Guardian

GUARDIAN CAPITAL GROUP LIMITED

Report to Shareholders

FIRST QUARTER

MARCH 31, 2022

Enriching Lives Together

TO OUR SHAREHOLDERS:

We present below a summary of the Company's operating results for the periods ended March 31, 2022 and 2021. All per share figures disclosed below are stated on a diluted basis.

For the three months ended March 31, *($ in thousands, except per share amounts)*	**2022**	2021
Net revenue	**$ 75,065**	$ 64,694
Operating earnings	**19,366**	17,504
Net gains (losses)	**(7,982)**	41,971
Net earnings	**5,815**	50,861
EBITDA [(1)]	**$ 26,370**	$ 23,489
Adjusted cash flow from operations [(1)]	**19,949**	20,523
Attributable to shareholders:		
Net earnings	**$ 4,262**	$ 49,625
EBITDA [(1)]	**23,846**	21,211
Adjusted cash flow from operations [(1)]	**17,755**	18,492
Per share (diluted)		
Net earnings	**$ 0.16**	$ 1.83
EBITDA [(1)]	**0.90**	0.78
Adjusted cash flow from operations [(1)]	**0.67**	0.68

As at *($ in millions, except per share amounts)*	**2022** **March 31**	2021 December 31	 March 31
Assets under management	**$ 53,123**	$ 56,341	$ 47,643
Assets under administration	**30,526**	31,508	28,680
Total client assets	**83,649**	87,849	76,323
Shareholders' equity	**$ 828**	$ 839	$ 737
Securities	**741**	752	654
Per share:			
Shareholders' equity [(1)]	**$ 31.27**	$ 31.53	$ 27.14
Securities [(1)]	**27.97**	28.27	24.05

Summary

The Company is reporting $83.6 billion in total client assets as at March 31, 2022, which include assets under management ("AUM") and assets under administration ("AUA"). This is a 5% decrease from $87.8 billion reported as at December 31, 2021, and a 10% increase from $76.3 billion as at March 31, 2021.

The Company is reporting AUM of $53.1 billion as at March 31, 2022, a 6% decrease from $56.3 billion as at December 31, 2021, and a 12% increase from $47.6 billion as at March 31, 2021. The decrease in the AUM during the current quarter was driven largely by the negative global financial market performance, partially offset by net inflow of new assets, while the increase since March 31, 2021 was due to a combination of the net inflow of assets throughout 2021, and the net positive performance in the global equities market. The Company's AUA was $30.5 billion as at March 31, 2022, a 3% decrease from $31.5 billion as at December 31, 2021 and a 6% increase from $28.7 billion as at March 31, 2021.

The Company is reporting Operating earnings of $19.4 million for the quarter ended March 31, 2022, an increase of 11% or $1.9 million higher than the $17.5 million reported in the first quarter of 2021. This growth was achieved while continuing to make investments into the strategically important initiatives to the buildout of our retail distribution capabilities, to integrate and enhance the recently acquired businesses and to buildout the recently launched Guardian Smart Infrastructure Management Inc., the private infrastructure business. These initiatives incurred a combined Operating loss of $2.3 million in the current quarter, $1.1 million higher than in the first quarter of 2021.

Net revenue for the current quarter grew to $75.1 million, 16% or $10.4 million higher than the $64.7 million reported in the same quarter in the prior year. The increase is in line with our growth in total client assets and reflects our successful organic growth throughout 2021 and the benefit of net positive performances in the global financial markets since the first quarter of 2021.

Expenses in the current quarter were $55.7 million, an $8.5 million increase from $47.2 million in the same quarter in the prior year. The higher expenses reflect the growth in our businesses and the strategic investments made into the initiatives described above.

Net losses in the current quarter were $8.0 million, compared to Net gains of $42.0 million in the same quarter in the prior year. The largest portion of the Net losses in the current quarter were due to the declines in fair values of a portion of our securities holdings exposed to non-Canadian equity markets. These losses were partially offset by the increase in the fair value of the BMO shares.

The Company's Net earnings attributable to shareholders in the current quarter were $4.3 million, compared to $49.6 million in the same quarter in 2021. The Net losses, as described above, compared to the large Net gains in the prior year, had the most significant impact on the change in Net earnings attributable to shareholders. This was partially offset by the growth in Operating earnings over the same period.

EBITDA attributable to shareholders[1] for the current quarter was $23.8 million, compared to $21.2 million in the same period in the prior year. Adjusted cash flow from operations attributable to shareholders[1] for the current quarter was $17.8 million, compared to $18.5 million in the same quarter in the prior year.

The Company's Shareholders' equity as at March 31, 2022 was $828 million, or $31.27 per share[1], compared to $839 million, or $31.53 per share[1] as at December 31, 2021, and $737 million, or $27.14 per share[1] as at March 31, 2021. Since December 31, 2021, the Company returned to shareholders $4.7 million in dividends and $2.3 million in share buybacks. The fair value of the Company's Securities as at March 31, 2022 was $741 million, or $27.97 per share[1], compared to $752 million, or $28.27 per share[1] as at December 31, 2021 and $654 million, or $24.05 per share[1] as at March 31, 2021.

The Board of Directors has declared a quarterly eligible dividend of $0.24 per share, payable on July 18, 2022, to shareholders of record on July 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 last few years have seen a seemingly unending string of adverse shocks hit the world, disrupting the normal course of economic activity and, more generally, everyday life. The new year began with expectations of much-needed calm on the horizon. Uncertainties related to the ongoing pandemic seemed to be on the wane and the world was opening up more and more. Unfortunately, the last three months have seen the emergence of new downside risks that have weighed on anticipated growth momentum and reverberated through global financial markets. Just as the world was reopening, China started to suffer from the more contagious omicron variants of COVID-19, and the government began aggressively shutting down major parts of the country and its economy in the pursuit of its zero-COVID policy, leading to a variety of shortages in manufactured goods. Meanwhile, further west, the world was dealt a new shock when Russia decided to invade Ukraine in February. The incursion represents one of the largest geopolitical crises in decades. While Russia and Ukraine combined represent only about 2% of the global economy, they have an outsized influence on commodities, particularly energy, grains and fertilizers. The price spikes in these commodities resulting from the war have exacerbated the already high rates of global inflation resulting from the pandemic-related supply issues of the preceding two years.

The geopolitical uncertainties, combined with the determination of major central banks to combat inflationary pressures, led to a pause in most major asset classes worldwide. Both fixed income and equities (excluding commodity-exposed assets) were in negative territory in the quarter, and unsurprisingly, given the exposure to Russia and Ukraine, emerging markets received the worst of it. Hidden in all of this is the fact that earnings have proven resilient to this point, indicating that the weakness has so far strictly been a function of valuation multiple compression rather than more concerning fundamental weakness. The forward price-to-earnings ratio for the broad global stock market has continued its decline from the crisis peaks, moving back within the historical "normal" range, perhaps indicating that there is room for improved performance in equities when market sentiment changes.

