

Guardian

GUARDIAN CAPITAL GROUP LIMITED
Report to Shareholders

THIRD QUARTER
SEPTEMBER 30, 2021

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the periods ended September 30, 2021 and 2020. All per share figures disclosed below are stated on a diluted basis.

For the periods ended September 30, (\$ in thousands, except per share amounts)	Three months		Nine months	
	2021	2020	2021	2020
Net revenue	\$ 72,384	\$ 52,042	\$ 207,038	\$ 152,067
Operating earnings	20,771	12,108	59,474	36,348
Net gains (losses)	(8,146)	35,739	90,292	(82,296)
Net earnings (loss) attributable to shareholders	7,054	42,201	121,817	(43,681)
Attributable to shareholders, per share:				
EBITDA ⁽¹⁾	\$ 24,703	\$ 16,238	\$ 70,622	\$ 47,910
Adjusted cash flow from operations ⁽¹⁾	20,795	10,507	58,488	39,230
Attributable to shareholders, per share:				
Net earnings (loss)	\$ 0.27	\$ 1.56	\$ 4.53	\$ (1.72)
EBITDA ⁽¹⁾	0.93	0.60	2.63	1.78
Adjusted cash flow from operations ⁽¹⁾	0.79	0.39	2.18	1.46

As at (\$ in millions, except per share amounts)	2021		2020	
	September 30	December 31	September 30	September 30
Assets under management	\$ 53,113	\$ 45,984	\$ 32,734	\$ 32,734
Assets under administration	30,015	22,289	20,755	20,755
Total client assets	83,128	68,273	53,489	53,489
Shareholders' equity	781	700	632	632
Securities	689	633	552	552
Per share:				
Shareholders' equity ⁽¹⁾	\$ 29.40	\$ 25.69	\$ 23.25	\$ 23.25
Securities ⁽¹⁾	25.91	23.23	20.30	20.30

Summary

The Company is reporting another historic high of \$83.1 billion in total client assets as at September 30, 2021, which include assets under management ("AUM") and assets under administration ("AUA"). This is a 22% increase from \$68.3 billion as at December 31, 2020, and a 55% increase from \$53.5 billion as at September 30, 2020. The acquisition of a Canadian wealth management business on March 1, 2021, which was subsequently renamed Guardian Partners Inc., added \$5.4 billion in total client assets in the first quarter of 2021.

AUM grew to \$53.1 billion as at September 30, 2021, a 16% increase from \$46.0 billion as at December 31, 2020, and a 62% increase from \$32.7 billion as at September 30, 2020. The growth in the AUM was driven by the positive global financial market performance over those periods, the strong inflow of assets, and the acquisition of Agincourt on October 1, 2020. GuardCap Asset Management Limited, our UK-based subsidiary's AUM has grown to \$16.2 billion as at September 30, 2021, representing a \$5.5 billion growth since the beginning of the current year. The Company's AUA grew to \$30.0 billion as at September 30, 2021, a 35% increase from \$22.3 billion as at December 31, 2020 and a 45% increase from \$20.8 billion as at September 30, 2020.

The Company is reporting Operating earnings of \$20.8 million for the quarter ended September 30, 2021, 72% or \$8.7 million higher than the \$12.1 million reported in the third quarter of 2020. This significant growth was achieved through increased results delivered by both, the Investment Management and the Wealth Management Segments of the Company.

Net revenue for the current quarter grew to an all-time high of \$72.4 million, 39% or \$20.3 million higher than the \$52.0 million reported in the same quarter in the prior year. The increase reflects largely our successful organic growth in revenues, and, to a lesser extent, the addition of revenues from the acquired businesses.

Expenses in the current quarter were \$51.6 million, an \$11.7 million increase from \$39.9 million in the same quarter in the prior year. The higher expenses reflect the growth in our businesses, the strategic investments made in the Canadian Retail Asset Management initiative and the addition of \$5.2 million in expenses from the acquired businesses.

Net losses in the current quarter were \$8.1 million, compared to Net gains of \$35.7 million in the same quarter in the prior year. The largest portion of the Net losses in the current quarter were due to the decreases in fair values of a portion of our securities holdings exposed to the Emerging Market equities, which experienced negative returns, and the decrease in the fair value of the BMO shares.

The Company's Net earnings attributable to shareholders in the current quarter were \$7.1 million, compared to \$42.2 million in the same quarter in 2020. The Net losses, as described above, compared to the large Net gains in the prior year, had the most significant impact on Net earnings. This was partially offset by the growth in Operating earnings over the same period.

EBITDA attributable to shareholders⁽¹⁾ for the current quarter was \$24.7 million, compared to \$16.2 million in the same period in the prior year. Adjusted cash flow from operations attributable to shareholders⁽¹⁾ for the current quarter was \$20.8 million, compared to \$10.5 million in the same quarter in the prior year.

The Company's Shareholders' equity as at September 30, 2021 increased to \$781 million, or \$29.40 per share⁽¹⁾, from \$700 million, or \$25.69 per share⁽¹⁾ as at December 31, 2020, and \$632 million, or \$23.25 per share⁽¹⁾ as at September 30, 2020. Since December 31, 2020, the Company returned to shareholders \$13.8 million in dividends and \$24.6 million in share buybacks. The fair value of the Company's Securities as at September 30, 2021 increased to \$689 million, or \$25.91 per share⁽¹⁾, from \$633 million, or \$23.23 per share⁽¹⁾ as at December 31, 2020 and \$552 million, or \$20.30 per share⁽¹⁾ as at September 30, 2020.

The Board of Directors has declared a quarterly eligible dividend of \$0.18 per share, payable on January 18, 2022, to shareholders of record on January 11, 2022.

⁽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. Certain of the names of these measures were amended to include the words "attributable to shareholders" to better describe the measures.

Commentary

Market recap

The past year and a half have largely felt like an exercise in repetition. Restrictions on activity and constant uncertainty brought about by the pandemic have kept daily life seemingly on an unvarying loop. From an economic and market standpoint, this has meant that the underlying fundamental themes and risks to the outlook have not changed much since COVID-19 entered the lexicon, which has made regular commentaries such as these sound somewhat monotonous. With that in mind, it is refreshing to be able to note that the winds of change appear to finally be blowing, causing some significant shifts in the backdrop as 2021 enters its home stretch and the new year starts to peek out over the horizon. Without a doubt the single biggest driver of change is progress with respect to the pandemic. The global vaccination campaign has been a key factor, it has increased immunity in both developed markets, and of late, developing markets that have been able to accelerate their vaccination program. The result is not just mitigation of contagion, but also the ability to keep those infected out of hospital, and limiting the severity and number of cases requiring acute medical attention. The continued development of highly effective therapeutics is also playing a large role in improving the ultimate prognosis of patients.

The easing restrictions and resultant resumption of activity in a large swath of the global economy that had been effectively idled—particularly in the higher contact service sector, where public health measures have made operations difficult—means that the recovery from the unprecedented shock experienced last year remains on track despite the ebb and flow of COVID-19 case totals. Indeed, business sentiment measured by the OECD business confidence index, as well as international trade, as measured by export volumes, have been booming. One of the consequences of this is an increase in inflation, in addition to a variety of logistical issues, as economies deal with labour shortages. These are generally assumed to be short-term issues, but could pose a problem if they last longer than expected.

Indeed, current forecasts—which represent modest near-term downgrades due to the impact of the latest wave of infection—imply that all ground lost during the pandemic is expected to be fully recovered across the G7 by year-end, and the pre-crisis trend for global output could be re-established next year.

During the current quarter, the S&P/TSX Composite Index had a total return of +0.2%, with a cumulative trailing-twelve-month (TTM) total return of +28.0%. The S&P 500 had a total return of +0.6% (USD) during the quarter, with a cumulative TTM total return of +30.0% (USD). Globally, the vast majority of markets had positive returns during Q3 2021 and outperformed relative to the S&P 500. Fixed income generally had negative returns, as interest rates moved upwards from extreme lows during the beginning of the pandemic, and a number of central banks slowly withdrew from quantitative easing.

The COVID-19 Pandemic Emergency

Since March 16, 2020, when Guardian's senior management enacted its Business Continuity Plan (BCP), our BCP continues to meet all of our requirements and expectations extremely well, with no significant problems encountered to date. While office attendance varies by jurisdiction, the majority of our employees continue to work remotely, and those locations that have permitted staff to attend have done so optionally, and at reduced levels, based on the guidance of local health officials. Our service to our clients transitioned seamlessly to remote working arrangements and continues to be highly effective and we are prepared to sustain such a work arrangement for a prolonged period of time. Absent any spike in cases, or new public health restrictions, we expect there will be a movement back to working at our offices at reduced capacity in the near future. While we look forward to welcoming our colleagues back to our workspaces, we feel it is necessary to approach this return with an abundance of caution on our part, and we are prepared to return to remote working if conditions warrant such a decision. We extend our thanks to all our employees who are making this possible.

Investment Management

In the third quarter, broadly positive performance in equities and in fixed-income strategies, as well as net new inflows across the group, contributed to the growth in our Assets Under Management ("AUM") to \$53.1 billion from \$51.9 billion in the second quarter.

Outside of Canadian Equities, which was slightly negative, the diverse set of asset classes we manage, were positive during the quarter. Positive returns in equities, were a positive driver of growth for Guardian's AUM as was the appreciation in the US dollar versus the Canadian currency. Our Fundamental Global Equity strategy continued to take in the majority of our inflows with new client wins and positive client cash flows, we also experienced modestly positive inflows into our US Equity and US Fixed Income strategies. Canadian assets continue to experience long-term trend of redemptions in the quarter.

Among the many investments we continue to make in order to grow our Investment Management Segment, the largest increase in expenditures initiated by Guardian recently, has been our initiative to build a dedicated Canadian retail distribution team. Since late 2019, we have worked to create new investment vehicles to serve the needs of financial advisors and their clients. Our efforts will leverage both the growing ecosystem within Guardian and the deep expertise in manufacturing to create focused solutions that are innovative and meet the changing investment needs of the retail client segment. Similar to our strategy in building GuardCap, our costs will increase as we resource this effort, and these costs will precede meaningful management fees from the new AUM that we plan on gathering. We are very aware that the market to serve the needs of Canadian financial advisors is quite competitive, however we anticipate that a fresh, innovative approach to creating solutions from a leading independent asset manager will be a welcome entrant into this market. While we plan on garnering AUM for all of our investment management teams, an important part of our goal is to find new markets for our domestic asset management business, which has seen a secular decline in demand from institutions. If successful, Guardian will benefit from growth in AUM and higher average management fees. Our focus for the future is to highlight the best ideas of our asset management teams in as many formats as possible, including; broker-dealer WRAP models, mutual funds, exchange traded funds ("ETF"), closed-end funds and insurance-wrapped products.

