

Guardian Capital Group Limited

2020 Annual Report



GUARDIAN CAPITAL

Our history. Your future.

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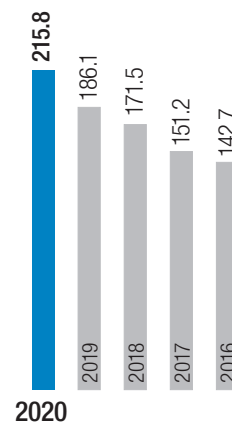


2020 Financial Highlights



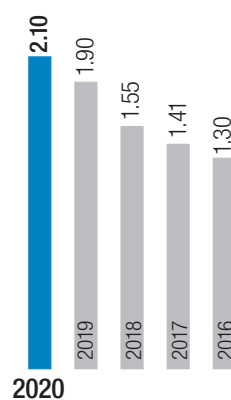
OPERATING EARNINGS

For the years ended December 31 (\$ in millions)



NET REVENUE

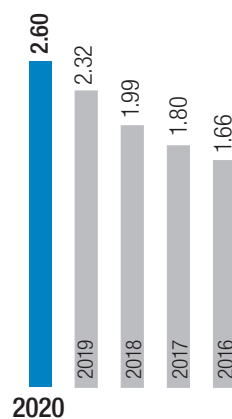
For the years ended December 31 (\$ in millions)



ADJUSTED CASH FLOW FROM OPERATIONS¹

(per share, diluted)

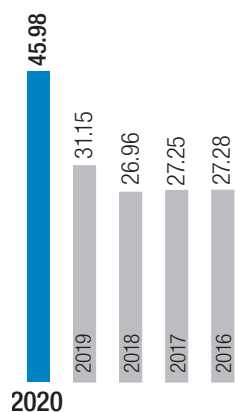
For the years ended December 31 (in \$)



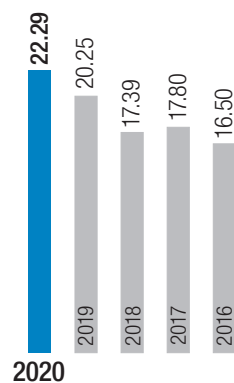
EBITDA¹

(per share, diluted)

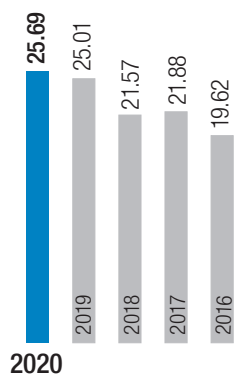
For the years ended December 31 (in \$)



ASSETS UNDER MANAGEMENT
As at December 31 (\$ in billions)



ASSETS UNDER ADMINISTRATION
As at December 31 (\$ in billions)



SHAREHOLDERS' EQUITY¹
(per share, diluted)
As at December 31 (in \$)



SECURITIES¹
(per share, diluted)
As at December 31 (in \$)

(1) These terms are not standardized measures under IFRS, and therefore are unlikely to be comparable to similar measures presented by other companies. Descriptions of these non-IFRS measures, as well as reconciliations to IFRS measures, when applicable, are provided under "Non-IFRS Measures" in the Management's Discussion and Analysis.

Chairman's Message

Dear Fellow Shareholders,

2020 was noteworthy in many ways. First, the COVID-19 pandemic had a devastating effect on everyone, everywhere. This did not deter our leadership team and Associates throughout Guardian Capital Group Limited in all of the countries in which we operate. Instead, they came together to successfully care for the interests of all of our stakeholders while continuing to protect themselves and their families. As the pandemic persists, so do our Associates. On behalf of your Board of Directors, I extend our collective thanks to all of them and commend each for their passion and commitment.

Secondly, this past year was an exceptional one for our company, with Guardian achieving record levels in all our key financial metrics: assets under management, assets under administration, Net revenues, Operating earnings and dividends to shareholders. All of these measures were accomplished in a most difficult environment.

With Guardian approaching its 60th anniversary, we can look back on 2020 with pride in the execution of a successful business strategy by a highly effective management team. We are confident that these achievements will be sustained in a growing and innovative environment.

We will also further pursue investments in new and growing aspects of our businesses, while continuing to develop innovative products and services. Our strong balance sheet and operating results provide the capacity to invest in organic growth as well as explore acquisitions that complement our strategies. This year, I can again tell you with pride that your company continued to excel, outperform and deliver value to you.

Based on the continued growth in Operating earnings and cash flow in 2020, your Board has declared a quarterly dividend of \$0.18 per share, an increase of 13%, payable on April 19, 2021, to shareholders of record on April 12, 2021.

Once again, your Board recognizes Guardian's capable and experienced leadership team, led by George Mavroudis, President and Chief Executive Officer, for the growth and positive results throughout our business operations in our multiple jurisdictions.

In addition, each one of your Board members provides their wise counsel, insight and sound business judgment in support of our management team, and for that I thank each of them. We will continue to work diligently to provide excellent value to our shareholders.

On behalf of the Board of Directors,

Respectfully,



James Anas,
Chairman of the Board

February 24, 2021

President and Chief Executive Officer's Message



Dear Shareholders,

In my letter to shareholders last year, I stated how Guardian's deep executive bench, strong balance sheet and increasingly diversified operating businesses provide growing confidence in our resilience, particularly in enabling us to tackle any potential challenges and threats facing the business in a dynamic financial services industry. However, I certainly did not expect to be required to test this resilience with the challenges of a global pandemic!

Before I highlight matters of financial interest from 2020 to our shareholders, I must first share some thoughts on the international public health crisis we have all endured over the last twelve months. The human challenges brought on by the COVID-19 pandemic have been unprecedented and very disruptive. On March 16, 2020, we enacted our business continuity plans and directed substantially all of our Associates to begin working from home. At that time, we were hopeful that this directive would only last a few weeks, but we unfortunately learned firsthand that pandemics are not sprints, but rather marathons. As I write this letter, we continue operating our businesses with the overwhelming majority of our staff still working remotely. Thankfully, this transition has been largely seamless. I would just like to take a moment to thank our Associates for their resiliency and dedication to looking after the best interests of our clients throughout this difficult year.

For many of us, no matter the country in which our Associates work, the greatest disruption has been observed in our daily routines, which has tested our patience, resolve and overall mental health. Thankfully, society has come a long way in just one generation with respect to accepting open dialogue on mental health, and it is now a regular topic of discussion with family, friends and colleagues. Guardian, as an employer of almost 600 Associates across the group, has aimed to be highly attentive to the morale of all of our staff, both prior to this crisis and throughout it. We have worked hard to support our Associates in a variety of ways, but most importantly, by maintaining our social contract with them during one of the most acute financial crises many families have had to face; specifically, by keeping our Associates secure in their jobs.

I recall nearly 15 years ago, when I joined Guardian and was working for the late John Christodoulou, who was then the CEO and Chairman, a meeting where he was once asked by an investor what his greatest pride was in leading Guardian. He turned to me in the meeting and asked me how many Associates we had working here. As John had begun struggling with his hearing at the time, I was under the impression that he might have misheard the question, and repeated it to him. In his calm and graceful reply, he assured me he understood what was being asked, but wanted to know how many Associates we had across the group. When I confirmed to him that we had roughly 160, he turned to the person asking the question and stated that his greatest pride was that Guardian created opportunity and jobs for these 160 individuals who, in turn, could support and financially secure a quality of life for their families.

At the time, I perhaps didn't appreciate how profound that statement was and how he had quietly built this into the fabric of Guardian's culture. However, many years later, a bit more experienced and serving as Guardian's current leader, I have been equally proud that in a year with great societal and economic disruption, we have not introduced any furlough actions, and furthermore were able to do this without seeking any government support or subsidies. Providing this sense of security to our Associates has hopefully given them one less worry amongst a sea of concerns brought on by this pandemic.

Despite the immense social, financial and public health challenges over the past year, it is with great pride that we report our financial results for the 2020 fiscal year. We are fortunate to be working in a financial services industry where advancements in technology have allowed us to conduct our work remotely and continue servicing our clients in this pandemic induced disruptive environment. Even more impressive for Guardian is that, in addition to maintaining our current operations in a "business as usual" state, we have in fact completed our most active year in both organic and inorganic growth. Both our Asset Management and Financial Advisory segments made significant progress in advancing our efforts to further diversify the business and add scale, with "tuck-in" strategic acquisitions throughout the year.

Several of our key financial metrics reached all-time highs in 2020, with total assets under management and administration closing the year at \$46 billion and \$22 billion, respectively and with Net revenues, EBITDA and Operating earnings exceeding \$215 million, \$70 million and \$54 million, respectively. Net client inflows in 2020 eclipsed \$3 billion, largely due to the incredible growth exhibited by our UK-based asset management business. In six years, this business has grown from a vision of creating a foothold outside Canada, with less than \$100 million

of assets under management at inception, to nearly \$11 billion at year-end and a diverse client base that spans the globe. We believe that the short and long-term financial metrics delivered by Guardian, in an industry that has faced enormous headwinds, are respectful gains in comparison to many of our domestic independent competitors. Furthermore, we hope that investors carefully monitoring our progress over the last few years will agree that we have strategically navigated a new growth phase for Guardian. With a growing track record of being able to execute across investment management and financial advisory segments, we look to attract additional investor interest from those who are excited about Guardian's future, led by a focused management team poised to continue delivering on both organic and inorganic growth initiatives.

The Investment Management segment completed the acquisition of Agincourt Capital Management, a US fixed-income manager located in Richmond, Virginia, at the beginning of the fourth quarter of 2020, adding \$9.6 billion of assets under management on closing. Since December 31, 2019, our Financial Advisory business has completed two acquisitions of managing general agency businesses in Quebec, continuing to execute on a successful consolidation strategy within the life insurance managing general agency industry. In doing so, this business has created one of the leading national life insurance distribution agencies in Canada while contributing very meaningful Net revenue and Operating earnings to Guardian's consolidated results. Additionally, the announced acquisition of BNY Mellon's Canadian wealth management business, expected to close in the first quarter of 2021, will add over \$5 billion in assets under advisement and introduce a new business line with a focus on offering an Outsourced Chief Investment Officer "OCIO" service to ultra-high net worth, family office and endowment and foundation clients.

Although we were active with acquisitions this past year, we remained committed to our long-term belief in investing for organic growth in areas we believe can become future meaningful contributors to Operating earnings and diversification. The fact that we were able to achieve growth in key financial metrics while at the same time expending a meaningful amount on reinvestment, which produces a short to medium-term drag on earnings, is even more impressive given the circumstances in which we had to operate this past year. Historically, we have proven as business operators that one of our key strategic strengths is our track record of investing steadily in organic growth, which provides us the opportunity to expand future earnings by patiently gaining traction, reducing losses and ultimately delivering meaningful contributions to earnings.

Over Guardian's long history, we have repeatedly done this with great success, never better evidenced than the globalization of our Asset Management segment, which highlights our staying power to adapt to changing industry demands. The most significant current organic investment by Guardian is our effort to expand our retail asset management distribution presence in Canada. Investment in building out this infrastructure requires the acceptance of investing heavily up front, where expenses predictably precede any immediate growth in revenues. However, we anticipate that over the next few years, we will be able to demonstrate the value in pursuing this strategic effort, and in doing so, we expect to grow assets under management and expand fee margins, which will unlock another meaningful and transformational economic stream for the benefit of Guardian.

During one of the most disruptive global environments in the past century, Guardian has made great progress in creating a resilient, sustainable, quality business that is able to generate strong cash flows that support the return of an ever-increasing amount of cash to its shareholders. In 2020, Guardian paid out \$16.8 million in dividends, increasing our quarterly dividend from \$0.15 a share to \$0.16 a share. Share repurchases came at a slower pace than in recent years, but we expect that if the public market continues to discount the value of our shares relative to their intrinsic valuation, we will likely be meaningful participants in repurchases of 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.

Our core values at Guardian are built upon being trustworthy, acting with integrity and ensuring stability throughout the organization, and we aim to embody them in all we do. The ultimate assessment of our success is based upon our actions authentically aligning with these values. Clients, shareholders, Associates, partners and other stakeholders of Guardian should be assured that, from top to bottom, our organization embraces the responsibilities with which we are entrusted very seriously, and we are continuously striving to make improvements to all aspects of how we do business. As long as we continue to live up to these expectations, all of our stakeholders should continue to expect to continue to benefit from our success.

Warmest regards,



George Mavroudis,
President and Chief Executive Officer

February 24, 2021

Investing in a Better Tomorrow

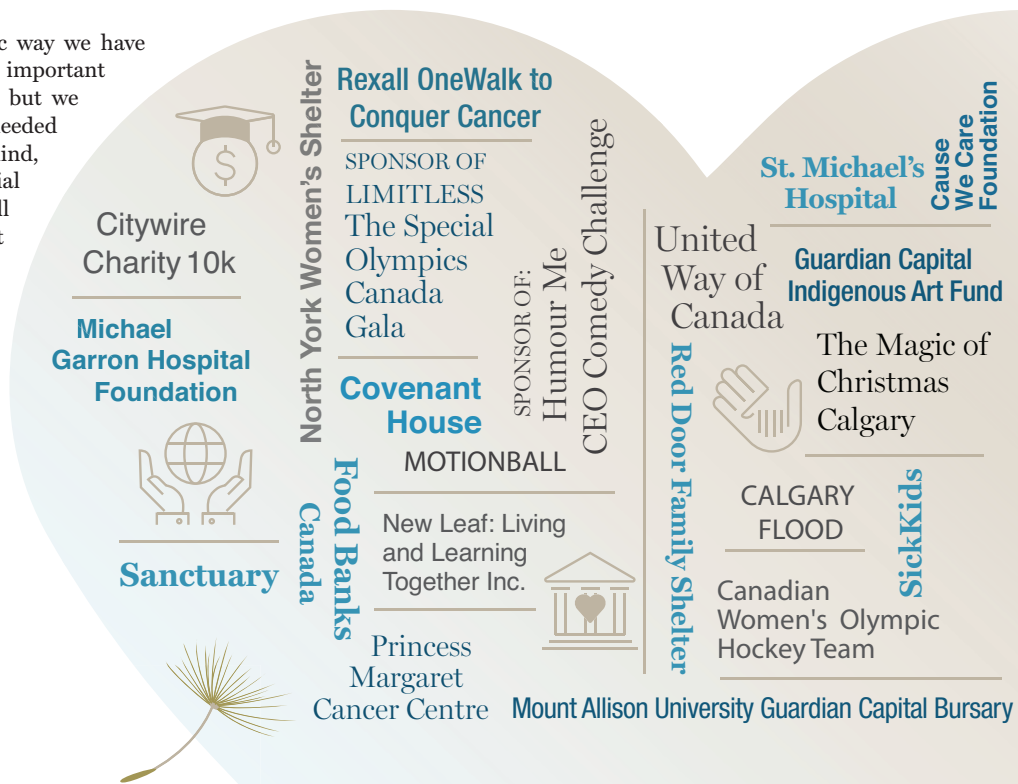
Guardian Capital Group Limited has always been guided by a determination to behave in a truly ethical manner, one that respects its stakeholders: our clients, Associates and shareholders. Our core values of trustworthiness, integrity and stability speak to this focus. Yet while we have lived by these guiding principles for the last six decades, it has also become apparent that there is a fourth class of stakeholder that must be considered in a more deliberate and conscientious manner going forward: society as a whole. We believe this begins with a powerful focus on our Corporate Social Responsibility “CSR” beliefs.

For the last two decades, our firm has proudly managed a number of mandates focusing on ethical investing. Our investment teams engage in methodical deliberations of environmental, social, and corporate governance “ESG” issues for investee companies, and our portfolio management professionals are expected to vote their proxies at these companies with ethical governance in mind. Yet we realize this does not go far enough to showcase our dedication to CSR.

As a sign of our commitment, our major, wholly owned investment management arms, Guardian Capital LP and its subsidiary, GuardCap Asset Management Limited, have become signatories of the United Nations-supported Principles for Responsible Investment “PRI”, governing all of our investments. They each have also established ESG committees to better consider all aspects of evaluating ESG compliance in our investment processes.

At Guardian, we have always believed that our role as a corporate citizen is not only to behave ethically in all business matters, but to support those who are truly in need within our communities. That is why we have always been so proud to work alongside our Associates decade after decade, fundraising for and sponsoring causes in support of those facing the challenges of meeting the basic needs of health care, shelter, food and clothing. We also believe in the importance of the arts and education in our societies. From its early days, Guardian has supported Indigenous artists and, in 2020, we were able to combine that with the support of education, through the donation of our substantial collection of Indigenous art to the Agnes Etherington Art Centre at Queen’s University, and to establish the Guardian Capital Indigenous Art Fund to support ongoing engagement with the collection. As part of this initiative, we launched the Guardian Capital Indigenous Student Awards, educational grants to be awarded annually to Indigenous students at Canadian universities and colleges to help support their post-secondary education. From an environmental perspective, we have eliminated the use of bottled water at our head office, saving roughly 12,000 plastic bottles annually as a result. Finally, what we are most proud about in this past year is that, despite some of the most challenging economic disruptions ever, brought on by the COVID-19 pandemic, we kept our “social contract” with our employees and retained them throughout the crisis, without relying on any government relief programs, regardless of our eligibility.

We are proud of the organic way we have been addressing these important societal and ethical matters, but we recognize that more is both needed and expected. With this in mind, we have created an official CSR Committee, one that will formalize our commitment to our responsibilities, keep our company informed of the changing landscape in corporate ESG guidance, and continue to drive Guardian ahead in this critically important field.



Review of Operations

INSTITUTIONAL INVESTMENT MANAGEMENT

Guardian's institutional investment management services are provided by Guardian Capital LP ("GCLP"), GuardCap Asset Management Limited ("GuardCap"), Alta Capital Management, LLC ("Alta"), Agincourt Capital Management, LLC ("Agincourt"), a Virginia-based US fixed-income firm acquired on October 1, 2020, and Guardian Capital Real Estate Inc. ("GCREI"), with GCLP being the longest tenured. We serve pension plan sponsors, broker-dealer third-party platforms, insurance company segregated funds, exchange-traded funds and mutual funds, endowment funds and foundations. Our capabilities span a range of asset classes, geographic region and specialty mandates. These entities are the successors to our original investment management business, which was founded in 1962.

The year 2020 turned out to be a year of extremes, starting with the pandemic hitting all equity markets very hard in March. It then moved to outsized returns for a handful of technology stocks geared to a stay-at-home world, and to an aggressive rotation to value toward the end of the year when positive news on the development of numerous vaccines seemed to promise a return to our old ways sooner than many anticipated. Regional stock markets moved in tandem with these waves and the relative weights of sectors that were most affected at each step determined overall performances. The result was significant diversion in performance by indices during the year, from the S&P/TSX Composite's 5.6% to 13.87% provided by the MSCI World Index (C\$), 16.23% from the MSCI Emerging Markets Index (C\$), 16.32% from the S&P 500 (C\$), and 8.68% from the FTSE Canada Universe Bond Index.

Guardian's institutional assets under management ("AUM") were \$42.5 billion at the end of 2020, up from \$27.9 billion at the end of 2019. The largest contribution to this increase was the \$9.6 billion (\$7.2 billion USD) in US Fixed-Income assets added from the purchase of Agincourt on closing. In addition, positive cash flow of \$5.5 billion was provided in our Global Equity strategies, predominantly provided by GuardCap, but offset by smaller net outflows in our Canadian strategies. Finally, net positive performance during this challenging year was provided by all major investment categories, Canadian Equities, Global Equities and Fixed-Income.

Our AUM in foreign equity strategies were \$18.5 billion at the end of the year, an increase from \$11.5 billion at the end of 2019. Foreign equity strategies continue to represent our fastest area of growth, which now account for approximately 44% of our total AUM, compared to 41% in 2019 and 34% in 2018.

The AUM for our fixed-income mandates increased significantly in 2020, largely as a result of our acquisition of Agincourt. Fixed income AUM was \$16.6 billion at the end of 2020 as compared to \$7.5 billion at the end of 2019.

As always, continued stability in the investment teams and organization, and strong client service and business development efforts, supported the business effectively in 2020.

Canadian Equity

The Canadian equity market was affected by the historically high exposure to cyclicals, a heavy weight in gold, and relatively low exposure to technology, although Shopify is now the largest stock in the TSX index. All in, the S&P/TSX's total return of 5.6% for this tumultuous year lagged behind many other regional markets, especially those with much larger exposure to technology stocks.

Our various Canadian equity strategies performed as expected, considering the market environment. Our Growth strategy performed the best, having the largest allocation to technology stocks and the lowest exposure to energy, and outperformed the S&P/TSX benchmark. Our other strategies all underperformed the broad market benchmark, largely due to their relatively low exposure to technology (or their exposure to weaker technology names) and relatively high exposure to energy and real estate. We anticipate that 2021 will see markets normalizing further and our quality focus once again coming back into favor.

US Equity

Our main US equity strategies, US Large Cap Growth and US All Cap Growth, are managed by Alta. These strategies follow a high-conviction approach, investing in quality growth companies exhibiting a high degree of free cash flow and sustainable revenue growth. This approach complements our company-wide array of high-conviction strategies, both in concept and investment philosophy.

