GUARDIAN CAPITAL

2021
Annual Report

Guardian Capital Group Limited

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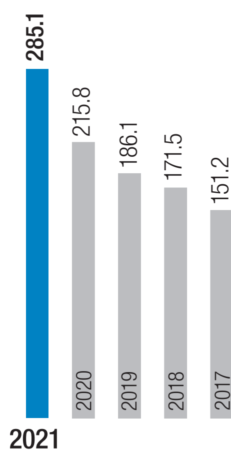
CAUTION CONCERNING FORWARD-LOOKING INFORMATION

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

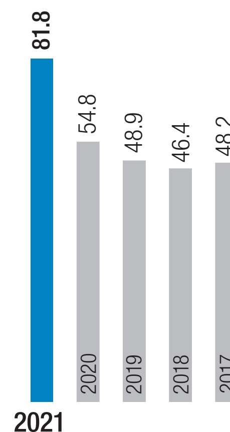
Although Guardian believes that the expectations reflected in such forward-looking information are reasonable, such information involves known and unknown risks and uncertainties which may cause Guardian's actual performance and results in future periods to differ materially from any estimates or projections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

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

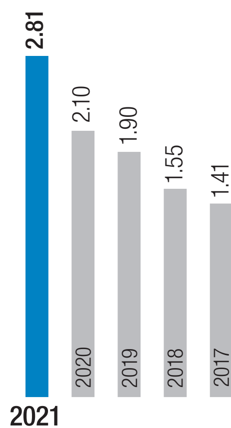
2021 Financial Highlights



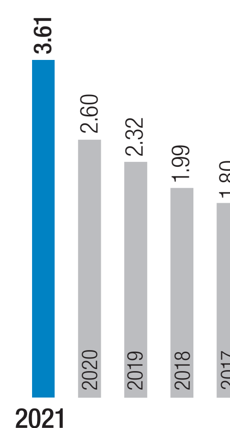
NET REVENUE
For the years ended December 31 ($ in millions)



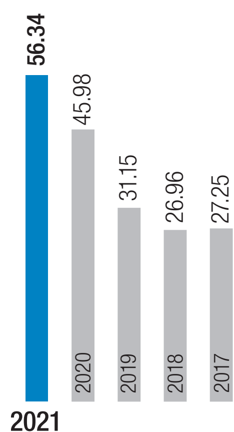
OPERATING EARNINGS
For the years ended December 31 ($ in millions)



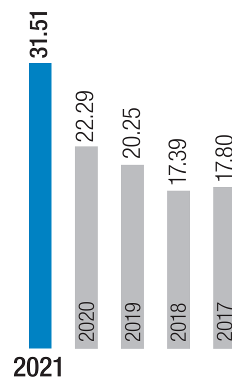
ADJUSTED CASH FLOW FROM OPERATIONS PER SHARE[1]
(diluted)
For the years ended December 31 (in $)



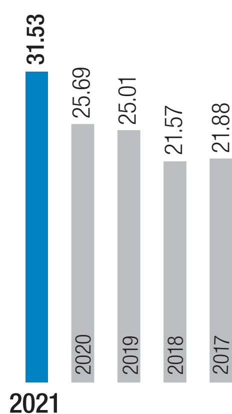
EBITDA PER SHARE[1]
(diluted)
For the years ended December 31 (in $)



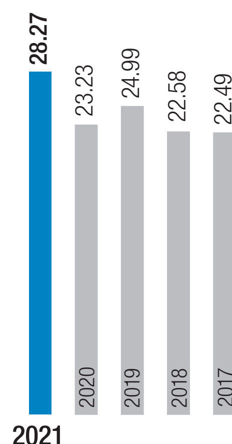
ASSETS UNDER MANAGEMENT
As at December 31 ($ in billions)



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



SHAREHOLDERS' EQUITY PER SHARE[1]
(diluted)
As at December 31 (in $)



SECURITIES PER SHARE[1]
(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,

I am pleased to report to you that your company, Guardian Capital Group Limited, completed 2021, its 60th anniversary year, with considerable success, continuing to excel, outperform, and deliver value to you. This attainment has been the culmination of planning, patience, and execution along with exceptional leadership.

Guardian once again achieved historic results in all its key financial metrics in 2021, during a second challenging year of the worldwide COVID-19 pandemic. Not only has this progress been proven successful in difficult times but I am pleased to report that we have enjoyed a trajectory of such growth over the past ten years. Guardian again increased its dividends and returns to our shareholders.

Our robust balance sheet and financial results provide the facility to invest in organic growth, new ventures, in addition to exploring acquisitions that complement our strategies.

Based on the sustained growth in operating earnings and cash flow in 2021, your board has declared a quarterly dividend of $0.24 per share, an increase of 33%, payable on April 19, 2022, to shareholders of record on April 12, 2022.

Your board acknowledges Guardian's talented and tested leadership team, led by George Mavroudis, President and Chief Executive Officer, for the growth and positive results across our financial services businesses in our multiple jurisdictions. We congratulate and thank them along with the associates in our offices in the many countries of our operations. We are confident that these achievements will be sustained in a growing and innovative environment.

During this past two years, your board and its committees have continued to meet regularly in a virtual environment. I thank each one of your board members for continuing to provide their wise counsel, insight, and sound business judgment in support of our management team. Our board is cognizant that sustainability issues are increasingly important to all of our stakeholders and remains committed to ensuring that our oversight and governance practices continue to evolve and consider our impacts on the environment and society as a whole. In particular, our board recognizes the importance of having a diverse set of viewpoints and voices at both the board and executive management levels and continues to review and enhance our approach to continually broadening our perspective. In all things, we remain steadfast in our efforts to provide outstanding value to our shareholders.

On behalf of the Board of Directors,

Respectfully,

James Anas,
Chairman of the Board

February 24, 2022

President and Chief Executive Officer's Message

Dear Shareholders,

As I write this year's letter, I find myself reflecting on Guardian's journey of the past decade, as it overlaps with my tenure as Chief Executive Officer. I wrote my first letter to shareholders in the 2011 Annual Report, where I stated our future success would be driven by a focus on converting the scale of our operating businesses into generators of meaningful and repeatable operating profits. I highlighted that although our preferred route to growth was likely to be organic, we also believed our financial resources would offer us the ability to consider opportunistic strategic acquisitions accretive to our goal of achieving meaningful operating profits. Readers of this year's Annual Report will be pleased to observe substantive progress towards these objectives, as key company metrics have grown by multiples over the past decade.

Despite another year navigating the COVID-19 pandemic, we are pleased to report that our key financial metrics reached all-time highs in 2021. We ended the year with total assets under management ("AUM") at $56 billion, total assets under administration and advisement ("AUA") at $32 billion and net revenues, EBITDA and operating earnings exceeding $285 million, $107 million and $81 million, respectively. Net client inflows in 2021 were just under $4 billion, once again led by the incredible growth exhibited by GuardCap, our UK-based asset management business. In seven years, this business has grown from a vision of creating a foothold outside Canada, with less than $100 million of assets at inception, to nearly $18 billion in AUM at year-end, with a diverse client base that spans the globe.

Ten years ago, we had a strong foundation on which to build, a balance sheet that could support our resolve despite any market turbulence we would likely encounter, a strong and well-regarded Canadian investment management business, and a growing systematic investment team, which for the first time gave us the ability to invest globally. We were also fortunate to be supported by a number of long-term shareholders, who were patient and backed our vision for the future. Yet while we had a great platform upon which to build, we also faced some challenges.