We are continuing in our efforts to diversify our investment capabilities, and to that end we are in the process of creating an emerging markets debt investment team around a highly experienced and respected leader that we were fortunate to be able to bring into GuardCap, our UK-based operation. Other potential capabilities are constantly being evaluated by our management team. We expect to be able to continue to increase our offering in the future, as we identify skilled talent to add to our teams or simply extending adjacency solutions with existing investment teams.

Wealth Management

To better reflect the business aim of this segment of our operations, at the beginning of the current year we re-named our Financial Advisory Segment as "Wealth Management", a description in line with many companies in the financial services industry. The largest part of this business is composed of the Worldsource companies, which have formed the bulk of this segment for many years. The Worldsource companies essentially serve two distinct types of independent financial advisors across Canada. This includes a mutual fund and a securities dealership (the "Dealers"), which focuses on servicing independent financial advisors and corporate partners who offer investment advice to their clients, as well as also a life insurance Managing General Agency (the "MGA") which is focused on servicing independent life insurance advisors. Over the course of the last few years, we have made significant upgrades to our management team, our technology capability and our product offering. We are also more closely integrating the Worldsource companies with other related parts of our business, which are under common executive management and have been operating in tandem for some time. These associated business operations include two of our recent corporate acquisitions, our robo-advisor platform Modern Advisor Canada Inc. ("Modern Advisor"), and our "Outsourced Chief Investment Officer" ("OCIO") operation Guardian Partners Inc. ("GPI"). In addition, two existing related businesses,

Guardian Capital Advisors LP (“GCA”) and Alexandria Bancorp Limited (“ABL”), which provide services to our Private Wealth clients, have now been re-categorized into this Wealth Management business segment. At September 30, 2021, the segment had a total of \$30.0 billion of assets under administration (“AUA”) and \$4.3 billion of AUM, as described in the paragraphs below.

At September 30, 2021, the Dealers combined AUA increased to \$16.7 billion from \$16.5 billion at the end of June 30, 2021. We also wish to note that Guardian’s AUM from Worldsource advisors is approaching \$1.3 billion. Over the last few years, we have focused on upgrading our infrastructure to a more up to date and capable operating platform and a strong and evolving digital enablement strategy. With the core systems in place, we have focused on rolling out a number of additional tools that will aid planners and their clients to analyze their portfolios and meet their goals. Improving our technology backbone has increased expenses and dampened profitability, however it has better positioned us to shift our focus on to our major initiatives at the Dealers, including increasing penetration of Guardian’s investment solutions into Worldsource, and more aggressively recruiting independent advisors and corporate partners. As a result of these efforts, we are starting to see a significantly improved pipeline with respect to recruiting advisors, winning corporate partnerships, and M&A opportunities.

IDC WIN, our MGA business, had another strong quarter. Insurance and segregated fund sales, which result in long-term recurring revenues, continued to be strong in the third quarter, as they have been throughout 2021, and continue to significantly outpace the prior year. We believe there has been some benefits of catch up in 2021 from the pandemic-induced slower sales, industry-wide, in the first three quarters in 2020, but we also believe aggregate demand for life insurance products has increased since the worst of the pandemic shutdowns. Leading indicators of future sales, such as life insurance application volumes, continue to be very strong and are a good predictor of future revenue. We continue to have success in the recruitment of advisors with strong track records of production in the past, and we are increasingly viewed as a desirable strategic partner as we are continuously in contact with groups contemplating the sale of their smaller MGA businesses. Once again, operating earnings and revenue in the quarter were meaningfully above the prior year. It is important to remember that roughly 60% of our MGA’s revenues are recurring commission payments, of which vast majority is earned on renewal of insurance policies sold in prior years. In order to realize this revenue, insured clients must continue paying their premiums and hence a major focus of IDC WIN is on maintaining our historical high persistency in renewals. Digital sales as a percentage of total sales continues to increase; insurance companies have recently made it easier to place business in this manner, and we expect digital processing to improve the efficiency of our operations going forward. Sales of segregated funds continued their strength in the quarter, helped by overall demand for the products, but also assisted by the increased internal wholesaler support hired to assist our advisor base in identifying products suitable for their clients. We continue to be very pleased with the performance of this business. At September 30, 2021, IDC WIN’s total AUA was \$8.3 billion, consisting mainly of segregated fund assets, increasing 15% from \$7.2 billion at December 31, 2020. We believe that we have built a very comprehensive national MGA, including the continuing effort to build Quebec into a strong regional contributor to the overall business. The integration of the two Quebec-based businesses acquired in 2019 and 2020 has gone well, and sales at these businesses are exceeding expectations. Subsequent to the quarter end, IDC WIN announced the acquisition of the life and health insurance business of AFL Groupe Financier Inc., a Quebec City-based MGA with approximately \$0.5 billion in AUA. This acquisition further adds to our scale and capacity to service the Quebec market and our goal of being a truly national player in the Canadian MGA space.

Our private client businesses, which offers an increasing depth of services to high-net-worth and ultra-high-net-worth clients, is also a focus of future growth. GPI, the OCIO business acquired at the beginning of March, will be an ongoing focus for growth. We are very optimistic about the opportunity amongst the ultra-high-net-worth advisory/family office segment of the market, and with this acquisition, we have become a meaningful operator in this segment. GPI receives advisory fees from these clients, in return for selecting and overseeing investment advisors for their portfolios. Investment advisors undergo a rigorous due diligence process and are selected from among many available external managers, as the best fit for the client’s requirements. We believe that we have the opportunity to scale the business by adding capabilities and offerings, through organic and possibly acquisitive growth strategically to become a leading OCIO serving ultra-high-net-worth and family offices in Canada. We do not expect a significant near-term contribution to our bottom line, but over time, as we scale the business, we expect to lead into a growing stream of earnings. GCA and ABL have been part of Guardian for a much longer time than GPI, and in aggregate, contribute meaningful profitability to Guardian. Along with GPI, ABL and GCA provide a continuum of services to a spectrum of wealthy clients. The traditional GCA high-net-worth model provides proprietary in-house wealth management services through individual portfolios and mutual funds; the ultra-high-net-worth clients interested in independent advice and best in class outsourced solutions are serviced through GPI; and the international private clients through our offshore private bank, ABL.

Corporate Securities

In addition to our core operating businesses, Investment Management and Wealth Management, steady and reliable investment income from our corporate securities portfolio has been a meaningful contributor to Guardian’s profitability and long-term financial health. At quarter end, our investment portfolio was valued at \$689 million, down from \$698 million in Q2, but up from \$633 million at the end of 2020, and it generated total dividend and interest income of \$4.2 million in the quarter.

During the current quarter, we held our position in Bank of Montreal (“BMO”) steady, resulting in a quarter end position of 2,270,000 shares. Our holding of BMO stock has historically provided an important source of dividend income. However, it has been decreasing in importance, as our cash flows from our operating businesses have grown strongly over the last decade, and we have been diversifying our investment portfolio largely into higher-growth, but generally lower-yielding proprietary investments.

The balance of our investment 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.

Overall, any future demand for seeding of proprietary strategies and their respective investment vehicles, as well as any future operating business unit acquisitions or buybacks of Guardian stock under our normal course issuer bid, we have ample capacity to fund these initiatives with a combination of further sale of BMO shares, corporate cash flows, and the use of borrowing. In the third quarter, BMO dividends contributed \$2.4 million to Guardian revenues, substantially unchanged from the second quarter. At September 30, 2021, Guardian’s holding of BMO shares represented roughly 42% of our investment portfolio, substantially unchanged from the second quarter, but up from 35% at the end of 2020, due to strong relative performance in the holding.

Capital Allocation

Quality companies generate strong earnings and 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 nine months of the year, Guardian has returned roughly \$13.8 million to shareholders through dividends (\$4.8 million in the current quarter), while \$24.6 million was spent on share buybacks (\$9.8 million in the current quarter). Guardian has historically focused on, and will continue to allocate its cash flow to a combination of, growth initiatives, dividend increases and share buybacks. Guardian’s management team and Board of Directors remain committed to our buyback program, and feel that buying our shares has neither diminished the quality of our balance sheet, nor affected our company’s ability to invest in future growth initiatives. We have tried to balance the above uses of capital with due consideration of all our constituents. In recent months, Guardian has been actively buying back shares for cancellation as part of our Normal Course Issuer Bid. If Guardian’s shares continue to trade at what we believe to be a discount to their intrinsic value, absent significant requirements for growth initiatives, and acting as stewards for all shareholders invested for the long term, we will continue to buy more shares when the opportunity arises. With regard to dividends, the

Board is pleased to report that we have declared another quarterly dividend of \$0.18 per share, payable on January 18, 2022 to the shareholders of record on January 11, 2022.

Our core values at Guardian are to be Authentic to our actions, 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 seriously embraces the responsibilities with which we are entrusted, and are continuously striving to make improvements to all aspects of how we do business. The consistency of delivering on our stated objectives along with the balancing of all stakeholders' interests through both good and challenging times is one further measure of the quality of institution we expect Guardian to represent. As long as we continue to live up to these expectations, all of our stakeholders should expect to benefit from our successes.