Alta entered the year 2020, a time of stretched equity valuations, by having sizeable positions in stocks catering to mobility trends of financially healthy consumers. These included stocks of businesses catering to travel and leisure,

and little or no exposure to already expensive technology stocks. This proved painful when the pandemic hit, as it went against the very behavior they had been anticipating. As the worst of the initial market reaction to the crisis passed, they regained some lost ground, and performed well, ending the year by beating the broad-market S&P500, but significantly under-performing the main growth index. Alta ended the year with \$3.5 billion USD in AUM, a slight increase from 2019.

Global Equity

Guardian has two global strategy teams. The Toronto-based systematic team (rebranded as i³ Investments in 2020) follows a quantitative approach, while our London-based team follows a fundamental approach, focusing on quality growth companies combined with a high conviction mindset. These strategies serve as good complements to each other and provide a broader set of choices to investors.

The i³ Investments global equity team underperformed the market in their dividend-biased strategies, which account for the majority of the team's AUM, but they outperformed the High Dividend benchmarks. On the other hand, the Global Growth and International Growth strategies managed by the same team significantly outperformed their respective benchmarks. Of note, we launched a suite of Exchange Traded Funds ("ETFs") in 2020, focusing initially on the team's family of growth strategies.

During the year, i³ Investments continued to expand the use of factors determined using artificial intelligence methods, which now make up a sizeable component of all of their models. These enhancements have contributed to significant improvements in returns, which will further support the growth of this team in the future.

GuardCap, our London, UK-based subsidiary, manages the Fundamental Emerging Markets and the Fundamental Global Equities strategies. The Fundamental Global Equities strategy again experienced strong performance in 2020, continuing a long history of success for these professionals, which predates their tenure at Guardian. The strategy outperformed its benchmark in 2020, making it the fourth consecutive year and six out of seven years of outperformance since becoming part of Guardian.

The Fundamental Global Equities strategy's consistently strong performance record, and its underlying investment philosophy, has proven to be highly attractive to institutional investors from around the world who are increasingly interested in high-conviction strategies. As such, we have gained a number of new clients, who have helped to grow our AUM to \$10.7 billion at the end of 2020 from \$4.0 billion at the beginning of the year. We are optimistic that we will continue to experience growth, and that 2021 will bring a number of new appointments.

The Emerging Markets strategy had a very strong year in 2020, returning over 30% and outperforming its benchmark by 14%. The main drivers of performance were its exposure to technology stocks in Latin America and Asia, and its sizeable exposure to Asian economies that overall recovered from the pandemic faster than the rest of the world. We believe that with this strong performance now having persisted for over five years, placing it comfortably in the first quartile against its peers, will increasingly gain traction with institutional investors.

Canadian Fixed-income

Guardian's Canadian fixed-income mandates cover a broad range of profiles, addressing various combinations of parameters such as duration, types of issuers, currencies and risk profiles, and a large number of portfolios are highly customized to meet specific client needs.

The year 2020 turned out to be generally rewarding for all of our key mandates. Our conservative style of management paid off in the early days of the pandemic and afforded us the liquidity and comfort to add a number of corporate issues after they had been hit. We thereafter benefited from the compression in credit spreads, as investors looked toward normalization in response to positive news on the availability of vaccines. Our Core Bond strategy and our Investment Grade Corporate Bond strategy were both comfortably ahead of their respective benchmarks.

It remains astounding how persistently strong bond returns remain year-after-year. Yet this has largely been on the back of relentless drops in interest rates. The day will come when yields stay at their current levels or start increasing, thus hurting returns. We have been anticipating this trend, and are working at expanding our portfolio of strategies to better reward investors in that type of environment.

U.S. Fixed-income

Guardian's acquisition of Agincourt, a U.S. Fixed-Income investment management company based in Richmond, Virginia, added approximately \$7.2 billion USD in AUM on closing. These assets are largely concentrated in three strategies; Short Duration, Intermediate and Core. Their approach to investment management is similar to that of the Canadian team in many ways, as they invest conservatively in high-quality debt instruments, with an overall duration typically shorter than the benchmark and with an overweight to credits at the shorter end. Agincourt's returns in 2020 followed a pattern similar to those of the Canadian team. They outperformed when the credit crisis hit due to their conservative stance, and took advantage of the widening of credit spreads to add exposure and benefit from the ensuing credit spread tightening. The Core and the Short Duration strategies both outperformed their respective benchmarks in 2020.

We believe Agincourt is exceptionally well-positioned to increase the size of its business, due to the steadiness of their performance combined with Guardian's strategic support to expand their distribution capabilities in the United States.

Multi-Asset & Engineered Solutions

Multi-asset class strategies have been a relatively small component of Guardian's AUM, but we have witnessed steady growth now for a few years. Investors are increasingly recognizing Guardian's ability to customize balanced funds, by selecting strategies from our growing range of Canadian and foreign equity solutions, combined with a solid fixed-income offering and tactical asset mix decisions. Our multi-asset portfolios ended the year at \$450 million in AUM.

We also offer several strategies aimed at generating specific outcomes. These are currently all equity-based and combine a set of carefully selected stock options specifically focusing on generating cash flow or downside protection. These are relatively new, having been launched in 2019, and were tested by the extreme market conditions encountered in 2020. In all cases, returns were as expected. Some of these strategies were included in the ETFs launched in 2020, and we expect they will be especially appealing to investors planning for their post-retirement decumulation phase.

Real Estate

Since 2013, Guardian has been providing to clients the ability to invest in real estate, through our fund, Guardian Capital Real Estate Fund LP. Our highly-qualified professional real estate team invests the fund's assets in a broad range of smaller functional properties located across the country, with the intention of providing high and sustainable income for clients, and with the expectation that well-purchased properties may also provide capital gains to investors. Institutional and private investors, together with a commitment from Guardian, have provided net assets of over \$210 million for the fund. Through the careful use of borrowing, our team manages gross real estate assets valued at over \$340 million for the fund, including almost \$25 million of cumulative realized and unrealized property gains. Real estate is an important asset class for our clients, and our team has established a successful track record of efficiently deploying clients' capital and generating strong results. Although the year 2020 provided some operating challenges for our team, property operating margin, value of gross real estate assets, and the net assets of the fund, all provided reasonable increases during the year. We are starting to see more interest from new clients in this product which provides optimism for growth in 2021.

Investment Client Distribution

Institutional Markets

Guardian's US distribution efforts continue to take shape as we further develop our profile and product strategy in intermediated retail markets, predominantly with regional and national broker-dealers and, increasingly, with RIAs. Beyond this we have renewed coverage from Canada and US-based investment consultants, with the goal of increasing opportunities among the institutions that they advise for our competitive, marquee investment strategies. We continue to believe that the growth potential in the US market for Guardian strategies is very attractive. The addition of Agincourt to the group adds a new dimension to US distribution opportunities. Where Alta's growth has come mainly from the retail intermediary world, Agincourt's success comes largely from relationships built over the long term with investment consultants and with Outsourced Chief Investment Officer (OCIO) clients. Coordinating our efforts across these various channels should allow us to elevate the Guardian profile in the largest market in the world. This expansion of activities will also necessitate regular updates on product strategy to ensure we have the correct vehicles in place to provide investors with access to in-demand strategies.

In London, the GuardCap team has had a banner year of growth, as has been extensively reported. Their Dublin, Ireland-domiciled UCITS umbrella vehicle has seen steady inflows from clients in the UK, across the European continent and, newly, from Latin America where access is also now available through a local feeder fund. More broadly, 2020 saw further dramatic growth in AUM for the team's Fundamental Global Equity strategy from around the world. Our client base today runs the gamut from wealth managers and family offices to institutions and sovereign wealth funds. We are doing business with clients in the Americas, throughout Europe, in Asia and Australia. Expectations are growing that we will be able to maintain this growth momentum, not least because GuardCap's Emerging Markets strategy is now also marketable and globally competitive at a time when demand for this asset class is growing across the board, and is likely to be sustained for a number of years.

Following a number of years of attrition, our Canadian strategies are showing signs of stabilizing and, encouragingly, we have seen a number of pockets of growth. Our fixed-income team continued the pattern of recent years, receiving more liability-driven investing mandates from maturing defined-benefit pension plans. Interest has been maintained in Core and related Canadian equity strategies, the source of an encouraging number of new business opportunities, despite the quiet demand backdrop. We have seen more fruits of the active engagement with investment consultants based in Canada, with dedicated resources put in place for this purpose. We continue to receive a steady level of requests for proposals from smaller consultants. Their clients, typically First Nations communities and educational, healthcare and religious institutions, often have bespoke investment requirements which Guardian is well placed to facilitate.

Guardian has been increasing its commitment to serve institutional investors in multiple geographies. We continue to keep under consideration the addition of further direct sales resources in markets where we can identify attractive

opportunities and sustained demand. Guardian's evolution will continue. Our traditional strengths in Canada now form one part of a broad array of skill-based investment capabilities that span all global, liquid developed and emerging equity markets and North American fixed-income markets. In addition, we can engineer solutions with defined outcomes by making use of the deep liquidity available from derivative markets, whether for explicit downside protection or to alter and enhance return profiles. We continue to witness the commoditization of many traditional, mainstream investment strategies. While this trend may favour the largest, 'scale' players whose business models often embrace passive management with low fees, Guardian will continue to place an emphasis on skilled management which, we believe, when proven to be persistent will always be in demand and a source of premium margins. A good example of this is the sustained demand for active global equity management, which continues unabated as mentioned above. Guardian's profile continues to grow with an increasingly global audience. We have moved further down the path to becoming widely recognized as a leading manager and distributor of high-conviction, higher-concentration, active equity strategies covering the world's major markets, and for our ability to innovate relevant and progressive investment solutions.

Retail Markets

Guardian has continued to build its relationships with retail investors, from several distribution points across its network. From bases in Canada, the US and the UK, we have growing reach and an expanding retail intermediary client base in North America, Europe and Australia. This aligns Guardian well with macro growth trends, particularly in the markets into which Guardian now distributes its investment solutions and products. The evidence of recent years, together with most forecasts for the future, lead to the conclusion that, prospectively, significant growth in AUM will continue to come from retail and private investors.

In Canada, our retail client base remains well balanced across channels, and now includes both direct distribution of ETFs, mutual funds and separately-managed accounts ("SMA") through retail advice channels, as well as strong sub-advisory relationships. We maintain a leading position in the SMA market and unified managed account ("UMA") wrap programs with the top broker-dealers in the country, including all big six bank-owned broker-dealers and the largest independent dealers. In 2020, notwithstanding the challenges to markets and business models stemming from Covid-19, we witnessed continued strong distribution activity across retail markets in Canada, including our SMA and UMA programs and accelerating growth in a sub-advisory mandate gained in 2018. We launched a new suite of ETFs, re-positioned our suite of offerings under the banner "Guarding Your Prosperity Journey" - organized to focus on both the accumulation and decumulation phase of investors' financial lives - and continued to expand the availability of Guardian product on broker-dealer platforms.

With continued consolidation in the asset management space in Canada reducing the number of independent managers, Guardian is increasingly recognized and preferred as an independent wholesaler of diversified investment solutions which deliver consistent returns, strong investment team continuity, thought leadership and differentiated practice management content, and excellence in servicing advisors in the broker-dealer distribution channels. With our positioning that aligns Guardian with successful outcomes for their clients, Guardian is well-positioned to continue to grow with our partners as they continue to develop their fast-expanding fee-based programs. We have added significant and strong resources and staff in 2020, in service of our growing commitment to this extremely important endeavor.

PRIVATE WEALTH MANAGEMENT

Guardian Capital Advisors LP ("GCA") provides wealth management services to high net worth families, foundations and charities, primarily in Canada. As the trusted advisor to our private clients, we manage discretionary portfolios consistent with their investment goals and objectives. Our risk-based approach, combined with Guardian's institutional research in domestic and global investments, allows us to build well-structured and globally-diversified client portfolios. Guardian's continuing focus on expansion in US, international and emerging markets strategies, provides our clients with a distinct advantage over domestically-focused competitors. Our collaborative work with our clients' financial, legal, accounting, insurance and other advisors, ensures a holistic and integrated approach to wealth management. With ten seasoned client portfolio managers along with a strong administrative and support team, service and partnership with our clients remain at the forefront.

AUM increased over the prior year as a result of strong market appreciation as well as new clients during 2020. AUM at December 31, 2020 was just over \$3.3 billion, rising approximately \$125 million from 2019. Our business development efforts continue to focus on promoting awareness in the professional and financial advisory communities, in the endowment and foundation communities as well as the capability to better work with cross border clients has positioned GCA favourably.

INTERNATIONAL PRIVATE BANKING

As an extension of our Private Wealth Management business, our International Private Banking division services the wealth management needs of our international clients.

Alexandria Bancorp Limited is a well-capitalized private bank based in the Cayman Islands since 1990, licensed and regulated by the Cayman Islands Monetary Authority to provide investment, fiduciary and banking services.

Established in 2003, Alexandria Trust Corporation is licensed with the Barbados Ministry of International Business and Industry as a Corporate and Trust Service Provider.

Alexandria experienced mixed results in 2020. Notwithstanding pandemic measures impacting our clients globally, our fiduciary and investment business revenues were up 20% and 5% respectively over the prior year, while our banking revenues were significantly impacted by the lower interest rate environment.

ROBO-ADVISORY

Guardian acquired a 71% interest in Modern Advisor Canada Inc. (“Modern Advisor”), a leading Canadian digital advisory platform. The platform provides investors with cost-effective digital investment management services. The acquisition adds important digital capabilities providing an important foundational technology platform for Guardian’s digital strategy. During the year, Modern Advisor, together with Worldsource, invested in development of digital solutions for advisors and their clients. The investments are expected to continue into the near future before any meaningful revenues are earned from the new solutions.

FINANCIAL ADVISORY

Worldsource Wealth Management Inc. (“Worldsource”) is an integrated financial advisory platform, with independent financial advisors offering mutual funds, securities and life insurance products to Canadians from coast to coast. Worldsource operates two businesses, one offering insurance advisory services and the other offering financial planning and investment advisory services. The insurance advisory services are provided through IDC Worldsource Insurance Network Inc. (“IDCWIN”), a leading national life insurance Managing General Agency (“MGA”), which is 82.2% owned and provides sales, marketing and administrative support to licensed insurance advisors. The financial planning and investment advisory services are provided through Worldsource Financial Management Inc., a mutual fund dealer, and Worldsource Securities Inc., a securities dealer (together the “Dealers”). Worldsource promotes an open architecture, and thus provides advisors with the independence to choose the best available solutions for their clients. The advisors are further supported with quality reporting and administration, and a professional approach to sales compliance and product suitability.

Worldsource had another successful year in 2020, growing its assets under administration (“AUA”) to \$22.3 billion, from \$20.2 billion at the end of 2019. Net commission revenues grew to \$65.7 million and Operating earnings grew to \$18.9 million, from \$54.4 million and \$15.7 million, respectively, in 2019.

In IDCWIN, the segregated fund and accumulation annuity AUA increased to \$7.2 billion as at the end of 2020, compared to \$6 billion at the end of 2019, due to the strong market rebound, continued recruiting of new advisors and the addition of \$0.4 billion from the Quebec-based MGA acquisition, as discussed below. The annual contractual premiums on insurance policies sold increased to \$140 million in 2020 from \$125 million in 2019. This was a result of continued recruitment of top producing advisors, organic growth in the high net worth market, as well as the two acquisitions, Copoloff Insurance Agencies on October 1, 2020 and Aurea Signature Inc. on December 31, 2019. IDCWIN grew its net commission revenue by 26% to \$49.2 million in 2020. Included in the 2020 net commission revenue were annual renewal commissions of \$23.4 million, an increase of 24% from \$18.8 million in 2019. The renewal commissions are earned when policies sold in prior years are renewed. This annual revenue stream has a long tail and high persistency.

We have achieved significant growth in this business since its first acquisition back in 2011, when its Operating earnings were approximately at breakeven levels. In 2020, IDCWIN’s Operating earnings were \$17.5 million.

The Dealers ended the year with \$15.1 billion in AUA, a \$0.8 billion increase from \$14.3 billion in 2019. Despite the pandemic the Dealers enjoyed relatively strong financial markets and client retention in their effort to continue to grow AUA.

The conversion to a new technology platform for our IIROC securities dealer took place in Q4 and it followed the 2018 conversion of our MFDA dealer. Both technology conversions are strategically important, as the new platforms will result in improved operational effectiveness and a stronger platform for our advisors’ future growth. Our energies now focus on creating a digital, hybrid-advice platform with Modern Advisor to enhance our advisor and client experience and also enhance business development efforts to recruitment advisors to the Dealers.

GCLP and the Dealers continued to work closely to develop quality investment solutions for our advisors. AUA placed by advisors in investment solutions managed by Guardian’s investment management businesses were \$1.1 billion at year end, a 19% increase compared to the prior year. The largest share of these assets are placed with Guardian’s Private Wealth business; however, assets placed into Guardian mutual funds and separately managed account mandates have been growing at a faster pace in recent years.

Management's Discussion and Analysis

In accordance with securities regulatory requirements, the management's discussion and analysis which follows for Guardian Capital Group Limited, its subsidiaries and other controlled entities (together, "Guardian") pertains to the year ended December 31, 2020, with comparatives for the year ended December 31, 2019. Readers are encouraged to refer to Guardian's Consolidated Financial Statements contained in the 2020 Annual Report. This discussion and analysis has been prepared as of February 24, 2021.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements involve risks and uncertainties. There is a risk that the expectations reflected in such forward-looking statements will not be achieved. Undue reliance should not be placed on these statements, as a number of factors could cause actual results to differ from Guardian's objectives, plans, expectations and estimates reflected in the forward-looking statements. Factors which could cause actual results to differ from expectations include, among other things, general economic and market conditions, including interest rates, business competition, changes in government regulations or in tax laws, the duration and severity of the current COVID pandemic, and other factors.

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. Guardian is headquartered in Canada and has offices in Canada, the United Kingdom ("UK"), the United States ("US") and the Caribbean. The areas in which Guardian operates are: institutional and private wealth investment management, financial advisory and corporate activities and investments. Guardian operates its institutional investment management business through Guardian Capital LP, based in Canada; GuardCap Asset Management Limited, based in the UK; and Alta Capital Management, LLC and Agincourt Capital Management, LLC, both based in the US. Other investment management businesses are operated through Guardian Capital Advisors LP's Canadian private wealth business, Modern Advisor Canada Inc., a Canadian robo-advisory business, and Alexandria Bancorp a Caribbean-based international private bank. The financial advisory business is operated through IDC Worldsource Insurance Network Inc. ("IDCWIN"), an insurance managing general agency ("MGA"), Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer, and Worldsource Securities Inc., a securities dealer (together, the "Dealers"). As at December 31, 2020, Guardian had \$46.0 billion of assets under management ("AUM") and \$22.3 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which includes its investment in Bank of Montreal ("BMO") shares, with a fair value of approximately \$633 million as at December 31, 2020.

NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA per share, Adjusted cash flow from operations, Adjusted cash flow from operations per share, Shareholders' 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 utilize these measures in their analysis of Guardian's results. On page 23 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

2020 HIGHLIGHTS

The year 2020 was a notable year in many ways for Guardian. The onset of the COVID-19 pandemic and the resulting worldwide financial market disruptions in the first quarter created much uncertainty. This initially raised concerns about a potential significant drop in revenues as the fee earnings client assets declined alongside global equities markets. The fair value of Guardian's securities holdings also suffered significant declines. In response to the pandemic, Guardian enacted its business continuity plan ("BCP") on March 16 and transitioned substantially all of its Associates to remote work. In doing so, Guardian was able to protect its Associates and continue to service its clients without interruptions to the business. In addition, to protect its balance sheet and create liquidity during the initial stage of the disruption, Guardian sold a portion of its holdings in BMO shares, and the proceeds were used to pay down a portion of its debt. Today, we continue to operate effectively from remote locations, and are prepared to continue to do so. Throughout the pandemic, Guardian was able to retain all its Associates, without the need to apply for government subsidies or assistance. This decision benefited Guardian as having a full complement of Associates better prepared Guardian to emerge from the lows of Q1. The continued impact of COVID-19 on the global financial markets, their economies, and ultimately Guardian is difficult to predict. Prolonged period of public health restrictions and lockdowns are likely to result in continued market volatility and negative economic impact.

As global equities markets started to stabilize and recover, Guardian, was well positioned to emerge and finish strong in the second half of the year. Guardian is reporting historic highs in substantially all of its financial metrics in 2020. Net revenue grew 16% to \$215.8 million, Operating earnings grew 12% to \$54.8 million, AUM grew 48% to \$46.0 billion, and AUA grew 10% to \$22.3 billion. The current year was also the most active year we have ever had for acquisitions. Including the acquisition closed on December 31, 2019, Guardian completed four acquisitions and entered into an agreement on another, which is expected to close in early 2021. All these were achieved while substantially the entire staff worked remotely.

In 2020, Guardian continued to make significant progress in its strategic objective to expand its non-domestic AUM, and to continue to diversify its revenue sources away from a historical concentration in Canadian equities. The UK subsidiary's Fundamental Global Equity strategy completed another strong year, with AUM growing to \$10.7 billion, from \$4.0 billion at the end of 2019. With this growth, the non-Canadian equity AUM is now more than double the Canadian Equity AUM.

To further support this strategic objective, Guardian completed the acquisition of a 70% interest in Agincourt Capital Management, LLC ("Agincourt") on October 1, 2020 for a purchase price of \$13.0 million USD on closing, and contingent payments of up to \$4.0 million USD over the next two years. On closing, Agincourt had AUM of approximately \$7.2 billion USD. This acquisition provides Guardian with further diversification in its revenue sources by both product and geography, while also providing improved distribution capabilities in key US markets. The management and key employees of Agincourt retained the remaining 30% interest in the business, ensuring continuity in the business operations.