The COVID-19 Pandemic Emergency

Since March 16, 2020, most of Guardian's workforce has been operating remotely, and we have been fortunate that no significant problems have been encountered to date. Management has carefully weighed the risks of the illness, measured alongside the growth in both vaccination rates and natural immunity for those recovered from the illness, as well as the indication that the newer variants of the disease are generally resulting in less serious symptoms. It is our conclusion that the time has come to start the process of returning to normal, and are allowing employees to return to the office throughout our firm. Attendance is not mandatory, and for now, we are committed to keeping the number of people in our workplaces at a much lower level than the ultimate capacity of our offices. Many of those who do return are only doing so for a few days per week, but we believe that both Guardian and our workforce will benefit from carefully re-establishing in-person relationships and contributing to the overall culture of our firm. Absent any spike in cases or new public health restrictions, we expect there will be a continued movement back to working at our offices and increasing our capacity in the near future. While we look forward to getting back to normal, we approach this return with an abundance of caution, 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 first quarter, net negative performance in both equities and fixed income strategies more than offset moderate net new inflows across the group, resulting in a decline of our assets under management ("AUM") from year-end, to $53.1 billion from $56.3 billion.

Overall, our Canadian Equities team generated slightly positive performance, offsetting minor redemptions from this asset class. Conversely, our Global Equities and Fixed Income teams encountered positive flows, but these flows did not offset the negative returns in these asset classes.

During the current quarter, Guardian announced the launch of Guardian Smart Infrastructure Management (GSIM), a direct private infrastructure investment business. GSIM will focus on investing in the growing number of opportunities and projects to enhance the productivity of new and existing global infrastructure assets by integrating technological innovations. The recruited team will bring decades-long experience in the investment industry and, specifically, the infrastructure space. Direct infrastructure investment has proven to be an extremely popular asset class among large institutional investors around the globe, and we expect that, over time, our proven team of investors will bring success to Guardian and our clients. Of course, initiating a new business line will require investments from the company, and will be a drag on our overall earnings until we are able to raise and invest client capital. GSIM is another in a series of initiatives to broaden our overall investment capabilities and expand our offering in the private assets space.

Our continued focus on Canadian retail distribution is also moving forward, as we introduce 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. As part this effort, we are pleased to have announced the introduction of a series of sustainable funds focused on generating strong returns by making investments in companies with strong commitments to ESG (environment, social, and governance) factors.

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. Our aim is to build a strong retail distribution business to enable Guardian to 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.

Other potential capabilities are constantly being evaluated by our management team. We expect to be able to continue to increase our offerings in the future, as we identify skilled talent to add to our teams or simply expand into new solutions with existing investment teams.

Wealth Management

To better reflect the business aim of this segment of our operations, at the beginning of 2021, 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 a life insurance Managing General Agency (the "MGA") which is focused on servicing independent life insurance advisors. As a result of negative market performance in the quarter, the Dealers ended the quarter reporting $17.4 billion in AUA, a minor decline compared to $18.1 billion at the end of the year.

Over the course of the last few years, we have made significant upgrades to our management team, our technology capability and our product offering, and we plan to continue to do so. With the core systems in place, we have focused on rolling out a number of additional tools that will aid planners and their clients in analyzing their portfolios and meeting 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 positive quarter to start the off year, however, it could not match the record high sales achieved throughout the year 2021. We believe 2021 benefited partially from some catch-up in insurance sales from the early pandemic-induced industry-wide slowdown in the first three quarters of 2020.Insurance sales were off the blistering pace of 2021, but segregated fund sales were strong even compared to the prior year, assisted by increased internal wholesaler support. 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. It is important to remember that roughly 60% of our MGA's revenues are recurring commission payments, of which the vast majority are earned on renewal of insurance policies sold in prior years. In order for us 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. Going forward, we will be focusing on all aspects of our operation in order to generate more operational efficiencies. We continue to be very pleased with the performance of this business. At March 31, 2022, IDC WIN's total AUA was $8.8 billion, consisting mainly of segregated fund assets, a 3% decline from $9.1 billion at year's end as segregated fund sales were not able to fully compensate for negative market returns. We believe that we have built a very comprehensive national MGA, including through our continuing efforts to build Quebec into a strong regional contributor to the overall business. Our continued campaign to make tuck-in acquisitions and recruit new advisors in Quebec alongside the rest of Canada is directed to bring solid results going forward.

We also focused on 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 our robo-advisor platform Modern Advisor Canada Inc.("Modern Advisor"), helping Wordsource Advisors offer smaller clients solid investment portfolios while being economical with the time taken to create such portfolios. Serving high-net-worth and ultra-high-net-worth clients, our Private Wealth business includes our "Outsourced Chief Investment Officer" ("OCIO") operation Guardian Partners Inc. ("GPI"), Guardian Capital Advisors LP ("GCA") and Alexandria Bancorp Limited ("ABL"). At March 31, 2022, our Private Wealth operations had a total of $4.4 billion of AUM and $4.3 billion of AUA. Our goal in Private Wealth is to offer increasing depth of services to high-net-worth and ultra-high-net-worth clients, and we are very optimistic about the opportunity amongst both this demographic and the advisory/family office segment of the market. With last year's acquisition of GPI, we believe we are now a meaningful operator in this segment. We will continue to invest in the Private Wealth area, as we believe this business is synergistic to our existing asset management businesses and allows us to provide a continuum of services to a spectrum of wealthy clients. The traditional high-net-worth clients are serviced through GCA, utilizing proprietary in-house wealth management solutions that include 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 are serviced 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's end, our investment portfolio was valued at $741 million, down from $752 million in Q4 but up from $654 million at the end of Q1 2021, and we received dividend and interest income of approximately $5.0 million from those securities 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, we believe that we have ample capacity to fund any future demand for seeding of proprietary strategies and their respective investment vehicles, as well as any future operating business unit cash needs, corporate acquisitions or buybacks of Guardian stock under our normal course issuer bid, through a combination of: further sale of BMO shares, corporate cash flows and the use of borrowing. In the third quarter, BMO dividends contributed $3.0 million to Guardian revenues, a slight increase from the fourth quarter. We also note that BMO has announced its plan to increase dividends by 23% starting in Guardian's second quarter. At March 31, Guardian's holding of BMO shares represented roughly 45% of our investment portfolio, up from 41% at year's end, as BMO's share price increased roughly 8% in the quarter and the rest of the portfolio declined by a similar amount.

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. In the first quarter of 2022, Guardian returned roughly $4.7 million to shareholders through dividends and announced a meaningful increase of the dividend-per-share payout, from $0.18 to $0.24, starting in April. Additionally, $2.3 million was spent to buy and cancel 61,000 shares. 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 expect that if the public market continues to discount the value of our shares relative to our estimates of their intrinsic valuation, we will continue to be meaningful acquirers of those shares under our Normal Course Issuer Bid. With strong, growing cash flow, we are in the enviable position of being able to balance the needs of all stakeholders, including our clients, associates and shareholders. With regard to dividends, the Board is pleased to report that we have declared another quarterly dividend of $0.24 per share, payable on July 18, 2022 to the shareholders of record on July 11, 2022.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. We have defined our corporate mission as "Enriching Lives Together," which represents our commitment to having a positive impact on all of our stakeholders; not by simply improving financial situations, but also by providing less tangible, yet ultimately significant benefits to both those stakeholders and to society at large. 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 we 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,	May 12, 2022
(signed) "James Anas"	(signed) "George Mavroudis"
Chairman of the Board	President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS (Unaudited)