On behalf of the Board,

(signed) "James Anas"

Chairman of the Board

November 10, 2021

(signed) "George Mavroudis"

President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at (\$ in thousands)	September 30 2021	December 31 2020
ASSETS		
Current assets		
Cash	\$ 72,086	\$ 41,677
Interest-bearing deposits with banks	56,193	43,197
Accounts receivable and other	71,748	60,211
Receivables from clients and broker	60,403	77,313
Income taxes receivable	8,612	1,193
Securities backing third party investor liabilities (note 3)	113,065	59,063
	382,107	282,654
Securities (note 4)	688,610	632,571
Other assets		
Deferred tax assets	861	805
Intangible assets	163,296	161,186
Equipment	16,573	16,112
Goodwill	64,775	60,234
	245,505	238,337
Total assets	\$ 1,316,222	\$ 1,153,562
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 5)	\$ 109,642	\$ 95,737
Third party investor liabilities (note 3)	113,065	59,063
Client deposits	54,665	43,128
Accounts payable and accrued liabilities	79,940	65,825
Lease obligations	3,091	2,607
Income taxes payable	4,084	10,169
Payable to clients	60,403	77,313
	424,890	353,842
Lease obligations	11,262	10,816
Other liabilities (note 6)	33,431	31,093
Deferred tax liabilities	49,067	40,104
Total liabilities	518,650	435,855
EQUITY		
Shareholders' equity		
Capital stock (note 7a and 7b)	18,077	18,634
Treasury stock (note 8a)	(31,724)	(29,511)
Contributed surplus	24,335	22,136
Retained earnings	764,956	681,023
Accumulated other comprehensive income	5,690	7,328
	781,334	699,610
Other equity interests	16,238	18,097
Total equity	797,572	717,707
Total liabilities and equity	\$ 1,316,222	\$ 1,153,562

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

For the periods ended September 30, (\$ in thousands, except per share amounts)	Three months		Nine months	
	2021	2020	2021	2020
Net revenue				
Commission revenue	\$ 49,138	\$ 40,194	\$ 143,627	\$ 119,441
Commissions paid to advisors	(31,354)	(25,799)	(89,425)	(76,170)
Net commission revenue	17,784	14,395	54,202	43,271
Management and advisory fees, gross	47,651	30,313	131,376	85,072
Fees paid to referring agents and other	(1,874)	(1,531)	(5,668)	(4,544)
Net management and advisory fees	45,777	28,782	125,708	80,528
Administrative services income	4,162	4,262	13,355	12,604
Dividend and interest income (note 9)	4,661	4,603	13,773	15,664
	72,384	52,042	207,038	152,067
Expenses				
Employee compensation and benefits	32,749	24,112	94,367	69,929
Amortization	5,456	4,464	15,613	13,223
Interest	351	299	1,047	1,594
Other expenses	13,057	11,059	36,537	30,973
	51,613	39,934	147,564	115,719
Operating earnings	20,771	12,108	59,474	36,348
Net gains (losses) (note 10)	(8,146)	35,739	90,292	(82,296)
Earnings (loss) before taxes	12,625	47,847	149,766	(45,948)
Income tax expense (recovery)	4,028	5,195	23,477	(4,933)
Net earnings (loss)	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Other comprehensive income (loss)				
Net change in foreign currency translation on foreign subsidiaries	8,353	(4,434)	(1,821)	8,027
Comprehensive income (loss)	\$ 16,950	\$ 38,218	\$ 124,468	\$ (32,988)
Net earnings (loss) attributable to:				
Shareholders	\$ 7,054	\$ 42,201	\$ 121,817	\$ (43,681)
Non-controlling interests	1,543	451	4,472	2,666
	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Net earnings (loss) attributable to shareholders per Class A and Common share (note 11)				
Basic	\$ 0.28	\$ 1.66	\$ 4.84	\$ (1.72)
Diluted	0.27	1.56	4.53	(1.72)
Comprehensive income (loss) attributable to:				
Shareholders	\$ 14,757	\$ 38,176	\$ 120,179	\$ (36,315)
Non-controlling interests	2,193	42	4,289	3,327
Comprehensive income (loss)	\$ 16,950	\$ 38,218	\$ 124,468	\$ (32,988)

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2021	2020	2021	2020
Total equity, beginning of period	\$ 797,456	\$ 608,544	\$ 717,707	\$ 694,201
Shareholders' equity, beginning of period	780,323	596,265	699,610	682,777
Capital stock, beginning of period	18,289	18,646	18,634	18,705
Acquired and cancelled (note 7c)	(212)	--	(557)	(59)
Capital stock, end of period	18,077	18,646	18,077	18,646
Treasury stock, beginning of period	(31,706)	(30,724)	(29,511)	(28,129)
Acquired (note 8a)	(18)	--	(3,378)	(2,941)
Disposed of (note 8a)	--	1,054	1,165	1,400
Treasury stock, end of period	(31,724)	(29,670)	(31,724)	(29,670)
Contributed surplus, beginning of period	23,564	20,976	22,136	20,008
Stock-based compensation expense	771	682	2,199	1,996
Redemption of equity-based entitlements	--	(53)	--	(399)
Contributed surplus, end of period	24,335	21,605	24,335	21,605
Retained earnings, beginning of period	772,189	561,922	681,023	658,139
Net earnings (loss)	7,054	42,201	121,817	(43,681)
Dividends declared and paid (note 7d)	(4,748)	(4,261)	(13,835)	(12,528)
Capital stock acquired and cancelled (note 7c)	(9,539)	--	(24,049)	(2,060)
Other	--	--	--	(8)
Retained earnings, end of period	764,956	599,862	764,956	599,862
Accumulated other comprehensive income, beginning of period	(2,013)	25,445	7,328	14,054
Other comprehensive income (loss)	7,703	(4,025)	(1,638)	7,366
Accumulated other comprehensive income, end of period	5,690	21,420	5,690	21,420
Shareholders' equity, end of period	781,334	631,863	781,334	631,863
Other equity interests, beginning of period	17,133	12,279	18,097	11,424
Non-controlling interests, beginning of period	44,057	35,245	44,184	31,515
Net earnings	1,543	451	4,472	2,666
Other comprehensive income (loss)	650	(409)	(183)	661
Dividends declared and paid	(1,626)	(804)	(3,849)	(1,907)
Acquisition of subsidiary	--	--	--	1,530
Other	--	--	--	18
Non-controlling interests, end of period	44,624	34,483	44,624	34,483
Obligations to non-controlling interests, beginning of period	(26,924)	(22,966)	(26,087)	(20,091)
On acquisition of subsidiary	--	--	--	(648)
Change during period	(1,462)	(207)	(2,299)	(2,434)
Obligations to non-controlling interests, end of period	(28,386)	(23,173)	(28,386)	(23,173)
Other equity interests, end of period	16,238	11,310	16,238	11,310
Total equity, end of period	\$ 797,572	\$ 643,173	\$ 797,572	\$ 643,173

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2021	2020	2021	2020
Operating activities				
Net earnings (loss)	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Adjustments for:				
Income taxes (paid)	(3,791)	(6,187)	(11,751)	(7,956)
Income tax expense (recovery)	4,028	5,195	23,477	(4,933)
Net (gains) losses	8,146	(35,739)	(90,292)	82,296
Amortization of intangible assets	4,300	3,397	12,212	10,026
Amortization of equipment	1,156	1,067	3,401	3,197
Stock-based compensation	771	682	2,199	1,996
Other non-cash expenses	12	--	36	--
	23,219	11,067	65,571	43,611
Net change in non-cash working capital items (note 13)	14,839	11,285	4,906	7,808
Net cash from operating activities	38,058	22,352	70,477	51,419
Investing activities				
Net (acquisition) disposition of securities	5,924	(10,161)	28,532	53,487
Income taxes (paid)	(2,936)	(2,017)	(17,864)	(4,707)
Net (acquisition) of securities backing third party investor liabilities	(14,299)	(9,977)	(52,642)	(16,696)
Acquisition of intangible assets	(4,175)	(1,054)	(9,023)	(6,274)
Acquisition of equipment	(219)	(146)	(573)	(624)
Disposition of intangible assets	865	194	2,190	1,452
Acquisition of subsidiaries (note 15)	(2,299)	--	(11,118)	(15,430)
Net cash from (used in) investing activities	(17,139)	(23,161)	(60,498)	11,208
Financing activities				
Dividends paid to shareholders	(4,748)	(4,261)	(13,835)	(12,528)
Dividends paid to non-controlling interests	(1,626)	(804)	(3,849)	(1,907)
Acquisition and cancellation of capital stock	(9,751)	--	(24,606)	(2,119)
Acquisition of treasury stock	(18)	--	(3,378)	(2,941)
Disposition of treasury stock	--	1,054	1,165	1,400
Net proceeds (repayments) of bank loan and bankers' acceptances	(2,334)	6,426	14,695	(36,793)
Principal payments on lease obligations	(645)	(586)	(1,955)	(1,692)
Net subscriptions by third party investors	14,299	9,977	52,642	16,696
Acquisition of non-controlling interests	--	--	--	(995)
Net cash from (used in) investing activities	(4,823)	11,806	20,879	(40,879)
Foreign exchange				
Net effect of foreign exchange rate changes on cash balances	146	316	(309)	1,085
Net change in net cash	16,242	11,313	30,549	22,833
Net cash, beginning of period	42,779	32,051	28,472	20,531
Net cash, end of period	\$ 59,021	\$ 43,364	\$ 59,021	\$ 43,364
Net cash represented by:				
Cash			\$ 72,086	\$ 43,364
Net bank indebtedness			(13,065)	--
			\$ 59,021	\$ 43,364

See accompanying selected explanatory notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. REPORTING ENTITY

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

2. ACCOUNTING POLICIES

(a) Basis of Preparation

These unaudited consolidated interim financial statements include the accounts of Guardian and its subsidiaries (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS"), in compliance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as those used in the Company's consolidated financial statements for the year ended December 31, 2020. Certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed in these consolidated interim financial statements. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, which are included in the Company's 2020 annual report.

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

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

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on November 10, 2021.

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

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

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

4. SECURITIES

(a) Classification of securities

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

As at	September 30 2021	December 31 2020
Fair value through profit or loss:		
Short-term securities (i)	\$ 8,333	\$ 44,904
Fixed-income securities (i)	19,270	12,197
Bank of Montreal common shares (ii)	286,815	222,295
Other equity securities (i) (iii)	349,233	328,328
Canadian real estate (i) (iii)	24,959	24,847
	\$ 688,610	\$ 632,571

(i) These securities may include units of investment funds in addition to individual securities.

(ii) Details of sales of Bank of Montreal common shares are as follows:

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Number of shares sold	--	--	30	800
Proceeds of disposition	\$ --	\$ --	\$ 3,819	\$ 53,964

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Canadian real estate fund managed by subsidiary				
Commitment, beginning of period	\$ 13,875	\$ 15,372	\$ 13,875	\$ 16,040
Called capital	--	--	--	(668)
Commitment, end of period	13,875	15,372	13,875	15,372
Private equity fund				
Commitment, beginning of period	16,032	10,031	8,320	10,031
Called capital	(147)	(1,711)	(4,834)	(1,711)
New commitments	--	--	12,621	--
Foreign exchange	248	--	26	--
Commitment, end of period	16,133	8,320	16,133	8,320
	\$ 30,008	\$ 23,692	\$ 30,008	\$ 23,692

(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	September 30 2021	December 31 2020
Level 1	\$ 586,520	\$ 548,103
Level 2	74,264	67,910
Level 3	27,826	16,558
	\$ 688,610	\$ 632,571

During 2021 and 2020, there have been no transfers of securities between Levels.

