is calculated using the same method, which is used to determine Net earnings available to shareholders per share, including any adjustment to the average number of shares outstanding, or to income, to calculate the dilutive effect.

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

For the periods ended June 30	Three months		Six months	
($ in thousands)	**2020**	2019	**2020**	2019
Net cash from operating activities, as reported	**$ 24,817**	$ 19,268	**$ 29,067**	$ 13,941
Add (deduct):				
Net change in non-cash working capital items	**(7,823)**	(5,437)	**3,477**	11,827
Non-controlling interests	**(1,591)**	(1,307)	**(3,821)**	(2,740)
Adjusted cash flow from operations	**$ 15,403**	$ 12,524	**$ 28,723**	$ 23,028

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 COVID-19 pandemic has dealt a historic shock to the world economy, with the first quarter of 2020 decline alone comparable to or worse than the peak-to-trough decline in most of the recessions in the post World War II era. At the same time, the assumed cumulative decline for the G7 economies in the first half of this year can only be compared to the great depression 90 years ago The fact is that the downturn, sharp as it is, is the result of an exogenous shock to the demand-side of the economy rather than structural issues impacting supply, making it very different from previous experiences. Typically, in scenarios of this kind, activity can normalize fairly quickly once those external forces subside, resulting in a rapid V-shaped rebound in momentum. Indeed, data covering everything from housing to consumer spending to construction to industrial production across the globe are exhibiting a sharp inflection from the lows registered amid widespread shutdowns in April. There is still plenty of ground to make up before we can consider things are 'good' in an absolute sense, but the worst case scenario for the economy has so far been avoided. How the recovery progresses from here depends on whether the rolling back of emergency measures to stem the spread of infection can continue unabated. This process is being complicated by the accelerating spread of infection in the US and major Emerging Market economies. Improving signs that a renewed, large-scale lockdown are being diminished would be positive for the outlook for risk assets. These could come, for example, by indications that the contagion is coming under control, or that there is progress on the development of therapeutics to fight the contagion. It appears that the balance of probabilities is tilted in this direction. As such, given ultra-low interest rates, and continued fiscal and monetary stimulus, risk assets appear primed to continue on their road to recovery from their crisis lows, as investors continue to pare the undue weight assigned to the worst-case scenarios.

There have been some very obvious winners as a result of the COVID-19 crisis; for example, companies who generate revenues largely online, and there have been industries such as Airlines that have been so disrupted that it will likely take many years, if not decades to find a new normal. Guardian is fortunate to operate in the investment and wealth management segments of the economy, and our operations have not been forced to shut down. 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 our sources of revenue are diversified. While changes in the levels of market valuations across assets may affect our revenue from AUM and AUA, it is not highly correlated with commissions we earn from insurance companies for business written in the past, nor does it necessarily mean that dividends and interest payments from our investment portfolio will suffer the same fate. That being said, management has taken the decision to moderately reduce our market exposure in order to reduce our bank lines and further de-risk our company. These times are unprecedented, and while we believe the global economy will be resilient when all is said and done, we certainly do not rule out the possibility of further fluctuations in asset prices as the crisis continues to unfold. 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 in to play, we expect to manage these headwinds to allow us to strive for continued positive operating earnings and free cash flow generation in future quarters.

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