As at *($ in thousands)*	**March 31 2022**	December 31 2021
ASSETS		
Current assets		
Cash	**$ 81,655**	$ 77,081
Interest-bearing deposits with banks	**66,747**	54,510
Accounts receivable and other	**71,675**	77,570
Receivables from clients and broker	**105,210**	89,356
Income taxes receivable	**11,812**	10,425
Securities backing third party investor liabilities (note 3)	**79,210**	115,626
	416,309	424,568
Securities (note 4)	**741,153**	751,885
Other assets		
Deferred tax assets	**813**	792
Intangible assets	**165,461**	168,213
Equipment	**15,965**	16,574
Goodwill	**66,326**	66,643
	248,565	252,222
Total assets	**$ 1,406,027**	$ 1,428,675
LIABILITIES		
Current liabilities		
Bank loans and borrowings (note 5)	**$ 139,115**	$ 114,873
Third party investor liabilities (note 3)	**79,210**	115,626
Client deposits	**59,643**	53,451
Accounts payable and accrued liabilities (note 6)	**108,276**	104,763
Lease obligations	**3,059**	3,116
Income taxes payable	**937**	1,690
Payable to clients	**105,210**	89,356
	495,450	482,875
Lease obligations	**10,914**	11,275
Other liabilities (note 6)	**6,290**	31,299
Deferred tax liabilities	**52,521**	50,649
Total liabilities	**565,175**	576,098
EQUITY		
Shareholders' equity		
Capital stock (note 7a and 7b)	**18,023**	18,067
Treasury stock (note 8a)	**(35,328)**	(31,712)
Contributed surplus	**25,511**	25,106
Retained earnings	**819,520**	822,195
Accumulated other comprehensive income	**678**	4,864
	828,404	838,520
Other equity interests	**12,448**	14,057
Total equity	**840,852**	852,577
Total liabilities and equity	**$ 1,406,027**	$ 1,428,675

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

For the three months ended March 31, *($ in thousands, except per share amounts)*		**2022**		2021
Revenue				
Commissions revenue, gross	$	51,056	$	46,479
Commissions paid to advisors		(32,124)		(28,449)
Net commission revenue		18,932		18,030
Management and advisory fees, gross		47,990		39,725
Fees paid to referring agents and other		(1,916)		(1,825)
Net management and advisory fees		46,074		37,900
Administrative services income		4,703		4,652
Dividend and interest income (note 9)		5,356		4,112
Net revenue		75,065		64,694
Expenses				
Employee compensation and benefits		36,115		30,225
Amortization		5,641		4,974
Interest		608		345
Other expenses		13,335		11,646
		55,699		47,190
Operating earnings		19,366		17,504
Net gains (losses) (note 10)		(7,982)		41,971
Earnings before taxes		11,384		59,475
Income tax expense		5,569		8,614
Net earnings		5,815		50,861
Other comprehensive loss				
Net change in foreign currency translation on foreign subsidiaries		(4,507)		(4,512)
Comprehensive income	$	1,308	$	46,349
Net earnings attributable to:				
Shareholders	$	4,262	$	49,625
Non-controlling interests		1,553		1,236
Net earnings	$	5,815	$	50,861
Net earnings attributable to shareholders per Class A and Common share (note 11)				
Basic	$	0.17	$	1.95
Diluted		0.16		1.83
Comprehensive income attributable to:				
Shareholders	$	76	$	45,513
Non-controlling interests		1,232		836
Comprehensive income	$	1,308	$	46,349

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

For the three months ended March 31, *($ in thousands)*	**2022**	2021
Total equity, beginning of period	**$ 852,577**	$ 717,707
Shareholders' equity, beginning of period	**838,520**	699,610
Capital stock, beginning of period	**18,067**	18,634
Acquired and cancelled (note 7c)	**(44)**	(35)
Capital stock, end of period	**18,023**	18,599
Treasury stock, beginning of period	**(31,712)**	(29,511)
Acquired (note 8a)	**(3,966)**	(3,360)
Disposed of (note 8a)	**350**	665
Treasury stock, end of period	**(35,328)**	(32,206)
Contributed surplus, beginning of period	**25,106**	22,136
Stock-based compensation expense	**755**	666
Redemption of equity-based entitlements	**(350)**	--
Contributed surplus, end of period	**25,511**	22,802
Retained earnings, beginning of period	**822,195**	681,023
Net earnings	**4,262**	49,625
Dividends declared and paid (note 7d)	**(4,693)**	(4,274)
Capital stock acquired and cancelled (note 7c)	**(2,244)**	(1,422)
Retained earnings, end of period	**819,520**	724,952
Accumulated other comprehensive income, beginning of period	**4,864**	7,328
Other comprehensive loss	**(4,186)**	(4,112)
Accumulated other comprehensive income, end of period	**678**	3,216
Shareholders' equity, end of period	**828,404**	737,363
Other equity interests, beginning of period	**14,057**	18,097
Non-controlling interests, beginning of period	**45,356**	44,184
Net earnings	**1,553**	1,236
Other comprehensive loss	**(321)**	(400)
Dividends declared and paid	**(2,325)**	(1,188)
Non-controlling interests, end of period	**44,263**	43,832
Obligations to non-controlling interests, beginning of period	**(31,299)**	(26,087)
Change during period	**(516)**	(418)
Obligations to non-controlling interests, end of period	**(31,815)**	(26,505)
Other equity interests, end of period	**12,448**	17,327
Total equity, end of period	**$ 840,852**	$ 754,690

See accompanying selected explanatory notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

For the three months ended March 31, *($ in thousands)*	**2022**	2021
Operating activities		
Net earnings	$ 5,815	$ 50,861
Adjustments for:		
Income tax paid	(5,825)	(2,633)
Income tax expense	5,569	8,614
Net (gains) losses	7,982	(41,971)
Amortization of intangible assets	4,511	3,911
Amortization of equipment	1,130	1,063
Stock-based compensation	755	666
Other non-cash expenses	12	12
	19,949	20,523
Net change in non-cash working capital items (note 13)	(20,641)	(14,466)
Net cash from (used in) operating activities	(692)	6,057
Investing activities		
Net (acquistion) disposition of securities	(3,363)	12,873
Income tax recovered (paid)	--	(11,992)
Net acquisition of securities backing third party investor liabilities	(2,140)	(18,105)
Acquisition of intangible assets	(3,223)	(1,949)
Acquisition of equipment	(95)	(258)
Disposition of intangible assets	2,256	672
Acquisition of subsidiaries	--	(8,819)
Net cash used in investing activities	(6,565)	(27,578)
Financing activities		
Dividends paid to shareholders	(4,693)	(4,274)
Dividends paid to non-controlling interests	(2,325)	(1,188)
Acquisition and cancellation of capital stock (note 7c)	(2,288)	(1,457)
Acquisition of treasury stock (note 8a)	(3,966)	(3,360)
Disposition of treasury stock (note 8a)	--	665
Net proceeds of bank loan and bankers' acceptances	24,721	18,050
Principal payments on lease obligations	(750)	(642)
Net funds from third party investors in consolidated mutual funds	2,140	18,105
Net cash from financing activities	12,839	25,899
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	(638)	(146)
Net change in net cash	4,944	4,232
Net cash, beginning of period	44,887	28,472
Net cash, end of period	$ 49,831	$ 32,704
Net cash represented by:		
Cash	$ 81,655	$ 40,588
Bank indebtedness	(31,824)	(7,884)
	$ 49,831	$ 32,704

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, 2021. 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, 2021, which are included in the Company's 2021 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 in the 2021 comparative financial information in order to conform to the current period's presentation. In analyzing certain of its results by geographic segments in note 12 (b), the Company further subdivided the non-domestic geographies into more meaningful sub-groups.