Our investment management business was profitable but facing growing headwinds, as investors were beginning to demand much more than traditional Canadian public securities. Our dealership division was a constant consumer of capital, and although we had just completed a merger with IDC Financial to form IDC Worldsource Insurance Network ('IDCWIN"), which would prove to be transformational, our managing general agency (MGA) business had historically been a money-losing operation. Our private wealth business was seeing a period of strong growth, but was still a business unit that was in need of financial support. In fact, in those days, a significant portion of our profitability relied on income from our investment portfolio, which was primarily comprised of a holding in the Bank of Montreal.

Today, our AUM and AUA are each more than three times the levels they were 10 years ago, and our MGA's operating earnings are greater than all of Guardian's in 2011. Our Dealers and private wealth business are now solidly profitable, and while we have sold more than half of our 2011 BMO position to make acquisitions, fund purchases of our shares for cancellation and make significant seed investments in new investment strategies, our investment portfolio has more than doubled. We can now comfortably afford to pay more in dividends each quarter than we paid in a full year in 2011. Those investors who have chosen to hold their shares during this period now find themselves owning a relatively larger portion of the company's earnings and cash flows, as we have purchased and cancelled approximately 20% of Guardian's total shares outstanding since 2011 while preserving the quality of the balance sheet. What was once a company that was almost exclusively based in Canada and massively weighted to our Canadian investment products, now has more than half of its AUM in non-Canadian markets, with significant operations located in the US and the United Kingdom and a large number of clients based across the globe.

Of course, the world is always in motion, and the future is no more obvious to us now than it was in 2011. However, we have built a platform that is more resilient than that which we inherited, and this has greatly enhanced our ability to recruit even more talented people and invest in technology, new organic initiatives and acquisitions to facilitate our commitment to grow Guardian. I am confident that today we are in an even better position to achieve enduring success than we were a decade ago, and we will continue to give determined efforts to accomplish our goals. The company today has a much broader bench strength of executives, and therefore greater capacity to tackle the many opportunities ahead of us. I feel just as passionate and enthusiastic today as I did a decade ago about our company's ability to continue building on this strong foundation for many years to come.

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, but we also look forward to returning to more in-person interactions with our clients and colleagues as the pandemic evolves to endemic status. It is also not lost on us that the financial performance of the broad markets has been aided by the immense amount of liquidity provided by government fiscal and monetary policies, and as such, it is important to not rely on these tailwinds to persist.

As a publicly listed company with a strong balance sheet, Guardian has flexibility in deciding how much of our cash flow should be reinvested in organic growth initiatives, acquisitions or share repurchases, while continuing to pay an attractive dividend. With the support of a stable, long-term shareholder base, we are able to confidently invest in new organic initiatives that trade lower earnings today in exchange for the pursuit of much greater earnings and shareholder value in the future. Our balance sheet and proven execution in identifying the right businesses to acquire, then integrating them into the Group, have afforded us a growing reputation among market participants. We have become increasingly viewed as reliable partners with a strong track record of success, which affords us strategic opportunities to deploy support both financially and operationally as we consider complementing our growth with acquisitions. Moving forward, we expect that our organic growth initiatives will continue to be complemented by disciplined pursuits of acquisitions across all of our business segments.

In 2021, Guardian paid out $18.5 million in dividends, increasing our quarterly dividend from $0.16 a share to $0.18 a share. We purchased for cancellation approximately 786,000 of our shares at a cost of $25.1 million, and we expect that if the public market continues to discount the value of our shares relative to our estimates of their intrinsic valuation, we will continue to be meaningful acquirers of those shares under our Normal Course Issuer Bid. With strong, growing cash flow, we are in the enviable position of being able to balance the needs of all stakeholders, including our clients, associates and shareholders.

During 2021, Guardian introduced a Group-wide initiative, “Enriching Lives Together”, which represents our commitment to having a positive impact on all of our stakeholders; not by simply improving financial situations, but also by providing less tangible, yet ultimately significant benefits to both those stakeholders and to society at large. A subject matter of interest that impacts all of our stakeholders is climate change. This topic is not new, as we have been hearing about the need to address climate change for decades, however the velocity and demands for change over the last few years have never been more focused and intense. We recognize that climate change will bring massive disruption to virtually all sectors and industries of the global economy, including the asset management industry. It has gained the attention of the largest capital allocators, and regulatory bodies are now working to introduce climate reporting standards for publicly traded companies. Over the past year, we have created a dedicated Responsible Investing Team that is leading our efforts in, amongst other things, developing a climate action plan, which will enhance our approach to climate analysis across all of our investment teams. It will also help guide the company’s approach to managing and reporting on climate-related risks and opportunities. We have made tremendous progress on framing and laying the groundwork to ensure that climate change remains at the forefront of our thinking, and we are committed to improving our practices so as to manage the risks, but also to build on the opportunities for us to make our contribution to a healthier global climate ecosystem. As a part of our Enriching Lives Together initiative, Guardian is currently developing a plan to evaluate and address the emissions caused by our global business operations, and we expect to outline how we intend to take corrective action to reduce those emissions in the near future.

Our core values are built upon being trustworthy, acting with integrity and ensuring stability throughout the organization, and we aim to embody our values and live up to our mission in all we do. The ultimate assessment of our success is based upon our actions authentically aligning with these values. Clients, shareholders, associates and Guardian’s other business partners 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 benefit from our success.

Warmest regards,

George Mavroudis,
President and Chief Executive Officer

February 24, 2022

Enriching Lives Together

Over Guardian Capital Group Limited's 60-year history, we have been guided by a determination to behave in an authentic, ethical manner, one that respects all of our stakeholders: our clients, associates and shareholders. We are well aware that everything we do is about making a difference in others' lives.

We are committed to putting our full efforts into running a growing and successful business, and know that what differentiates us is that we are authentic in our commitment to helping others. The integrity of our people and strength of our culture and ethics are what make us all proud to be a part of this firm, and 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, we recognize that our growing influence and reputation are providing us with an opportunity to extend these efforts much further, specifically when it comes to another vital stakeholder: society as a whole, and particularly those who may find themselves in less privileged circumstances. With this in mind, in 2021 we set out to define and align a vision that best identifies our businesses' collective purpose in a way that would positively impact all of our stakeholders. The path to discovering this overarching vision included months of discussions with clients, prospects, researchers and internal colleagues. This resulted in the debut of Enriching Lives Together, our new value proposition across the firm.

The entire foundation of the industry in which we participate is to make investments with the goal of increasing the wealth of our end clients, but the ideals behind Enriching Lives Together go further. This initiative was created with the intention of enriching our stakeholders in a holistic manner, by creating a safe, respectful and enlightened environment for our colleagues, clients and partners, and by contributing time and resources to ensure that we do our part to help wider society to advance in a similar manner.

In order to expand our reach and ability to help others, we believe that we need to start from within. We began by surveying our staff, and found our associates are quite happy working at Guardian in comparison to other firms. With that said, we know we have room for improvement, and are working to close this gap, conceptualizing and following through on ways to enrich the environment Guardian provides our staff. We believe we are stronger when we not only celebrate our many differences, values and voices, but include them in practice. We have also taken a more active role in identifying ways to recognize and remove the effect of biases that adversely affect the prospects of marginalized people.