(c) Analysis of Level 3 securities

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Securities categorized as Level 3, beginning of period	\$ 27,282	\$ 13,459	\$ 16,558	\$ 15,819
Increase (decrease) in fair value	170	1,457	6,449	(1,543)
Additions	147	1,711	4,834	1,711
Foreign exchange translation adjustments	227	(145)	(15)	495
Securities categorized as Level 3, end of period	\$ 27,826	\$ 16,482	\$ 27,826	\$ 16,482

5. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at	September 30 2021	December 31 2020
Bank indebtedness and loans	\$ 13,065	\$ 13,347
Bankers' acceptances payable: Canadian dollar	73,900	47,100
US dollar	22,677	35,290
	\$ 109,642	\$ 95,737

The total borrowing capacity, under various borrowing facilities, is \$160,000 (2020- \$160,000). 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.

6. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at	September 30 2021	December 31 2020
Acquisition related (i)	\$ 5,014	\$ 5,006
Obligations to non-controlling interests (ii)	28,417	26,087
	\$ 33,431	\$ 31,093

- i) These are amounts owed by the Company relating to acquisitions completed to date. The amount is payable in USD.
- ii) These are obligations of the Company to purchase the portion of certain subsidiaries which it does not wholly own, should the non-controlling shareholders exercise their option to sell their holdings to the Company. These liabilities relate to future transactions with non-controlling interest, acting in their capacity as owners, therefore all changes in fair values of these obligations are reflected in the statement of equity. Approximately \$28,069 (2020 - \$25,803) of these obligations are payable in USD.

7. CAPITAL STOCK**(a) Authorized**

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

(b) Issued and outstanding

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

For the three months ended September 30	2021		2020	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,514	\$ 17,625	24,863	\$ 17,947
Acquired and cancelled	(295)	(212)	--	--
Converted from Common	--	--	--	--
Outstanding, end of period	24,219	17,413	24,863	17,947
Common shares				
Outstanding, beginning of period	2,749	664	2,895	699
Converted into Class A	--	--	--	--
Outstanding, beginning and end of period	2,749	664	2,895	699
Total outstanding, end of period	26,968	\$ 18,077	27,758	\$ 18,646
For the nine months ended September 30				
	2021		2020	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,845	\$ 17,935	24,944	\$ 18,006
Acquired and cancelled	(772)	(557)	(81)	(59)
Converted from Common	146	35	--	--
Outstanding, end of period	24,219	17,413	24,863	17,947
Common shares				
Outstanding, beginning of period	2,895	699	2,895	699
Converted into Class A	(146)	(35)	--	--
Outstanding, end of period	2,749	664	2,895	699
Total outstanding, end of period	26,968	\$ 18,077	27,758	\$ 18,646

(c) Issuer bid

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Shares purchased and cancelled				
Class A	295	--	772	81
Consideration paid	\$ 9,751	\$ --	\$ 24,606	\$ 2,119
Less average issue price, charged to share capital	212	--	557	59
Excess consideration charged to retained earnings	\$ 9,539	\$ --	\$ 24,049	\$ 2,060

A summary of the current NCIB, which commenced on November 21, 2020 and expires on November 20, 2021, is as follows:

Authorized to purchase and cancel				
Class A				1,715
Common				145
Purchased and cancelled				
Class A				790
Common				--

(d) Dividends

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Dividends declared and paid, per share	\$ 0.180	\$ 0.160	\$ 0.520	\$ 0.470

The Company has also declared dividends of \$0.18 per share payable on each of October 18, 2021 and January 18, 2022, on the common and class A shares outstanding. These dividends, which will be recognized on the record dates, have not been reflected in these financial statements.

8. TREASURY STOCK

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

(a) Changes in treasury stock

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

For the three months ended September 30	2021		2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,213	\$ 31,706	2,383	\$ 30,724
Acquired	1	18	--	--
Disposed	--	--	(108)	(1,054)
Balance, end of period	2,214	\$ 31,724	2,275	\$ 29,670

For the nine months ended September 30	2021		2020	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,234	\$ 29,511	2,298	\$ 28,129
Acquired	122	3,378	109	2,941
Disposed	(142)	(1,165)	(132)	(1,400)
Balance, end of period	2,214	\$ 31,724	2,275	\$ 29,670

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

As at September 30, 2021, the treasury stock was composed of 30 common shares (2020 – 30) and 2,184 class A shares (2020 – 2,204).

(b) Equity-based entitlements

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

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Equity-based entitlements, beginning of period	1,332	1,254	1,209	1,171
Provided	1	--	124	109
Exercised	--	(4)	--	(28)
Forfeited	--	(1)	--	(3)
Equity-based entitlements, end of period	1,333	1,249	1,333	1,249

During the nine months ended September 30, 2021, the equity-based entitlements provided had a fair value of \$3,442 (2020 - \$2,941). During the three months ended September 30, 2021, the equity-based entitlements provided had a fair value of \$18 (2020 - nil).

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

(c) Option-like entitlements

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

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

For the three months ended September 30	2021		2020	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	881	\$ 9.87	1,127	\$ 9.64
Exercised	--	--	(104)	9.69
Option-like entitlements, beginning and end of period	881	\$ 9.87	1,023	\$ 9.64

For the nine months ended September 30	2021		2020	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Option-like entitlements, beginning of period	1,023	\$ 9.64	1,127	\$ 9.64
Exercised	(142)	8.22	(104)	9.69
Option-like entitlements, end of period	881	\$ 9.87	1,023	\$ 9.64

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

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

9. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Dividends on Bank of Montreal shares	\$ 2,406	\$ 2,862	\$ 7,282	\$ 9,540
Other dividends	1,764	1,381	5,271	4,077
Dividend income	4,170	4,243	12,553	13,617
Operating activities	331	232	866	1,355
Investing activities	160	128	354	692
Interest income	491	360	1,220	2,047
	\$ 4,661	\$ 4,603	\$ 13,773	\$ 15,664

10. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Bank of Montreal common shares	\$ (1,475)	\$ 15,714	\$ 68,339	\$ (87,942)
Other securities	(6,657)	19,701	20,275	8,287
Net gains (losses) on securities (i)	(8,132)	35,415	88,614	(79,655)
Disposal of intangible assets	756	285	1,913	1,164
Foreign exchange gains (losses) (iii)	(770)	39	(235)	(3,805)
	\$ (8,146)	\$ 35,739	\$ 90,292	\$ (82,296)

- (i) Net gains (losses) on securities are a result of net changes in fair value of securities, securities backing third party investor liabilities, and the third party investor liabilities.
- (ii) Foreign exchange gains (losses) arise from monetary assets and liabilities denominated in currencies, which are different from the functional currency of Guardian or its subsidiaries.

11. CALCULATIONS OF EARNINGS (LOSS) PER SHARE

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Weighted average number of Class A and common shares outstanding:				
Basic	24,867	25,387	25,176	25,420
Effects of outstanding entitlements from stock-based compensation plans	1,801	1,686	1,777	--
Diluted	26,668	27,073	26,953	25,420
Net earnings (loss) attributable to shareholders:				
Basic	\$ 7,054	\$ 42,201	\$ 121,817	\$ (43,681)
Effects of outstanding entitlements from stock-based compensation plans	54	54	161	--
Diluted	\$ 7,108	\$ 42,255	\$ 121,978	\$ (43,681)

12. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Wealth Management, which primarily involves earning investment management and advisory fees for such services to high and ultra-high net worth clients, earning transactional and continuing commissions on life insurance products, mutual funds and other securities and other fees for related services; and c) Corporate Activities and Investments, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The segmented operating results below includes certain centralized costs which are allocated from Corporate Activities and Investments segment to operating segments to better reflect the costs associated with each of the segments.

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

(a) Business segments

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

For the three months ended September 30	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue										
Commission revenue	\$ --	\$ --	\$ 49,916	\$ 40,809	\$ --	\$ --	\$ (778)	\$ (615)	\$ 49,138	\$ 40,194
Commissions paid to advisors	--	--	(31,354)	(25,799)	--	--	--	--	(31,354)	(25,799)
Net commission revenue	--	--	18,562	15,010	--	--	(778)	(615)	17,784	14,395
Management fees	39,337	24,438	8,941	6,377	--	--	(627)	(502)	47,651	30,313
Fees paid to referring agents	(1,218)	(886)	(1,671)	(1,480)	--	(27)	1,015	862	(1,874)	(1,531)
Net management fees	38,119	23,552	7,270	4,897	--	(27)	388	360	45,777	28,782
Administrative services income	1,308	1,034	2,838	3,204	16	24	--	--	4,162	4,262
Dividend and interest income	11	6	361	251	4,187	4,209	102	137	4,661	4,603
	39,438	24,592	29,031	23,362	4,203	4,206	(288)	(118)	72,384	52,042
Expenses										
Employee comp. & benefits	18,410	12,043	12,861	10,468	1,478	1,601	--	--	32,749	24,112
Amortization	1,870	1,457	3,270	2,703	316	304	--	--	5,456	4,464
Interest	47	10	103	95	222	194	(21)	--	351	299
Other expenses	5,667	4,940	6,649	5,399	1,008	838	(267)	(118)	13,057	11,059
	25,994	18,450	22,883	18,665	3,024	2,937	(288)	(118)	51,613	39,934
Operating earnings										
Net gains (losses)	13,444	6,142	6,148	4,697	1,179	1,269	--	--	20,771	12,108
Net gains (losses)	(55)	(185)	614	379	(8,705)	35,545	--	--	(8,146)	35,739
Net earnings before income taxes	13,389	5,957	6,762	5,076	(7,526)	36,814	--	--	12,625	47,847
Income tax expense	2,760	1,109	1,987	1,510	(719)	2,576	--	--	4,028	5,195
Net earnings	\$ 10,629	\$ 4,848	\$ 4,775	\$ 3,566	\$ (6,807)	\$ 34,238	\$ --	\$ --	\$ 8,597	\$ 42,652
Net earnings attributable to:										
Shareholders	\$ 9,760	\$ 4,715	\$ 4,101	\$ 3,248	\$ (6,807)	\$ 34,238	\$ --	\$ --	\$ 7,054	\$ 42,201
Non-controlling interests	869	133	674	318	--	--	--	--	1,543	451
	\$ 10,629	\$ 4,848	\$ 4,775	\$ 3,566	\$ (6,807)	\$ 34,238	\$ --	\$ --	\$ 8,597	\$ 42,652
Additions to segment assets:										
Intangible assets	\$ 2,813	\$ 590	\$ 1,708	\$ 911	\$ 40	\$ 139	\$ --	\$ --	\$ 4,561	\$ 1,640
Equipment	1,116	21	247	--	60	233	--	--	1,423	254
Goodwill	--	--	--	--	--	--	--	--	--	--
As at September 30, 2021 and December 31, 2020										
	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment assets and liabilities:										
Assets	\$ 197,026	\$ 167,352	\$ 214,975	\$ 311,337	\$ 853,579	\$ 732,684	\$ 50,642	\$ (57,811)	\$ 1,316,222	\$ 1,153,562
Liabilities	79,051	62,867	127,870	231,456	261,087	199,343	50,642	(57,811)	518,650	435,855