These consolidated interim financial statements were authorized for issuance by the Board of Directors of Guardian on May 12, 2022.

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

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

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

4. SECURITIES

(a) Classification of securities

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

As at	March 31 2022	December 31 2021
Fair value through profit or loss:		
Short-term securities (i)	$ 8,498	$ 8,459
Fixed-income securities (i)	18,816	19,357
Bank of Montreal common shares (ii)	333,917	308,834
Other equity securities (i) (iii)	350,253	387,019
Canadian real estate (i) (iii)	29,669	28,216
	$ 741,153	$ 751,885

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

(ii) No sales of Bank of Montreal common shares occurred during either period.

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

For the three months ended March 31,	2022	2021
Canadian real estate fund managed by subsidiary		
Commitment, beginning of period	$ 13,718	$ 13,875
Called capital	(1,443)	--
Commitment, end of period	12,275	13,875
Private equity fund		
Commitment, beginning of period	13,475	8,320
Called capital	(441)	(3,210)
New commitments	--	12,621
Foreign exchange	(110)	--
Commitment, end of period	12,924	17,731
Total commitment, end of period	$ 25,199	$ 31,606

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

As at		March 31 2022		December 31 2021
Level 1	$	629,486	$	636,555
Level 2		75,422		77,818
Level 3		36,245		37,512
	$	741,153	$	751,885

Level 2 securities include investments in certain investment funds and are valued using the published net asset value of each fund. During 2022 and 2021, there have been no transfers of securities between Levels.

(c) Analysis of Level 3 securities
The change in the fair value of Level 3 securities is as follows:

For the three months ended March 31,		2022		2021
Securities categorized as Level 3, beginning of period	$	37,512	$	16,558
Change in fair value		(1,613)		3,015
Additions		441		3,210
Foreign exchange translation adjustments		(95)		(114)
	$	36,245	$	22,669

5. BANK LOANS AND BORROWINGS

Bank loans and borrowings are composed of the following:

As at			March 31 2022		December 31 2021
Bank indebtedness		$	31,824	$	32,194
Bankers' acceptances payable:	Canadian dollar		95,800		67,900
	US dollar		11,491		14,779
		$	139,115	$	114,873

The total borrowing capacity, under various borrowing facilities, is $175,000 (December 31, 2021 - $165,000). The interest rate on bank indebtedness is prime plus 0.4%. The bankers' acceptances have maturities of one month or less and bear interest at rates negotiated in the bankers' acceptance market plus 0.50% and 1.40% for Canadian dollar borrowings. US dollar borrowings bear interest at LIBOR plus 1.40%. During the quarter, the Company negotiated a credit limit increase from $35,000 to $45,000 on one of the facilities. All other terms remained unchanged.

6. OTHER LIABILITIES

Other liabilities are comprised of the following:

As at		March 31 2022		December 31 2021
Current (included in accounts payable and other):				
Acquistion related (i)	$	4,968	$	5,343
Obligations to non-controlling interests (ii)		25,525		--
		30,493		5,343
Non-current:				
Obligations to non-controlling interests (ii)		6,290		31,299
	$	36,783	$	36,642

i) This is a deferred amount owed by the Company relating to a completed acquisition.

ii) These are obligations of the Company to purchase the portion of certain subsidiaries which it does not wholly own, should the non-controlling shareholders exercise their option to sell their holdings to the Company. These liabilities relate to future transactions with non-controlling interest, acting in their capacity as owners, therefore all changes in fair values of these obligations are reflected in the statement of equity.

7. CAPITAL STOCK

(a) Authorized

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

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

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

(b) Issued and outstanding

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

For the three months ended March 31,	2022		2021	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of period	24,204	$ 17,403	24,845	$ 17,935
Acquired and cancelled	(61)	(44)	(49)	(35)
Converted from common	--	--	9	2
Outstanding, end of period	24,143	17,359	24,805	17,902
Common shares				
Outstanding, beginning of period	2,749	664	2,895	699
Converted into class A	--	--	(9)	(2)
Outstanding, end of period	2,749	664	2,886	697
Total outstanding, end of period	26,892	$ 18,023	27,691	$ 18,599

(c) Issuer bid

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

For the three months ended March 31,	2022	2021
Shares purchased and cancelled		
Class A	61	49
Consideration paid	$ 2,288	$ 1,457
Less average issue price, charged to share capital	44	35
Excess consideration charged to retained earnings	$ 2,244	$ 1,422

A summary of the current NCIB, which commenced on November 21, 2021 and expires on November 20, 2022, is as follows:

	Common	Class A
Authorized limit available	137	1,706
Purchased by the Employee Profit Sharing Plan Trust	--	(100)
Purchased and cancelled	--	(72)
Remaining limit available	137	1,534

Subsequent to March 31, 2022, the Company purchased 252 Class A shares for cancellation.

(d) Dividends

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

For the three months ended March 31,	2022	2021
Dividends declared and paid, per share	$ 0.18	$ 0.16

The Company has also declared dividends of $0.24 per share payable on each of April 19, 2022 and July 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 March 31,	2022		2021	
	Shares	Amount	Shares	Amount
Balance, beginning of period	2,212	$ 31,712	2,234	$ 29,511
Acquired	100	3,966	121	3,360
Disposed	(21)	(350)	(68)	(665)
Balance, end of period	2,291	$ 35,328	2,287	$ 32,206

As at March 31, 2022, the treasury stock was composed of 30 common shares (December 31, 2021 – 30) and 2,261 class A shares (December 31, 2021 – 2,182).

(b) Equity-based entitlements

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

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

For the three months ended March 31,	2022	2021
Equity-based entitlements, beginning of period	1,333	1,209
Provided	100	123
Exercised	(21)	--
Equity-based entitlements, end of period	1,412	1,332

During the three months ended March 31, 2022, the equity-based entitlements provided had a fair value of $3,966 (2021 - $3,425). Subsequent to March 31, 2022, the EPSP Trust acquired and provided entitlements of 55 Class A shares with a fair value of $2,000.

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

(c) Option-like entitlements

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

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

For the three months ended March 31,	2022		2021	
	Shares	Weighted average exercise price per share	Shares	Weighted average exercise price per share
Option-like entitlements, beginning of period	879	$ 9.87	1,023	$ 9.64
Exercised	--	--	(68)	9.82
Option-like entitlements, end of period	879	$ 9.87	955	$ 9.63

No option-like entitlements were provided in 2022 or 2021.

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

9. DIVIDEND AND INTEREST INCOME

Dividend and interest income is composed of the following:

For the three months ended March 31,	2022	2021
Dividends on Bank of Montreal shares	$ 3,019	$ 2,438
Other dividends	1,831	1,362
Dividend income	4,850	3,800
Operating activities	427	208
Investing activities	79	104
Interest income	506	312
	$ 5,356	$ 4,112

10. NET GAINS (LOSSES)

Net gains (losses) are composed of the following:

For the three months ended March 31,	2022	2021
Bank of Montreal common shares	$ 25,084	$ 35,167
Other securities	(35,248)	5,917
Securities (i)	(10,164)	41,084
Disposal of intangible assets	1,678	647
Foreign exchange (ii)	504	240
	$ (7,982)	$ 41,971

(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:

For the three months ended March 31,	2022	2021
Weighted average number of Class A and common shares outstanding:		
Basic	24,677	25,471
Effects of outstanding entitlements from stock-based compensation plans	1,887	1,744
Diluted	26,564	27,215
Net earnings attributable to shareholders:		
Basic	$ 4,262	$ 49,625
Effects of outstanding entitlements from stock-based compensation plans	121	83
Diluted	$ 4,383	$ 49,708

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.