In a time where it was difficult to connect with others in person, we awarded our very first Guardian Capital Indigenous Student Awards, annual educational grants meant to help Indigenous students fuel their dreams by supporting their post-secondary education within Canada. We are also actively studying our impact on the environment and ways we can continue to mitigate it. In addition, we raised tens of thousands of dollars for Food Banks Canada, with Guardian matching thousands of dollars in donations to help feed those in need in our communities. There is a lot more work to do, but we are proud to see the effect these and other initiatives are having on those who can truly use our help.

We know that Guardian is not able to change the world alone, but we have made a commitment to identify concrete means of enriching lives in ways that align with our core beliefs. We believe we are capable of creating positive outcomes both inside and outside the firm, and we will continue to align our focus with the knowledge that each of us at Guardian has the opportunity to make a difference in the lives of everyone with whom we come into contact every day. Enriching Lives Together represents that, and to this end, we are just getting started.

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"), and Guardian Capital Real Estate Inc. ("GCREI"), with GCLP being the longest tenured. Guardian serves pension plan sponsors, broker-dealer third-party platforms, insurance company segregated funds, exchange-traded funds, mutual funds, endowment funds and foundations. Its capabilities span a range of asset classes, geographic regions and specialty mandates. These entities are the successors to its original investment management business, which was founded in 1962.

Guardian's institutional assets under management ("AUM") were $51.9 billion at the end of 2021, up from $42.5 billion at the end of 2020. This increase in AUM can be attributed to positive net performance in its Canadian Equity and Global Equity strategies during the year, as well as positive cash flows of approximately $4.0 billion, primarily generated in Global Equity strategies provided by GuardCap. These positive asset flows were partially offset by smaller net outflows in Canadian Equity strategies.

Investment Client Distribution

Institutional Markets

Guardian services and distributes to institutional clients and investors in many parts of the world. Its reach has become increasingly global, chiefly as a result of both the expansion of its investment capabilities and the range of formalized investment vehicles offered in multiple jurisdictions. To support the increase in the number of points of access provided to investors around the world, Guardian has also grown its distribution capacity, predominantly directly but also by selectively employing third parties.

In the Americas, distribution efforts continue to take shape. In Latin America, the focus remains institutional, as Guardian targets the largest pension plans in Brazil and Colombia. Guardian's two businesses in the US, Alta and Agincourt, are exploring ways to expand their reach while at the same time ensuring service to existing clients is delivered at the highest level. For Alta strategies and related products sourced from other Guardian companies, the push continues to develop profile and engagement in intermediated retail markets, predominantly with regional and national broker-dealers and RIAs. Agincourt, with its focus on institutional intermediaries and investors, has enjoyed continued steady growth with the additions of new assets from both existing and new clients. Agincourt's long-term relationships with investment consultants and Outsourced Chief Investment Officer (OCIO) clients continue to serve as the main source of growth opportunities. Guardian continues to explore broader coverage of US-based investment consultants, with the goal of increasing opportunities among the institutions that they advise for Guardian's competitive, marquee investment strategies. This has proven particularly challenging during the pandemic, as consultants have tended to limit access only to those managers with whom they have existing relationships. The continued growth and greater coordination of efforts across these various channels will, over time, allow Guardian to elevate its profile in the largest market in the world. The progressive expansion of activities also necessitates regular updates on product strategy to ensure Guardian has the correct vehicles in place to provide investors with access to in-demand strategies. Guardian continues to believe that the growth potential in the US market is very attractive for the firm.

From its base in London, the GuardCap team, with support from other Guardian businesses, has enjoyed another banner year of growth. The Dublin, Ireland-domiciled UCITS umbrella vehicle has seen incremental inflows from a range of clients diversified both by type and geography. Of note, much of the recent headline AUM growth has come from newly acquired, large institutional clients - in particular from Canada. Led by the Fundamental Global Equity strategy, the base of clients investing in GuardCap solutions runs the gamut from wealth managers and family offices to institutions and sovereign wealth funds. Guardian is also doing business with clients in the Americas, throughout Europe and in both Asia and Australia. Guardian will look to maintain growth momentum with these and other strategies.

Following several difficult years, Guardian's range of Canadian strategies has stabilized with, on average, much improved performance. Encouragingly, this has translated into a number of pockets of new business opportunities. Nonetheless, the trend of institutions reducing allocations to Canadian equities and re-allocating capital to other markets' investments has continued. Interest has been maintained in Core and related Canadian equity strategies, not least by virtue of the innovation that has allowed Guardian to introduce more bespoke solutions: 'Sector (Risk) Controlled' and 'Carbon Constrained' being two good examples. Guardian believes this will be a source of future new business opportunities, despite the generally quiet demand backdrop for the asset class. The fixed-income team in

Canada continues to evolve under new leadership, with recent developments including the recruitment of a lead portfolio manager for Emerging Market Debt to both establish a standalone capability and add new dimensions to build Guardian's 'core plus' investment credentials. These capabilities will see an increased profile with the institutional community as they mature over the coming years. Guardian has maintained active engagement with investment consultants based in Canada and the US, with dedicated resources in place for this purpose. In addition, Guardian continues to receive a steady level of requests for proposals from boutique Canadian consultants. Their clients, typically First Nations communities and educational, healthcare and religious institutions, tend to have bespoke investment requirements, for which Guardian is well placed to facilitate.

Guardian has continued to increase its commitment to serve institutional investors in multiple geographies. The firm continues to consider the product and distribution strategies in markets where attractive opportunities and sustained demand can be identified. The evolution of Guardian's investment capabilities will continue, an example of which is the present exploration of a number of opportunities to participate in further direct private market opportunities. Guardian's traditional strengths in Canada are one part of a broad array of skill-based investment capabilities that span all global, liquid developed and emerging equity markets and North America, in addition to newly emerging fixed-income markets. The engineered solutions previously reported on, whereby Guardian can define investment outcomes by making use of the deep liquidity available from derivative markets, are maturing well and have delivered on objectives. The commoditization of traditional, mainstream investment strategies continues apace. Guardian continues to place an emphasis on skilled management, which the firm believes, 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. In recent years, Guardian's profile has grown with an increasingly global audience, and efforts will continue to be directed towards furthering this growth.

Retail Markets

Guardian had another successful year building its relationships with retail investors across its global network. From bases in Canada, the US and the UK, Guardian has an expanding retail intermediary client base in North America, Europe and Australia. This aligns Guardian well with macro growth trends, particularly in the markets in 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 is expected to come from retail and private investors.

In Canada, Guardian's retail client base grew throughout 2021 across all channels, including direct distribution relationships of ETFs, mutual funds and separately managed accounts ("SMA") through retail advice channels. Its sub-advisory distribution relationships performed very well throughout the year, continuing to deliver net sales and strong AUM growth, as well as winning a new sub-advisory relationship. Guardian's leadership position as a top-five provider in the SMA market and unified managed account ("UMA") wrap programs with the top bank-owned and independent broker-dealers in the country continued in 2021, with material growth in AUM despite weak fixed-income markets that affect a large portion of Guardian's wrap programs. The firm continues to win the right to distribute new SMA models with key partners, including adding new SMA partners in 2021. Guardian launched new ETFs, modernized its roster of mutual funds and made them accessible to all MFDA and IIROC dealers in Canada by adding F and A Series, and engaged with an affiliated dealer partner to create a new roster of mutual funds focused on ESG criteria - the Sustainable Funds - which were launched in early January 2022. This latter endeavour is part of a significant strategic initiative to collaborate broadly with all of its affiliated dealer networks to expand Guardian's presence on their shelves.