Within the Financial Advisory Segment, IDCWIN followed up its acquisition of Aurrea Signature Inc. ("Aurrea") on December 31, 2019, and completed its second acquisition in the Quebec market with the acquisition of Copoloff Insurance Agencies ("Copoloff") on October 1, 2020 for a purchase price of \$17.5 million. This acquisition is well aligned with our objective to expand into the Quebec market. Key management employees were retained as part of the transaction.

Guardian completed the acquisition of a 71% interest in Modern Advisor Canada Inc. ("Modern Advisor") on February 28, 2020 for a purchase price of \$3.7 million. Modern Advisor is a leading Canadian digital advisor platform and will provide Guardian with a foundational building block for its digital strategy, serving as part of Guardian's overall technology strategy and plans. Key management employees were retained as part of the transaction.

In addition to acquisitions, Guardian also made investments to strengthen its retail distribution capabilities in Canada by initiating a buildout of the Canadian Retail Asset Management business. By the end of the year, the initial recruitment phase of the team was substantially finalized, technology infrastructure to support a digitized marketing strategy was substantially built, and the launch of its initial suite of Exchange Traded Funds was completed.

During the second half of 2020, Guardian initiated a more active strategy to reduce its holdings of BMO shares. In Q3, Guardian underwrote its initial set of call options on BMO shares, hedging these positions with a portion of its holdings of the shares. The options were underwritten with strike prices at levels where Guardian was prepared to dispose of those shares. This established a more intentional disposition process, while earning premium income from the underwritten options. An additional 400,000 shares of BMO were disposed in the last quarter of 2020, as a result of delivering the shares on exercise of these options. In aggregate, 1.2 million shares of BMO were disposed of in 2020.

CONSOLIDATED FINANCIAL RESULTS

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

For the year ended December 31 (\$ in thousands, except per share amounts)	2020	2019	% change
Net revenue	\$ 215,791	\$ 186,102	16%
Expenses	160,950	137,201	17%
Operating earnings	54,841	48,901	12%
Net gains (losses)	(1,313)	96,706	-101%
Earnings (losses) before income taxes	53,528	145,607	-63%
Income tax expense	7,460	19,147	-61%
Net earnings (losses)	\$ 46,068	\$ 126,460	-64%
Attributable to shareholders:			
Net earnings (losses)	\$ 42,358	\$ 123,120	-66%
EBITDA	70,325	63,214	11%
Adjusted cash flow from operations	56,773	51,634	10%
Attributable to shareholders, per share, diluted:			
Net earnings (losses)	\$ 1.57	\$ 4.50	-65%
EBITDA	2.60	2.32	12%
Adjusted cash flow from operations	2.10	1.90	11%
As at December 31 (\$ in millions, except per share amounts)	2020	2019	% change
Shareholders' equity	\$ 700	\$ 683	2%
Securities	633	682	-7%
Per share, diluted:			
Shareholders' equity	\$ 25.69	\$ 25.01	3%
Securities	23.23	24.99	-7%
For the years ended December 31 (\$ in millions)	2020	2019	% change
Annual premiums on insurance policies sold	\$ 140	\$ 125	12%

Guardian's consolidated Operating earnings for the year ended December 31, 2020 were \$54.8 million, as compared to \$48.9 million for the year ended December 31, 2019, a 12% increase. The largest growth in Operating earnings came from GuardCap, our UK-based subsidiary, and IDCWIN, our MGA business.

Operating earnings from the Investment Management Segment were \$28.8 million in 2020, a 23% increase over 2019 of \$23.4 million. The increase is largely attributable to a \$10.6 million increase in Operating earnings from GuardCap, a \$0.9 million contribution from the recently acquired Agincourt, and \$0.6 million growth from our Private Wealth business. GuardCap delivered another successful year of growth, driving its AUM to \$10.7 billion from \$4.0 billion at the end of 2019. We are excited about the prospects for 2021 with this business. The anticipated full year's revenue on the current year's asset inflows alone has the potential to significantly increase its revenue in 2021.

This growth in Operating earnings was partially offset by Operating losses and lower Operating earnings in other business units, including \$3.8 million in combined Operating losses incurred by the Canadian Retail Asset Management business and Modern Advisor. The Operating losses in these two new strategically important businesses are expected to continue and may rise in the short term, before positive Operating earnings contributions can be expected.

The Financial Advisory Segment is reporting Operating earnings of \$18.9 million, as compared to \$15.7 million in 2019, a 20% increase. This was largely driven by another year of significant growth in Net commission revenue and Operating earnings in the MGA business, including contributions from acquisitions. This business continued to benefit from increased sales generated by the advisors recruited in the current and prior years, as well as from the acquisitions of Aurrea and Copoloff. The Operating earnings contributions from these two acquisitions were \$1.2 million in 2020.

The MGA's Operating earnings grew to \$17.5 million from \$13.7 million in 2019 and hit historic highs in many other financial measures, such as contractual annual premiums on life insurance policies sold ("Premiums Sold"), AUA, and Net commission revenue. Partially offsetting this growth was a decrease in Operating earnings from the Dealers business to \$1.4 million in 2020. Investments into strategically important initiatives resulted in elevated expenses. The securities Dealer completed a conversion onto a new platform in Q4, continued to make enhancements to the new technology platform and integrated digital workflow leveraging Modern Advisor's technology. These investments are meant to improve advisor experience and operational efficiencies while better preparing the business for the next phase of growth. While we make these investments, we expect the Operating earnings in the Dealers business to continue to be modest in the near-term, with the expectation of much higher earnings in future periods.

The Corporate Activities and Investments Segment earned \$7.1 million in Operating earnings in 2020, compared to \$9.8 million in 2019. The decrease in Operating earnings was due to a combination of lower income from securities and higher expenses in 2020. The lower dividend income from securities was due largely to the reduction of dividends resulting from the 1.2 million shares of BMO sold during the year, as discussed in the 2020 Highlights section above. A portion of the proceeds from the sales were used to partially pay down Guardian's bank borrowings. The increased expenses were largely associated with investments made into additional staffing to support the growth of the operating businesses and the expenses associated with consolidated investments funds.

Guardian's Net losses in 2020 were \$1.3 million, compared to Net gains of \$96.7 million in 2019. Although current losses are a relatively small amount, the year proved to be a very volatile one. During the first quarter of 2020, as global equities markets experienced significant decline at the initial onset of the pandemic, Net losses reached \$161.3 million. This was largely the result of significant decreases in the fair values of securities. As global equities markets started to recover in the second quarter, the fair values of securities began to do the same, and by the end of the year, these initial Net losses were substantially recovered.

Net earnings attributable to shareholders in 2020 were \$42.4 million, compared to \$123.1 million in 2019. The decrease was caused by the large swing in Net gains to Net losses from 2019 to 2020, partially offset by the increase in Operating earnings in 2020, as described above.

EBITDA for the year ended December 31, 2020 was \$70.3 million, compared to \$63.2 million in 2019, a \$7.1 million or a 11% increase. Adjusted cash flow from operations for the year amounted to \$56.8 million, compared to \$51.6 million in 2019, a 10% increase.

The following is a summary of Guardian's assets under management and assets under administration:

For the years ended December 31 (\$ in millions)	2020	2019
Assets under management, beginning of year	\$ 31,147	\$ 26,962
Agincourt acquisition	9,618	—
Modern Advisor acquisition	102	—
Net additions (reductions) from clients during year	3,242	(73)
Market appreciation	1,875	4,258
Assets under management, end of year	\$ 45,984	\$ 31,147
End of year amounts comprised of:		
Institutional	\$ 42,496	\$ 27,930
Private wealth, Robo-advisory and international private banking	3,488	3,217
Total Assets under management, end of year	\$ 45,984	\$ 31,147
Institutional AUM is comprised of:		
Canadian equities	\$ 7,356	\$ 8,937
Global equities	18,510	11,528
Fixed-income	16,630	7,465
Total institutional AUM	\$ 42,496	\$ 27,930
Assets Under Administration ¹	\$ 22,289	\$ 20,248

(1) 2020 AUA includes \$430 million associated with the acquisition of Copoloff Insurance Agencies.

REVENUES AND EXPENSES

Guardian's Net revenue in 2020 was \$215.8 million, a growth of 16% from \$186.1 million in 2019. The growth came from both the Investment Management and the Financial Advisory Segments, partially offset by lower income from securities earned in the Corporate Activities and Investments Segment.

Investment Management Revenues

The largest source of revenue at Guardian is management fees received from clients, which vary as a result of changes in the amounts of client assets managed, and variations in the rates of management fees charged. The investment management revenue discussions below do not include the effects of the inter-segment eliminations, which are provided in Note 19 to Guardian's 2020 Consolidated Financial Statements.

Guardian's total AUM was \$46.0 billion at December 31, 2020, an increase of 48% from \$31.1 billion at December 31, 2019. The growth was due to a combination of significant net inflow of assets into the Fundamental Global Equity strategy, the acquisitions of Agincourt and Modern Advisor and positive financial market performance, offset by the net redemption of assets from the Domestic Strategies.

Management fees, net of referral fees paid, were \$113.6 million for the year ended December 31, 2020, 22% higher than the \$93.3 million in fees earned in 2019. Institutional management fees were \$95.1 million in 2020, a 26% increase from

\$75.5 million in 2019. The growth can be attributed largely to the growth in AUM, as described above, the acquisitions during 2020 and the improved net average fee earned on assets. GuardCap now accounts for 38% of the institutional management fees. Also included in the institutional management fees was the \$3.5 million contribution from Agincourt. Private Wealth, International Private Banking and Modern Advisor earned management fees, net of referral fees paid, of \$18.5 million in the current year, an increase of 4% from \$17.8 million in 2019.

Financial Advisory Commission Revenues

Net commission revenue earned from the Financial Advisory Segment is generated from the sale of life insurance products, mutual funds and other securities, as well as from continuing trailer and renewal (former referred to as servicing) commissions related to AUA and in-force life insurance policies, net of commissions paid to advisors.

Total AUA at Guardian at the end of 2020 amounted to \$22.3 billion, 10% higher than the \$20.2 billion at the end of 2019. The Dealers' AUA was \$15.1 billion at the end of 2020, compared to \$14.3 billion at the end of 2019. The MGA's AUA was \$7.2 billion at the end of 2020, compared to \$6.0 billion at the end of 2019. The increase was due largely to a combination of market performance, the \$0.4 billion of AUA added through the acquisition of Copoloff, net recruitment of advisors and net flows during the year.

The contractual premiums on life insurance policies sold ("Premiums Sold") in 2020 by the MGA subsidiary were \$140 million, compared to \$125 million in 2019. This growth was driven by the contributions from Copoloff and Aurrea acquisitions, new sales contributed by the advisors recruited in 2020 and the full year's impact of the recruitments in 2019. The Financial Advisory Commission revenue discussions that follow do not include the effects of the inter-segment eliminations, which are provided in Note 19 to Guardian's 2020 Consolidated Financial Statements.

Net commission revenue from the Financial Advisory Segment was \$65.7 million for the year ended December 31, 2020, an increase of 21% over the \$54.4 million earned in 2019. The MGA net commission revenue increased to \$49.2 million from \$39.0 million in 2019. The acquisitions of Copoloff and Aurrea added \$8.6 million in net commission revenue to the MGA business. Included in the MGA's total net commission revenue are the recurring renewal commissions, which are earned on renewal of Premiums Sold in prior years. It increased to \$23.4 million in 2020 from \$18.9 million in 2019. The Dealers net commission revenue increased to \$16.5 million in 2020 from \$15.4 million in 2019, an increase of 7%.

Administrative Services Income

Administrative services income amounted to \$17.1 million in 2020, compared to \$16.1 million in 2019. This revenue is comprised of \$9.6 million of registered plan and other fees earned in the Financial Advisory Segment, as compared to \$9.3 million in 2019, and \$7.5 million in fund administration, trust and corporate administration and other fees earned in the Investment Management Segment in 2020, as compared to \$6.8 million in 2019.

Dividend and Interest Income

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

For the years ended December 31 (\$ in thousands)	2020	2019
Bank of Montreal common shares	\$ 12,402	\$ 14,360
Other securities	5,364	4,708
Dividend income	18,036	19,068
Interest income on securities	709	1,457
Interest income from operations	1,697	3,026
Interest income	2,406	4,483
Total dividend and interest income	\$ 20,447	\$ 23,551

Dividend and interest income decreased to \$20.4 million in 2020, from the \$23.6 million in 2019. Dividends on the BMO shares decreased by \$2.0 million as a result of fewer shares being held throughout 2020. Dividends on other securities increased by \$0.7 million, as additional investments were made to seed new proprietary strategies in 2020. Interest income on securities decreased by \$0.7 million compared to the prior year, largely due to the full redemption of a preferred share investment in 2020. Interest income from operations, which is earned in the Dealers business, decreased by \$1.3 million, largely as a result of the significant decrease in interest rates during 2020.

Expenses

Guardian's operating expenses, excluding commissions paid and referral fees, were \$161.0 million in 2020, compared with \$137.2 million in 2019, an increase of 17%. Included in the 2020 expenses are expenses of \$11.9 million associated with the newly acquired businesses of Agincourt, Copoloff, Aurrea and Modern Advisor. The remaining increases in expenses can largely be attributed to GuardCap and the Canadian Retail Asset Management team. GuardCap's increases were largely related to incentive compensation expenses and the expenses incurred by the Canadian Retail

Asset Management team were associated with the buildout of the team and the launch of the initial suite of ETFs during the year. These increased expenses were partially offset by discretionary expenses which were either deferred or eliminated due to the onset of the COVID-19 pandemic and the resulting restrictions. The largest of these decreases in discretionary expenses in 2020 were related to travel, entertainment and marketing.

NET GAINS (LOSSES)

For the years ended December 31 (\$ in thousands)	2020	2019
Bank of Montreal common shares	\$ (38,900)	\$ 42,464
Other securities	37,400	50,291
Net gains (losses) on securities	(1,500)	92,755
Net gains on disposal of intangible assets	1,570	1,049
Net gains on disposal of equipment	420	—
Net foreign exchange gains (losses)	(1,803)	2,902
	\$ (1,313)	\$ 96,706

The Net losses were \$1.3 million in the current year, compared to net gains of \$96.7 million in 2019. Although the Net losses in the current year is a relatively a modest balance, the volatility in global financial markets relating to the COVID-19 pandemic resulted in significant fluctuations in Net gains (losses) throughout the year. In the first quarter, at the onset of the COVID-19 pandemic, as the global financial markets suffered significant losses and the Canadian dollar depreciated against the US dollar, Guardian's Net losses on Securities reached \$155.7 million and foreign exchange losses reached \$5.9 million. As the global financial markets stabilized and started to recover in the second quarter, Guardian also started to recover from the losses on Securities and foreign exchange. By the end of the year, the fair values of securities, other than the BMO shares, increased to record Net gains of \$37.4 million for the year and the foreign exchange losses were reduced to \$1.8 million. The Net losses on BMO shares for the year were \$38.9 million. This is due to 1.2 million shares being disposed of during the year at average price below the January 1, 2020 levels and also due to the remaining shares being fair valued at year end closing price which was below the levels at the beginning of the year.

During 2020, Guardian undertook a more active strategy to continue to reduce its exposure to BMO shares. In the third quarter of 2020, Guardian underwrote call options on BMO common shares, utilizing a portion of its holding to hedge the obligations on the call options. These options were underwritten with strike prices at levels Guardian was willing to dispose those shares at. As a result, 400,000 out of the total of 1.2 million shares disposed of during the year were disposed as a result of delivering those shares to close out these call options.

LIQUIDITY AND CAPITAL RESOURCES

The strength of Guardian's balance sheet has enabled Guardian to provide clients with a high level of comfort, maintain the appropriate levels of working capital in each of its areas of operation, make the necessary capital expenditures to develop and support its businesses, attract strong Associates and make appropriate use of borrowings, including financing the expansion of its businesses. The hallmark of Guardian's balance sheet is the significant liquid marketable securities portfolio, as presented below:

As at December 31 (\$ in thousands, except per share amounts)	2020	2019
Securities, carried at fair value		
Proprietary investment strategies:		
Short-term and fixed-income securities	\$ 36,244	\$ 18,049
Canadian equities	11,422	10,717
Global equities	300,204	243,703
Real estate	24,847	22,364
	372,717	294,833
Bank of Montreal common shares	222,295	351,750
Short-term securities	20,857	14,725
Equities	16,702	15,971
	632,571	677,279
Security, carried at amortized cost	—	5,000
Securities	\$ 632,571	\$ 682,279
Total securities per share, diluted	\$ 23.23	\$ 24.99

Guardian's securities as at December 31, 2020 had a fair value of \$633 million, or \$23.23 per share, compared with \$682 million, or \$24.99 per share, as at December 31, 2019. The lower fair value of securities in the current year is due largely to the disposition of 1.2 million shares of BMO during the year and the year end price of BMO shares being lower than at the

end of 2019. The proceeds from the sale were primarily used to partially pay down debt and to partially fund acquisitions during the year. Guardian's Shareholders' equity as at December 31, 2020 amounted to \$700 million, or \$25.69 per share, compared to \$683 million, or \$25.01 per share, as at December 31, 2019. The increase reflect the Net earnings in 2020, partially offset by dividends paid and share repurchases.

In addition to its large liquid marketable securities portfolio, Guardian has, under various borrowing arrangements, total borrowing capacity of \$160 million, an increase of \$5.0 million from 2019. The total bank borrowing amounted to \$95.7 million at the end of the current year, as compared with \$113.7 million at December 31, 2019.

Guardian generated Adjusted cash flow from operations of \$56.8 million during the current year, compared to \$51.6 million in 2019. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, repay debt where possible and for capital expenditures, including acquisitions. At current levels of cash flow and anticipated dividend payout rates, Guardian generates sufficient cash flow to meet its operating obligations, necessary capital expenditures, other than significant acquisitions, dividend payments and normalized levels of share repurchases.

In 2020, by utilizing its strong balance sheet and cash flows, Guardian returned \$19.6 million to the shareholders in the form of dividends and share repurchases, funded \$48.8 million in acquisitions, funded \$6.3 million in net recruitment of advisors in the Financial Advisory Segment, and reduced debt by \$18 million.

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 December 31, 2020 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 95,737	\$ 95,737	\$ —	\$ —	\$ —
Client deposits	43,128	43,128	—	—	—
Payable to clients	77,313	77,313	—	—	—
Accounts payable and other	75,994	75,994	—	—	—
Other liabilities	31,093	—	26,048	5,045	—
Investment commitments	22,195	22,195	—	—	—
Scheduled lease payments	15,262	3,293	5,901	3,971	2,097
Third party investor liabilities	59,063	59,063	—	—	—
Total contractual obligations	\$ 419,785	\$ 376,723	\$ 30,890	\$ 8,383	\$ 2,097

Guardian's contractual obligations are supported by its strong financial position, including its securities and its borrowing capacity, referred to above under "Liquidity and Capital Resources". Client deposits, in the offshore banking subsidiary, are largely supported by interest-bearing deposits with banks. The third party investor liabilities are offset by securities backing third party investor liabilities. 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. Guardian has two investment commitments. The first is a commitment to further invest \$13.9 million into a real estate limited partnership managed by a subsidiary, and the second is a commitment to invest an additional \$8.3 million in a private equity fund. Guardian will decide on the appropriate strategy for funding these commitments when called upon by the funds.

SELECTED ANNUAL INFORMATION

Years ended December 31 (\$ in thousands, except per share amounts)	2020	2019	2018
Net revenue	\$ 215,791	\$ 186,102	\$ 171,513
Net earnings (losses) attributable to shareholders	42,358	123,120	(16,952)
Per share			
Net earnings (losses) attributable to shareholders:			
Basic	\$ 1.67	\$ 4.77	\$ (0.63)
Diluted	1.57	4.50	(0.63)
Dividends paid	0.630	0.575	0.475
As at December 31 (\$ in thousands)	2020	2019	2018
Total assets	\$ 1,153,562	\$ 1,129,963	\$ 988,868

The increase in total assets in 2020 as compared to 2019 is largely attributable to an increase in the market value of securities in 2020, an increase in interest-bearing deposits and increases in intangible assets and goodwill in the MGA during the year.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes Guardian's financial results for the past eight quarters.