(a) Business segments

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

For the three months ended March 31,	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
Commission revenue	$ --	$ --	$ 51,852	$ 47,157	$ --	$ --	$ (796)	$ (678)	$ 51,056	$ 46,479
Commissions paid to advisors	--	--	(32,124)	(28,449)	--	--	--	--	(32,124)	(28,449)
Net commission revenue	--	--	19,728	18,708	--	--	(796)	(678)	18,932	18,030
Management and advisory fees	39,807	33,121	8,924	7,195	--	--	(741)	(591)	47,990	39,725
Fees paid to referring agents	(1,256)	(1,188)	(1,703)	(1,568)	(4)	--	1,047	931	(1,916)	(1,825)
Net management and advisory fees	38,551	31,933	7,221	5,627	(4)	--	306	340	46,074	37,900
Administrative services income	1,314	1,235	3,347	3,401	16	16	26	--	4,703	4,652
Dividend and interest income	1	1	465	227	4,792	3,798	98	86	5,356	4,112
Net revenue	39,866	33,169	30,761	27,963	4,804	3,814	(366)	(252)	75,065	64,694
Expenses										
Employee comp. & benefits	20,149	16,486	13,781	12,140	2,185	1,599	--	--	36,115	30,225
Amortization	1,985	1,786	3,354	2,874	302	314	--	--	5,641	4,974
Interest	59	43	113	100	464	217	(28)	(15)	608	345
Other expenses	6,303	5,240	6,766	6,087	604	556	(338)	(237)	13,335	11,646
	28,496	23,555	24,014	21,201	3,555	2,686	(366)	(252)	55,699	47,190
Operating earnings	11,370	9,614	6,747	6,762	1,249	1,128	--	--	19,366	17,504
Net gains (losses)	190	(207)	1,743	712	(9,915)	41,466	--	--	(7,982)	41,971
Net earnings (loss) before income taxes	11,560	9,407	8,490	7,474	(8,666)	42,594	--	--	11,384	59,475
Income tax expense (recovery)	2,417	1,819	2,400	2,088	752	4,707	--	--	5,569	8,614
Net earnings (loss)	$ 9,143	$ 7,588	$ 6,090	$ 5,386	$ (9,418)	$ 37,887	$ --	$ --	$ 5,815	$ 50,861
Net earnings (loss) attributable to:										
Shareholders	$ 8,453	$ 6,920	$ 5,227	$ 4,818	$ (9,418)	$ 37,887	$ --	$ --	$ 4,262	$ 49,625
Non-controlling interests	690	668	863	568	--	--	--	--	1,553	1,236
	$ 9,143	$ 7,588	$ 6,090	$ 5,386	$ (9,418)	$ 37,887	$ --	$ --	$ 5,815	$ 50,861
Additions to segment assets										
Intangible assets	$ 537	$ 477	$ 2,840	$ 7,289	$ (154)	$ --	$ --	$ --	$ 3,223	$ 7,766
Equipment	19	25	492	903	75	22	--	--	586	950
Goodwill	--	--	--	4,702	--	--	--	--	--	4,702

As at March 31, 2022 and December 31, 2021	Investment Management		Wealth Management		Corporate Activities and Investments		Inter-Segment Transactions		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Segment assets and liabilities:										
Assets	$ 194,828	$ 196,356	$ 365,918	$ 356,949	$ 900,789	$ 932,162	$ (55,508)	$ (56,792)	$ 1,406,027	$ 1,428,675
Liabilities	84,083	92,266	268,643	263,343	267,957	277,281	(55,508)	(56,792)	565,175	576,098

(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		USA and other		United Kingdom		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
For the three months ended March 31,								
Net revenue from external parties	$ 52,135	$ 46,003	$ 10,239	$ 9,501	$ 12,691	$ 9,190	$ 75,065	$ 64,694
As at March 31, 2022 and December 31, 2021								
Non-current assets:								
Intangible assets	$ 95,352	$ 95,805	$ 66,507	$ 68,644	$ 3,602	$ 3,764	$ 165,461	$ 168,213
Equipment	12,065	13,901	2,940	1,620	960	1,053	15,965	16,574
Goodwill	37,324	37,324	28,114	28,431	888	888	66,326	66,643

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the three months ended March 31,	**2022**	2021
Decrease (increase) in non-cash working capital assets:		
Interest-bearing deposits with banks	**$ (12,912)**	$ (3,547)
Accounts receivable and other	**5,182**	(84)
Receivables from clients and broker	**(15,854)**	2,609
Increase (decrease) in non-cash working capital liabilities:		
Client deposits	**6,851**	2,143
Accounts payable and other	**(19,762)**	(12,978)
Payable to clients	**15,854**	(2,609)
	$ (20,641)	$ (14,466)

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 $333,917 (December 31, 2021 – $308,834) investment in the Bank of Montreal shares, which represents 42% (December 31, 2021 – 41%) 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 $33,392 (December 31, 2021 - $30,883) being recorded in net gains (losses).

(b) Market risk

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

i) Price risk

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

	Securities classified as fair value through the profit and loss	Gain or loss recognized from a 10% change in fair value
As at March 31, 2022		
Canada	**$ 45,357**	**±$ 4,536**
Rest of World	**334,565**	**33,456**
	$ 379,922	**±$ 37,992**
As at December 31, 2021		
Canada	$ 43,602	±$ 4,360
Rest of World	371,634	37,164
	$ 415,236	±$ 41,524

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		March 31 2022		December 31 2021
USD currency exposure:				
Bank loans and borrowings	$	11,491	$	14,779

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 $1,149 (December 31, 2021 – $1,478) being recognized in net earnings.

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

iii) Interest rate risk

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

As at		March 31 2022		December 31 2021
Interest rate sensitive assets:				
Interest-bearing deposits with banks	$	66,747	$	54,510
Short term securities		8,498		8,459
Fixed-income securities		18,816		19,357
	$	94,061	$	82,326
Interest rate sensitive liabilities:				
Bank loans and borrowings	$	139,115	$	114,873
Client deposits		59,643		53,451
	$	198,758	$	168,324

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

The Company holds $18,816 (December 31, 2021 – $19,357) 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		March 31 2022		December 31 2021
Cash	$	81,655	$	77,081
Interest-bearing deposits with banks		66,747		54,510
Accounts receivable and other		71,675		77,570
Receivables from clients and broker		105,210		89,356
Short-term securities		8,498		8,459
Fixed-income securities		18,816		19,357
	$	352,601	$	326,333

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 March 31, 2022, the Company has $35,885 available on its borrowing facilities with banks.