Guardian's brand and link to a strong institutional pedigree is being leveraged to increasingly position Guardian as the first choice for advisors looking for an independent provider of investment solutions. This is particularly true in its focus on the decumulation (or retirement), stage, and the financial needs of investors and the advisors who serve them. Guardian is investing significant time and resources to establish itself as a market leader in providing innovative solutions to solve decumulation problems. Accompanying this effort, Guardian continues to provide thought leadership and differentiated practice management content, as well as excellence in servicing advisors in the broker-dealer distribution channels. The firm continued to add significant and strong resources and staff in 2021, in service of its growing commitment to servicing retail markets in Canada, and looks forward to building on the trust and faith won from advisors and their clients in the years to come.

Investment Strategies

Canadian Equity

The Canadian equity market benefitted from the strong performance of value-oriented sectors in the first half of the year, with the S&P/TSX's heavy exposure to Energy and Financials propelling the domestic benchmark ahead of most of its international peers with a strong 25.1% total return for the year as a whole.

Guardian's various Canadian equity strategies performed as expected against the market backdrop. Its income/value-biased strategies proved the strongest, outperforming the broad Canadian market. Its other strategies all underperformed the S&P/TSX benchmark, in large part reflecting their lower exposure to Energy and/or Financials and higher weights in the laggard Health Care.

The anticipated broader reopening of the global economy and continued normalization of market conditions in the year ahead should remain constructive for the Canadian stock market, while a returned focus on long-term growth prospects as the pandemic ebbs should be particularly supportive of "quality" focused investment strategies such as Guardian's.

US Equity

Guardian's main US equity strategies, US Large Cap Growth and US All Cap Growth, are managed by Alta, which is based in Salt Lake City. 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 Guardian's company-wide array of high-conviction strategies, both in concept and investment philosophy.

Alta's strategies generated strong returns through 2021, however the growth focus and limited exposure to Energy and Financials weighed on relative performance versus the broad market S&P 500, while the underperformance in its Technology holdings factored into it lagging its main Growth benchmark. The outlook remains constructive for US equities and the expectation that market returns will increasingly be driven by earnings rather than valuation expansion should bode well for performance within the quality-growth-focused strategies.

Global Equity

Guardian has two global equity strategy teams. The Toronto-based i3 Investments follows a quantitative approach, while its London-based team follows a fundamental approach, with a focus on quality growth companies combined with a high-conviction mindset. These strategies serve as strong complements to each other and provide a broader set of choices to investors.

The i3 Investments global equity team materially outperformed both the broad market and its High Dividend benchmark in its Global Dividend Growth strategy, which account for the majority of the team's AUM. Additionally, the group's International Equity strategy outperformed its benchmark of non-US Developed Market stocks, building on the outperformance generated in 2020, while the Global Equity strategy trailed the MSCI World Index. The team's US and Global Quality Growth exchanged traded funds (ETF), as well as its Global REIT ETF, celebrated their first full year with solid returns, however all trailed their respective benchmarks.

During the year, i3 Investments benefited significantly from the incorporation of factors determined using artificial intelligence methods, which now make up a sizeable component of all of their models. These enhancements over the last few years have contributed to significant improvements in returns, which will further support the growth of this team in the future.

GuardCap, Guardian's London, UK-based subsidiary, manages the Fundamental Emerging Markets Equity and the Fundamental Global Equities strategies. The Fundamental Global Equities strategy again experienced strong returns in 2021, continuing a long history of success for these professionals, which predates their tenure at Guardian. With that said, the strategy lagged its benchmark against the outperformance of value-oriented sectors in 2021, marking the first time in five years and just the second time in eight years that the group has underperformed since becoming a part of Guardian. This strategy notably does not invest in energy and banks, as these types of companies do not meet their investment criteria. This was the main cause of underperformance in 2021.

The Global strategy's consistently strong performance record and underlying investment philosophy have proven to be highly attractive to institutional investors from around the world who are increasingly interested in high-conviction strategies. As such, GuardCap has continued to gain new clients, who have helped to grow its AUM to $17.9 billion at the end of 2021, up from $10.7 billion at the beginning of 2021. GuardCap is optimistic regarding continued growth and that the year ahead will bring further new appointments.

The Emerging Markets strategy had a difficult year in 2021, underperforming its benchmark. The main drivers of the underperformance were the rally in value-bias stocks in emerging markets, as the strategy holds stocks in growth companies and has sizeable exposure to Asian equities, both of which underperformed.

Despite a challenging year, Guardian believes that GuardCap's approach to investing in Emerging Markets Equity and longer-term performance record will increasingly gain traction with institutional investors. In 2021, they launched two new retail-focused ETFs featuring the Emerging Markets Equity strategy, the Guardian Fundamental All Country Equity (which is a mix of GuardCap's global and EM strategies) and the Guardian Fundamental Emerging Markets Equity (which is strictly EM).

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. In addition, a large number of portfolios are highly customized to meet specific client needs.

The year 2021 turned out to be challenging for fixed-income markets. The FTSE Canada Bond Universe Index recorded its worst year in almost three decades (-2.5%) as market interest rates rose in response to the generally improving economic momentum, firming inflationary pressures and rising expectations that central banks would begin to unwind their abundant crisis-era stimulus.

Against this backdrop, shorter duration securities and corporate credit (particularly lower-grade issues) outperformed the broad market, however, Guardian's conservative style of management and bias toward higher quality credits resulted in its core Canadian Bond and Investment Grade Corporate Bond strategies modestly underperforming their respective benchmarks for the year.

The outlook for fixed-income is challenging. The expectation for central banks to begin reducing monetary policy accommodation in the months ahead suggests that there is limited prospect for bonds to generate capital gains while yields remain historically compressed and spreads are tight, offering meagre carry and cushion for any potential rate increases. While there are relative value opportunities that Guardian is looking to exploit, absolute performance will be constrained. Guardian has been anticipating this trend, is working at expanding its portfolio of strategies to better reward investors in that type of environment.

U.S. Fixed-income

Guardian's three main U.S. fixed-income strategies: Short Duration, Intermediate and Core, are managed by Agincourt, the firm's Richmond, Virginia-based subsidiary. Its approach to US fixed-income investment management is similar to that of the Canadian fixed-income team in many ways, as both 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.

US fixed-income team's returns in 2021 were similar to those of the Canadian team. Absolute performance was negative as market interest rates increased from crisis lows established in 2020, while lower quality credits outperformed amid the rally in risk markets through the year, weighing on relative performance versus benchmarks.

Guardian believes Agincourt is well positioned to increase the size of its business, due to the steadiness of its performance combined with the support of Guardian's expanding 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 have experienced steady growth now for a few years. Investors are increasingly recognizing Guardian's ability to customize balanced funds and add value by selecting strategies from its growing range of Canadian and foreign equity solutions, combined with a solid fixed-income offering and tactical asset mix decisions.

Guardian also offers 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 have fared well despite the extreme market conditions experienced over the last two years. The performance as well as the approach to managing risk and generating income (both increasingly important for investors approaching their post-retirement decumulation phase) have so far proven attractive to investors.

Real Estate

Since 2013, Guardian has been providing clients the ability to invest in real estate through its Guardian Capital Real Estate Fund LP. Guardian's highly qualified professional real estate team invests the fund's assets in a broad range of smaller functional properties located across Canada, 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. Through the careful use of borrowing, the team manages gross real estate assets valued at over $391 million for the fund. Real estate is an important asset class for these clients, and the team has established a successful track record of efficiently deploying clients' capital and generating consistent returns. Although the effects of the pandemic continued to be operationally challenging during the year, the team delivered approximately 13% return to its investors in the real estate fund it manages. Guardian is starting to see more interest from new clients in this product, and is hopeful it will be able to accelerate AUM growth in this asset class.