For the nine months ended September 30	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue										
Commission revenue	\$ --	\$ --	\$ 145,768	\$ 121,202	\$ --	\$ --	\$ (2,141)	\$ (1,761)	\$ 143,627	\$ 119,441
Commissions paid to advisors	--	--	(89,425)	(76,170)	--	--	--	--	(89,425)	(76,170)
Net commission revenue	--	--	56,343	45,032	--	--	(2,141)	(1,761)	54,202	43,271
Management and advisory fees	108,381	68,540	24,854	18,030	--	--	(1,859)	(1,498)	131,376	85,072
Fees paid to referring agents	(3,435)	(2,703)	(5,126)	(4,322)	--	(55)	2,893	2,536	(5,668)	(4,544)
Net management and advisory fees	104,946	65,837	19,728	13,708	--	(55)	1,034	1,038	125,708	80,528
Administrative services income	3,694	2,955	9,612	9,600	49	49	--	--	13,355	12,604
Dividend and interest income	12	18	938	1,452	12,512	13,710	311	484	13,773	15,664
	108,652	68,810	86,621	69,792	12,561	13,704	(796)	(239)	207,038	152,067
Expenses										
Employee comp. & benefits	52,291	34,435	37,802	30,985	4,274	4,509	--	--	94,367	69,929
Amortization	5,421	4,463	9,254	7,883	938	877	--	--	15,613	13,223
Interest	131	34	304	401	666	1,166	(54)	(7)	1,047	1,594
Other expenses	16,494	13,645	18,593	15,841	2,192	1,719	(742)	(232)	36,537	30,973
	74,337	52,577	65,953	55,110	8,070	8,271	(796)	(239)	147,564	115,719
Operating earnings	34,315	16,233	20,668	14,682	4,491	5,433	--	--	59,474	36,348
Net gains (losses)	(404)	(303)	1,950	1,024	88,746	(83,017)	--	--	90,292	(82,296)
Net earnings (loss) before income taxes	33,911	15,930	22,618	15,706	93,237	(77,584)	--	--	149,766	(45,948)
Income tax expense (recovery)	7,133	3,550	6,337	4,326	10,007	(12,809)	--	--	23,477	(4,933)
Net earnings (loss)	\$ 26,778	\$ 12,380	\$ 16,281	\$ 11,380	\$ 83,230	\$ (64,775)	\$ --	\$ --	\$ 126,289	\$ (41,015)
Net earnings (loss) attributable to:										
Shareholders	\$ 24,566	\$ 11,032	\$ 14,021	\$ 10,062	\$ 83,230	\$ (64,775)	\$ --	\$ --	\$ 121,817	\$ (43,681)
Non-controlling interests	2,212	1,348	2,260	1,318	--	--	--	--	4,472	2,666
	\$ 26,778	\$ 12,380	\$ 16,281	\$ 11,380	\$ 83,230	\$ (64,775)	\$ --	\$ --	\$ 126,289	\$ (41,015)
Additions to segment assets										
Intangible assets	\$ 3,673	\$ 1,057	\$ 11,453	\$ 12,080	\$ 67	\$ 139	\$ --	\$ --	\$ 15,193	\$ 13,276
Equipment	1,197	59	1,965	229	1,073	488	--	--	4,235	776
Goodwill	--	--	4,702	--	--	--	--	--	4,702	--

(b) Geographic segments

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

	Canada		Rest of the World		Inter-Segment Transactions		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
For the three months ended September 30								
Net revenue	\$ 44,555	\$ 38,341	\$ 27,829	\$ 15,754	\$ --	\$ (2,053)	\$ 72,384	\$ 52,042
For the nine months ended September 30								
Net revenue	\$ 131,929	\$ 114,860	\$ 75,109	\$ 42,718	\$ --	\$ (5,511)	\$ 207,038	\$ 152,067
As at September 30, 2021 and December 31, 2020								
Non-current assets:								
Intangible assets	\$ 90,115	\$ 85,312	\$ 73,181	\$ 75,874	\$ --	\$ --	\$ 163,296	\$ 161,186
Equipment	13,725	11,796	2,848	4,316	--	--	16,573	16,112
Goodwill	35,390	30,688	29,385	29,546	--	--	64,775	60,234

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the periods ended September 30,	Three months		Nine months	
	2021	2020	2021	2020
Decrease (increase) in non-cash working capital assets:				
Interest-bearing deposits with banks	\$ (9,417)	\$ 27,815	\$ (12,576)	\$ 66,632
Accounts receivable and other	(5,797)	(2,706)	(9,808)	6,437
Receivables from clients and broker	(583)	1,033	16,910	(32,853)
Increase (decrease) in non-cash working capital liabilities:				
Client deposits	10,309	(27,963)	11,957	(67,128)
Accounts payable and accrued liabilities	19,744	14,138	15,333	1,956
Payable to clients	583	(1,032)	(16,910)	32,764
	\$ 14,839	\$ 11,285	\$ 4,906	\$ 7,808

14. FINANCIAL RISK MANAGEMENT

The Company's goal in managing financial risks 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 \$286,815 (December 31, 2020 – \$222,295) investment in the Bank of Montreal shares, which represents 42% (2020 – 35%) of the Company's securities. The Company monitors the investment in the Bank of Montreal shares on a continuous basis. A change in the price of the Bank of Montreal shares by 10% would result in gain or loss of \$28,682 (December 31, 2020 - \$22,223) being recorded in net gains (losses).

(b) Market risk

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

i) Price risk

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

	Securities classified as fair value through the profit and loss	Gain or loss recognized from a 10% change in fair value
As at September 30, 2021		
Canada	\$ 39,154	±\$ 3,915
Rest of World	335,039	33,504
	\$ 374,193	±\$ 37,419
As at December 31, 2020		
Canada	\$ 45,031	±\$ 4,503
Rest of World	308,144	30,814
	\$ 353,175	±\$ 35,317

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

ii) Currency risk

Currency risk, the risk of a gain or loss resulting from changes in the price of a financial instrument due to changes 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	September 30 2021	December 31 2020
USD currency exposure:		
Bank loans and borrowings	\$ 22,677	\$ 35,290

The Company's currency risk is primarily related to the bankers' acceptance payable, which are denominated in USD. This risk associated with these borrowings is mitigated by the USD cash flows that are generated by the Company's foreign subsidiaries. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of \$2,268 (December 31, 2020 – \$3,529) being recognized in net earnings.

From time to time, a foreign subsidiary may hold an unhedged position in financial instruments denominated in Canadian dollars, which can result in foreign exchange gains or losses in that subsidiary. Upon translation of their results on consolidation, the Company will recognize an equal and offsetting foreign currency translation adjustment in other comprehensive income. This is not considered to be a currency risk as there is no economic risk to the Company.

iii) Interest rate risk

Interest rate risk, the risk of increased or decreased income and expense or gain or loss resulting from changes in interest rates, arises when the Company is party to an interest-bearing financial instrument. The Company's significant exposure to interest rate risk is as follows:

As at	September 30 2021	December 31 2020
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 56,193	\$ 43,197
Short term securities	8,333	44,904
Fixed-income securities	19,270	12,197
	\$ 83,796	\$ 100,298
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 109,642	\$ 95,737
Client deposits	54,665	43,128
	\$ 164,307	\$ 138,865

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

The Company holds \$19,270 (December 31, 2020 – \$12,197) of fixed-income securities which are primarily investments in fixed-income securities that are managed by its investment management subsidiaries. The interest rate risk associated with these fixed-income securities is managed first by the Company, which selects appropriate fixed-income strategies for various interest rate environments, and then by the subsidiaries, which manages each strategies in accordance with their investment policies. 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 of a financial loss due to one party to a financial instrument failing to discharge its obligation to the Company. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at	September 30 2021	December 31 2020
Cash	\$ 72,086	\$ 41,677
Interest-bearing deposits with banks	56,193	43,197
Accounts receivable and other	71,748	60,211
Receivables from clients and broker	60,403	77,313
Short-term securities	8,333	44,904
Fixed-income securities	19,270	12,197
	\$ 288,033	\$ 279,499

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

(d) Liquidity risk

Liquidity risk, the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities arises when the Company has insufficient resources to meet its obligations as they come due. The Company is exposed to liquidity risk because it has significant obligations which are due within one year. The Company manages this financial risk by managing its cash flows from operations, maintaining a portfolio of liquid securities, and by arranging for significant borrowing facilities, which are secured by collateral, with two major Canadian banks. As at September 30, 2021, the Company has \$50,358 available on its borrowing facilities with banks.

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

On March 1, 2021, the Company acquired a 100% interest in BNY Mellon Wealth Management, Advisory Services, Inc., BNY Mellon's Canadian based wealth management business, for a purchase price of \$10,000 in cash on closing and an adjustment for excess net working capital, which was paid on July 14, 2021. The transaction expands the Company's wealth management capabilities in the ultra-high net worth and family office segment and adds in excess of \$5.0 billion of client assets. Subsequent to the transaction, the Company renamed the subsidiary Guardian Partners Inc. ("GPI"). The key employees of the subsidiary were retained as part of the transaction.