15. FINANCIAL STATEMENT REVIEW

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with securities regulatory requirements, the discussion and analysis which follows for Guardian Capital Group Limited and its subsidiaries and other controlled entities ("Guardian") pertains to the three month period ended March 31, 2022 and the comparative period in the year 2021, as well as to certain other prior quarterly periods. Readers are encouraged to refer to the discussions and analyses contained in the 2021 Annual Report. This discussion and analysis has been prepared as of May 12, 2022

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

Certain information included in this Management's Discussion and Analysis constitutes forward-looking information within the meaning of applicable Canadian securities laws. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Forward-looking information in this Management's Discussion and Analysis includes, but is not limited to, statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this Management's Discussion and Analysis is qualified by the following cautionary statements.

Although Guardian believes that the expectations reflected in such forward-looking information are reasonable, such information involves known and unknown risks and uncertainties which may cause Guardian's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include but are not limited to: general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, the duration and severity of the current COVID pandemic, the current conflict in the Ukraine, as well as those risk factors discussed or referred to in this Management's Discussion and Analysis and the other disclosure documents filed by Guardian with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this Management's Discussion and Analysis is provided as of the date of this Management's Discussion and Analysis and should not be relied upon as representing Guardian's views as of any date subsequent to the date of this Management's Discussion and Analysis. Guardian undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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 total client assets of $83.6, consisting of $53.1 billion in assets under management ("AUM") and $30.5 billion in assets under administration and advisement ("AUA"). In addition, Guardian has a diversified portfolio of securities, which had a fair value of $741 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, EBITDA attributable to shareholders, EBITDA attributable to shareholders per share, Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders, Adjusted cash flow from operations attributable to shareholder per share. 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.

CONSOLIDATED FINANCIAL RESULTS

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

For the three months ended March 31, *($ in thousands, except per share amounts)*		2022		2021
Net revenue	$	75,065	$	64,694
Expenses		55,699		47,190
Operating earnings		19,366		17,504
Net gains (losses)		(7,982)		41,971
Net earnings before income taxes		11,384		59,475
Income tax expense		5,569		8,614
Net earnings	$	5,815	$	50,861
EBITDA	$	26,370	$	23,489
Adjusted cash flow from operations		19,949		20,523
Attributable to shareholders:				
Net earnings	$	4,262	$	49,625
EBITDA		23,846		21,211
Adjusted cash flow from operations		17,755		18,492
Per share amounts (diluted):				
Net earnings	$	0.16	$	1.83
EBITDA		0.90		0.78
Adjusted cash flow from operations		0.67		0.68

As at *($ in millions, except per share amounts)*		2022 March 31		2021 December 31		 March 31
Shareholders' equity	$	828	$	839	$	737
Securities		741		752		654
Diluted per share						
Shareholders' equity	$	31.27	$	31.53	$	27.14
Securities		27.97		28.27		24.05

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

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

As at *($ in millions)*		2022 March 31		2021 December 31		 March 31
Assets under management						
Institutional						
Global equities	$	24,739	$	27,298	$	19,934
Canadian equities		7,919		7,858		7,762
Fixed income		16,054		16,750		16,064
Institutional assets under management		48,712		51,906		43,760
Wealth management		4,411		4,435		3,883
	$	53,123	$	56,341	$	47,643
Assets under administration and advisement						
Dealers	$	17,415	$	18,055	$	15,765
MGA segregated		8,839		9,115		7,474
Outsourced Chief Investment Officer and other		4,272		4,338		5,441
	$	30,526	$	31,508	$	28,680
Total client assets	$	83,649	$	87,849	$	76,323

Guardian is reporting total client assets for the quarter ended March 31, 2022 of $83.6 billion.

AUM was $53.1 billion as at March 31, 2022, a 6% decrease from $56.3 billion as at December 31, 2021, and a 12% increase from $47.6 billion as at March 31, 2021. The decrease in AUM during the current quarter was driven largely by the negative performance of global financial markets, partially offset by net inflow of new client assets, while the increase since March 31, 2021 was due to a combination of the net inflow of client assets throughout 2021 and the net positive performance in the global equities market. AUA was $30.5 billion as at March 31, 2022, a 3% decrease from $31.5 billion as at December 31, 2021, driven largely by the net negative performance of global financial markets. This was a 6% increase from $28.7 billion as at March 31, 2021.

RESULTS OF OPERATIONS

The Operating earnings of Guardian's business segments are summarized in the following table:

For the three months ended March 31, *($ in thousands)*	**2022**	2021
Investment management	**$ 11,370**	$ 9,614
Wealth management	**6,747**	6,762
Corporate activities and investments	**1,249**	1,128
	$ 19,366	$ 17,504

For the quarter ended March 31, 2022, Guardian is reporting Operating earnings of $19.4 million, a $1.9 million, or 11% increase from the $17.5 million reported in the same quarter of 2021. EBITDA for the current quarter was $26.4 million, a $2.9 million, or 12% increase from $23.5 million in the same quarter of 2021. Driven largely by the growth in total client assets, Net revenue in the current quarter grew to $75.1 million, a $10.4 million increase from the same quarter in 2021. Expenses in the current quarter were $55.7 million, an increase of $8.5 million compared to the first quarter of 2021. The growth in Operating earnings and EBITDA were achieved while continuing to make multi-year strategic investments into strengthening our retail distribution capabilities, supporting the enhancement and integration of the recently acquired businesses and the initial buildout of the recently launched Guardian Smart Infrastructure Inc. ("GSIM"), a direct private infrastructure investment business. The Operating loss associated with these initiatives was $2.3 million in the current quarter, a $1.1 million increase from the prior year.

Net losses in the current quarter were $8.0 million, compared to Net gains of $42.0 million in the same quarter in the prior year. The largest portion of the Net losses in the current quarter was attributable to the decreases in fair values of a portion of our securities holdings exposed to regions outside of Canada, which experienced negative returns. This was partially offset by an increase in the fair value of our BMO shares. Readers are encouraged to refer to Note 10 in Guardian's First Quarter 2022 Consolidated Financial Statements for a detailed breakdown of the Net gains (losses).

Net earnings attributable to shareholders were $4.3 million, compared to $49.6 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.

Adjusted cash flow from operations for the quarter was $19.9 million, a 3% decrease from $20.5 million in the same period in 2021. The decreases was due to higher tax installments paid in the current quarter, partially offset by the growth in Guardian's operating businesses.

Operating earnings by segment are described below.

Investment Management Segment

The Investment Management Segment's Operating earnings in the current quarter were $11.4 million, a $1.8 million, or 18% increase from $9.6 million in the same quarter in the prior year. EBITDA for the current quarter was $13.7 million, a $2.0 million, or $17% increase from $11.7 million in the same quarter in the prior year. Benefitting from the success in gathering net new inflow of client assets and the positive impact of global equity market performances on AUM in 2021, Net revenue increased 20% to $39.9 million, compared to the same quarter in the prior year. Led by GuardCap, all businesses in this Segment delivered increased Net revenue in the current quarter. The expenses in the Segment grew by 21% to $28.5 million over the same period, largely due to the growth in employee compensation expenses associated with the additional employees added to support the growth of the business since the first quarter of 2021. In addition, we continued to make strategic investments into the buildout of our retail distribution capabilities and, new in the current quarter, the initial buildout of our new GSIM business. The expenses associated with both of these initiatives are expected to rise in the short-term, dampening our earnings, but with the aim of developing them into meaningful contributors to our earnings in the near future. The expenses associated with these strategic investments were $0.9 million higher than in the same quarter in the prior year.