WEALTH MANAGEMENT

Under the leadership of the Head of Wealth Management, Guardian realigned its operating segments in 2021. The previously named Financial Advisory businesses were grouped together with Guardian's private wealth business, Guardian Capital Advisors LP ("GCA"), the recently acquired Outsourced Chief Operating Officer business, Guardian Partners Inc. ("GPI") and Modern Advisors Canada Inc. and was renamed the Wealth Management Segment.

Life Insurance Managing General Agency

Guardian operates as a life insurance managing general agency business through its subsidiary, IDC Worldsource Insurance Network Inc. ("IDC WIN"). IDC WIN had another successful year, reporting record highs in many key metrics, including net commission revenue, operating earnings, EBITDA, AUA and the contractual premiums on life insurance policies sold ("Premiums Sold"). This business has experienced significant growth since its first acquisition of IDC Financial Inc. back in 2011, when its operating earnings were approximately at breakeven levels. In 2021, IDC WIN grew its net commission revenue by 24% to $61.0 million, including a 16% increase in life insurance renewal commissions to $27.2 million. These renewal commissions are earned when policies sold in prior years are renewed. This annual revenue stream has a long tail and high persistency. Operating earnings and EBITDA were $24.7 million and

$33.7 million, in 2021 respectively. The segregated fund and accumulation annuity AUA increased to $9.1 billion as at the end of 2021 and delivered $220 million in Premiums Sold in the current year. This growth to new highs was the result of continued recruitment of top-producing advisors, exceptionally strong organic growth in the high-net-worth market, as well as the benefit of acquisitions completed in the current and prior year.

Mutual fund and securities dealers ("Dealers")

The Dealers ended the year with $18.1 billion in AUA, a $3 billion increase from $15.1 billion in 2020. Once again, the Dealers continued to enjoy strong financial markets, which contributed to an environment conducive to client acquisition and advisor retention as well as organic growth from existing clients.

With the conversions to new technology platforms now squarely in the rearview mirror, the Dealers have turned their attention to the recruitment of new advisors and corporate partners, as evidenced by the IIROC Dealer's recruitment of Brant Securities advisors in November 2021.

While their energies are now focused on recruitment, the Dealers are simultaneously focusing on creating a digital, hybrid-advice platform with Modern Advisor to enhance advisor and client experience, which we expect will enhance the ability to recruit advisors and corporate partners.

The Dealers continued to work closely with Guardian's Canadian Retail Asset Management team to develop quality investment solutions for advisors. AUA placed by advisors in investment solutions managed by Guardian were $1.4 billion at year's end, a 25% increase compared to the prior year. While the largest share of these assets were placed with Guardian's private wealth business, assets placed into Guardian mutual funds and separately managed account mandates have continued to grow at a faster pace in recent years.

Private Wealth

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 these private clients, GCA manages discretionary portfolios consistent with their investment goals and objectives. Their risk-based approach, combined with Guardian's institutional research in domestic and global investments, allows them to build well-structured and globally diversified client portfolios. Guardian's continuing focus on expansion in US, international and emerging markets strategies provides clients with a distinct advantage over domestically focused competitors. Its collaborative work with clients' financial, legal, accounting, insurance and other advisors, ensures a holistic and integrated approach to wealth management. With 12 seasoned client portfolio managers, along with a strong administrative and support team, service and partnership with its clients remain at the forefront.

AUM increased over the prior year as a result of strong market appreciation as well as the addition of new clients. AUM at December 31, 2021 was just over $3.6 billion, rising approximately $400 million from 2020. Business development efforts continue to focus on promoting awareness in the professional, financial advisory, endowment and foundation communities, as well as servicing the needs of cross-border clients with specific investment, taxation and liquidity needs.

Guardian Partners Inc. ("GPI") was acquired on March 1, 2021. GPI provides investment and related services to clients in two distinct areas. The Private Investment Office (PIO) works with ultra-high-net-worth individuals and families. PIO clients are primarily successful business operators or entrepreneurs who have sold a business(es) in a sale transaction. The Outsourced CIO practice focuses on working with the board and management of foundations, endowments and select pension plans. Outsourced CIO clients value GPI's investment advice, governance oversight and comprehensive reporting and expertise. One of the key differentiators of GPI begins with independent advice and research that aligns them with the objectives of the client. Its database of investment managers has the depth and breadth to include, assess and rank conventional investment strategies as well as public and private market alternatives. The often complex nature of their clients' circumstances are serviced by their team of Investment Counselors and Analysts entrusted with portfolio construction, oversight and consolidated reporting.

As at December 31, 2021, GPI's combined AUA and AUM amounted to $4.5 billion. In the first 10 months since the acquisition, GPI has worked to establish both strong and close relationships with their clients. Their recent and future attention will turn to business development and creating awareness of the special and unique offerings they provide for ultra-high-net-worth individuals and families, as well as endowments and select pension plans.

As an extension of Guardian's private wealth management businesses in Canada, its International Private Banking division services the wealth management needs of its 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.

As at December 31, 2021, Alexandria manages and advises on $480 million in client assets, up 19% from the prior year.

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, 2021, with comparatives for the year ended December 31, 2020. Readers are encouraged to refer to Guardian's Consolidated Financial Statements contained in the 2021 Annual Report. This discussion and analysis has been prepared as of February 24, 2022.

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

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company that serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: Investment Management, Wealth Management (formerly Financial Advisory) and Corporate Activities and Investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom, the United States and the Caribbean. The Investment Management business is operated through the Toronto, Ontario-based Guardian Capital LP ("GCLP"), London, UK-based GuardCap Asset Management Limited ("GuardCap"), Salt Lake City, Utah-based Alta Capital Management, LLC ("Alta") and Richmond, Virginia-based Agincourt Capital Management LLC ("Agincourt"). The Wealth Management business is operated through the following businesses: Guardian Capital Advisors LP ("GCA") and Guardian Partners Inc. ("GPI"), which serve the wealth management and advisory needs of high- and ultra-high-net-worth clients; Worldsource Financial Management Inc. ("WFM"), a mutual fund dealer and Worldsource Securities Inc. ("WSI"), a securities dealer (together, the "Dealers"), which provide an independent platform for financial advisors to service their clients; IDC Worldsource Insurance Network Inc. ("IDC WIN"), a life insurance managing general agency ("MGA"), which provides insurance advisory services; Modern Advisor Canada Inc. ("Modern Advisor"), which is a digital advisory operation which also serves as the technology platform for Guardian's digital strategy; and Alexandria Bancorp Limited ("ABL"), a Caribbean-based international private bank serving the wealth management needs of international clients. As at December 31, 2021, Guardian had $56.3 billion of assets under management ("AUM") and $31.5 billion of assets under administration and advisement ("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 $752 million as at December 31, 2021.

NON-IFRS MEASURES

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

CHANGES TO SEGMENT REPORTING

In 2021, Guardian realigned its segmented reporting structure to better align with its operating structure. The financial advisory segment has been renamed Wealth Management. In addition to the two businesses previously included in the financial advisory segment, IDC WIN and the Dealers, the Wealth Management segment now includes the newly acquired GPI and certain businesses previously part of the Investment Management segment: GCA, the private wealth business; Modern Advisor, the digital-advisory business; and ABL the international private bank. The above section, Overview of Guardian's Business, provides the list of businesses now included in the Investment Management Segment.