The provisional accounting for the transaction is as follows:

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

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

The costs associated with this transaction were approximately \$153. The net cash used in this transaction was \$11,118, the \$12,299 proceeds paid, less the acquired cash of \$1,181.

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

Net revenue	\$ 3,787
Net (loss) and comprehensive (loss)	(464)
Net (loss) and comprehensive (loss) attributable to shareholders	(464)

If the acquisition date had been the beginning of the year, then the Company's estimated results for the nine months ended September 30, 2021 would have been as follows:

Net revenue	\$ 208,053
Net earnings	126,081

(b) AFL Groupe Financier Inc.

Subsequent to quarter end on October 4, 2021, the Company acquired, through its subsidiary IDC Worldsource Insurance Network Inc., the life insurance Managing General Agency ("MGA") business assets of AFL Groupe Financier Inc. (AFL), a Quebec City, Quebec-based MGA. The purchase price was \$6.3 million due on closing and \$0.3 million due 12 months subsequent to the closing date. The transaction continues the Company's strategic expansion into the province of Quebec.

16. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three month period ended September 30, 2021 and the comparative period in the year 2020, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2020 Annual Report. This discussion and analysis has been prepared as of November 10, 2021.

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 placed on these statements, as a number of factors could cause actual results to differ materially from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, the economic and global financial impact of COVID-19 pandemic, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: Investment Management, Wealth Management (formerly Financial Advisory), and Corporate Activities and Investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. The Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap"), Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta") and Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt"). The Wealth Management business is operated through the following businesses: Guardian Capital Advisors LP ("GCA") and Guardian Partners Inc. ("GPI"), which serve the wealth management and advisory needs of high and ultra-high net worth clients; Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"), which provide an independent platform for financial advisors to service their clients; IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency ("MGA"), which provides insurance advisory services; Modern Advisor Canada Inc. ("Modern Advisor") which is a digital-advisory operation which also serves as the technology platform for Guardian's digital strategy; and Alexandria Bancorp Limited ("ABL"), a Caribbean-based international private bank serving the wealth management needs of international clients. At the end of the current quarter, Guardian had \$53.1 billion of assets under management ("AUM") and \$30.0 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of \$689 million at the end of the current quarter.

USE OF NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, some of which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA attributable to shareholders, EBITDA attributable to shareholders per share, adjusted cash flow from operations attributable to shareholders, adjusted cash flow from operations attributable to shareholder per share, all of which have changed its names to add the words "attributable to shareholders" to better describe the measure. Other Non-IFRS measures are equity per share, and securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these measures in analyzing Guardian's results. In the Non-IFRS Measures section of this Management Discussion and Analysis a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

CHANGES TO SEGMENTED REPORTING

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

COVID-19 UPDATE

Guardian continues to monitor the constantly evolving COVID-19 pandemic, as the majority of Guardian's employees continue to work from home, but an increasing number of employees have started to return to the office under reduced capacity limits and other public health guidelines. In recent months there have been some encouraging signs as vaccination rates continue to rise, public health restrictions continue to ease and infection rates stabilize in various parts of the world. These are good signs that some form of normalcy may be near. However, another wave of increased infection rates could negatively impact the global economic recovery and increase volatility in the global financial markets. Guardian is prepared to respond to various scenarios which may unfold, but these future developments and their impact on Guardian's financial performance are highly uncertain and difficult to predict.

ACQUISITION

Subsequent to the quarter end, on October 4, 2021, Guardian's subsidiary, IDC WIN, acquired the life insurance MGA business assets of AFL Groupe Financier Inc., a leading MGA based in Quebec City, Quebec. The acquisition continues our strategic expansion into the Quebec insurance market and adds another \$0.5 billion in AUA. The purchase price consisted of \$6.3 million paid on closing and \$0.3 million due on the first anniversary date.

CONSOLIDATED FINANCIAL RESULTS

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

For the periods ended September 30, (\$ in thousands, except per share amounts)	Three months		Nine months	
	2021	2020	2021	2020
Net revenue	\$ 72,384	\$ 52,042	\$ 207,038	\$ 152,067
Expenses	51,613	39,934	147,564	115,719
Operating earnings	20,771	12,108	59,474	36,348
Net gains (losses)	(8,146)	35,739	90,292	(82,296)
Net earnings (loss) before income taxes	12,625	47,847	149,766	(45,948)
Income tax expense (recovery)	4,028	5,195	23,477	(4,933)
Net earnings (loss)	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Attributable to shareholders:				
Net earnings (loss)	\$ 7,054	\$ 42,201	\$ 121,817	\$ (43,681)
EBITDA	24,703	16,238	70,622	47,910
Adjusted cash flow from operations	20,795	10,507	58,488	39,230
Attributable to shareholders, diluted per share amounts:				
Net earnings (loss)	\$ 0.27	\$ 1.56	\$ 4.53	\$ (1.72)
EBITDA	0.93	0.60	2.63	1.78
Adjusted cash flow from operations	0.79	0.39	2.18	1.46
As at				
(\$ in millions, except per share amounts)	2021		2020	
	September 30	December 31	September 30	September 30
Assets under management	\$ 53,113	\$ 45,984	\$ 32,734	
Assets under administration	30,015	22,289	20,755	
Total client assets	83,128	68,273	53,489	
Shareholders' equity	781	700	632	
Securities	689	633	552	
Diluted per share				
Shareholders' equity	\$ 29.40	\$ 25.69	\$ 23.25	
Securities	25.91	23.23	20.30	

RESULTS OF OPERATIONS

For the quarter ended September 30, 2021, Guardian is reporting Operating earnings of \$20.8 million, an \$8.7 million or 72% increase from \$12.1 million reported in the same quarter of 2020. The growth reflects a combination of strong organic growth in both operating Segments, and to a lesser extent, the net contributions from acquired businesses, the most significant of which was Agincourt, acquired on October 1, 2020.

With the continued positive performance in the global equity markets and the net inflows of client assets during the current quarter, Guardian is reporting another historic high in total client assets of \$83.1 billion, as at September 30, 2021, consisting of \$53.1 billion in AUM and \$30.0 billion in AUA. This is a 22% increase in total client asset from \$68.3 billion as at December 31, 2020 and a 55% increase from \$53.5 billion as at September 30, 2020.

The Operating earnings by segment are described below.

The Investment Management Segment's Operating earnings in the current quarter were \$13.4 million, a \$7.3 million, or 119% increase from \$6.1 million in the same quarter in the prior year. The positive performance in the global equity markets and positive net inflows of client assets helped the Segment deliver this growth. All the businesses in the Segment delivered higher Operating earnings than during the same quarter in 2020, other than the Canadian Retail Asset Management, which incurred \$1.1 million in Operating loss this quarter. We expect the loss from this strategic initiative to continue in the near term as we buildout this multi-year strategy to strengthen our distribution capabilities to the retail market.

The Wealth Management Segment's Operating earnings in the current quarter were \$6.1 million, a \$1.5 million or 31% increase from the \$4.7 million reported in the same quarter in the prior year. The increase was driven largely by IDC WIN, our MGA business, and to a lesser extent the growth in GCA, our Private Wealth business. Partially offsetting the growth were \$0.7 million in Operating losses associated with our investments into Modern Advisor and the newly acquired GPI. As mentioned in prior periods, we expect the losses in these two businesses to continue while we build out and integrate them into our overall digital strategy and our Wealth Management offering.

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were \$1.2 million, substantially unchanged from the same quarter in the prior year.

Net losses in the current quarter were \$8.1 million, compared to Net gains of \$35.7 million in the same quarter in the prior year. The largest portion of the Net losses in the current quarter were due to the decreases in fair values of a portion of our securities holdings exposed to the Emerging Market equities, which experienced negative returns, and the decrease in the fair value of the BMO shares.

The Net earnings attributable to shareholders were \$7.1 million, compared to \$42.2 million in the same quarter in the prior year. The decrease was due to a large swing to Net losses in the current quarter, compared to large Net gains in the prior year, partially offset by the increase in Operating earnings over the same period.

EBITDA attributable to shareholders for the quarter was \$24.7 million, a 52% increase from \$16.2 million for the same period in 2020. Consistent with Operating earnings, both operating Segments experienced growth in EBITDA attributable to shareholders compared to the same quarter in the prior year. The Investment Management Segment is reporting \$14.4 million and Wealth Management Segment is reporting \$8.4 million in EBITDA attributable to shareholders in the current quarter, 93% and 23% higher, respectively, than in the same quarter in the prior year. Included in Wealth Management is IDC WIN's EBITDA attributable to shareholders of \$6.3 million, compared to \$4.5 million in the same quarter in the prior year, which excludes the portions attributable to non-controlling interests of \$1.4 million, compared to \$1.0 million in the prior year. Adjusted cash flow from operations attributable to

shareholders for the quarter was \$20.8 million, a 98% increase from \$10.5 million in the same period in 2020. The increases in both metrics are reflective of the growth experienced in Guardian's operating businesses. The prior period Adjusted cash flow from operations attributable to shareholders was also negatively impacted by timing of tax installment payments.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at (\$ in millions)	2021 September 30		2020 December 31 September 30	
Assets under management				
Institutional				
Canadian equities	\$	7,464	\$	7,356
Global equities		24,677		18,510
Fixed income		16,681		16,630
Institutional assets under management		48,822		42,496
Wealth management		4,291		3,488
	\$	53,113	\$	45,984
			\$	32,734
Assets under administration				
Dealers	\$	16,689	\$	15,107
MGA segregated		8,265		7,182
Outsourced Chief Investment Officer and other		5,061		--
	\$	30,015	\$	22,289
			\$	20,755
Total client assets	\$	83,128	\$	68,273
			\$	53,489

Guardian is reporting another historic high in total client assets for the quarter ended September 30, 2021 of \$83.1 billion, a 22% increase from \$68.3 billion as at December 31, 2020, and a 55% increase from \$53.5 billion as at September 30, 2020. AUM at the end of the current quarter reached \$53.1 billion, a 16% increase from \$46.0 billion at December 31, 2020, and a 62% increase from the \$32.7 billion reported as at September 30, 2020. The strong growth in AUM over the period was achieved through a combination of continued success in attracting new assets, led by GuardCap, the addition of \$10.3 billion from Agincourt and GPI, which were acquired since September 30, 2020, and the positive global equity market returns. GuardCap's AUM at the end of the current quarter was \$16.2 billion, a 51% growth from \$10.7 billion at December 31, 2020. The AUA at September 30, 2021 grew to \$30.0 billion, a 35% increase from \$22.3 billion at the end of 2020 and a 45% increase from \$20.8 billion as at September 30, 2020. Approximately \$5.1 billion of the increase in AUA since September 30, 2020 was due to the acquisition of GPI and Copoloff since September 30, 2020.