	2020				2019			
As at (\$ in millions)	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Assets under management	\$ 45,984	\$ 32,734	\$ 31,196	\$ 27,527	\$ 31,147	\$ 30,243	\$ 30,088	\$ 29,631
Assets under administration	22,289	20,755	20,010	18,152	20,248	19,040	18,784	18,745
Quarters ended (\$ in thousands)								
Net revenue	\$ 63,724	\$ 52,042	\$ 50,124	\$ 49,901	\$ 49,865	\$ 45,983	\$ 45,963	\$ 44,291
Operating earnings	18,493	12,108	13,427	10,813	13,030	12,105	12,590	11,176
Net gains (losses)	80,983	35,739	43,254	(161,289)	24,140	(1,274)	7,957	65,883
Net earnings (losses)	87,083	42,652	51,244	(134,911)	31,808	8,952	17,601	68,099
Net earnings (losses) attributable to shareholders	86,039	42,201	50,486	(136,368)	30,787	8,275	16,838	67,220
Quarters ended (in \$)								
Net earnings (losses) attributable to shareholders:								
Per Class A and Common share								
Basic	\$ 3.38	\$ 1.66	\$ 1.99	\$ (5.35)	\$ 1.20	\$ 0.32	\$ 0.65	\$ 2.57
Diluted	3.17	1.56	1.87	(5.35)	1.13	0.31	0.62	2.43
Dividends paid	0.160	0.160	0.160	0.150	0.150	0.150	0.150	0.125
As at								
Shareholders' equity (\$ in thousands)	\$ 699,610	\$ 631,863	\$ 596,265	\$ 562,821	682,777	653,983	647,983	656,167
Per Class A and Common share (in \$)								
Basic	\$ 27.43	\$ 24.80	\$ 23.50	\$ 22.18	\$ 26.73	\$ 25.49	\$ 25.26	\$ 25.14
Diluted	25.69	23.25	22.07	20.94	25.01	23.93	23.73	23.66
Total Class A and Common shares outstanding (shares in thousands)	27,740	27,758	27,758	27,758	27,839	27,956	27,956	28,405

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

Management fees earned in the Investment Management Segment and trailer and other recurring commission revenues earned on mutual funds and segregated funds in the Financial Advisory Segment are highly correlated to the change in AUM and AUA, which can fluctuate with the performance of the global financial market. Partially offsetting this correlation is the continued growth in significance of insurance commissions earned by our MGA business, which are less influenced by the volatility of those financial markets. Some seasonality in commission revenues occurs in the MGA business, where the last quarter of the year could result in increased revenues from "volume bonus" commissions earned from the life insurance companies based on the levels of sales achieved. In the Corporate Activities and Investments Segment, some fluctuations in dividend income can be seen in the second quarter and to a lesser extent, in the fourth quarter of each year, due largely to dividends from foreign equities which pay semi-annual dividends and some "special" dividends mid-year during those periods.

The first quarter of 2020 was the onset of the COVID-19 pandemic, which resulted in significant decline in the global financial markets, impacting the value of securities, net earnings, shareholders equity, AUM and AUA.

RISK FACTORS

Guardian applies many of the same risk management principles to its business as a whole. One of these principles is that risk can pose challenges, as well as provide opportunities, depending upon the effectiveness of the way in which it is managed. The following sections discuss the most significant risks and Guardian's management processes to mitigate them. Readers are encouraged to refer to Note 21 of the Consolidated Financial Statements, contained in Guardian's 2020 Annual Report, for additional information on financial risk management.

Market Risk

Market fluctuations can have a significant effect on the value of both clients' portfolios and our earnings, since the largest portion of our revenues are generated from AUM and AUA. The recent market volatilities arising from the onset of the COVID-19 pandemic has increased this risk. 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 Risk

Guardian's securities are subject to the risk of price fluctuations. The potential impact of market fluctuations on the value of Guardian's securities is quantified in Note 21 of the Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. As at December 31, 2020, Guardian holds \$222 million of BMO shares (2019 – \$352 million), which represents 35% of Guardian's securities (2019 – 52%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.7 million shares, or 52% of its holdings since the second quarter of 2013 including 1.2 million shares in 2020. The proceeds are used to support our business by investing in new products that are managed by our Investment Management business, fund acquisitions and pay down debt. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. At December 31, 2020, the corporate holding of securities consisted of 35% Canadian equities (2019 – 57%), primarily consisting of Bank of Montreal shares, 52% of non- Canadian equities (2019 – 37%) and 9% short term investments and fixed-income securities (2019 – 6%).

In the third quarter of 2020, Guardian commenced underwriting call options on BMO common shares as part of its covered-call option strategy. The risk of underwriting call options is the risk that the holder of the options may exercise their right to call those shares from the underwriter at the strike price when the market price is higher. Under such a scenario, Guardian, as the underwriter, must acquire the shares at prices higher than the strike price and deliver those shares to the option holder and incur a loss. To mitigate against such risk, Guardian hedges the obligations associated with these options by holding the same number of shares as the number of options underwritten.

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

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings (losses), but are recorded in the "Net change in foreign currency translation on foreign subsidiaries" in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets. With the acquisition of Alta in 2018 and more recently, 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 rate compared to the Canadian dollar. From time to time, Guardian may record certain foreign exchange gains (losses) in Net earnings, such as on the current US Dollar borrowings used to finance the acquisition of Alta and Agincourt. This risk is partially offset by a similar but offsetting amount being recognized on those investments through Other comprehensive income, as discussed above. Guardian may also record gains (losses) in Net earnings on Canadian dollar cash balances held by foreign subsidiaries. These foreign exchange gains and losses result in similar but offsetting Net gains (losses) being recorded in Other comprehensive income as discussed above. Readers are encouraged to refer to Note 21 in the 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, which are secured by marketable securities. Guardian periodically reviews the financial strength of all of its counterparties, and if the circumstances warrant it, Guardian takes appropriate action to reduce its exposure to certain counterparties. The credit risk associated with Guardian's investment in fixed-income mutual funds is managed by the monitoring of the activities of the portfolio manager who, through diversification and credit quality reviews of the funds' investments, manages the funds' credit risk. The credit risk associated with the investment in amortized cost securities is managed by monitoring the issuer's operations through discussions with the issuer's management. From time to time, advisors in the Financial Advisory segment may owe advances received or amounts resulting from reversal of commissions to the Dealer or the MGA. The credit risk associated with these amounts is mitigated by management's review of the advisors' abilities to repay the advances or the potential commission reversals, particularly in the MGA business, before amounts are paid to the advisors.

Interest Rate Risk

Guardian's most significant exposure to interest rate risk is through its bank loans and borrowings. The interest rates on these borrowings are short-term, and Guardian's interest expense and net earnings will fluctuate with the changes in short-term rates. Guardian manages interest rate risk in its international banking operations, through matching the interest rates of client deposit liabilities with the assets, which consist of interest-bearing deposits with banks or other similar interest-earning instruments. 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 borrowing facilities with major Canadian banks, which currently has \$64 million of the \$160 million available to be drawn upon through three credit facilities, and by leveraging the support of its significant security portfolio. The maturities of Guardian's contractual commitments are outlined under "Contractual Commitments" in this MD&A. Management believes the combination of the cash flows from operations, the securities holdings and the borrowing facilities provides sufficient resources to manage Guardian's liquidity risk.

Regulatory Risk and Legal Risk

Guardian and its subsidiaries operate in an environment subject to various laws and regulations. Given the nature of certain of Guardian's subsidiaries, they 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.

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

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.

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.

Competition Risk

Guardian operates in a highly competitive environment, with competition based on a variety of factors including investment performance, the type and quality of products offered, business reputation and financial strength. Loss of client assets, in both the Investment Management Segment and the Financial Advisory Segment, will result in losses of revenue and earnings to Guardian. Guardian attempts to mitigate this risk by developing and maintaining strong client and advisor relationships, a competitive product line with competitive relative performance of its products, the recruitment and retention of high-quality 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.

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, and the use of internet, such as emails and other online capabilities, Guardian is exposed to information security and other technology disruptions risks that could potentially have an adverse impact on its business. Guardian actively monitors this risk and continues to develop controls to protect against such threats that are becoming more sophisticated and pervasive. The cyber security risk has increased during the current period while the majority of Guardian's employees are working remotely and connecting to Guardian's data centres as part of its Business Continuity Plan. Guardian has heightened its monitoring of the internal network traffic and the monitoring of developments in latest known cyber threats.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions which affect the reported amounts of assets, liabilities, contingencies, revenues and expenses. These estimates and judgements are listed in Note 2(c) to Guardian's 2020 Consolidated Financial Statements. The most significant accounting estimates and judgements are related to the impairment assessment of goodwill, and the determination of fair value of securities classified as level 3 within the fair value hierarchy and the determination of whether an acquisition is of a business or of a group of assets, along with the identification and estimation of fair value of assets acquired or liabilities assumed in a business combination.

The impairment assessment of goodwill includes a comparison of the carrying value and the recoverable amount of each business unit to verify that the recoverable amount of the business unit is greater than its carrying value. In the current periods, the recoverable amounts were estimated using the fair value less cost to sell method for each of the business units. Guardian used valuation approaches to determine estimated fair values in the current periods, based on a multiple of AUM, AUA, annual service fee revenues and first year's commissions. These multiples are developed by management based on recent transactions and research reports by independent research analysts and are the most significant internally generated unobservable input used in these valuations. These valuations approaches are also sensitive to the levels of AUM, AUA and annual service commissions.

A financial instrument is classified as level 3 when the fair value of the instrument is determined using valuation techniques based on inputs which are not observable in the market. The fair values of securities classified as level 3 in Note 4(b) to Guardian's 2020 Consolidated Financial Statements were determined based on a valuation approach using a multiple of AUM and further corroborated by a multiple of EBITDA observed in market transactions. The multiple was developed based on prior tender offers and recent research reports by independent research analysts for similar types of business and is the most significant internally generated unobservable input used in this valuation. This valuation is also sensitive to the level of AUM and the EBITDA generated by the investment.

Accounting for business combinations requires judgement to identify the assets acquired and liabilities assumed in a transaction. It also requires fair values to be estimated for these identified assets and liabilities. Guardian uses various assumptions and available information to determine these estimated fair values. Until the purchase price is finalized, changes to these assumptions and available information would result in changes to these estimates.

NON-IFRS MEASURES

EBITDA and EBITDA per share

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and any net gains or losses, less amounts attributable to non-controlling interests. EBITDA per share is calculated using the same average shares outstanding that are used in calculating net earnings attributable to shareholders per share. 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 distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, and the level of capital expenditures. The most comparable IFRS measure is "Net earnings (losses)", which is disclosed in Guardian's Consolidated Statements of Operations.

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

For the years ended December 31 (\$ in thousands)	2020	2019
Net earnings (losses) as reported	\$ 46,068	\$ 126,460
Add (deduct):		
Income tax expense	7,460	19,147
Net (gains) losses	1,313	(96,706)
Stock-based compensation	2,678	2,453
Interest expense	2,000	4,014
Amortization	18,183	14,116
Non-controlling interests	(7,377)	(6,270)
EBITDA	\$ 70,325	\$ 63,214

Adjusted Cash Flow From Operations and Adjusted Cash Flow From Operations per share

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

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

For the years ended December 31 (\$ in thousands)	2020	2019
Net cash from operating activities, as reported	\$ 71,790	\$ 49,112
Add (deduct):		
Net change in non-cash working capital items	(8,740)	8,097
Non-controlling interests	(6,277)	(5,575)
Adjusted cash flow from operations	\$ 56,773	\$ 51,634

Shareholders' Equity per share

Shareholders' equity per share, diluted, is used by management to indicate the retained value per share available to shareholders which is 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 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 and dilutive shares outstanding as at period end.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROL

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in Guardian's internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, Guardian's internal control over financial reporting.

Management of Guardian has evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting (as defined under National Instrument 52-109) as of December 31, 2020, under the supervision of the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the design and operation of those disclosure controls and procedures and internal controls over financial reporting were effective.

OUTLOOK

Those who lived through 2020 will never forget it. A global pandemic cost millions of lives, shut down entire countries, and led to unprecedented declines in economic activity all over the world. As the year neared its end, we saw two US presidential candidates each garner more votes than any other candidate in American history, with the incumbent refusing to acknowledge defeat. Even after all that, the S&P 500 returned more than 18% in one of the most chaotic years in a century.

COVID-19, the public health crisis that turned into a global economic crisis, dealt a shock to the world of a magnitude without parallel in modern times. Activity plunged across the G7 economies in the first half of 2020, more than doubling the peak-to-trough drop recorded in the aftermath of the financial crisis of 2008/09, a period that had once been thought of as the multi-generational benchmark for economic contractions. The nature of this shock, however, was distinctly different from those experienced in earlier times. The collapse in activity was not the result of overly tight credit conditions stymieing both business and household demand but, instead, was due to a supply-side shock that prevented businesses from operating. The proof of this was the incredible scale of the rebound in economic activity, assisted by massive fiscal and monetary stimulation, as restrictions on activity were eased globally through the late spring and summer, in response to falling rates of contagion.

The pandemic is not yet over. However, the miracle of modern science has provided plenty of reason to be optimistic that the main source of the hardships experienced in 2020 will soon be in the rearview mirror. In a true testament to the capabilities of humankind, only a year since the first recorded case of the disease caused by COVID-19, there are several vaccines that have not only been developed, but also passed through full clinical trials, gone into mass production and are being distributed and administered. If the expectation that the COVID-19 pandemic will recede in 2021 holds true, there is ample scope for consumers to play a large role in the recovery going forward. People that have been living under restrictions and have increased their savings (helped by generous government support) are likely to go on a multi-year spending binge once the coast is clear; mirroring the experience in the 1920s in the aftermath of World War I and the Spanish Flu. We can expect substantial rebounds in services such as movies, dining out, attending sporting or cultural events, travelling and the other luxuries of life that have been forgone during the pandemic.

In the longer term, investors will need to consider the impact of all the government support on their balance sheets, including the ability to react to future economic crises and the potential for inflation, as consumer spending rebounds. In the near term, there is visible pent-up demand and cash in the hands of consumers to pay for it. Given miniscule yields in government bonds, we expect positive earnings momentum leading to outperformance in corporate bonds and equities, but our expectations for economic growth will need to be met for this to come true.

In mid-March of 2020, Guardian's senior management decided that it would be prudent to initiate our Business Continuity Plan, (BCP), and ask all Associates to work from home if they could do so. Our BCP has stood up to our requirements and expectations extremely well, and no significant problems have been encountered. As of the writing of this report, substantially all of our Associates continue to work remotely. We have dedicated considerable efforts to developing a phased approach to safely bringing our Associates back to our physical workplaces when the time is right to do so. The process of this return continues to be based on government and health official guidelines, local conditions and an abundance of caution on our side, and we are prepared to change course if and when conditions warrant such a decision. We extend our thanks to all our Associates who are making this possible.

Over the past decade, Guardian has evolved from its home base in Canada to a much more geographically diversified investment company, as our balance sheet now is more than half invested in non-Canadian assets, primarily seed investments in a variety of products and mandates managed internally. After a very strong year of inflows into our Fundamental Global Equity strategy, allied with positive markets for our existing US-based equities team in Alta Capital, and i3, our Toronto-based Global Systematic investment team, we now manage more than \$18 billion of non-Canadian equities. With the recent acquisition of a 70% stake in Agincourt, which has more than \$9 billion in fixed-income AUM, greater than half of our \$46 billion in AUM is non-Canadian. With an expanded and diversified investment management offering across the group we expect to have a more resilient base of AUM. There will naturally be strategies whose styles will be less in favour at times and face certain headwinds; however, we remain positive about our potential to grow AUM in the Investment Management division in 2021 and beyond.

Last year we discussed a new initiative for Guardian, pertaining to the expansion of our distribution effort in Canada's retail investment marketplace. Since then, we have assembled a strong team with many years of successful experience in creating and marketing retail investment products, while introducing a range of ETFs to complement our existing mutual fund offering. We believe this effort is timely, as both the demand from the marketplace and our growing investment capabilities present significant opportunities for Guardian. Over the long term, our goal is to build a reputation as an innovative and high-quality brand assisting Canadians in reaching their financial goals. We believe we have initiated an engaged market launch and awareness of our offering, despite the challenges inherent in a year when person-to-person contact has been all but impossible. Both patience and a commitment to fund this initiative are required to make retail assets under management a meaningful contributor to Guardian's value. However, with success, it will add a new, higher fee-generating client segment to our core asset management business.

Guardian's Financial Advisory business segment, Worldsource, generates a meaningful amount of revenue and Operating earnings for us. To further leverage the benefits of the operating business units that represent this business, we are exploring opportunities to enable Guardian's investment management capabilities to add value to our partner-advisors and end clients. Over the past several years, a small percentage of Worldsource client assets have been referred to Guardian to invest. Historically, this business was largely focused on referrals to our private wealth management business, but we are now seeing increasing flows into investment funds managed by Guardian. There is still much opportunity to grow Guardian's share of investment assets throughout the Worldsource ecosystem, as we have only recently surpassed \$1 billion of assets under management on the Worldsource distribution platform. Our IIROC and MFDA dealerships are focusing on attracting new individual advisors, as well as corporate partners, as well as increasing the Net revenues earned from their clients' investments. To support these strategic initiatives, we expect to continue to invest in additional technology in the near term, so that our success in these initiatives will lead to a significant increase in the value of these dealers to Guardian.

IDC WIN, the MGA unit, had another year of meaningful growth, and we expect this to continue for the foreseeable future. In 2020, we achieved meaningful representation in the Quebec MGA market due to the acquisition and integration of two large Quebec MGAs, Aurrea Signature Inc., at the end of last year and Copoloff Insurance Agencies at the beginning of the fourth quarter of 2020. These acquisitions have allowed IDC WIN to become a truly national distributor of life insurance solutions. They give us greater scale, while providing a very solid platform to recruit and contract new advisors, as well as to grow revenue and profitability in what was previously a significantly underrepresented part of the country for our MGA. IDC WIN was also able to add value by continuing to attract and recruit successful advisors in other regions throughout the year.

The Financial Advisory business segment's strategic plan is to focus on recruitment, assist our advisors with business development and where opportunities arise, consider tuck-in acquisitions. We also expect further success in selling both our existing investment products and new products, which may be developed as part of newly-expanded ambitions to win business in the wider Canadian retail market.

Beyond our allocation of capital toward investing in organic growth opportunities within each of our business segments, we will continue to look at increasing our potential for growth through acquisitions, and consider buying back some of our shares, which we believe to be trading at a discount. In 2020, Guardian was unusually active with corporate acquisitions, acquiring the aforementioned two large MGAs, robo-advisor Modern Advisor and Agincourt. Once the upcoming closing of our acquisition of BNY Mellon's Canadian Wealth Management Advisory Services division has taken place, we anticipate a great deal of work this year, focused on integrating these new businesses and allocating further capital to assist them to accelerate organic growth, while continuing to keep our eyes open for future prospects. Going forward, we will continue to invest to create new opportunities, whether by strengthening our existing offerings, organically creating new lines of business, or seeking to acquire capabilities complementary to Guardian's strategic plans.

Ten Year Review

Note ^(c)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
(\$ in millions)										
Assets under management	\$ 45,984	\$ 31,147	\$ 26,962	\$ 27,250	\$ 27,280	\$ 24,278	\$ 24,968	\$ 22,228	\$ 18,832	\$ 15,928
Assets under administration	22,289	20,248	17,385	17,795	16,489	14,943	13,126	11,559	9,918	8,654
(\$ in thousands)										
Net revenue	\$215,791	\$186,102	\$171,513	\$151,238	\$142,686	\$132,911	\$119,275	\$101,278	\$ 86,360	\$ 73,693
Expenses ^(a)	160,950	137,201	125,126	103,069	98,019	89,913	81,134	74,347	66,222	56,560
Operating earnings	54,841	48,901	46,387	48,169	44,667	42,998	38,141	26,931	20,138	17,133
Net gains (losses)	(1,313)	96,706	(55,652)	65,231	94,525	(19,414)	55,283	58,446	33,825	(17,415)
Net earnings (losses)										
attributable to shareholders	42,358	123,120	(16,952)	96,819	118,319	16,903	78,354	74,971	46,471 ^(b)	(623)
Shareholders' equity	699,610	682,777	599,311	634,416	580,177	504,255	488,835	414,985	353,756	322,618
Securities	632,571	682,279	627,220	652,176	620,218	539,920	525,352	449,179	379,956	364,182
(In dollars)										
Per common and Class A share:										
Net earnings attributable to Shareholders										
Basic	\$ 1.67	\$ 4.77	\$ (0.63)	\$ 3.49	\$ 4.16	\$ 0.57	\$ 2.60	\$ 2.46	\$ 1.48 ^(b)	\$ (0.02)
Diluted	1.57	4.50	(0.63)	3.30	3.95	0.56	2.50	2.39	1.45 ^(b)	(0.02)
Shareholders' equity										
Basic	27.43	26.73	22.85	23.20	20.75	17.37	16.33	13.68	11.44	10.12
Diluted	25.69	25.01	21.57	21.88	19.62	16.55	15.62	13.17	11.16	9.90
Dividends paid	0.630	0.575	0.475	0.385	0.330	0.290	0.240	0.300	0.170	0.160
Share prices:										
Common high	28.80	28.00	27.00	29.50	25.98	24.61	21.45	18.00	11.65	12.75
low	16.00	22.38	20.40	23.41	16.20	16.55	15.30	11.50	9.41	9.49
Class A high	28.10	27.98	27.05	29.00	25.10	19.25	18.85	16.82	10.55	11.63
low	16.05	21.68	20.05	23.45	15.58	15.50	15.10	10.40	9.00	8.70
(In thousands)										
Year end common and Class A shares outstanding										
Basic	25,506	25,542	26,232	27,345	27,963	29,029	29,940	30,333	30,917	31,890
Diluted	27,234	27,302	27,782	29,001	29,576	30,472	31,300	31,510	31,696	32,604

NOTES

(a) Excluding commissions paid, referral fees and income taxes.

(b) Net earnings attributable to shareholders in 2012 reflect a \$1.1 million (\$0.03 per share) increase in future income taxes, resulting from increased income tax rates enacted during the year.

(c) Results in 2017 and prior years have been restated to reflect the impact of IFRS 9.