The following discussions include restatement of prior periods to reflect the new alignment.

2021 HIGHLIGHTS

Guardian is once again reporting historic highs in all of its key financial metrics in 2021. Building on strong growth momentum witnessed in the second half of 2020, Guardian's Net revenues surpassed $285 million, a 32% increase

from the prior year; Operating earnings surpassed $81 million, a 49% increase from the prior year; EBITDA and EBITDA attributable to shareholders surpassed $107 million and $96 million, increases of 39% and 38%, respectively from the prior year; AUM reached $56.3 billion, a 23% increase from the prior year; AUA reached $31.5 billion, a 41% increase from the prior year; and fair value of Securities reached $752 million, a 19% increase over the prior year. This growth was achieved through a combination of organic growth, positive performance in global equities markets, successful recruitment of advisors in the Wealth Management Segment and contributions from acquisitions completed in the current and prior year.

Guardian added $4 billion in net new client assets into the Investment Management Segment, while adding over $4.8 billion in client assets in the Wealth Management Segment through acquisitions. On March 1, 2021, Guardian acquired a 100% interest in BNY Mellon Wealth Management Advisory Services, Inc., BNY Mellon's Canadian-based wealth management business. It was subsequently renamed Guardian Partners Inc. ("GPI") to align with the strength of Guardian's brand and commitment to partnership. On October 4, 2021, IDC WIN acquired the life insurance MGA business assets of AFL Groupe Financier Inc. ("AFL"), a leading MGA based in Quebec City, Quebec. Detailed descriptions of the above acquisitions are provided in Note 24 to Guardian's 2021 Consolidated Financial Statements.

Guardian delivered growth in Operating earnings while continuing to make significant investments in building out our Canadian retail distribution capabilities, while also continuing to make enhancements within Modern Advisor to build out our digital strategy on its technology platform and to strengthen and rebuild the recently acquired BNY Mellon business. The total Operating losses incurred by these businesses were $7.6 million in 2021. We expect these losses to continue in the short term, with the expectation that they will become meaningful contributors to the Operating earnings in the future.

COVID-19 UPDATE

Guardian continues to monitor the constantly evolving COVID-19 pandemic, the majority of Guardian's employees continue to work remotely. Towards the latter part of 2021, there was a significantly increased number of new infections reported in many parts of the world, driven by the Omicron variant. Since then, there have been some signs of hospitalizations rates starting to stabilize and even trend lower, which is driving some of the planned easing of government restrictions around the world. The continued easing of restrictions and reopening of economies could stabilize the global financial markets. However, another wave of increased infection rates could negatively impact the global economic recovery and increase volatility in the global financial markets once again. Guardian is prepared to respond to various scenarios which may unfold, but these future developments and their impact on Guardian's financial performance are highly uncertain and difficult to predict.

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)	2021	2020	% change
Net revenue	**$ 285,087**	$ 215,791	32.1%
Expenses	**203,299**	160,950	26.3%
Operating earnings	**81,788**	54,841	49.1%
Net gains (losses)	**142,623**	(1,313)	10,962%
Earnings before income taxes	**224,411**	53,528	319.2%
Income tax expense	**33,671**	7,460	351.4%
Net earnings	**$ 190,740**	$ 46,068	314.0%
EBITDA	**$ 107,639**	$ 77,702	38.5%
Adjusted cash flow from operations	**84,792**	63,050	34.5%
Attributable to shareholders:			
Net earnings	**$ 184,239**	$ 42,358	335.0%
EBITDA	**96,700**	70,325	37.5%
Adjusted cash flow from operations	**75,332**	56,773	32.7%
Per share, diluted:			
Net earnings	**$ 6.87**	$ 1.57	337.6%
EBITDA	**3.61**	2.60	38.8%
Adjusted cash flow from operations	**2.81**	2.10	33.8%

As at December 31 ($ in millions, except per share amounts)		2021		2020	% change
Shareholders' equity	$	839	$	700	19.9%
Securities		752		633	18.8%
Per share, diluted:					
Shareholders' equity	$	31.53	$	25.69	22.7%
Securities		28.27		23.23	21.7%

For the years ended December 31 ($ in millions)		2021		2020	% change
Annual premiums on insurance policies sold	$	220	$	140	57.1%

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

For the years ended December 31 ($ in millions)		2021		2020	% change
Investment management	$	48,032	$	25,004	92.1%
Wealth management		30,023		22,697	32.3%
Corporate activities and investments		3,733		7,140	(47.7%)
	$	81,788	$	54,841	49.1%

Guardian's consolidated Operating earnings for the year ended December 31, 2021 were $81.8 million, compared to $54.8 million for the year ended December 31, 2020, a 49% increase. The EBITDA and EBITDA attributable to shareholders in the current year were $107.6 million and $96.7 million, respectively, compared to $77.7 million and $70.3 million, respectively, in the prior year. Net revenues grew to $285.1 million, a 32% increase from $215.8 million in 2020. Total expenses in 2021 were $203.3 million, a 26% increase from $161.0 million in 2020. The new acquisitions in 2021 and the full-year effects of acquisitions in 2020 accounted for an $18.5 million increase in Net revenues and $16.6 million increase in expenses. The discussion on the operating results by Segments are provided below. The discussion should be read in conjunction with Note 19 (a) Business Segments of the Consolidated Financial Statements contained in Guardian's 2021 Annual Report.

INVESTMENT MANAGEMENT SEGMENT

Operating earnings from the Investment Management Segment were $48.0 million in the current year, a 92% increase over $25.0 million in 2020. The growth was driven by $4.0 billion in net new inflow of client assets, largely into the Fundamental Global Equity strategy managed by GuardCap, the benefit of positive global equity markets performance on client assets that we earn our fees, as well as the full-year benefit of the acquisition of Agincourt completed in Q4 2020. The growth in AUM, as described above, increased the Segment's Net revenue by $49.8 million to $150.1 million in the current year. Included in the $49.8 million increase in Net revenue was $9.6 million resulting from having a full year's contribution from Agincourt in the current year. The total expenses in the Segment were $102.0 million in 2021, compared to $75.3 million in 2020. The increase in expenses can largely be attributed to compensation costs driven by the growth experienced in many of the businesses in this Segment, the full year's expenses associated with Agincourt and the initiative to build out and enhance our retail distribution capabilities. The Operating losses incurred in this initiative were $4.9 million in the current year. We expect these losses to continue in the near term while we build this future source of growth.

WEALTH MANAGEMENT SEGMENT

The Wealth Management Segment is reporting Operating earnings of $30.0 million, as compared to $22.7 million in 2020, a 32% increase. This growth was driven largely by another year of significant growth in the MGA business and to a lesser extent by GCA, our private wealth business, and the Dealers business. All three businesses delivered over 40% growth in Operating earnings in 2021. The MGA business grew its EBITDA and EBITDA attributable to shareholders to $33.7 million and $27.7 million, respectively, in 2021 from $25.5 million and $20.9 million, respectively, in 2020. Net revenue for the Segment increased by $21.9 million to $119.6 million in 2021, while expenses increased by $14.6 million to $89.6 million in 2021. The largest contributor to the increase in Net revenue was IDC WIN, which grew its Net commission revenue by $11.8 million to $61.0 million, including a $3.5 million contribution from acquisitions completed in 2021 and Q4 2020. The growth in IDC WIN's Net commission revenue was driven by a record high of $220 million in premiums on insurance policies sold ("Premiums Sold"). When life insurance policies are sold, IDC WIN earns sales commissions in that period and in the following years, renewal commissions are earned as those policies are renewed. Included in Net commission revenue is $27.2 million in renewal commissions, a $3.8 million increase from 2020. The newly acquired GPI contributed $5.5 million in Net revenue in the current year. The increase in the Segment's expenses were driven by the growth experienced in all businesses, the addition of $6.6 million from the acquisition of GPI and the continued investments being made in Modern Advisor. Included in this Segment's Operating earnings were $2.8 million in Operating losses incurred in GPI and Modern Advisor. We expect expenses to

exceed revenues in these businesses in the near term as we rebuild and enhance our capabilities in GPI and integrate Modern Advisor's technology platform into our digital strategy. These investments will have a dampening effect on our earnings in the near term, but over the longer term we expect these businesses to become meaningful contributors to our earnings.