Wealth Management Segment

The Wealth Management Segment's Operating earnings in the current quarter were $6.7 million, substantially unchanged from the same quarter in the prior year. EBITDA in the current quarter was $10.4 million, a 5% increase from $9.9 million in the first quarter of 2021. The current quarter's Net revenue increased 10% to $30.8 million, compared to the same quarter in 2021, consisting of $19.7 million in Net commission revenue and $7.2 million in Net management and advisory fees. Net commission revenue increased by $1.0 million to $19.7 million, with both the MGA and the Dealers businesses contributing to the growth. Net management and advisory fees increased by $1.6 million to $7.2 million. Expenses in the current quarter were 13% higher at $24.0 million, compared to the prior year. Included in the current quarter's expenses are the ongoing strategic investments into the development of an ecosystem for wealth management, which aims to incorporate the Dealers' advisor network and Modern Advisors' technology platform to increase utilization of Guardian's investment solutions by independent advisors.

IDC WIN, our MGA business delivered EBITDA of $7.9 million (EBITDA attributable to shareholders of $6.5 million) in the current quarter, an increase of 2% compared to the same quarter in 2021. The Net commission revenue grew 3% to $15.1 million in the current quarter, compared to the same quarter in 2021. Although the Net commission revenues increased, it was largely due to $0.7 million increase in renewal commissions to $7.2 million, partially offset by lower sales commissions. The sales volumes were more modest in the current quarter compared to the record sales volumes experienced throughout 2021. The contractual premiums on life insurance policies sold ("Premiums Sold"), which drive the sales commissions, were $39 million in the current quarter, compared to $55 million in the first quarter of 2021. The Premiums Sold in the current period are good indicators of future revenue stream increases. As these policies are renewed, IDC WIN will earn renewal commissions in those future periods.

Corporate Activities and Investments Segment

The Corporate Activities and Investments Segment's Operating earnings for the current quarter were $1.3 million, a slight increase from $1.1 million earned in the same quarter in the prior year. The current quarter's Net revenue increased 26% to $4.8 million, compared to the same quarter in 2021. The growth in revenue was due largely to the increase in the dividend income earned on the Securities, including our holdings of BMO shares, which increased its dividends per share during the current quarter. This was partially offset by higher compensation costs, including the effects of additional employees hired since the first quarter of 2021 to support the growth of the operating businesses, and, to a lesser extent, higher interest expense resulting from increased interest rates on bank 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)*	**2022** **March 31**	2021 December 31	 March 31
Securities, carried at fair value			
Proprietary investment strategies			
Short-term and fixed-income securities	**$ 19,048**	$ 19,589	$ 21,366
Canadian equities	**14,087**	13,832	11,737
Global equities	**299,650**	335,460	300,181
Canadian real estate	**29,669**	28,216	24,847
	362,454	397,097	358,131
Bank of Montreal common shares	**333,917**	308,834	257,462
Short-term securities	**8,266**	8,227	15,122
Equities	**36,516**	37,727	22,814
Securities	**$ 741,153**	$ 751,885	$ 653,529
Securities per share, diluted	**$ 27.97**	$ 28.27	$ 24.05

Guardian's securities as at March 31, 2022 had a fair value of $741.2 million, or $27.97 per share, diluted, compared with $751.9 million, or $28.27 per share, diluted, at the end of 2021. Shareholders' equity as at March 31, 2022 amounted to $828.4 million, or $31.27 per share, diluted, compared to $838.5 million, or $31.53 per share, diluted, at the end of 2021. Since December 31, 2021, Guardian returned to shareholders $4.7 million in dividends and $2.3 million in share buybacks. The change in Shareholders' equity in 2022 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 $175.0 million, which was increased by $10 million during the current quarter. As at March 31, 2022, the total borrowings amounted to $139.1 million, compared to $114.9 million at the end of 2021. Guardian's Adjusted cash flow from operations attributable to shareholders for the current quarter was $17.8 million, compared to $18.5 million in the same quarter in 2021. The decrease in the current quarter, compared to the same period one year earlier, was primarily due to higher tax payments, partially offset by the improved Operating earnings. 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 and repay debt where possible. From time to time, Guardian may use a combination of Adjusted cash flow from operations attributable to shareholders, debt and disposal of Securities to help finance larger capital expenditures.

CONTRACTUAL OBLIGATIONS

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

As at March 31, 2022 *($ in thousands)*	 Total	Payments due by period Within one year	 1 - 3 years	 4 - 5 years	 After five years
Bank loans and borrowings	$ 139,115	$ 139,115	$ --	$ --	$ --
Third party investor liabilities	79,210	79,210	--	--	--
Client deposits	59,643	59,643	--	--	--
Accounts payable and other liabilities	115,503	109,213	--	6,290	--
Payable to clients	105,210	105,210	--	--	--
Investment commitments	25,199	25,199	--	--	--
Scheduled lease payments, undiscounted	15,459	3,734	6,058	3,789	1,878
Total contractual obligations	$ 539,339	$ 521,324	$ 6,058	$ 10,079	$ 1,878

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:

	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
As at ($ in millions)								
Assets under management	**$ 53,123**	$ 56,341	$ 53,113	$ 51,960	$ 47,945	$ 45,984	$ 32,733	$ 31,200
Assets under administration	**30,526**	31,508	30,015	29,582	28,376	22,289	20,755	20,010
Total client assets	**83,649**	87,849	83,128	81,542	76,321	68,273	53,488	51,210
For the three months ended ($ in thousands)								
Net revenue	**$ 75,065**	$ 78,049	$ 72,384	$ 69,960	$ 64,694	$ 63,724	$ 52,042	$ 50,124
Operating earnings	**19,366**	22,314	20,771	21,199	17,504	18,493	12,108	13,427
Net gains (losses)	**(7,982)**	52,331	(8,146)	56,467	41,971	80,983	35,739	43,254
Net earnings	**5,815**	64,451	8,597	66,831	50,861	87,083	42,652	51,244
Net earnings attributable to shareholders	**4,262**	62,421	7,054	65,138	49,625	86,039	42,201	50,486
(in $)								
Net earnings attributable to shareholders:								
Per Class A and Common share								
Basic	**$ 0.17**	$ 2.52	$ 0.28	$ 2.59	$ 1.95	$ 3.38	$ 1.66	$ 1.99
Diluted	**0.16**	2.35	0.27	2.42	1.83	3.17	1.56	1.87
Dividends paid on Class A and Common shares	**$ 0.18**	$ 0.18	$ 0.18	$ 0.18	$ 0.16	$ 0.16	$ 0.16	$ 0.16
As at								
Shareholders' equity *($ in thousands)*	**$ 828,404**	$ 838,520	$ 781,334	$ 780,323	$ 737,363	$ 699,610	$ 631,863	$ 596,265
Per Class A and Common share *(in $)*								
Basic	**$ 33.67**	$ 33.89	$ 31.56	$ 31.15	$ 29.02	$ 27.43	$ 24.80	$ 23.50
Diluted	**31.27**	31.53	29.40	29.09	27.14	25.69	23.25	22.07
Total Class A and Common shares outstanding *(shares in thousands)*	**26,892**	26,954	26,968	27,263	27,691	27,740	27,758	27,758

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 global financial markets and additions and withdrawals of client assets. Offsetting this volatility are the significant insurance commissions earned in the MGA business, which are less correlated to the volatility of the financial markets. However, fluctuations 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 cyclicality 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.