Management's Statement on Financial Reporting

The following financial statements, which consolidate the financial results of Guardian Capital Group Limited, its subsidiaries and other controlled entities, and all other information in this annual report, are the responsibility of management.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on pages 36 to 40. Management maintains a system of internal controls over the financial reporting process designed to provide reasonable assurance that relevant and reliable financial information is produced. Management also administers a program of ethical business conduct compliance.

KPMG LLP, the Company's independent auditors, have audited the accompanying financial statements. Their report follows. The Audit Committee of the Board of Directors, composed of independent directors, meets regularly with management and KPMG LLP to review their activities and to discuss the external audit process, internal controls, accounting policies and financial reporting matters. KPMG LLP has unrestricted access to the Company, the Audit Committee and the Board of Directors.

The Audit Committee has reviewed the financial statements and Management's Discussion and Analysis and recommended their approval to the Board of Directors. Based on this recommendation, the financial statements and Management's Discussion and Analysis have been approved by the Board of Directors.



George Mavroudis,
President and Chief Executive Officer



Donald Yi,
Chief Financial Officer

February 24, 2021

Independent Auditors' Report

TO THE SHAREHOLDERS OF GUARDIAN CAPITAL GROUP LIMITED,

OPINION

We have audited the consolidated financial statements of Guardian Capital Group Limited (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019.
- the consolidated statements of operations and comprehensive income for the years then ended
- the consolidated statements of equity for the years then ended
- the consolidated statements of cash flow for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors’ report.

Evaluation of the impairment assessment for goodwill of the USA based equity manager

Description of the matter

We draw attention to notes 2 (n) and 7 to the financial statements. The Entity has recorded goodwill of \$60,234 thousand of which \$18,729 thousand relates to the USA based equity manager. The Entity annually reviews its indefinite-life, non-financial assets, which includes goodwill, for impairment. If the net carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered impaired and the excess amount is charged to net earnings. Recoverable amount is considered to be the higher of the estimated fair value of asset, less the estimated cost to sell and the net present value of future cash flow expected from the use of the asset. The Entity calculates the recoverable amount based upon the estimated fair value, less cost to sell (FVLCS). In estimating the FVLCS, the Entity uses a multi-factor model with the key assumption being the values assigned as multiples of client assets under management (AUM).

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of the USA based equity manager as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of goodwill of the USA based equity manager and the potential for impairment and the high degree of subjectivity in determining the recoverable amount. Minor changes to the multiple applied to the AUM had a significant effect on the estimated recoverable amount. As a result, significant auditor judgement requiring specialized skills and knowledge was required in evaluating the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the multiple applied to the AUM. They compared the multiple applied to the AUM against an implied multiple that was independently developed using publicly available information for comparable entities based on published AUM and market capitalization as well as precedent transactions.

Evaluation of the fair value of the investment in the investment management company

Description of the matter

We draw attention to notes 2 (f) and 4 to the financial statements. The Entity records substantially all of its securities portfolio at fair value through profit or loss. The fair value of securities in level 3 of the fair value hierarchy is \$16,558 thousand of which \$7,940 thousand relates to the investment management company. The fair value of the investment management company is based on a multiple applied to AUM and further corroborated by a multiple of EBITDA observed in market transactions. The multiples were developed based on prior tender offers and recent research reports by independent research analysts for similar types of business and are the most significant internally generated unobservable inputs used in these valuations.

Why the matter is a key audit matter

We identified the evaluation of the fair value of the investment in the investment management company as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of the investment and the high degree of subjectivity in determining the fair value. Minor changes to the multiples applied to AUM and EBITDA had a significant effect on the fair value of the investment. As a result, significant auditor judgement requiring specialized skills and knowledge were required in evaluating the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the multiple applied to AUM and multiple of EBITDA assumptions. They compared the assumptions against publicly available information for comparable entities based on published AUM, EBITDA, market capitalization, and transaction values.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "2020 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the "2020 Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The logo for KPMG LLP, featuring the letters "KPMG" in a stylized blue font, with "LLP" in a smaller blue font to the right. A blue horizontal line is positioned below the text.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Ziad Said

February 24, 2021

Toronto, Canada

Consolidated Balance Sheets

As at December 31 (\$ in thousands)	2020	2019
Assets		
Current assets		
Cash	\$ 41,677	\$ 34,198
Interest-bearing deposits with banks	43,197	107,253
Accounts receivable and other assets	60,211	62,542
Receivables from clients and broker	77,313	37,984
Income tax receivable	1,193	1,163
Securities backing third party investor liabilities (note 3)	59,063	14,252
	282,654	257,392
Securities (note 4)	632,571	682,279
Other assets		
Deferred tax assets (note 12c)	805	1,328
Intangible assets (note 5)	161,186	129,808
Equipment (note 6)	16,112	18,513
Goodwill (note 7)	60,234	40,643
	238,337	190,292
Total assets	\$ 1,153,562	\$ 1,129,963
Liabilities		
Current liabilities		
Bank loans and borrowings (note 8)	\$ 95,737	\$ 113,729
Third party investor liabilities (note 3)	59,063	14,252
Client deposits	43,128	106,430
Accounts payable and other (note 9)	65,825	70,929
Lease obligations (note 11)	2,607	2,694
Income taxes payable	10,169	2,060
Payable to clients	77,313	38,073
	353,842	348,167
Lease obligations (note 11)	10,816	12,364
Other liabilities (note 9)	31,093	20,091
Deferred tax liabilities (note 12c)	40,104	55,140
Total liabilities	435,855	435,762
Equity		
Shareholders' equity		
Capital stock (notes 13a and 13b)	18,634	18,705
Treasury stock (note 14a)	(29,511)	(28,129)
Contributed surplus	22,136	20,008
Retained earnings	681,023	658,139
Accumulated other comprehensive income	7,328	14,054
	699,610	682,777
Other equity interests	18,097	11,424
Total equity	717,707	694,201
Total liabilities and equity	\$ 1,153,562	\$ 1,129,963

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Barry J. Myers,
Director


George Mavroudis,
Director

Consolidated Statements of Operations and Comprehensive Income

For the years ended December 31 (\$ in thousands, except per share amounts)	2020	2019
Revenue		
Commission revenue, gross	\$ 165,175	\$ 150,431
Commissions paid to advisors	(103,238)	(99,062)
	61,937	51,369
Management fee, gross	122,480	101,552
Fees paid to referring agents	(6,155)	(6,457)
	116,325	95,095
Administrative services income	17,082	16,087
Dividend and interest income (note 15)	20,447	23,551
Net revenue	215,791	186,102
Expenses		
Employee compensation and benefits (note 16)	98,260	80,064
Amortization	18,183	14,116
Interest	2,000	4,014
Other expenses	42,507	39,007
	160,950	137,201
Operating earnings	54,841	48,901
Net gains (losses) (note 17)	(1,313)	96,706
Earnings before income taxes	53,528	145,607
Income tax expense (notes 12a and 12b)	7,460	19,147
Net earnings	46,068	126,460
Other comprehensive income (loss)		
Net change in foreign currency translation on foreign subsidiaries	(7,414)	(14,671)
Comprehensive income	\$ 38,654	\$ 111,789
Net earnings attributable to:		
Shareholders	\$ 42,358	\$ 123,120
Non-controlling interests	3,710	3,340
Net earnings	\$ 46,068	\$ 126,460
Net earnings attributable to shareholders per Class A and Common share (note 18):		
Basic	\$ 1.67	\$ 4.77
Diluted	1.57	4.50
Comprehensive income attributable to:		
Shareholders	\$ 35,632	\$ 109,767
Non-controlling interests	3,022	2,022
Comprehensive income	\$ 38,654	\$ 111,789

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 (\$ in thousands)	2020	2019
Total equity, beginning of year	\$ 694,201	\$ 611,979
Shareholders' equity, beginning of year	682,777	599,311
Capital stock, beginning of year	18,705	19,060
Acquired and cancelled (note 13c)	(71)	(355)
Capital stock, end of period	18,634	18,705
Treasury stock, beginning of year	(28,129)	(25,235)
Acquired (note 14a)	(2,941)	(2,995)
Disposed of (note 14a)	1,559	101
Treasury stock, end of year	(29,511)	(28,129)
Contributed surplus, beginning of year	20,008	17,600
Stock-based compensation expense	2,678	2,453
Redemptions of equity-based entitlements	(550)	(45)
Contributed surplus, end of year	22,136	20,008
Retained earnings, beginning of year	658,139	560,479
Net earnings	42,358	123,120
Dividends declared and paid (note 13d)	(16,805)	(15,549)
Capital stock acquired and cancelled (note 13c)	(2,502)	(13,189)
Changes in the ownership of a subsidiary	(31)	2,511
Other	(136)	—
New accounting standard	—	767
Retained earnings, end of period	681,023	658,139
Accumulated other comprehensive income, beginning of year	14,054	27,407
Other comprehensive (loss)	(6,726)	(13,353)
Accumulated other comprehensive income, end of year	7,328	14,054
Shareholders' equity, end of year	699,610	682,777
Other equity interests, beginning of year	11,424	12,668
Non-controlling interests, beginning of year	31,515	31,674
Net earnings	3,710	3,340
Other comprehensive (loss)	(688)	(1,318)
Dividends declared and paid	(2,787)	(3,102)
Acquisition of subsidiaries (note 25)	11,169	—
Changes in the ownership of a subsidiary	1,129	825
Other	136	—
New accounting standard	—	96
Non-controlling interests, end of period	44,184	31,515
Obligations to non-controlling interests, beginning of year	(20,091)	(19,006)
Acquisition of subsidiaries (note 25)	(5,468)	—
Change during year	(528)	(1,085)
Obligations to non-controlling interests, end of year	(26,087)	(20,091)
Other equity interests, end of year	18,097	11,424
Total equity, end of year	\$ 717,707	\$ 694,201

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 (\$ in thousands)	2020	2019
Operating activities		
Net earnings	\$ 46,068	\$ 126,460
Adjustments for:		
Income taxes (paid)	(12,628)	(8,436)
Income tax expense	7,460	19,147
Net (gains) losses	1,313	(96,706)
Amortization of intangible assets	13,918	10,683
Amortization of equipment	4,265	3,433
Stock-based compensation	2,678	2,453
Non-cash items	(24)	175
	63,050	57,209
Net change in non-cash working capital items (note 20)	8,740	(8,097)
Net cash from operating activities	71,790	49,112
Investing activities		
Net disposition of securities	41,944	30,227
Income taxes (paid)	(5,379)	—
Net (acquisition) of securities backing third party investor liabilities	(18,214)	(12,411)
Acquisition of intangible assets	(8,876)	(12,703)
Acquisition of equipment	(759)	(1,066)
Disposition of intangible assets	2,563	2,619
Acquisition of subsidiaries (note 25)	(48,783)	846
Net cash from (used in) investing activities	(37,504)	7,512
Financing activities		
Dividends paid to shareholders	(16,805)	(15,549)
Dividends paid to non-controlling interests	(2,787)	(3,102)
Acquisition and cancellation of capital stock	(2,573)	(13,544)
Acquisition of treasury stock	(2,941)	(2,995)
Disposition of treasury stock	1,559	101
Net proceeds from (repayment of) bank loans and bankers' acceptances	(19,060)	(28,940)
Principal payments on lease obligations	(2,371)	(2,054)
Net funds from third party investors in consolidated mutual funds	18,214	12,411
Changes in the ownership of a subsidiary (note 24)	103	(7,450)
Net cash from (used in) financing activities	(26,661)	(61,122)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	316	(148)
Net change in net cash	7,941	(4,646)
Net cash, beginning of year	20,531	25,177
Net cash, end of year	\$ 28,472	\$ 20,531
Net cash represented by:		
Cash	\$ 41,677	\$ 34,198
Bank indebtedness	(13,205)	(13,667)
	\$ 28,472	\$ 20,531

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements include the accounts of Guardian, its subsidiaries, and its interest in joint ventures (together, the "Company") and have been prepared under International Financial Reporting Standards ("IFRS" as issued by the International Accounting Standards Board ("IASB")). These consolidated financial statements have been prepared on a going concern basis and the historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements were authorized for issuance by the Board of Directors of Guardian on February 24, 2021

(b) Basis of presentation

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

Certain reclassifications have been made to the 2019 comparative financial information in order to conform to the current period's presentation. In note 12(b) Reconciliation of income taxes to statutory, certain smaller amounts have been regrouped into Other. In note 19(a) Business segments, the Company reclassified certain Other expenses to Employee compensation and benefits. The items reclassified were recoveries by the Corporate Activities and Investments segment from the other two business segments pertaining to employee compensation and benefits.

(c) Estimates and judgments

The preparation of these consolidated financial statements necessitates the use of judgments, estimates and assumptions, which affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Management believes that the significant areas where estimates and judgments are applied are those which relate to the:

- (i) Determination of whether a non-controlling interest in a subsidiary represents an equity interest;
- (ii) Determination of the subsequent accounting for certain transaction with non-controlling interests;
- (iii) Valuation of certain assets and liabilities that do not have quoted market prices;
- (iv) Assessment of goodwill and intangible assets for impairments;
- (v) Determination of when control of another entity exists;
- (vi) Assessment of provisions;
- (vii) Initial measurement of lease obligations and right of use ("ROU") assets;
- (viii) whether an acquisition is of a business or group of assets; and
- (ix) the identification of assets acquired and liabilities assumed in a business combination and the estimation of fair values of those identified assets and liabilities.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The Company considers several factors in determining whether it has power over another entity which it will be able to use to obtain benefits.

- a. When voting rights are relevant in determining power over an entity, the Company considers its: existing voting rights; potential voting rights that are currently exercisable and have no substantive barriers to exercise; agreements with other vote holders; rights from other contractual arrangements; economic interests; or a combination of the foregoing. Offsetting these factors, the Company considers matters which prevent it from the exercise of power.
- b. When voting rights are not relevant in determining power over an entity, the Company considers: evidence of its practical ability to direct the activities of the entity for the Company's benefit; indications of a special relationship between it and the entity; and whether it has a significant exposure to variability of returns. In evaluating these three factors, the Company gives greater weight to evidence of its ability to direct the activities of the entity, for its benefit.

(ii) Non-controlling interests of a subsidiary

To the extent that they represent a residual interest in the Company's assets, non-controlling interests ("NCI") in subsidiaries are shown as a component of the equity section of the consolidated balance sheet. NCIs in a subsidiary which do not represent a residual interest in the Company's net assets are shown as a component of the Company's liabilities.

- (iii) Changes in the ownership of a subsidiary
Transactions which result in a change in the Company's ownership interest in a subsidiary but do not result in a loss of control of that subsidiary are recorded in equity in their entirety. The non controlling interests are adjusted to reflect the changes in their relative interest in the carrying value of the subsidiary and any difference between the consideration paid or received is recorded in retained earnings. For future transactions, which are at the option of the non-controlling interest, the estimated future consideration is shown as a liability and as an obligation to non-controlling interest within equity and any changes in the balances are reflected within equity.
- (iv) Transactions eliminated on consolidation
All inter-company transactions, balances, income and expenses between the consolidated entities are eliminated on consolidation.

(e) Foreign currency translation

Amounts denominated in foreign currencies included in these consolidated financial statements are accounted as follows:

- (i) Foreign currency denominated monetary items are converted into the functional currency at the reporting date exchange rates. Revenues and expenses are converted into the functional currency at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses, if any, resulting from the foregoing, are included in net gains in the statements of operations.
- (ii) Certain of the Company's subsidiaries use functional currencies which are different from the Company's functional currency, Canadian dollars. For these subsidiaries assets and liabilities have been translated into Canadian dollars at exchange rates prevailing at the reporting date and revenues and expenses at average monthly rates. Adjustments resulting from the translation of balance sheets and net earnings of the Company's foreign operations are recorded as a foreign currency translation adjustment in other comprehensive income, and the cumulative balance is included in accumulated other comprehensive income in the shareholders' equity section of the consolidated balance sheet.

(f) Financial instruments – financial assets

- (i) Recognition and initial measurement
The Company recognizes a financial asset when the Company becomes party to the contractual provisions of the instrument. All financial assets are measured at fair value upon recognition.
- (ii) Classification and subsequent measurement
The classification of the Company's financial assets is based on the business model for managing the assets and their contractual characteristics. Financial assets are classified and subsequently measured as follows:
 - a. Amortized cost. Financial assets are measured at amortized cost when they are held in order collect contractual cash flows and whose terms give rise to cash flows that are solely payments of principal and interest. The Company's financial assets classified as amortized cost includes interest bearing deposits with banks, accounts receivable, loans receivable, receivables from clients and brokers and certain securities.
 - b. Fair value through other comprehensive income ("FVOCI"). Financial assets measured at FVOCI when they are held in order collect contractual cash flows and for periodic sales and whose terms give rise to cash flows that are solely payments of principal and interest. FVOCI may also include certain equity instruments, if the Company has irrevocably designated them as FVOCI on initial recognition. The Company has no assets in this category.
 - c. Fair value through profit or loss ("FVTPL"). All other financial assets and assets which have been designated FVTPL are included in this classification. The Company may designate assets which are amortized cost or FVOCI as FVTPL in order to provide more relevant information by significantly reducing a mismatch from measuring assets or liabilities on different basis. This designation which is made on initial recognition is irrevocable. The Company's financial assets classified as FVTPL includes securities backing third party liabilities and substantially all of its securities portfolio.
- (iii) Derecognition
The Company derecognizes a financial asset when the contractual rights of the instrument expire or the Company substantially transfers all risks and rewards of ownership to a third party.
- (iv) Impairment
The Company provides for credit losses on financial assets classified as amortized cost. If there has not been a significant increase or there has been a significant decrease in credit risk since initial recognition or the prior year, the Company provides for credit losses which are expected over the next 12 months. If there has been a significant increase in credit risk, the Company provides for the expected lifetime credit losses.

(g) Financial instruments – financial liabilities

- (i) Recognition and initial measurement
The Company recognizes a financial liabilities when the Company becomes party to the contractual provisions of the instrument. All financial liabilities are measured at fair value upon recognition.
- (ii) Classification and subsequent measurement
The Company's financial liabilities are classified and subsequently measured as follows:
 - a. Amortized cost. Generally all financial liabilities are included in this classification. The Company's financial liabilities included in this classification are bank loans, client deposits, accounts, other payables and payable to clients and lease liabilities.
 - b. Fair value through profit or loss ("FVTPL"). Financial liabilities included in this classification are derivative liabilities, contingent consideration recognized in a business combination and liabilities which have been designated FVTPL. The Company may designate liabilities which are amortized cost as FVTPL in order to provide more relevant information by significantly reducing a mismatch from measuring assets or liabilities on different basis. This designation which is made on initial recognition is irrevocable. The Company's financial liabilities included in this classification are securities backing third party liabilities, (designated), and certain other liabilities.
- (iii) Derecognition
The Company derecognizes a financial liability when the contractual obligation is discharged, cancelled or expires.

(h) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(i) Fair value hierarchy

Financial instruments and other assets that are measured at fair value are categorized using a fair value hierarchy which reflects the significance of the inputs used in making the fair value measurements. The fair value hierarchy is as follows:

- (i) Level 1 – Quoted market prices: financial instruments with quoted prices for identical instruments in active markets.
- (ii) Level 2 – Valuation technique using observable inputs: financial instruments with quoted prices of similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (iii) Level 3 – Valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

(j) Intangible assets and contract costs

Intangible assets include both intangible assets and contract costs. Intangible assets include advisor recruitment and management contracts and computer software. Advisor recruitment pertains to the costs associated with the recruitment of new advisors and branches, primarily in the Company's financial advisory segment, and management contracts pertain to costs associated with acquired investment management contracts in the Company's investment management segment.

Contract costs represent the incremental costs, such as certain sales commissions paid to staff and success fees paid to third party introducers, incurred in successfully obtaining new business with customers, primarily in the Company's investment management segment.

Intangible assets and contract costs are carried at cost less accumulated amortization and accumulated impairment losses. They are amortized over their estimated useful lives, as outlined below:

- (i) Advisor recruitment and management contracts – They are amortized on a straight-line basis over a number of years, ranging from three to fifteen years;
- (ii) Computer software – The initial cost of the main computer processing systems are amortized on a straight-line basis over ten years, with subsequent improvements to this system being amortized over five years, and other computer software being amortized over three to five years; and
- (iii) Contract costs – They are amortized over periods ranging from ten to fifteen years.

Amortization methods and useful lives of the intangible assets are reviewed annually and adjusted, if appropriate. Intangible assets are derecognized upon disposal or when they are fully amortized and no longer in use.

(k) Equipment

Equipment is carried at cost less accumulated amortization and accumulated impairment losses, and is amortized over its expected useful life, as outlined below:

- (i) Computer hardware – The majority of computer hardware is amortized on a straight-line basis over three to five years;
- (ii) Furniture and equipment – The majority of furniture and equipment is amortized on a diminishing balance basis at a rate of 20% per annum, and works of art included within furniture and equipment are not amortized; and
- (iii) Leasehold improvements – Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases. Amortization rates and the useful life of equipment is reviewed annually and adjusted, if appropriate. Equipment is derecognized upon disposal or when it no longer has any residual value.

(l) Leases

Upon the commencement of a lease, a right of use ("ROU") asset and lease liability are recognized. The amount of ROU asset and lease liability recognized will be equal to the present value of the contractual lease payments, with adjustment for certain amounts. The discount rate used in calculating the present value of the contractual lease payments will be the rate implicit in the lease or if that is not available then Company's incremental borrowing rate. Frequently the implicit rate is not available, so the Company's estimates its incremental borrowing rate considering various factors such as current interest rates and duration of the lease, among others.