During the quarter, approximately \$0.3 billion in client assets of GPI, previously included in AUA, were reclassified to AUM. All figures quoted in the above paragraphs reflect this reclassification on a retrospective basis.

REVENUES AND EXPENSES

Net Management and Advisory Fees

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

Net management and advisory fees earned by the operating segments for the quarter ended September 30, 2021 were \$45.4 million before inter-segment transactions. In the same quarter in the prior year, the Net management and advisory fees were \$28.4 million before inter-segment transactions.

Net management and advisory fees earned in the Investment Management Segment in the current quarter were \$38.1 million, a 61% increase from \$23.6 million a year earlier. The increase was driven by the growth in AUM, as described above, including the continued growth by GuardCap and the acquisition of Agincourt completed on October 1, 2020.

Net management and advisory fees earned in the Wealth Management Segment amounted to \$7.3 million in the current quarter, up 48% from the \$4.9 million earned in the prior year. The increase was driven by the growth in AUM in GCA, our private wealth business and the acquisition of GPI, which closed on March 1, 2021.

Net Commission Revenue

Net commission revenue earned by Guardian results from the sale of life insurance products, mutual funds and other securities, as well as from continuing trailer and renewal commissions (previously referred to as servicing commissions) related to AUA and in-force life insurance policies, respectively, net of commissions paid to advisors. The following analysis of Net commission revenue should be read in conjunction with note 12 (a) – Business Segments in Guardian's First Quarter Consolidated Financial Statements, as the totals for this Segment quoted below are before inter-segment transactions.

Net commission revenue earned in the current quarter was \$18.6 million before inter-segment transactions. In the same quarter in the prior year, the Net commission revenue was \$15.0 million before inter-segment transactions.

Net commissions from IDC WIN in the current quarter were \$14.2 million, a 26% increase compared to \$11.3 million in the same quarter a year earlier. The renewal commissions included above in the current quarter were \$6.3 million, up 19% from \$5.3 million in the same quarter in the prior year. Included in the current quarter are \$1.0 million of Net commissions from Copoloff, which was acquired in Q4 2020. The contractual premiums on life insurance policies sold ("Premiums Sold") were \$47 million in the current quarter, compared to \$32 million in the same period in the prior year. The Premiums Sold generate sales commissions in the period the life insurance policies are sold and also generate renewal commissions as they are renewed each subsequent year. The renewal commissions are approximately 2.50% of the annual premiums. These expected renewal commissions associated with the Premiums Sold in the current period are not reflected in the current results. Net commissions from the Dealers business in the current quarter were \$4.4 million, up 19% from \$3.7 million in the same quarter of 2020.

Administrative Services Income

Administrative services income is comprised of registered plan administration, trust and corporate administration and other fees earned in the Wealth Management Segment, and fund administration fees earned from managed investment funds in the Investment Management Segment. This income amounted to \$4.2 million for the current quarter, as compared to \$4.3 million in the prior year.

Dividend and Interest Income

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

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2021	2020	2021	2020
Dividends on Bank of Montreal shares	\$ 2,406	\$ 2,862	\$ 7,282	\$ 9,540
Other dividends	1,764	1,381	5,271	4,077
Dividend income	4,170	4,243	12,553	13,617
Operating activities	331	232	866	1,355
Investing activities	160	128	354	692
Interest income	491	360	1,220	2,047
	\$ 4,661	\$ 4,603	\$ 13,773	\$ 15,664

Dividend income was \$4.2 million, substantially unchanged, compared to the same period one year earlier. The dividend income earned on BMO shares decreased compared to the prior periods as lower number of shares were held in the current year. This was offset by the increased dividends earned from increased investments in proprietary investment strategies.

Expenses

Total expenses in the current quarter amounted to \$51.6 million, \$11.7 million higher than the \$39.9 million in the same quarter in 2020. Approximately \$5.4 million of the increase is associated with Agincourt, GPI and Copoloff, the businesses acquired since September 30, 2020. The remaining increase was largely associated with increased variable compensation costs in GuardCap, the increased strategic investments made into certain of the businesses and modest increases in the remaining businesses.

NET GAINS (LOSSES)

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

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2021	2020	2021	2020
Bank of Montreal common shares	\$ (1,475)	\$ 15,714	\$ 68,339	\$ (87,942)
Other securities	(6,657)	19,701	20,275	8,287
Net gains (losses) on securities	(8,132)	35,415	88,614	(79,655)
Net gains on disposal of intangible assets	756	285	1,913	1,164
Foreign exchange gains (losses)	(770)	39	(235)	(3,805)
	\$ (8,146)	\$ 35,739	\$ 90,292	\$ (82,296)

Net losses in the quarter were \$8.1 million, compared to Net gains of \$35.7 million, a year earlier. After many consecutive quarters of positive returns in the global financial markets, certain segments of the markets experienced negative returns resulting in losses on securities with exposures to Emerging Markets. The fair value of BMO shares held also decreased during the current quarter, resulting in additional Net losses. The strengthening of the US dollar versus the Canadian dollar during the current quarter also resulted in foreign exchange losses on the Guardian's US dollar borrowings.

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 our substantial securities portfolio, as presented below:

As at (\$ in thousands, except per share amounts)	2021 September 30	December 31	2020 September 30
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	\$ 19,502	\$ 36,244	\$ 12,529
Canadian equities	13,139	11,422	10,176
Global equities	308,061	300,204	262,791
Canadian real estate	24,959	24,847	23,228
	365,661	372,717	308,724
Bank of Montreal common shares	286,815	222,295	209,844
Short-term securities	8,101	20,857	16,625
Equities	28,033	16,702	16,626
Securities	\$ 688,610	\$ 632,571	\$ 551,819
Securities per share, diluted	\$ 25.91	\$ 23.23	\$ 20.30

Guardian's securities as at September 30, 2021 had a fair value of \$688.6 million, or \$25.91 per share, diluted, compared with \$632.6 million, or \$23.23 per share, diluted, at the end of 2020. Shareholders' equity as at September 30, 2021 amounted to \$781.3 million, or \$29.40 per share, diluted, compared to \$699.6 million, or \$25.69 per share, diluted, at the end of 2020. Since December 31, 2020, Guardian returned to shareholders \$13.8 million in dividends and \$24.6 million in share buybacks. The growth in Shareholders' equity in 2021 is net of these amounts returned to shareholders.

In addition to its strong balance sheet, Guardian has, under various borrowing arrangements, total borrowing capacity of \$160.0 million. As at September 30, 2021, the total borrowings amounted to \$109.6 million, compared to \$95.7 million at the end of 2020. Guardian's Adjusted cash flow from operations attributable to shareholders for the current quarter was \$20.8 million, compared to \$10.5 million in the same quarter in 2020. The increase in the current quarter, compared to the same period one year earlier, was primarily due to improved Operating earnings and the negative impact of large tax payments being made in Q3 2020. Guardian uses its Adjusted cash flow from operations attributable to shareholders primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, fund its capital expenditures, including acquisitions, and repay debt where possible. From time to time, Guardian may use a combination of debt and disposal of Securities to help finance temporary working capital requirements or capital expenditures.

CONTRACTUAL OBLIGATIONS

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

As at September 30, 2021 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 109,642	\$ 109,642	\$ --	\$ --	\$ --
Client deposits	54,665	54,665	--	--	--
Payable to clients	60,403	60,403	--	--	--
Accounts payable and accrued liabilities	84,024	84,024	--	--	--
Other liabilities	33,431	--	27,904	5,527	--
Investment commitments	30,008	30,008	--	--	--
Scheduled lease payments, undiscounted	15,431	3,472	6,099	4,157	1,703
Third party investor liabilities	113,065	113,065	--	--	--
Total contractual obligations	\$ 500,669	\$ 455,279	\$ 34,003	\$ 9,684	\$ 1,703

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. 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:

	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
<i>As at (\$ in millions)</i>								
Assets under management	\$ 53,113	\$ 51,960	\$ 47,945	\$ 45,984	\$ 32,734	\$ 31,196	\$ 27,527	\$ 31,147
Assets under administration	30,015	29,583	28,376	22,289	20,755	20,010	18,152	20,248
Total client assets	83,128	81,543	76,321	68,273	53,489	51,206	45,679	51,395
<i>For the three months ended (\$ in thousands)</i>								
Net revenue	\$ 72,384	\$ 69,960	\$ 64,694	\$ 63,724	\$ 52,042	\$ 50,124	\$ 49,901	\$ 49,865
Operating earnings	20,771	21,199	17,504	18,493	12,108	13,427	10,813	13,030
Net gains (losses)	(8,146)	56,467	41,971	80,983	35,739	43,254	(161,289)	24,140
Net earnings (losses)	8,597	66,831	50,861	87,083	42,652	51,244	(134,911)	31,808
Net earnings (loss) attributable to shareholders	7,054	65,138	49,625	86,039	42,201	50,486	(136,368)	30,787
<i>(in \$)</i>								
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share								
Basic	\$ 0.28	\$ 2.59	\$ 1.95	\$ 3.38	\$ 1.66	\$ 1.99	\$ (5.35)	\$ 1.20
Diluted	0.27	2.42	1.83	3.17	1.56	1.87	(5.35)	1.13
Dividends paid on Class A and Common shares	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.15
<i>As at</i>								
Shareholders' equity (\$ in thousands)	\$ 781,334	\$ 780,323	\$ 737,363	\$ 699,610	\$ 631,863	\$ 596,265	\$ 562,821	\$ 682,777
Per Class A and Common share (in \$)								
Basic	\$ 31.56	\$ 31.15	\$ 29.02	\$ 27.43	\$ 24.80	\$ 23.50	\$ 22.18	\$ 26.73
Diluted	29.40	29.09	27.14	25.69	23.25	22.07	20.94	25.01
Total Class A and Common shares outstanding (shares in thousands)	26,968	27,263	27,691	27,740	27,758	27,758	27,758	27,839

Over the past eight quarters presented above, Guardian's Net revenue has generally shown an upward trend, although it can fluctuate, from time to time. These fluctuations can also influence Operating earnings and are driven largely by the factors described below.