The Net revenue decreased in the first quarter of 2022 as the total client assets decreased from the preceding quarter driven by the negative performance in the global financial markets. Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the global financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly impacts Net earnings (losses) attributable to shareholders. The global financial markets had continued positive performance since Q1 2020 until Q3 2021, when a portion of our securities exposed to the Emerging Market equities, which experienced a negative return, decreased in fair value. In Q1 of 2022, a portion of our securities exposed to global equity markets, other than those exposed to Canada, declined in value as a result of the negative performances in those markets. 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 First Quarter 2022 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 also impact the amounts being invested by clients, thereby increasing or decreasing our Net commission revenue. We manage the risk of market fluctuations by having a diversified client base with different investment needs, and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other.

Guardian's securities holdings are managed independently of clients' assets, except for those of our assets that are invested in Guardian's investment funds.

Portfolio Value and Concentration Risks

Guardian's securities are subject to risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 14 of Guardian's First Quarter 2022 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 independent custodians chosen by Guardian. As at March 31, 2022, Guardian holds $334 million of BMO shares (December 31, 2021 – $309 million), which represents 45% of Guardian's securities (December 31, 2021 – 41%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.7 million shares since the second quarter of 2013. The remainder of Guardian's 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)*	**March 31 2022**	December 31 2021
Bank of Montreal common shares	**45%**	41%
Other Canadian equity securities and real estate	**6%**	5%
Canadian equities and real estate	**51%**	46%
Non-Canadian equities	**45%**	50%
Short-term and Fixed income securities	**4%**	4%
	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 First Quarter 2022 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 $175 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 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, 2021, 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, EBITDA attributable to shareholders and EBITDA attributable to shareholders per share

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and net gains or losses. EBITDA attributable to shareholders as EBITDA 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 measure to the non-IFRS measures:

For the three months ended March 31, *($ in thousands)*	**2022**	2021
Net earnings	**$ 5,815**	$ 50,861
Add (deduct):		
Income tax expense	**5,569**	8,614
Net (gains) losses	**7,982**	(41,971)
Stock-based compensation	**755**	666
Interest expense	**608**	345
Amortization	**5,641**	4,974
EBITDA	**26,370**	23,489
Non-controlling interests	**(2,524)**	(2,278)
EBITDA attributable to shareholders	**$ 23,846**	$ 21,211

Adjusted cash flow from operations, Adjusted cash flow from operations attributable to shareholders and Adjusted cash flow from operations attributable to shareholders per share

Guardian defines Adjusted cash flow from operations as net cash from operating activities and net of changes in non-cash working capital items. Adjusted cash flow from operations attributable to shareholders as Adjusted cash flow from operations less non-controlling interests. Adjusted cash flow from operations 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. 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.

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

For the three months ended March 31, *($ in thousands)*	**2022**	2021
Net cash from (used in) operating activities	**$ (692)**	$ 6,057
Add (deduct):		
Net change in non-cash working capital items	**20,641**	14,466
Adjusted cash flow from operations	**19,949**	20,523
Non-controlling interests	**(2,194)**	(2,031)
Adjusted cash flow from operations attributable to shareholders	**$ 17,755**	$ 18,492

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

Early in the first quarter of 2022, there seemed to be fresh hope for the world to return to a more normal environment. The wave of the highly transmissible Omicron variant of COVID-19 that swelled at the outset of this year subsided almost as rapidly and has not resulted in a commensurate spike in worst-case outcomes, giving a hopeful sign that restrictions on activity would be removed as the northern hemisphere moves into spring. By mid-February, we were all looking forward to the global economy quickly moving towards normalcy. Then, in late February, Russia invaded Ukraine and China started to shut down entire cities in a potentially quixotic bid to entirely stamp out the latest wave of the virus in the country.

The lower severity of infections with the latest, more transmittable COVID variant, in tandem with growing public pressures to begin the post-pandemic era and waning political appetite to keep restrictions in place, has led to a marked easing of stringent public health measures in most economies. This notable loosening in developed markets has spurred a sharp pickup in production, particularly in the far more pandemic-sensitive service sector. The notable exception to this trend is China, and early indications are that the impact of restrictions on its economy has been considerable, with gauges of activity in the manufacturing and services sectors plunging to lows not seen since the early days of the pandemic. Given China's importance in the global economy, particularly its key role within the world's production processes, these measures can cause ripples across the world and further challenge supply chains that have been constrained since the pandemic began.

As though the uncertainties related to the ongoing pandemic were not enough, the world was dealt another shock when Russia decided to invade Ukraine in February. Russian military aggression and the punitive actions taken by governments in response (including a broad array of sanctions), served as another driver of investor risk aversion and further muddied the outlook for global growth. Though Russia and Ukraine are not significant cogs in the global economic machine, they are important commodity producers. Russia is the world's largest exporter of natural gas, the second biggest exporter of crude oil and third largest exporter of coal. The conflict in Ukraine is also impacting consumer purchasing power in another, arguably more important way as well. Russia and Ukraine are two of the world's largest producers of cereal grains, cumulatively accounting for a quarter of global exports of wheat and 15% of trade in corn. All of this serves to further exacerbate pre-existing inflationary pressures.

Although it may well be the case that the outlook now is not as optimistic as it was a few months ago, with forecast confidence intervals widening and rising recession risks becoming a focal point of discussions, the backdrop is still far from dour. As has been the case for much of the last two years, the dataflow has continued to outperform expectations of late, as it seems forecasts have been overly pessimistic and the global economy is again proving to be more resilient than assumed.

In fact, the base case remains that global growth will be sustained at rates still notably above pre-crisis trends, with the pace of expansion likely to perk up in the coming months as pandemic-related restrictions are further scaled back and activity gradually returns to pre-crisis levels. In other words, despite the rising pessimism in the marketplace and narrative of late, the current backdrop and outlook for the months ahead is not actually all that bad. Activity is holding up surprisingly well throughout the ongoing uncertainty, and momentum should pick up in the months ahead. Add to this the fact that investor sentiment is highly depressed and year-do-date market weakness has made valuations more compelling, and it is arguable that there is still reason to fight back against the urge to materially scale back risk exposures at this juncture.

Guardian's results are significantly affected by the level and performance of stock and bond markets. During the pandemic, we, along with other market participants, benefitted from the fiscal and monetary stimulus provided by governments around the world. The withdrawal of this stimulus is accelerating, as fighting inflation has become a critical focus for policy makers. While our base case is that economic growth will provide the earnings to support stability, if not increases in equity prices, there are of course always risks to asset price forecasts. Guardian's strong balance sheet, combined with the diversity in our sources of profitability, allow us the luxury of making long-term plans that are not necessarily reliant on the co-operation of events outside of our control.

We will continue upon our long-held path of innovating new product lines created from existing teams at Guardian, in addition to identifying new capabilities we wish to add and bringing in new human and technological assets that will permit us to execute on those capabilities. Success in creating new products that can be sold through our existing platforms gives us a very efficient way to grow Guardian, as well as its profitability. We have a number of organic initiatives that can fit into this strategy, but we will continue to evaluate potential acquisition opportunities that can strengthen aspects of our business or accelerate our growth plans. We believe a combination of both organic and acquisition strategies for growth makes a great deal of sense. Over the long term, shareholders can expect to experience the benefits of both strategies.

Our history. Your future.

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