Subsequent to initial recognition, a ROU asset is amortized on a straight-line basis over its useful life, which is generally the term of the lease. A lease liability is subsequently measured at amortized cost, accruing interest at the discount rate used upon initial recognition. Lease payments are accounted as repayments of the lease liability.

(m) Goodwill

Goodwill represents the excess of the cost of acquisition of an acquired business over the fair value of the net identifiable tangible and intangible assets of the acquired business at the date of acquisition. Goodwill is not amortized, but is carried at cost less accumulated impairment losses. Goodwill is allocated to the appropriate cash-generating units for the purpose of impairment testing.

(n) Impairment of non-financial assets

The Company annually reviews its indefinite-life, non-financial assets, which includes goodwill, for impairment. If the net carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered impaired and the excess amount is charged to net earnings.

The Company annually reviews its finite-life, non-financial assets, including intangible assets and equipment, whether there are any indications an asset may be impaired. If such indication exists, its carrying amount is compared to the estimated recoverable amount and any excess of the carrying amount over recoverable amount is charged to net gains as an impairment loss.

Recoverable amount is considered to be the higher of the estimated fair value of asset, less the estimated cost to sell and the net present value of future cash flow expected from the use of the asset.

(o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments

of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheets, and the net amount is recorded in the statements of operations. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

(p) Treasury stock

The Company accounts for its shares purchased and held by its subsidiary, the Guardian Capital Group Limited Employee Profit Sharing Plan Trust (the "EPSP Trust"), as treasury stock.

(q) Revenue from customers

Revenue from customers is recognized as the Company performs its service obligations to the customers. The major types revenue earned from customers and the associated accounting policies adopted by the Company are as follows:

- (i) Gross commission revenue earned and commissions paid to advisors. Gross commissions include commissions on security transactions, trailing commissions and insurance commissions. Security transactions are revenues charged for the buying and selling of securities on behalf of clients. These revenues are recorded on a trade date basis. Trailing commissions are revenues earned from investment management companies and are generally calculated based on the fair value of client asset placed with an investment management company. These revenues are recognized over time during which the client assets have been placed. Insurance commissions are revenues earned for the placing and renewal of life and other insurance policies with insurance carriers. These revenues are recorded when the carrier provides confirmation of placement or renewal of the policies. Commissions paid to advisors, an expense, are commission paid to advisors, usually on security transactions and trailing commissions and are generally calculated as a percentage of the gross commission earned and these are recognized in a manner consistent with the underlying transaction which gives rise to the commission payment. As these expenses are highly correlated with the commissions the Company presents the expense as a deduction from the gross commission on the face of the Statement of Operations.
- (ii) Management fees – These include revenues the Company earns for providing investment management services to clients. The revenues are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The revenues are earned and recognized over the time during which the assets are managed by the Company. Certain clients also pay performance fees, if the performance of such clients' assets under management exceeds that of certain performance benchmarks by an agreed level over a stated time period. Such revenues are recognized when the services have been provided, the amount of the revenues can be reliably measured, and it is highly probable that the fees will be received, which is usually at the end of the performance period. Fees paid to referring agents, an expense, are fees paid to third parties that place their clients funds into investment products which are managed by the Company, are generally calculated based on the fair value of the assets placed and are recognized in a manner consistent with the related revenue. As these expenses are highly correlated with the management fees the Company presents the expense as a deduction from the gross management fees on the face of the Statement of Operations.
- (iii) Administrative services income – The Company earns income from certain clients and advisors, associated with the maintenance of accounts with the Company, and the provision of general corporate, trust or other services. Such income is recognized, on an accrual basis over the period the service is performed, based on agreements with the clients or advisors.

(r) Dividend and interest income

Dividend and interest income is recorded as follows:

- (i) Dividends are recognized when the Company's right to receive payment is established.
- (ii) Interest is recorded as earned over the period of time during which the interest-paying investment is held, on an effective interest rate method.

(s) Employee compensation and benefits

Wages, salaries, profit sharing, bonuses, payroll taxes and levies and paid annual leaves are accrued in the year in which the associated services are rendered by employees and when a reliable estimate of the obligation can be made. Should they qualify, certain bonuses may be accounted for in accordance with the policy on contract costs, (see note 2(j) Intangible assets).

(t) Stock-based compensation

Stock-based compensation is accounted for under the fair value method, under which the compensation cost is measured at the fair value of the equity instruments issued ("Stock-based entitlement") and is expensed over the vesting period of the Stock-based entitlement.

Fair value of a Stock-based entitlement is determined on the issuance date and is the product of the fair value of the equity instrument and the number of those instruments that are ultimately expected to vest.

Where a Stock-based entitlement has been modified, the incremental change in fair value of the Stock-based entitlement is expensed over the remaining vesting period.

(u) Interest expense

Interest expense comprises interest payable on borrowings recognized using the effective interest rate method.

(v) Pensions

The Company operates a defined contribution pension plan, payments to the plan are charged as expenses as they are incurred. The Company has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

(w) Net gains or losses

Net gains and losses, which are recognized on a trade date basis, include all changes in fair value of financial instruments classified as FVTPL which are due to changes in market prices, changes in the value of currency denominated monetary items due to changes in exchange rates, and on the disposal or impairment of other assets.

(x) Income tax

Income tax on net earnings for the year comprises current tax and deferred tax. Income tax is recognized in net earnings, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is also recognized in other comprehensive income or directly in equity. Income taxes generally result from operating activities and taxes paid are shown in the statement of cash flow as an operating activity, unless the taxes can be specifically identified with significant investing or financing activities.

Current tax is the tax expected to be payable on the taxable net earnings for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right of offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheets and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the tax rates expected to apply in the periods in which assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities, relate to income taxes levied by the same taxation authority and a legal right to set off exists.

(y) Earnings per share

The calculation of basic earnings per share is based on the weighted average of Class A and common shares outstanding during the year and on earnings available to the holders of the Class A and common shares. Diluted earnings per share are calculated by adjusting for the effect of outstanding dilutive instruments, such as stock options or stock-based entitlements, using the treasury stock method.

(z) Related parties

For the purposes of these financial statements, a party is considered related to the Company if such party or the Company has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Company and such party are subject to common significant influence. Related parties may be individuals or other entities.

(aa) Fiduciary assets and liabilities

Certain of the Company's subsidiaries hold assets or liabilities on a fiduciary basis on behalf of clients. In providing these services, those assets and liabilities and the income and expenses associated with them are excluded from these consolidated financial statements.

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

Securities backing third party investor liabilities represent third party investors' proportionate interest in the assets of the consolidated investment funds. These securities are classified as FVTPL 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 have been designated as FVTPL and are categorized as Level 1, based upon the fair value hierarchy.

The Company continually evaluates whether it controls these funds. On the date when a fund is no longer deemed to be controlled, the Securities backing third party investor liabilities and Third party investor liabilities related to the fund are derecognized in the financial statements. Details on the funds the Company consolidates and changes therein during the years is disclosed in note 23(d).

4. SECURITIES

(a) Classification of securities

An analysis of the Company's securities, which may include units of investment funds, by classification and by the type of security is as follows:

As at December 31	2020	2019
Fair value through profit or loss:		
Short-term securities	\$ 44,904	\$ 14,725
Fixed-income securities	12,197	18,049
Bank of Montreal common shares (i)	222,295	351,750
Other equity securities (ii)	328,328	270,391
Real estate fund (ii)	24,847	22,364
	632,571	677,279
Amortized cost security (iii)	—	5,000
	\$ 632,571	\$ 682,279

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

For the years ended December 31	2020	2019
Number of shares sold	1,200	200
Proceeds of disposition	\$ 89,148	\$ 20,384

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

For the years ended December 31	2020	2019
Real estate fund managed by a subsidiary		
Commitment, beginning of year	\$ 16,040	\$ 17,886
Called capital	(2,165)	(1,846)
Commitment, end of year	13,875	16,040
Private equity fund		
Commitment, beginning of year	10,031	10,370
Called capital	(1,711)	(339)
Commitment, end of year	8,320	10,031
Total outstanding capital commitments	\$ 22,195	\$ 26,071

(iii) On June 30 2020, the issuer redeemed for par value \$5,000 (2019 – \$5,000) of the amortized cost securities shares.

(b) Fair value hierarchy

The Company's securities that are classified as FVTPL have been categorized based upon a fair value hierarchy as follows:

As at December 31	2020	2019
Level 1	\$ 548,103	\$ 596,065
Level 2	67,910	65,395
Level 3	16,558	15,819
Securities classified at FVTPL	\$ 632,571	\$ 677,279

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

(c) Analysis of Level 3 securities

(i) The change in the value of Level 3 securities is as follows:

For the years ended December 31	2020	2019
Securities categorized as Level 3, beginning of year	\$ 15,819	\$ 14,726
Change in fair value	(1,059)	1,265
Purchases	1,711	339
Foreign exchange translation	87	(511)
Securities categorized as Level 3, end of period	\$ 16,558	\$ 15,819

(ii) Level 3 securities are comprised of the following:

As at December 31	2020	2019
Investment management company	\$ 7,940	\$ 9,616
Private equity fund	7,767	5,715
Other	851	488
	\$ 16,558	\$ 15,819

The fair value of the investment management company is based on a multiple of AUM of 1.7% (2019 – 3.0%) and further corroborated by a multiple of EBITDA observed in market transactions. The multiple was developed based on prior tender offers and recent research reports by independent research analysts for similar types of business and is the most significant internally generated unobservable input used in this valuation.

5. INTANGIBLE ASSETS

A summary of the composition of and changes in the Company's intangible assets is as follows:

For the years ended December 31	2020				2019			
	Contract costs	Advisor recruitment and management contracts	Computer software	Total	Contract costs	Advisor recruitment and management contracts	Computer software	Total
Cost:								
Balance, beginning of year	\$ 4,214	\$ 164,115	\$ 8,066	\$ 176,395	\$ 1,755	\$ 148,495	\$ 6,769	\$ 157,019
Additions	1,552	6,110	1,341	9,003	2,464	8,922	1,304	12,690
Arising on acquisition (note 25)	–	33,547	5,309	38,856	–	12,227	–	12,227
Disposals	–	(1,058)	–	(1,058)	–	(1,852)	–	(1,852)
Foreign exchange translation	(1)	(2,128)	(1)	(2,130)	(5)	(3,677)	(7)	(3,689)
Balance, end of year	5,765	200,586	14,715	221,066	4,214	164,115	8,066	176,395
Accumulated amortization:								
Balance, beginning of year	594	41,102	4,891	46,587	158	32,053	4,328	36,539
Amortization	708	11,954	1,256	13,918	435	9,678	570	10,683
Disposals	–	(485)	–	(485)	–	(282)	–	(282)
Foreign exchange translation	1	(138)	(3)	(140)	1	(347)	(7)	(353)
Balance, end of year	1,303	52,433	6,144	59,880	594	41,102	4,891	46,587
Carrying value, end of year	\$ 4,462	\$ 148,153	\$ 8,571	\$ 161,186	\$ 3,620	\$ 123,013	\$ 3,175	\$ 129,808

6. EQUIPMENT

A summary of the composition of and changes in the Company's equipment is as follows:

For the years ended December 31	2020				2019			
	Office equipment	Leasehold improvements	Right of use asset	Total	Office equipment	Leasehold improvements	Right of use asset	Total
Cost:								
Balance, beginning of year	\$ 10,201	\$ 5,661	\$ 15,449	\$ 31,311	\$ 9,326	\$ 5,676	\$ –	\$ 15,002
New accounting standard	–	–	–	–	–	–	12,960	12,960
Additions	481	278	1,007	1,766	935	126	1,193	2,254
Arising on acquisition (note 25)	76	–	44	120	431	–	1,340	1,771
Disposals	(30)	–	–	(30)	(427)	(134)	(17)	(578)
Foreign exchange translation	(5)	(10)	(1)	(16)	(64)	(7)	(27)	(98)
Balance, end of year	10,723	5,929	16,499	33,151	10,201	5,661	15,449	31,311
Accumulated amortization:								
Balance, beginning of year	7,421	3,127	2,250	12,798	7,102	2,730	–	9,832
Amortization expense	858	642	2,765	4,265	686	483	2,264	3,433
Disposals	–	–	–	–	(398)	(89)	(17)	(504)
Foreign exchange translation	(6)	(1)	(17)	(24)	31	3	3	37
Balance, end of year	8,273	3,768	4,998	17,039	7,421	3,127	2,250	12,798
Carrying value, end of year	\$ 2,450	\$ 2,161	\$ 11,501	\$ 16,112	\$ 2,780	\$ 2,534	\$ 13,199	\$ 18,513

As described in note 2(l) Leases, the Company commenced recognition of right of use assets upon adoption of IFRS 16 – Leases on January 1, 2019. Prior to this, lease payments were expensed as incurred. Substantially all the Company's right of use assets are for office spaces under lease. Information on the lease obligations related to these right of use assets is disclosed in note 11.

7. GOODWILL

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

For the years ended December 31	2020	2019
Balance, beginning of year	\$ 40,643	\$ 34,760
Acquisitions (note 25)	20,343	6,882
Foreign exchange translation	(752)	(999)
Balance, end of year	\$ 60,234	\$ 40,643

Goodwill acquired in business acquisitions is allocated to the cash generating units ("CGUs") that are expected to benefit from the business acquisitions. An analysis of the Company's goodwill by relevant CGUs are as follows:

As at December 31	2020	2019
Financial advisory:		
Mutual fund distributor	\$ 4,226	\$ 4,226
Life insurance managing general agency	26,429	16,481
Investment management:		
USA-based equities manager	18,729	19,048
USA-based fixed income manager	9,962	—
UK-based equities manager	888	888

Goodwill is not amortized, but is subject to annual impairment testing, which compares each CGU's recoverable amount against its carrying value. In addition, the Company may test for impairment more frequently if there are indications of impairment, as was the case as at March 31, 2020. In 2020 & 2019, the Company calculates the recoverable amount based upon the estimated fair value, less costs to sell ("FVLCS").

In estimating the FVLCS, the Company uses a multi-factor model to determine fair value, with the key assumptions being values assigned as multiples of key business analytics pertaining to each CGU. These multiples are developed by management based on recent transactions and research reports by independent research analysts. The Company considers that the key business analytics are client assets under management ("AUM") in the investment management CGU's, client assets under administration ("AUA") in both financial advisory CGUs and annual service commissions and first year commissions in the life insurance managing general agency. It is the Company's opinion that estimating fair value based on these analytics is in accordance with established industry practice, and that the multiples used are consistent with market transactions. These recoverable amounts, which are estimates, are Level 3 under the fair value hierarchy. The most significant internally generated unobservable input used in the testing are as follows:

As at December 31	2020	2019
Mutual fund distributor: multiple of AUA	1.00%	1.00%
Life insurance managing general agency: multiple of annual net service revenue	6	6
Investment management, multiple of AUM		
USA-based equities manager	2.10%	2.10%
USA-based fixed income manager	0.34%	n/a

Based on the results of the testing, there was no impairment of goodwill in 2020 or 2019.

The Company believes that a reasonable change in the key assumptions pertaining to the assessment of either of the financial advisory units would not cause an impairment in 2020 or 2019. A reasonable change in the key assumption pertaining to the assessment of two of investment management units could result in an impairment in 2020 and one of the units in 2019. An analysis pertaining to the sensitivity of these key assumptions is as follows:

As at December 31	2020	2019
Amount by which the recoverable amounts exceeds the carrying value:		
USA-based equities manager	\$ 7,670	\$ 625
USA-based fixed income manager	—	n/a
Amount of a change in the key assumption which would cause the recoverable amount to equal the carrying value:		
USA-based equities manager	0.25%	0.02%
USA-based fixed income manager	0.01%	n/a

8. BANK LOANS AND BORROWINGS

Bank loans and borrowings are comprised of the following:

As at December 31	2020	2019
Bank indebtedness and loan (i)	\$ 13,347	\$ 13,667
Bankers' acceptances payable (ii)		
- Canadian dollar borrowings	47,100	52,601
- US dollar borrowings	35,290	47,461
Bank loans and borrowings	\$ 95,737	\$ 113,729

The Company has three borrowing facilities with major Canadian chartered banks, which provide the ability to borrow in the form of demand loans or through bankers' acceptances at maturities ranging from 30 to 270 days. Certain of the facilities allow the Company to borrow in either Canadian or US dollars. The facilities total \$160,000 (2019 – \$155,000), and are secured by general security agreements, the deposits of securities valued at \$164,305 (2019 – \$236,175) and the deposit of treasury stock valued at \$60,218 (2019 – \$61,696).

(i) Bank indebtedness and loan

Bank indebtedness consists of demand loans and overdraft borrowing under the Company's borrowing facilities, which are due on demand and bear interest at the bank prime rate.

(ii) Bankers' acceptances payable

These borrowings under bankers' acceptances have maturities of approximately one month or less, and are at rates negotiated in the bankers' acceptance market plus 0.50% or, for US dollar borrowings, at LIBOR plus 0.50%. The borrowings were renewed subsequent to year end on similar terms.

9. OTHER LIABILITIES

(a) Classification of other liabilities

An analysis of the Company's other liabilities is as follows:

As at December 31	2020	2019
Current (included in accounts payable and other):		
Acquisition-related (i)	\$ –	\$ 18,967
Non-current:		
Acquisition-related (i)	5,006	–
Obligations to non-controlling interests (ii)	26,087	20,091
	31,093	20,091
	\$ 31,093	\$ 39,058

i) Acquisition-related

These amounts relate to the deferred payments on acquisitions completed by the Company. The acquisition-related amounts are comprised of the following:

As at December 31	2020	2019
Alta Capital Management, LLC (1)	\$ –	\$ 6,484
Aurrea Signature Inc. (2)	–	12,483
Agincourt Capital Management, LLC (3)	5,006	–
	\$ 5,006	\$ 18,967

(1) This amount is the deferred payments totaling \$5,000 USD related to the acquisition of Alta Capital Management, LLC ("Alta"). These amounts were settled in 2020.

(2) This amount is the arising from the December 31, 2019 acquisition of Aurrea Signature Inc., a Quebec-based life insurance MGA. The obligation is comprised of shares of IDC Worldsource Insurance Network Inc. valued at approximately \$6,894, representing an approximately 4.1% interest, and cash of approximately \$5,589. These amounts were settled in 2020.

(3) This amount is the estimated present value of the deferred payments of \$4,000 USD related to the acquisition of Agincourt Capital Management, LLC ("Agincourt"). The amount payable, which ranges between nil and \$4,000 USD, is dependent on the assets under management of Agincourt on certain future dates between October 1, 2022 and October 1, 2024.

ii) Obligations to non-controlling interests

The Company has granted to certain non-controlling interests the right to sell to the Company their interests in those subsidiaries. These options are exercisable over various future periods. These liabilities relate to future transactions with non-controlling interests, acting in their capacity as owners. Therefore, all subsequent changes in these obligation are reflected in the Statement of equity. An analysis of these obligations is as follows:

Subsidiary to be acquired	Option period	2020	2019
Alta	January 2, 2023 to January 2, 2033	\$ 21,042	\$ 20,091
Modern Advisor Canada Inc.	March 31, 2025 to March 31, 2034	284	–
Agincourt	October 1, 2025 to October 1, 2040	4,761	–
		\$ 26,087	\$ 20,091

Each of the above are the present value of the estimated payment required on the earliest date that payment may be required. The discount rate used to determine each of the amounts is approximately 12.8% (2019- 11.6%). The most sensitive assumption used estimating each of the future payments is the projected revenues of the subsidiary in the year preceding the exercise date and this assumption largely relies on the most recent data plus growth that is consistent with the Company's current plans. The obligations for Alta and Agincourt are payable in USD.

(b) Fair value hierarchy and changes in Level 3 liabilities

An analysis of the changes in other liabilities categorized as level 3 is as follows:

For the years ended December 31	2020	2019
Fair value through profit or loss:		
Balance, beginning of the year	\$ 6,484	\$ 6,644
Payments	(6,613)	—
Arising on acquisition	5,210	—
Recognized in net earnings	12	174
Foreign exchange translation	(87)	(334)
Balance, end of the year	\$ 5,006	\$ 6,484
Fair value through equity:		
Balance, beginning of the year	\$ 32,574	\$ 19,006
Payments	(12,483)	—
Arising on acquisition	5,468	12,483
Accreted interest	2,653	1,960
Change in fair value	(1,433)	101
Foreign exchange translation	(692)	(976)
Balance, end of the year	\$ 26,087	\$ 32,574

10. PROVISIONS

From time to time, the Company is named as a party to claims, proceedings and investigations, including legal, regulatory and taxes, in the ordinary course of its business. While it is often not possible to estimate the outcome of the various proceedings at any time, the Company makes provisions, where possible, for the estimated outcome of such proceedings. Should any loss resulting from the resolution of any claims differ from these estimates, the difference will be accounted for as a charge to income in that year. As at December 31, 2020 and 2019, there were no material provisions recorded.