CORPORATE ACTIVITIES AND INVESTMENTS SEGMENT

The Corporate Activities and Investments Segment is reporting $3.7 million in Operating earnings in 2021, compared to $7.1 million in 2020. The decrease in Operating earnings was due to a combination of lower income from securities and higher expenses in 2021. The lower dividend income earned in 2021 was due largely to a $2.7 million decrease in dividends earned on BMO shares as a result of holding a lower average number of shares in 2021. Throughout 2020 and Q1 of 2021, Guardian disposed of over 1.2 million shares of BMO. This decrease was partially offset by increased dividend income earned in other parts of the Securities portfolio. The increased expenses were largely associated with increased compensation costs driven by higher costs to support the growth of the operating businesses and the expenses associated with the increased value of investment funds consolidated into Guardian's results.

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

For the years ended December 31 ($ in thousands)		**2021**		2020
Bank of Montreal common shares	**$**	**9,688**	$	12,402
Other securities		**7,293**		5,639
Dividend income		**16,981**		18,041
Operating activities		**1,179**		1,579
Investing activities		**526**		827
Interest income		**1,705**		2,406
Total dividend and interest income	**$**	**18,686**	$	20,447

Guardian's Net gains in 2021 were $142.6 million, compared to Net losses of $1.3 million in 2020. The significant increase in Net gains was largely due to the increase in fair values of securities driven by the significant positive performance in the global equities markets in 2021.

The following is a summary of Guardian's Net gains (losses):

For the years ended December 31 ($ in thousands)		**2021**		2020
Bank of Montreal common shares	**$**	**90,358**	$	(38,900)
Other securities		**49,619**		37,400
Net gains (losses) on securities		**139,977**		(1,500)
Net gains on disposal of intangible assets		**2,827**		1,570
Net gains on disposal of equipment		**–**		420
Net foreign exchange gains (losses)		**(181)**		(1,803)
	$	**142,623**	$	(1,313)

Net earnings attributable to shareholders in 2021 were $184.2 million, compared to $42.4 million in 2020. The increase was caused by the large swing to Net gains in 2021 from Net losses in 2020 and the increase in Operating earnings in 2021, as described above.

The following is a summary of Guardian's client assets:

For the years ended December 31 ($ in millions)		**2021**		2020
Assets under management is comprised of:				
Institutional				
Global equities	**$**	**27,298**	$	**18,510**
Canadian equities		**7,858**		**7,356**
Fixed-income		**16,750**		**16,630**
		51,906		**42,496**
Wealth Management		**4,435**		**3,488**
Asset under management	**$**	**56,341**	$	**45,984**
Assets under administration and advisement is comprised of:				
Dealers	**$**	**18,055**	$	15,107
MGA segregated		**9,115**		7,182
Outsourced Chief Investment Officer and other		**4,338**		–
Assets under administration and advisement	**$**	**31,508**	$	22,289
Total client assets	**$**	**87,849**	$	68,273

The following is an analysis of the change in Guardian's assets under management:

For the years ended December 31 ($ in thousands)		2021		2020
Assets under management, beginning of year	$	45,984	$	31,147
Acquisitions		581		9,720
Net additions from clients		3,984		3,242
Net market appreciation		5,792		1,875
Assets under management, end of year	$	56,341	$	45,984

Guardian is reporting total client assets of $87.8 billion as at December 31, 2021, consisting of $56.3 billion in AUM and $31.5 billion in AUA, 23% and 41% growth, respectively, compared to December 31, 2020. These historic highs were achieved through a combination of successes in gathering approximately $4.0 billion in net new client assets in Investment Management Segment, benefits of positive market performance in the equities markets globally and successful recruitment of advisors and acquisitions completed during the current year in the Wealth Management Segment. The net new client asset inflows were largely attributable to the continued successes of GuardCap, which capped off another successful year, growing its AUM to $17.9 billion at the end of 2021. The acquisitions of BNY Mellon's business, which was later renamed GPI, the acquisition of AFL's MGA business and the successful recruitment of advisors into both the Dealers and the MGA businesses contributed to the 41% growth in AUA.

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)		2021		2020
Securities, carried at fair value				
Proprietary investment strategies:				
Short-term and fixed-income securities	$	19,589	$	36,244
Canadian equities		13,832		11,422
Global equities		335,460		300,204
Real estate		28,216		24,847
		397,097		372,717
Bank of Montreal common shares		308,834		222,295
Short-term securities		8,227		20,857
Equities		37,727		16,702
Securities	$	751,885	$	632,571
Total securities per share, diluted	$	28.27	$	23.23

Guardian's securities as at December 31, 2021 had a fair value of $752 million, or $28.27 per share, compared with $633 million, or $23.23 per share, as at December 31, 2020. The 19% increase in fair value of securities largely reflects the positive effects of the global financial market performance in 2021. Guardian's Shareholders' equity as at December 31, 2021 amounted to $839 million, or $31.53 per share, compared to $700 million, or $25.69 per share, as at December 31, 2020. The increase reflects Net gains and Net earnings in 2021, partially offset by dividends paid and share repurchases.

In addition to its sizable liquid marketable securities portfolio, Guardian has, under various borrowing arrangements, total borrowing capacity of $165 million, an increase of $5 million from 2020. On November 30, 2021, Guardian amended two of its borrowing arrangements with its banks. The new arrangements are secured by general security agreements without the requirement to deposit securities with the banks. The new arrangements provide Guardian with more flexibility to allocate its capital from the corporate securities portfolio. A detailed discussion on the new borrowing arrangements are provided in Note 8 - Bank Loans and Borrowings to Guardian's Consolidated Financial Statements included in the 2021 Annual Report. The total bank borrowing amounted to $115 million at the end of the current year, as compared with $96 million at December 31, 2020.

Guardian generated Adjusted cash flow from operations of $84.8 million during the current year, compared to $63.1 million in 2020. (A reconciliation to its closest IFRS measure is provided in Non-IFRS Measures section of this Management's Discussion and Analysis.) 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 ordinary course capital expenditures, dividend payments and normalized levels of share repurchases.

In 2021, by utilizing its strong balance sheet and cash flows, Guardian returned $43.6 million to the shareholders in the form of dividends and share repurchases, funded $18.4 million in acquisitions and funded $6.1 million in net recruitment of advisors in the Wealth Management Segment.