Investment management and advisory fees and trailer commissions are highly correlated to the changes in AUM and AUA, which are affected by the volatility of the financial markets and additions and withdrawals of client assets. Offsetting this volatility are the significant insurance commissions earned in the MGA business, which have grown in significance, and are less correlated to the volatility of the financial markets. However, volatility may arise in the MGA revenue from the timing of large insurance policies being placed by contracted advisors. As IDC WIN has built a business with a significant number of top-producing advisors, and these advisors deal mainly in significantly larger and more sophisticated insurance policies, the timing of the placement of these policies can affect the timing and the level of the insurance commission revenue earned. In addition, some cyclicalities of sales commissions and renewal commissions exist in IDC WIN, where the first and the fourth quarters of each year tend to have higher sales and as a result, higher Net commission revenues than the other quarters. In the Corporate Activities and Investments Segment, some increases in dividend income can be seen in the second quarter and, to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities, which pay semi-annual dividends and some "special" mid-year dividends. In addition, the timing of consolidation or deconsolidation of certain investment funds or disposal of securities can also have an impact on the level of dividend income recorded in the period.

Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly impacts Net earnings (losses) attributable to shareholders. In Q1 of 2020, the pandemic-induced bear market had a negative effect on Guardian's fair value of securities, resulting in Net (losses). The global financial markets have had continued positive performance since then until Q3 2021, when a portion of our securities exposed to the Emerging Market equities, which experienced a negative return, decreased in fair value. Large increases in AUM in Q4 of 2020 and AUA in Q1 of 2021 reflect the acquisitions of Agincourt, Copoloff and GPI completed in those periods.

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

RISK FACTORS

Guardian is exposed to a number of risk factors, including the key risk factors listed below. A key component of a successful business is its ability to manage its risk. Due to the nature of Guardian's businesses, its largest risk is tied to its exposure to financial markets. A significant portion of its revenue is derived from management of client assets or advisory on clients' wealth. During the current year, due to the ongoing pandemic disruptions, many of the risks listed below are heightened and may be more challenging to manage or mitigate. Readers are encouraged to refer to Note 14 to Guardian's Third Quarter 2021 Consolidated Financial Statements for additional information on financial risk management.

Market Risk

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

Portfolio Value and Concentration Risks

Guardian's securities are subject to risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 14 of Guardian's Third Quarter 2021 Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. As at September 30, 2021, Guardian holds \$287 million of BMO shares (December 31, 2020 – \$222 million), which represents 42% of Guardian's securities (December 31, 2020 – 35%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.7 million shares since the Third quarter of 2013. The remainder of Guardian's securities portfolio is more diversified, from both an asset class and a geographical perspective. The concentration risks by type as a percentage of total securities is summarized in the following table:

As at (as a percentage of securities)	September 30 2021	December 31 2020
Bank of Montreal common shares	42%	35%
Other Canadian equity securities and real estate	5%	6%
Canadian equities and real estate	47%	41%
Non-Canadian equities	49%	50%
Short-term and Fixed income securities	4%	9%
	100%	100%

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 and Agincourt, Guardian also recognizes obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries, in that they are not actively managed, due to the long-term nature of the investments, but are closely monitored by management.

As Guardian continues to expand into foreign jurisdictions and the revenue and earnings sources grow and diversify into other currencies, the operating results can fluctuate with the changes in the foreign currency exchange rates compared to the Canadian dollar. From time to time, Guardian may record certain foreign exchange gains (losses) in Net earnings, such as on the current US Dollar borrowings outstanding, which were used to finance foreign acquisitions such as Alta and Agincourt. This risk is mitigated by an offsetting, similar amount being recognized on the investment in these foreign subsidiaries as Net change in foreign currency translation on foreign subsidiaries, as discussed above. Guardian may also record Net gains (losses) on Canadian dollar cash balances held by foreign subsidiaries. These foreign exchange gains and losses result in similar offsetting Net gains (losses) being recorded in Other comprehensive income as discussed above. Readers are encouraged to refer to Note 14 in Guardian's Third Quarter 2021 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 Dealers or the MGA businesses may owe advances received or amounts resulting from reversal of commissions to the Dealer or the MGA. The credit risk associated with these amounts is mitigated by management's review of the advisors' abilities to repay the advances or the potential commission reversals, particularly in the MGA business, before amounts are paid to the advisors.

Interest Rate Risk

Guardian's most significant exposure to interest rate risk is through its bank loans and borrowings. The interest rates on these borrowings are short-term, and Guardian's interest expense and net earnings will fluctuate with the changes in short-term rates. Guardian manages interest rate risk in its international banking operations, largely through matching the interest rates and maturity dates of Client deposit liabilities with Interest-bearing deposits with banks. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

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

Certain financial market events may cause disruptions, as recently witnessed with the global COVID-19 pandemic, and cause a tightening of liquidity in the market, making it difficult or more expensive for Guardian to borrow under its facilities. Guardian's large portfolio of liquid securities can offset some of the risk of tightening of market liquidity.

Product Performance Risk

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

Competition Risk

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

Regulatory and Legal Risk

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

Advisory Risk

Because of the number of in-house and independent advisors who publicly represent the Dealers and the MGA businesses, there are risks associated in their dealings with their clients. These risks are mitigated by the strong compliance and product review capabilities of these businesses, significant management oversight and insurance coverage carried by both these businesses and the independent advisors.

Key Personnel Risk

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

Information Technology and Cybersecurity Risk

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and assumptions are listed in note 2 (c) to Guardian's December 31, 2020, Consolidated Financial Statements. The most significant accounting estimates are related to the impairment assessment of goodwill and the determination of fair value of securities, which are classified as level 3 within the fair value hierarchy. The valuation approach to level 3 securities is most sensitive to the level of AUM associated with the issuer of the security. The valuation approach to Investment Management Segment goodwill is most sensitive to the levels of AUM within the Segment. The valuation approach to Wealth Management Segment goodwill is most sensitive to the levels of AUA and annual service fees within the Segment. The goodwill in all units are tested annually for impairment. In addition, Guardian reviews goodwill for indications of impairment at the end of each reporting period, and if indications of impairment exist, the goodwill is then assessed for impairment in that period.

NON-IFRS MEASURES**EBITDA attributable to shareholders (formerly EBITDA) and EBITDA attributable to shareholders per share (formerly EBITDA per share)**

Guardian defines EBITDA attributable to shareholders as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses, less amounts attributable to non-controlling interests. EBITDA attributable to shareholders per share is calculated using the same method, which is used to determine net earnings attributable to shareholders per share, including any adjustment to the average number of shares outstanding, or to income, to calculate the dilutive effect. Guardian believes 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 September 30, (\$ in thousands)	Three months		Nine months	
	2021	2020	2021	2020
Net earnings (loss), as reported	\$ 8,597	\$ 42,652	\$ 126,289	\$ (41,015)
Add (deduct):				
Income tax expense (recovery)	4,028	5,195	23,477	(4,933)
Net (gains) losses	8,146	(35,739)	(90,292)	82,296
Stock-based compensation	771	682	2,199	1,996
Interest expense	351	299	1,047	1,594
Amortization	5,456	4,464	15,613	13,223
Non-controlling interests	(2,646)	(1,315)	(7,711)	(5,251)
EBITDA attributable to shareholders	\$ 24,703	\$ 16,238	\$ 70,622	\$ 47,910

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

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

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

For the periods ended September 30, (\$ in thousands)	Three months		Nine months	
	2021	2020	2021	2020
Net cash from operating activities, as reported	\$ 38,058	\$ 22,352	\$ 70,477	\$ 51,419
Add (deduct):				
Net change in non-cash working capital items	(14,839)	(11,285)	(4,906)	(7,808)
Non-controlling interests	(2,424)	(560)	(7,083)	(4,381)
Adjusted cash flow from operations attributable to shareholders	\$ 20,795	\$ 10,507	\$ 58,488	\$ 39,230

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 last 18 months have been difficult for people all over the world, and while plenty of uncertainty persists, it appears the winds of change may finally be blowing. The end of the pandemic appears to be finally on the horizon. Vaccination rates worldwide have increased sharply over the last three months as doses have become more widely available, particularly among emerging market (EM) economies. Combining these increasing levels of vaccination with the development of highly effective therapeutics, the worst of the pandemic is likely behind us. With the resultant broader resumption of activity, the economic cycle is slated to evolve from a 'recovery' to an 'expansion' phase. While that maturation comes with a moderation in the pace of growth, the further absorption of slack over the coming year should still mean stronger growth rates than prevailed over the decade prior to the pandemic, with growing indications that the trajectory of the global economy is on a positive track. Inflationary pressures are also building, however, resulting in a shifting approach to fiscal and monetary policy, with policymakers turning their focus from supporting an economic recovery to maintaining expansion. While, we can anticipate crisis-era stimulus to fade in the months ahead, monetary policy is, set to remain on the 'easy' side of the dial for the foreseeable future as unwinding the stimulus is likely to be gradual. That said, the broad trend for market interest rates is likely to be higher from their current historically depressed levels. Against this backdrop, core fixed income strategies will likely face more headwinds relative to the generally constructive, albeit still challenging, outlook for risk assets that may continue to benefit from an environment of strong economic growth and ample liquidity.

It has been very promising to see the vaccination progress in developed countries, as well as the strong headway made in emerging economies on this front in recent months. As such, we are growing more confident that the emergency is coming closer to ending. During the pandemic, Guardian was able to continue to execute its growth plans, making acquisitions, investing in technology and initiating new organic growth initiatives. We continue to focus on identifying new avenues of growth for the company, as well as supporting those initiatives we have already embarked on. We have shown the flexibility to continue prudently investing in our growth initiatives, our people and our service levels to our clients and partners, without being forced to make unpleasant decisions as market, economic and business conditions fluctuate. As case numbers stabilize in Canada and other locations in which

Guardian operates, we look forward to the time we can safely and methodically transition our operations back to more of a norm. We are proud that we have been able to keep our employees active and safe and our clients well taken care of, as well as our ability to provide some degree of stability and certainty to all of our stakeholders during this period of heightened anxiety.

Our healthy, liquid balance sheet gives us confidence that we can sustain all needed initiatives, and manage any exogenous factor and allow us to strive for continued growth in operating earnings and cash flow generation in the foreseeable future.



Our history. Your future.

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