11. LEASE OBLIGATIONS

Leases, and recognized lease obligations on the Balance Sheets are presented on a discounted basis. An analysis of the Company's lease obligations on a non-discounted basis is as follows:

As at December 31	2020	2019
Payable within one year	\$ 3,293	\$ 2,784
Payable after one year and within five years	9,872	9,015
Payable after five years	2,097	3,531
Total undiscounted lease obligations	\$ 15,262	\$ 15,330

In 2020, the Company recognized interest expense of \$561 and paid a total cash amount of \$2,930 (2019 – \$2,622) in respect of lease obligations.

The amount of the Company's lease obligations, which arise substantially from leased office space, will increase, along with the right of use assets, when the Company enters into a new lease, renews an existing lease or when it is reasonably certain it may exercise an option to extend a current lease. Information on the right to use assets is disclosed in note 6 Equipment.

12. INCOME TAXES**(a) Income tax expense**

The components of the income tax expense are as follows:

For the years ended December 31	2020	2019
Current tax expense		
Tax on profits for the current year	\$ 26,484	\$ 12,003
Adjustments in respect of prior periods	97	68
	26,581	12,071
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	(19,232)	7,123
Adjustments in respect of prior periods	111	(47)
	(19,121)	7,076
Income tax expense	\$ 7,460	\$ 19,147

(b) Reconciliation of income tax expense to statutory rates

The income tax expense in the consolidated statements of operations is less than the tax computed using combined Canadian Federal and Provincial statutory income tax rates of 26.5% (2019 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2020	2019
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ 14,185	\$ 38,223
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,239)	(3,666)
Rate differential on earnings of foreign subsidiaries	(8,776)	(8,706)
Non taxable portion of (gains) or losses	4,500	(6,928)
Non-deductible expenses	537	389
Benefits of losses not recognized	217	–
Other	36	(165)
Income tax expense	\$ 7,460	\$ 19,147

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15% (2019 – 15.0%) and the Provincial income tax rate of 11.5% (2019 – 11.5%).

(c) Deferred tax assets and liabilities

A summary of the composition of and changes in the Company's deferred tax assets and liabilities is as follows:

For the year ended December 31, 2020								
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences		Total
Deferred tax assets:								
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 638	\$ 159	\$ 531	\$	1,328
Recognized in net earnings	–	–	–	(62)	(151)	(310)		(523)
Balance, end of year	\$ –	\$ –	\$ –	\$ 576	\$ 8	\$ 221	\$	805
Deferred tax liabilities:								
Balance, beginning of year	\$ 46,412	\$ 8,711	\$ –	\$ (2,019)	\$ 5,595	\$ (3,559)	\$	55,140
Recognized in net earnings	(17,086)	(2,144)	–	2,134	(1,171)	(1,377)		(19,644)
Arising on acquisition (note 25)	–	–	–	(113)	4,548	–		4,435
Foreign exchange translation	–	194	–	(15)	(1)	(5)		173
Balance, end of year	\$ 29,326	\$ 6,761	\$ –	\$ (13)	\$ 8,971	\$ (4,941)	\$	40,104
For the year ended December 31, 2019								
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences		Total
Deferred tax assets:								
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 624	\$ 347	\$ 498	\$	1,469
Recognized in net earnings	–	–	–	14	(188)	33		(141)
Balance, end of year	\$ –	\$ –	\$ –	\$ 638	\$ 159	\$ 531	\$	1,328
Deferred tax liabilities:								
Balance, beginning of year	\$ 43,475	\$ 5,209	\$ –	\$ (2,416)	\$ 2,778	\$ (3,509)	\$	45,537
Recognized in net earnings	2,937	3,642	–	829	(419)	(54)		6,935
Arising on acquisition (note 25)	–	–	–	(439)	3,232	–		2,793
Foreign exchange translation	–	(140)	–	7	4	4		(125)
Balance, end of year	\$ 46,412	\$ 8,711	\$ –	\$ (2,019)	\$ 5,595	\$ (3,559)	\$	55,140

(d) Other temporary differences

The aggregate amount of temporary differences between costs for accounting purposes and costs for income tax purposes arising from the earnings accumulated in certain subsidiaries is \$323,669 (2019 – \$276,404), some of which amounts may be subject to income tax if such subsidiaries are disposed of or the earnings are otherwise distributed. Deferred tax has not been provided on these temporary differences, as the Company does not intend to dispose of such subsidiaries or distribute such earnings. In addition, the Company has approximately \$818 of non-capital loss carry forwards which have not been recognized and are available to offset taxable income until 2040.

13. 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

For the years ended December 31	2020		2019	
	Shares	Amount	Shares	Amount
Class A shares				
Outstanding, beginning of year	24,944	\$ 18,006	25,186	\$ 18,282
Acquired and cancelled	(99)	(71)	(449)	(327)
Converted from common	—	—	207	51
Outstanding, end of year	24,845	17,935	24,944	18,006
Common shares				
Outstanding, beginning of year	2,895	699	3,219	778
Acquired and cancelled	—	—	(117)	(28)
Converted to Class A	—	—	(207)	(51)
Outstanding, end of year	2,895	699	2,895	699
Total outstanding, end of year	27,740	\$ 18,634	27,839	\$ 18,705

(c) Issuer bid

A summary of the Company's activity under its ongoing Normal Course Issuer Bid is as follows:

For the years ended December 31	2020	2019
Purchased and cancelled		
Class A	99	449
Common	—	117
Consideration paid	\$ 2,573	\$ 13,544
Less average issue price, charged to share capital	(71)	(355)
Excess consideration charged to retained earnings	\$ 2,502	\$ 13,189

Under the current NCIB, which commenced on November 23, 2020 and expires on November 22, 2021, the Company may purchase up to 145 common shares and 1,715 Class A shares. The Company had purchased and cancelled 17 Class A shares under the current NCIB in the period up to December 31, 2020.

(d) Dividends on common and Class A shares

For the years ended December 31	2020	2019
Dividends declared and paid, per share	\$ 0.630	\$ 0.575

The Company also declared dividends of \$0.16 and \$0.18 per share payable on January 19, 2021 and April 17, 2021, respectively, on the common and Class A shares outstanding.

14. TREASURY STOCK

The Company provides Stock-based entitlements to certain senior employees of the Company through the EPSP Trust. The EPSP Trust purchases shares of the Company related to these 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 with 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 years ended December 31	2020		2019	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,298	\$ 28,129	2,173	\$ 25,235
Acquired	109	2,941	130	2,995
Disposed	(173)	(1,559)	(5)	(101)
Balance, end of year	2,234	\$ 29,511	2,298	\$ 28,129

During the year, the Company disposed of 173 (2019 – 5) of the class A shares for amounts equal to their costs.

As at December 31, 2020, the treasury stock was comprised of 30 common shares (2019 – 30) and 2,204 class A shares (2019 – 2,268 shares).

(b) Equity-based entitlements

Equity-based entitlements allow the employees to acquire 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 years ended December 31	2020	2019
Balance, beginning of year	1,171	1,045
Entitlements provided	109	130
Entitlements exercised	(68)	(2)
Forfeited	(3)	(2)
Balance, end of year	1,209	1,171

Equity-based entitlements provided during the year ended December 31, 2020 had a fair value of \$2,941 (2019 – \$2,995).

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

(c) Option-like entitlements

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

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

For the years ended December 31	2020		2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning of year	1,127	\$ 9.64	1,128	\$ 9.64
Entitlements exercised	(104)	9.68	(1)	7.98
Balance, end of year	1,023	\$ 9.64	1,127	\$ 9.64

No option-like entitlements were granted during 2020 or 2019.

As at December 31, 2020, there were option-like entitlements outstanding for 1,023 class A shares (2019 – 1,127).

Because these entitlements have option-like characteristics, they 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.

The following table summarizes information about option-like entitlements outstanding:

	Number of shares	Weighted average exercise price	Vested number of shares	Weighted average exercise price
As at December 31, 2020				
\$5.01 – \$7.50	74	\$ 6.76	74	\$ 6.76
\$7.51 – \$10.00	725	9.33	725	9.33
\$10.01 – \$12.50	224	11.59	224	11.59
	1,023	\$ 9.64	1,023	\$ 9.64
As at December 31, 2019				
\$5.01 – \$7.50	74	\$ 6.76	74	\$ 6.76
\$7.51 – \$10.00	829	9.38	829	9.38
\$10.01 – \$12.50	224	11.59	224	11.59
	1,127	\$ 9.64	1,127	\$ 9.64

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is comprised of the following:

For the years ended December 31	2020	2019
Dividends on Bank of Montreal shares	\$ 12,402	\$ 14,360
Other securities	5,639	4,708
Dividend income	18,041	19,068
Operating activities	1,579	2,781
Investing activities	827	1,702
Interest income	2,406	4,483
Dividend and interest income	\$ 20,447	\$ 23,551

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are comprised of the following:

For the years ended December 31	2020	2019
Salaries and other compensation, payroll taxes and benefits	\$ 93,824	\$ 76,537
Contributions to defined contribution pension plans	1,758	1,074
Stock-based compensation	2,678	2,453
Employee compensation and benefits	\$ 98,260	\$ 80,064

17. NET GAINS (LOSSES)

Net gains (losses) are comprised of net gains (losses) arising on the following items:

For the years ended December 31	2020	2019
Bank of Montreal common shares	\$ (38,900)	\$ 42,464
Other securities	37,400	50,291
Securities (i)	(1,500)	92,755
Disposal of intangible assets	1,570	1,049
Disposal of equipment (ii)	420	–
Foreign exchange (iii)	(1,803)	2,902
	\$ (1,313)	\$ 96,706

- (i) Net gains (losses) on securities are a result of changes in the fair value of securities, securities backing third party investor liabilities and third party investor liabilities.
- (ii) During the year the Company donated its collection of Indigenous art and recognized a gain on the disposition. The gain was equal to the appraised value of the art, \$450, less its cost. The gain on the disposition of the art was not subject to tax. In addition, the Company recognized a tax deductible expense for the appraised value of the donation.
- (iii) Foreign exchange gains (losses) arise from monetary assets and liabilities denominated in currencies which are different from the functional currencies of the Company or its individual subsidiaries.

18. NET EARNINGS PER SHARE

The calculations of net earnings per share are based on the following number of shares and net earnings.

For the years ended December 31	2020	2019
Weighted average number of class A and common shares outstanding		
Basic	25,437	25,796
Effect of outstanding entitlements and options from stock based compensation plans	1,674	1,669
Diluted	27,111	27,465
Net earnings attributable to shareholders of class A and common shares		
Basic	\$ 42,358	\$ 123,120
Effect of outstanding entitlements and options from stock based compensation plans	281	513
Diluted	\$ 42,639	\$ 123,633

The effects of 650 (2019 – 611) entitlements from the Company's stock-based compensation arrangements were excluded from the calculation of the diluted number of shares as those entitlements were anti-dilutive.

19. BUSINESS SEGMENTS

The Company operates in the following three main business segments: a) the investment management segment, which involves the earning of management fees relating to investment management services provided to clients; b) the financial advisory segment, which involves the earning of commissions from the

sale of life insurance products, mutual funds and other securities, and the continuing service commissions related to these products; and c) the corporate activities and investments segment, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities. The allocation of costs to individual business segments is undertaken to provide management information on the cost of providing services and a tool to manage and control expenditures.

(a) Business segments

The following table discloses certain information about these segments:

	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue										
Commission revenue	\$ —	\$ —	\$168,944	\$153,458	\$ —	\$ —	\$ (3,769)	\$ (3,027)	\$165,175	\$150,431
Commissions paid to advisors	—	—	(103,238)	(99,062)	—	—	—	—	(103,238)	(99,062)
Net commission revenue	—	—	65,706	54,396	—	—	(3,769)	(3,027)	61,937	51,369
Management fees	123,563	102,784	—	—	—	—	(1,083)	(1,232)	122,480	101,552
Fees paid to referring agents	(9,924)	(9,482)	—	—	—	—	3,769	3,025	(6,155)	(6,457)
Net management fees	113,639	93,302	—	—	—	—	2,686	1,793	116,325	95,095
Administrative services income	7,457	6,778	9,560	9,259	65	50	—	—	17,082	16,087
Dividend and interest income	411	680	1,306	2,370	18,113	19,990	617	511	20,447	23,551
	121,507	100,760	76,572	66,025	18,178	20,040	(466)	(723)	215,791	186,102
Expenses										
Employee compensation and benefits	62,440	50,566	29,913	25,980	5,907	3,518	—	—	98,260	80,064
Amortization	7,481	6,265	9,512	6,729	1,190	1,122	—	—	18,183	14,116
Interest	152	318	390	1,021	1,464	3,044	(6)	(369)	2,000	4,014
Other expenses	22,642	20,201	17,848	16,613	2,477	2,547	(460)	(354)	42,507	39,007
	92,715	77,350	57,663	50,343	11,038	10,231	(466)	(723)	160,950	137,201
Operating earnings	28,792	23,410	18,909	15,682	7,140	9,809	—	—	54,841	48,901
Net gains	445	(48)	1,577	1,128	(3,335)	95,626	—	—	(1,313)	96,706
Net earnings before income taxes	29,237	23,362	20,486	16,810	3,805	105,435	—	—	53,528	145,607
Income tax expense	7,051	5,582	5,643	4,748	(5,234)	8,817	—	—	7,460	19,147
Net earnings	\$ 22,186	\$ 17,780	\$ 14,843	\$ 12,062	\$ 9,039	\$ 96,618	\$ —	\$ —	\$ 46,068	\$ 126,460
Net earnings attributable to:										
Shareholders	\$ 20,949	\$ 16,129	\$ 12,370	\$ 10,373	\$ 9,039	\$ 96,618	\$ —	\$ —	\$ 42,358	\$ 123,120
Non-controlling interests	1,237	1,651	2,473	1,689	—	—	—	—	3,710	3,340
	\$ 22,186	\$ 17,780	\$ 14,843	\$ 12,062	\$ 9,039	\$ 96,618	\$ —	\$ —	\$ 46,068	\$ 126,460
Additions to segment assets										
Intangible assets	\$ 29,858	\$ 2,464	\$ 15,067	\$ 22,244	\$ 139	\$ 209	\$ —	\$ —	\$ 45,064	\$ 24,917
Equipment	103	1,672	243	1,885	488	456	—	—	834	4,013
Goodwill	10,395	—	9,948	6,882	—	—	—	—	20,343	6,882
As at December 31	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment assets and liabilities:										
Assets	\$241,210	\$251,369	\$232,016	\$172,613	\$732,684	\$756,709	\$ (52,348)	\$ (50,728)	\$1,153,562	\$1,129,963
Liabilities	123,011	165,908	165,849	122,574	199,343	198,008	(52,348)	(50,728)	435,855	435,762

(b) Geographic segments

The Company also operates in various geographic regions. The following table discloses certain information about the Company's activities by geography:

	Canada		Rest of the world		Inter-segment transactions		Consolidated	
For the years end December 31	2020	2019	2020	2019	2020	2019	2020	2019
Net revenue	\$ 162,726	\$ 148,899	\$ 61,732	\$ 41,512	\$ (8,667)	\$ (4,309)	\$ 215,791	\$ 186,102
As at December 31	2020	2019	2020	2019	2020	2019	2020	2019
Segment non-current assets								
Intangible assets	\$ 85,312	\$ 68,966	\$ 75,874	\$ 60,842	\$ —	\$ —	\$ 161,186	\$ 129,808
Equipment	11,796	14,289	4,316	4,224	—	—	16,112	18,513
Goodwill	30,688	20,709	29,546	19,934	—	—	60,234	40,643

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

For the years ended December 31	2020	2019
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ 60,738	\$ (48,418)
Accounts receivable and other	(3,733)	(10,157)
Receivables from clients and broker	(39,329)	19,728
Increase (decrease) in non-cash working capital liabilities		
Client deposits	(60,096)	47,774
Accounts payable and other	11,920	1,050
Payable to clients	39,240	(18,074)
Net change in non-cash working capital items	\$ 8,740	\$ (8,097)

21. FINANCIAL RISKS MANAGEMENT

The Company's goal in managing financial risk is to evaluate the risks being taken against the benefits that are targeted to be achieved and, where those risks are deemed acceptable, to mitigate those risks, where practicable. A discussion on the Company's risk management practices is included under the heading "Risk Factors" in the Management's Discussion and Analysis of the Company's 2020 Annual Report. 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 \$222,295 (2019 – \$351,750) investment in the Bank of Montreal shares, which is a significant portion of the Company's securities holdings. The Company monitors the investment in the Bank of Montreal shares on a continuous basis and has been reducing this risk. A change in the price of the Bank of Montreal shares by 10% would result in a gain or loss of \$22,223 (2019 – \$35,175).

(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's most significant exposure to price risk, excluding the investment in Bank of Montreal shares and fixed-income and short-term securities is as follows:

	Securities classified as fair value through the profit and loss	Gain or loss recognized from 10% market change in region
As at December 31, 2020		
Canada	\$ 45,031	±\$ 4,503
Rest of the World	308,144	30,814
	\$ 353,175	±\$ 35,317
As at December 31, 2019		
Canada	\$ 39,437	±\$ 3,944
Rest of the World	253,318	25,332
	\$ 292,755	±\$ 29,276

This risk is managed through the use of professional in-house portfolio management expertise, which takes a disciplined approach to investment management. The Company's securities holdings, excluding the Bank of Montreal shares, are also diversified by asset class and by geographical region. The net price risk from third party investors liabilities and Securities banking third party liabilities is minimal and is discussed in detail in note 3.

(ii) Currency Risk

Currency risk, the risk of a gain or loss resulting from the movements in currency exchange rates, arises when the Company or one of its subsidiaries is a 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 December 31	2020	2019
Bank loans and borrowings	\$ 35,290	\$ 47,461

The Company's currency risk is primarily related to the US dollar borrowings. This risk is mitigated by the US dollar cash flows which are generated by certain of the Company's subsidiaries, which have been used to reduce these borrowings. In addition, the Company will recognize an offsetting amount on translation of the investment in this foreign subsidiary and recognize a gain/loss in other comprehensive income. A change in the CAD-USD exchange rate by +/-10% would result in a foreign exchange gain or loss of +/- \$3,529 (2019 – \$4,746) recognized in net earnings

From time to time, a foreign subsidiary may hold an unhedged position 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 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 December 31	2020	2019
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 43,197	\$ 107,253
Short-term securities	44,904	14,725
Fixed-income securities	12,197	18,049
Amortized cost security	–	5,000
	\$ 100,298	\$ 145,027
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 95,737	\$ 113,729
Client deposits	43,128	106,430
	\$ 138,865	\$ 220,159

The Company 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. If interest rates had been 1% higher throughout the year, with all other variables held constant, the Company's interest expense would have been increased by approximately \$1,047 (2019 – \$1,255).

The Company holds \$12,197 (2019 – \$18,049) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed-income securities are managed first by the Company who selects appropriate fixed-income funds for various interest rates environments and then by the use of professional in-house portfolio management expertise that manages the funds in accordance with each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities. The interest rate risk associated with the Company's investment in amortized securities is minimal as the Company intends to hold this investment until they matured or called. Should the Company change its intention and dispose of the investment prior to maturity it will be exposed to a gain or loss from changes in interest rates at that time.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's total credit risk exposure, without consideration of any collateral or other credit enhancements, is as outlined below:

As at December 31	2020	2019
Cash	\$ 41,677	\$ 34,198
Interest-bearing deposits with banks	43,197	107,253
Accounts receivable and other assets	60,211	61,402
Receivable from clients and broker	77,313	37,984
Short-term securities	44,904	14,725
Fixed-income securities	12,197	18,049
Amortized cost security	–	5,000
	\$ 279,499	\$ 278,611

The cash and interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The accounts receivable and other are generally amounts due to from customers and the credit risk is low due to the nature of the Company customers. The accounts receivable may also include amounts that the Company is owed monies 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 government treasury bills or investment in money funds which hold government treasury bills or investment-quality securities with very short duration and low credit risk. The credit risk on the investment in the amortized cost security was minimized by a careful and through examination of the borrowers business by the Company and its in house investment professionals.

(d) Liquidity Risk

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

22. CAPITAL MANAGEMENT

The Company considers the following to be its capital: shareholders' equity and bank loans and borrowings. The Company's objectives in managing its capital are to:

- (a) maintain a strong capital base to provide investor, creditor, regulator and client confidence; and
- (b) provide returns to shareholders by the payment of dividends, the repurchase of the Company's shares, and the enhancement of long-term value.

The allocation of capital to, and the return from, the Company's businesses are monitored by senior management. Certain of the Company's operating subsidiaries are subject to various types of capital requirements imposed by the regulatory authorities to which they report. During the year, and at year end, the subsidiaries complied with those requirements. As at December 31, 2020, the Company's regulated businesses had total regulatory capital amounting to \$287,622 (2019 – \$237,742). These amounts are, in all cases, in excess of the regulatory requirements, and are adjusted by the Company as necessary from time to time. The Company's borrowing facility, through which bankers' acceptances are issued, is subject to certain terms and conditions. During the years, and at year ends, the Company complied with those terms and conditions.

23. RELATED PARTIES

(a) Parent Company

Minic Investments Limited ("Minic") is a corporation of which A. Michael Christodoulou, a director and officer of the Company, is currently President. Minic is owned by The Christodoulou 2004 Family Trust, a discretionary trust of which certain family members are possible beneficiaries. As at December 31, 2020, Minic beneficially owned 49.2% (2019 – 49.2%) of the Company's outstanding common shares. In 2020 and 2019, there were no transactions between Minic and the Company.

(b) Key management Personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. The Company has determined that its key management personnel include the Board of Directors of the Company and certain senior executives of the Company. The following summarizes transactions with key management personnel:

For the years ended December 31	2020	2019
Short-term employment benefits	\$ 6,798	\$ 6,055
Post-employment benefits	35	25
Stock-based compensation	1,303	1,228
	\$ 8,136	\$ 7,308

The Company provides investment management services to key management personnel at reduced fee rates, which are available to all employees of the Company. The following is a summary of the fees paid for these services:

For the years ended December 31	2020	2019
Investment management services	\$ 25	\$ 33

(c) Operating Subsidiaries

The Company's significant operating subsidiaries during the periods and ownership interest at year ends are as follows:

As at December 31		2020	2019
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Capital Enterprises Limited	Canada	100%	100%
GuardCap Asset Management Limited	United Kingdom	100%	100%
Guardian Capital Real Estate Inc.	Canada	100%	100%
Modern Advisor Canada Inc.	Canada	71%	0%
Guardian Capital, LLC	United States	100%	100%
Alta Capital Management, LLC (i)	United States	70%	100%
Agincourt Capital Management, LLC (ii)	United States	70%	0%
Worldsource Wealth Management Inc.	Canada	100%	100%
Worldsource Financial Management Inc.	Canada	100%	100%
Worldsource Securities Inc.	Canada	100%	100%
IDC Worldsource Insurance Network Inc. (iii)	Canada	82%	82%
Aurrea Signature Inc. (iii)	Canada	n/a	100%
Guardian Capital Holdings International Ltd.	Cayman Islands	100%	100%
Alexandria Bancorp Limited	Cayman Islands	100%	100%
Alexandria Global Investment Management Ltd.	Cayman Islands	100%	100%
Alexandria Trust Corporation	Barbados	100%	100%
Guardian Capital Group Limited Employee Profit Sharing Plan (iv)	Canada	0%	0%

(i) The principal place of business for Alta Capital Management, LLC ("Alta"), the Company's US equity investment manager subsidiary, is located at Suite 260, South Wasatch Boulevard, Salt Lake City, Utah. The non-controlling interests have a 30% equity and voting ownership interest in Alta.

The accumulated non-controlling interest in the Company's accounts related to Alta is as follows:

For the years ended December 31	2020	2019
Balance, beginning of year	\$ 21,537	\$ 24,306
Net earnings attributable to non-controlling interests	1,304	1,651
Other comprehensive income attributable to non-controlling interest	(286)	(1,318)
Distributions	(2,787)	(3,102)
Other	51	—
Balance, end of year	\$ 19,819	\$ 21,537

Summarized financial information about assets, liabilities, and operations of Alta before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31	2020	2019
Current assets	\$ 5,943	\$ 6,474
Other non current assets	67	276
Intangible assets	54,556	59,592
Goodwill	18,713	19,047
	\$ 79,279	\$ 85,389
Current liabilities	\$ 3,410	\$ 4,015
Non current liabilities	—	75
	\$ 3,410	\$ 4,090
For the years ended December 31	2020	2019
Revenue	\$ 18,841	\$ 19,888
Net earnings	4,346	5,503
Comprehensive income	3,393	1,110

(ii) The principal place of business for Agincourt Capital Management, LLC ("Agincourt"), the Company's US fixed-income investment manager subsidiary, is located at Suite 800, 200 South 10th Street, Richmond, Virginia. The non-controlling interests have a 30% equity and voting ownership interest in Agincourt. Agincourt was acquired by the Company on October 1, 2020 and the following tables reflect balances and activity subsequent to acquisition.

The accumulated non-controlling interests in the Company's accounts related to Agincourt are as follows:

For the years ended December 31	2020	2019
Balance, beginning of year	\$ —	\$ —
Arising on acquisition	9,638	—
Net earnings attributable to non-controlling interests	305	—
Other comprehensive income attributable to non-controlling interest	(402)	—
Distributions	—	—
Balance, end of year	\$ 9,541	\$ —

Summarized financial information about assets, liabilities, and operations of Agincourt before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31	2020	2019
Current assets	\$ 2,720	\$ —
Other non-current assets	889	—
Intangible assets	20,481	—
Goodwill	9,963	—
	\$ 34,053	\$ —
Current liabilities	\$ 1,360	\$ —
Non-current liabilities	966	—
	\$ 2,326	\$ —

For the years ended December 31	2020	2019
Revenue	\$ 3,492	\$ —
Net earnings	1,017	—
Comprehensive income	(323)	—

* The above includes the results of Agincourt since its acquisition by the Company on October 1, 2020.

- (iii) The principal place of business for IDC Worldsource Insurance Network Inc. ("IDC WIN"), the Company's insurance managing general agency ("MGA") subsidiary, is located at Suite 700, 625 Cochrane Drive, Markham, Ontario. The non-controlling interests have an 18% (2019 – 18%) equity and voting ownership interest in IDC WIN. During 2020, Aurrea Signature Inc., which was acquired by the Company on December 31, 2019, was amalgamated with IDC WIN.

The accumulated non-controlling interest in the Company's accounts related to IDC WIN is as follows:

For the years ended December 31	2020	2019
Balance, beginning of year	\$ 9,980	\$ 7,370
Net earnings attributable to non-controlling interests	2,473	1,689
Transactions with non-controlling interests (note 24)	1,129	825
New accounting standard	—	96
Other	85	—
Balance, end of year	\$ 13,667	\$ 9,980

Summarized financial information about assets, liabilities and operations of IDC WIN before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31	2020	2019
Current assets	\$ 14,896	\$ 11,653
Intangible assets	69,387	56,429
Other non-current assets	26,445	16,431
	\$ 110,728	\$ 84,513
Current liabilities	\$ 11,426	\$ 9,741
Non current liabilities	12,834	10,546
	\$ 24,260	\$ 20,287

For the years ended December 31	2020	2019
Revenue	\$ 50,089	\$ 39,723
Net earnings	13,846	10,643
Comprehensive income	13,846	10,643

- (iv) The Company does not hold any ownership interest in the EPSP Trust. However, the EPSP Trust is consolidated because the Company has power over the activities of the EPSP Trust, which are conducted on behalf of the Company, and the Company remains exposed to the risks of the EPSP Trust, which are described in note 14, Treasury Stock.

(d) Interests in investment funds

The Company sponsors and manages a number of investment funds, including both mutual funds and exchange traded funds. The purpose of each fund is to efficiently invest monies on behalf of the Company's clients, and they are intended to be the primary investors in and owners of the fund. The Company provides investment management services and in certain circumstances administration services to these funds. These funds, which are separate legal entities, are to be financed by investments made by clients and, to a limited extent, the Company. However, there are periods when the Company may control a fund, due to the management of and the size of its economic interest in the fund, and as a result the Company will consolidate that fund.

(i) Consolidated investment funds

The Company consolidates an investment fund when it controls the fund. This is frequently during the initial launch period of a fund when the Company provides the initial seed capital. In addition, control of the fund may change during other periods, for example due to ongoing investments into or out of a fund. Subsequent to control being lost, the Company may continue to maintain an investment in the fund. Investment funds sponsored by the Company which were consolidated at any time during 2020 or 2019, and the Company's ownership interest at the end of each of those years are as follows:

As at December 31		2020	2019
	Country of organization	Voting	Ownership interest
Guardian Directed Premium Yield ETF (1)	Canada	82%	N/A
Guardian Directed Equity Path ETF (1)	Canada	87%	N/A
Guardian i ³ Global Quality Growth ETF (1)	Canada	27%	N/A
Guardian i ³ Global REIT ETF (1)	Canada	55%	N/A
Guardian i ³ US Quality Growth ETF (1)	Canada	64%	N/A
Guardian Directed Premium Yield Portfolio (formerly Guardian SteadyFlow Equity Fund) (2)	Canada	21%	55%
Guardian Directed Equity Path Portfolio (formerly Guardian SteadyPace Equity Fund) (2)	Canada	30%	25%
Guardian Risk Managed Conservative Portfolio (2)	Canada	1%	9%
Guardian Growth & Income Fund (3)	Canada	N/A	N/A
Guardcap UCITS Funds PLC, Emerging Markets Equity Fund	Ireland	92%	93%
Guardcap UCITS Funds PLC, Alta All Cap Equity Fund	Ireland	100%	100%
Alta Quality Growth Fund	United States	72%	89%
Guardian Dividend Growth Fund	United States	100%	100%
Guardian Fundamental Global Equity Fund	United States	92%	100%
Guardian Aurora Master Fund, LP (4)	Cayman Islands	44%	24%
The Alexandria Directed Equity Path Fund (5)	Cayman Islands	100%	N/A

(1) Guardian Directed Premium Yield ETF, Guardian Directed Equity Path ETF, Guardian i³ Global Quality Growth ETF, Guardian i³ Global REIT ETF, and Guardian i³ US Quality Growth ETF acquired on August 11, 2020. The funds have been consolidated since formation.

(2) Guardian Directed Premium Yield Portfolio, Guardian Directed Equity Path Portfolio and Guardian Risk Managed Conservative Portfolio were formed on January 21, 2019. Effective July 1, 2019, Guardian Risk Managed Portfolio and Guardian Directed Equity Path Portfolio ceased to be consolidated. Effective April 1, 2020, the Company ceased to consolidate the Directed Premium Yield Portfolio.

(3) Effective April 29, 2019, Guardian Growth & Income Fund ceased activity and was dissolved. As a result, the company ceased to consolidate this fund on that date.

(4) The Company acquired control of Guardian Aurora Master Fund, LP on July 1, 2020.

(5) Alexandria Directed Equity Path commenced operations on May 31, 2020, and has been consolidated since it commenced operations.

(ii) Unconsolidated investment funds

A summary of the unconsolidated investment funds that are managed by the Company, and the Company's interest in and transactions with those funds, is summarized in the following table:

As at December 31	2020	2019
Net assets of unconsolidated investment funds	\$ 7,342,482	\$ 5,158,023
Company's interests in unconsolidated investment funds	124,382	163,000
For the years ended December 31	2020	2019
Net revenue for investment management and administration services earned directly from unconsolidated investment funds	\$ 27,271	\$ 20,142

The Company's maximum exposure to loss from its interest in these investment funds is limited to the amount of its investment.

In addition to the Net revenue shown above, certain investors pay fees for investment management services directly to the Company, rather than through the fund. These fees have not been included in the above amounts.

24. CHANGE IN THE OWNERSHIP OF A SUBSIDIARY

The Company had several transaction which resulted in changes to the Company's ownership in IDC-WIN.

- (a) The Company purchased shares of IDC-WIN from the non-controlling interests (NCI) in 2019 for cash payments of \$9,349, \$8,354 which was paid in 2019 and \$995 which was paid in 2020. As a result of these transactions NCI and retained earnings decreased \$3,189 and \$6,160 respectively.

- (b) IDC-WIN issued shares to an executive of IDC-WIN in 2019 for cash of \$904. As a result of this transaction NCI and retained earnings increased \$294 and \$610 respectively.
- (c) The Company sold in 2019 a 7% ownership interest in IDC-WIN, valued at \$11,791, as partial consideration for the purchase of Aurrea Signature Inc. As a result of this transactions NCI and retained earnings increased \$3,720 and \$8,061 respectively.
- (d) The Company and the NCI participated in a share subscription to IDC-WIN in 2020. The NCI paid \$1,098, but as they did not fully participate the NCI increased by \$1,129, with the difference being charged to retained earnings.

25. ACQUISITIONS

(a) Acquisitions

(i) Modern Advisor Canada Inc.

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

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

The provisional accounting for the transaction is as follows:

Fair value of consideration:	
Cash	\$ 3,545
Deferred payment	177
	\$ 3,722
Fair value of the identifiable net assets acquired:	
Intangibles – software	\$ 5,309
Intangibles – customer relations and other	1,759
Net working capital and other (including cash of \$28)	57
Right of use assets	44
Lease obligations	(44)
Deferred taxes	(1,873)
Fair value of identifiable net assets acquired	5,252
Non-controlling interests	(1,530)
	\$ 3,722

The above balance of non-controlling interest represents their proportionate share of the fair value of the identifiable net assets acquired.

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

The cost associated with this transaction were approximately \$247, which were expensed in the current year.

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

For the period ended December 31, 2020	
Net revenue	\$ 426
Net loss and comprehensive loss	(1,266)
Net loss and comprehensive loss attributable to shareholders	(893)

(ii) Agincourt Capital Management, LLC

On October 1, 2020, the Company acquired a 70% interest in Agincourt Capital Management LLC, ("Agincourt"), a fixed-income investment management firm, based in Richmond, Virginia, USA. On closing, Agincourt had assets under management ("AUM") of approximately \$7.2 billion USD. The acquisition provides the Company with further diversification of its revenue sources by product and by geography, improved distribution capabilities in the key US markets, and increased scale to its fixed-income business. The management and its key employees retained the remaining 30% interest in Agincourt and continued their employment with Agincourt.

The total consideration for the transaction is \$22,490 (\$16,920 USD) which is comprised of \$17,280 (\$13,000 USD) paid on closing and deferred payments with a present value of \$5,210 (\$3,920 USD). The deferred payments are calculated based on the level of AUM then achieved to a maximum of \$4,000 USD and are payable on certain dates between October 1, 2022 and October 1, 2024.

The provisional accounting for the transaction is as follows:

Fair value of the consideration:	
Cash paid on closing	\$ 17,280
Deferred payment	5,210
Total consideration	\$ 22,490
Fair value of the identifiable net assets acquired:	
Intangibles – customer relations	\$ 21,733
Non-controlling interests	(9,638)
Goodwill	10,395
	\$ 22,490

The Company has recognized non-controlling interests at fair value.

The intangible assets acquired represent Agincourt's existing investment contracts with clients and the goodwill represents the value arising from the retention of key employees, access to established distribution, networks in key markets, addition of new products and other potential synergies. The Company expects that approximately \$7,383 of the goodwill will be deductible for income tax purposes.

As part of the transaction, the Company provided an option to the minority shareholders of Agincourt to sell their remaining interests in Agincourt to the Company, and the Company received an option to buy the remaining minority interests in Agincourt on the same terms and conditions. These options become exercisable commencing on the fifth anniversary of the acquisition and expire on the fifteenth anniversary of the acquisition, and have exercise prices which are determined based on the level of revenue achieved by Agincourt. On acquisition, the Company has recognized a liability of \$4,820 in respect of the options held by the non-controlling interests, based on the estimated present value of the expected payment required by the Company on the earliest date the options become exercisable.

The costs associated with this transaction were approximately \$358, which were expensed in the current year.

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

For the period ended December 31, 2020	
Net revenue	\$ 3,492
Net earnings and comprehensive income	764
Net earnings and comprehensive income attributable to shareholders	459

(iii) Copoloff Insurance Agencies (Canada) Ltd.

On October 1, 2020, the Company acquired Copoloff Insurance Agencies (Canada) Ltd. ("Copoloff"), a managing general agency (MGA) headquartered in Montreal, Quebec. The transaction, which follows the Company's acquisition of Aurea Signature Inc. at the end of 2019, accelerates the Company's expansion into the Quebec market. Subsequent to the acquisition, Copoloff was amalgamated with the Company's existing MGA subsidiary IDC WIN.

The consideration for the transaction is approximately \$17,551 and is comprised of \$16,625 paid on closing, and \$875, subject to certain working capital adjustments, payable within six months.

The provisional accounting for the transaction is as follows:

Fair value of the consideration	
Cash paid on closing	\$ 16,625
Deferred payment and working capital adjustments	977
	\$ 17,602
Fair value of identifiable net assets acquired:	
Intangibles – rights to future revenues	\$ 10,055
Cash	552
Receivables and other current assets	498
Equipment	58
Accounts payable and accrued expenses	(947)
Deferred taxes, net	(2,562)
Fair value of identifiable net assets acquired	7,654
Goodwill	9,948
	\$ 17,602

Goodwill, which is not expected to be deductible for income tax purposes, represents the expectation that IDC WIN will be able to maximize the value of contracts with major life insurance carriers, and that synergies will be able to be achieved to maximize profitability of the acquired company.

The costs associated with this transaction were approximately \$290, which were expensed in 2020.

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

For the period ended December 31, 2020		
Net revenue		\$ 1,130
Net earnings and comprehensive income		269
Net earnings and comprehensive income attributable to shareholders		215

(iv) Aurrea Signature Inc.

On December 31, 2019, the Company acquired a 100% interest in Aurrea Signature Inc., ("Aurrea"), a leading MGA in the province of Quebec. The primary reason for acquiring Aurrea is to further strengthen IDC WIN's national operation by providing a significant presence in the province of Quebec. The key employee of Aurrea entered into an employment agreement with IDC WIN as part of the transaction.

The total consideration for the transaction was \$17,000, comprised of a 7.0% ownership interest in IDC WIN and cash, plus a cash adjustment for net working capital. Shares representing an approximately 2.9% ownership interest in IDC WIN were delivered on closing and the balance of shares, plus the cash consideration and working capital adjustment, were delivered on or about March 31, 2020.

The accounting for the transaction is as follows:

Fair value of the consideration:		
Cash		\$ 5,219
Shares representing a 7% ownership interest in IDC WIN		11,781
Working capital adjustments		370
		\$ 17,370
Fair value of the identifiable net assets acquired:		
Intangibles – rights to future revenues		\$ 12,227
Cash		846
Other net working capital		(136)
Equipment, right of use assets and other		1,771
Lease obligations		(1,427)
Deferred taxes, net		(2,793)
Fair value of identifiable net assets acquired		10,488
Goodwill		6,882
		\$ 17,370

Goodwill, which is not expected to be deductible for income tax purposes, represents the expectation that IDC WIN will be able to maximize the value of contracts with major life insurance carriers, and that synergies will be able to be achieved to maximize profitability of the acquired company.

As Aurrea was acquired on December 31, 2019, it did not contribute to the Company's Net revenue or Net earnings in 2019.

(v) Pro forma information on acquisitions

If the acquisition date for all acquisitions that occurred in a year had happened at the beginning of the year, then the Company estimates that its reported results would have been as follows:

For the years ended December 31	2020	2019
Net revenue	\$ 229,101	\$ 201,438
Net earnings	48,703	126,293

(b) Cash used for (acquired in) acquisitions

An analysis of the cash used for (acquired in) acquisitions is as follows:

For the years ended December 31	2020	2019
Modern Advisor	\$ 3,722	\$ –
Agincourt	17,280	–
Copoloff	16,625	–
Aurrea	5,244	–
Alta	6,492	–
Less cash acquired in above transactions	(580)	(846)
	\$ 48,783	\$ (846)

(c) Pending acquisition

On December 16, 2020, the Company reached an agreement to purchase BNY Mellon Wealth Management Advisory Services, Inc., BNY Mellon's Canadian-based wealth management business for a purchase price of \$10,000 in cash on closing and an adjustment for excess net working capital to be paid subsequently. The transaction which is expected to close in the first quarter of 2021, will add approximately \$5,500,000 of assets under advisement, of which a large portion relates to assets administered on behalf of ultra-high net worth families, and expands the Company's current core wealth management capabilities in the ultra-high net worth and family office segment.

26. COVID-19 IMPACT

The Covid-19 pandemic has increased the volatility in the global financial markets, as seen by the severe market declines in February and March of 2020 followed by its recovery during the remainder of the year. This volatility had a significant effect on the Company. It impacted the fair value of the Company's Securities and revenue during year. Company generates a significant portion of its revenue from client assets it manages or administers. Fluctuations could cause the client assets, and therefore the Company's Net revenue, to fluctuate.

While the continued impact of the COVID-19 pandemic is difficult to predict. However, a prolonged restrictions and lock-downs could result in further volatilities to the Company's fair value of its Securities and its Net revenue.

Directors

James S. Anas •*

A. Michael Christodoulou

Petros Christodoulou •

Marilyn De Mara •

Harold W. Hillier •

George Mavroudis

Edward T. McDermott •

Barry J. Myers •

Hans-Georg Rudloff •

Committees:

Governance

A. Michael Christodoulou

Edward T. McDermott •*

Barry J. Myers •

Compensation

James S. Anas •

Harold W. Hillier •*

Edward T. McDermott •

Hans-Georg Rudloff •

Audit

James S. Anas •

Marilyn De Mara •

Harold W. Hillier •

Barry J. Myers •*

* Chairman

• Independent Directors

Principal Executives

George Mavroudis
*President and Chief
Executive Officer*

C. Verner Christensen
*Senior Vice-President
and Secretary*

A. Michael Christodoulou
*Senior Vice-President,
Strategic Planning and
Development*

Robin Lacey
*Head of Institutional
Asset Management*

Docé Tomic
*Head of Wealth
Management*

Matthew D. Turner
*Senior Vice-President and
Chief Compliance Officer*

Donald Yi
Chief Financial Officer

Robert McLean
*Senior Vice-President,
Information Technology*

Ashleigh Currie
*Vice-President, Human
Resources*

Ernest B. Dunphy
*Vice-President and
Controller*

Rachel Hindson
Vice-President, Legal

Angela Shim
*Vice-President, Marketing
and Corporate Initiatives*

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KPMG LLP

PRINCIPAL BANKERS

Canadian Imperial Bank of Commerce
Bank of Montreal

TORONTO STOCK EXCHANGE LISTING

Shares	Symbol
Common	GCG
Class A	GCG.A

ANNUAL MEETING

May 13, 2021
11:00 a.m.
Commerce Court West,
199 Bay Street, Suite 3100,
Toronto, Ontario

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