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, 2021 ($ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	$ 114,873	$ 114,873	$ –	$ –	$ –
Client deposits	53,451	53,451	–	–	–
Payable to clients	89,356	89,356	–	–	–
Accounts payable and other	106,453	106,453	–	–	–
Other liabilities	31,299	–	25,107	6,192	–
Investment commitments	27,193	27,193	–	–	–
Scheduled lease payments	16,921	3,926	6,388	4,439	2,168
Third party investor liabilities	115,626	115,626	–	–	–
Total contractual obligations	$ 555,172	$ 510,878	$ 31,495	$ 10,631	$ 2,168

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 $13.7 million into a real estate limited partnership managed by a subsidiary, and the second is a commitment to invest an additional $13.5 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)	**2021**	2020	2019
Net revenue	**$ 285,087**	$ 215,791	$ 186,102
Net earnings attributable to shareholders	**184,239**	42,358	123,120
Per share			
Net earnings attributable to shareholders:			
Basic	**$ 7.35**	$ 1.67	$ 4.77
Diluted	**6.87**	1.57	4.50
Dividends paid	**0.700**	0.630	0.575

As at December 31 ($ in thousands)	**2021**	2020	2019
Total assets	**$ 1,428,675**	$ 1,153,562	$ 1,129,963

The changes in Net earnings attributable to shareholders were driven largely by the Net gains or losses on the holdings of securities as the fair values changed over the periods. The increase in Net revenue and total assets since 2019 reflects the growth of the business, both organically and through acquisitions.

SUMMARY OF QUARTERLY RESULTS

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

	2021				2020			
As at ($ in millions)	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Assets under management	$ 56,341	$ 53,113	$ 51,960	$ 47,945	$ 45,984	$ 32,733	$ 31,200	$ 27,527
Assets under administration	31,508	30,015	29,852	28,376	22,289	20,755	20,010	18,152
Quarters ended ($ in thousands)								
Net revenue	$ 78,049	$ 72,384	$ 69,960	$ 64,694	$ 63,724	$ 52,042	$ 50,124	$ 49,901
Operating earnings	22,314	20,771	21,199	17,504	18,493	12,108	13,427	10,813
Net gains (losses)	52,331	(8,146)	56,467	41,971	80,983	35,739	43,254	(161,289)
Net earnings (loss)	64,451	8,597	66,831	50,861	87,083	42,652	51,244	(134,911)
Net earnings (losses) attributable to shareholders	62,421	7,054	65,138	49,625	86,039	42,201	50,486	(136,368)
Quarters ended (in $)								
Net earnings (loss) attributable to shareholders:								
Per Class A and Common share								
Basic	$ 2.52	$ 0.28	$ 2.59	$ 1.95	$ 3.38	$ 1.66	$ 1.99	$ (5.35)
Diluted	2.35	0.27	2.42	1.83	3.17	1.56	1.87	(5.35)
Dividends paid	0.18	0.18	0.18	0.16	0.160	0.160	0.160	0.150
As at								
Shareholders' equity ($ in thousands)	$ 838,520	$ 781,334	$ 780,323	$737.363	$ 699,610	$ 631,863	$ 596,265	$ 562,821
Per Class A and Common share (in $)								
Basic	$ 33.89	$ 31.56	$ 31.15	$ 29.02	$ 27.43	$ 24.80	$ 23.50	$ 22.18
Diluted	31.53	29.40	29.09	27.14	25.69	23.25	22.07	20.94
Total Class A and Common shares outstanding (shares in thousands)	26,954	26,968	27,263	27,691	27,740	27,758	27,758	27,758

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.

Investment management and advisory fees, trailer and other recurring commission revenues earned on client assets in both the Investment Management and Wealth Management Segments 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 IDC WIN, our MGA business, which are less influenced by the volatility of those financial markets. However, fluctuations may arise in its revenue from the timing of large insurance policies being placed by contracted advisors. As IDC WIN has built a business with a significant number of top-producing advisors, and these advisors deal mainly in significantly larger and more sophisticated insurance policies, the timing of the placement of these policies can affect the timing and the level of the insurance commission revenue earned. In addition, some cyclicality of sales commissions and renewal commissions exist in IDC WIN, where the first and the fourth quarters of each year tend to have higher sales and as a result, higher Net commission revenues than the other quarters.

In the Corporate Activities and Investments Segment, some 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.

Net gains (losses) reflect changes in fair values of the securities during each period, driven by the volatility of the financial markets in which Guardian's securities trade. The volatility of Net gains (losses) also directly impacts Net earnings (loss) attributable to shareholders.

In Q1 of 2020, the pandemic-induced bear market had a negative effect on Guardian's fair value of securities, resulting in Net (losses). Since then the global financial markets have had continued positive performance until Q3 2021, when a portion of our securities exposed to the Emerging Market equities, which experienced a negative return, decreased in fair value. Large increases in AUM and AUA in Q4 of 2020 and AUA in Q1 of 2021 reflect the acquisitions of Agincourt, Copoloff and GPI completed in those periods.

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

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 2021 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 market fluctuations can be driven by political, economical or other changes in various regions of the world. 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 independent custodians chosen by Guardian. As at December 31, 2021, Guardian holds $309 million of BMO shares (2020 – $222 million), which represents 41% of Guardian's securities (2020 – 35%). Guardian has accepted this concentration risk, as the bank is a diversified company with a history of steady and growing dividend payments. However, Guardian has been reducing its concentrated exposure over several years, having sold 2.7 million shares, 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, fund share repurchases and pay down debt. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. The concentration risks by type as a percentage of total securities is summarized in the following table:

As at December 31, (as a percentage of securities)	**2021**	2020
Bank of Montreal common shares	**41%**	35%
Other Canadian equity securities and real estate	**5%**	6%
Canadian equities and real estate	**46%**	41%
Global equities	**50%**	50%
Short-term and fixed income securities	**4%**	9%
	100%	100%

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings (losses), but are recorded in the "Net change in foreign currency translation on foreign subsidiaries" in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets.

As growth outside of Canada continues, Guardian's revenues, expenses and operating results from foreign operations may fluctuate with the changes in the foreign currency exchange rate compared to the Canadian dollar.

With the acquisition of Alta in 2018 and Agincourt in 2020, Guardian also recognizes obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Consolidated 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.

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 an amount being recognized on those investments through Other comprehensive income, as discussed above. Guardian may also record gains (losses) in Net earning on Canadian dollar cash balances held by certain 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 Wealth Management 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 $50 million of the $165 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 2021 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, EBITDA 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 valuation techniques and inputs of used to determine the fair value of Guardian's securities classified as level 3 are described in Note 4(c) to Guardian's 2021 Consolidated Financial Statements

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, EBITDA attributable to shareholders and EBITDA per share

Guardian defines EBITDA as net earnings before interest, income tax, amortization, stock-based compensation, and any net gains or losses, and EBITDA attributable to shareholders as EBITDA less amounts attributable to non-controlling interests. EBITDA per share is calculated on EBITDA attributable to shareholders 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", 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)	2021	2020
Net earnings as reported	$ 190,740	$ 46,068
Add (deduct):		
Income tax expense	33,671	7,460
Net (gains) losses	(142,623)	1,313
Stock-based compensation	2,970	2,678
Interest expense	1,391	2,000
Amortization	21,490	18,183
EBITDA	$ 107,639	$ 77,702
Less attributable to non-controlling interest	(10,939)	(7,377)
EBITDA attributable to shareholders	$ 96,700	$ 70,325

Adjusted Cash Flow From Operations, Adjusted Cash Flow From Operations Attributable to Shareholders 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 defines Adjusted cash flow from operations attributable to shareholders as Adjusted cash flow from operations less non-controlling interests. Adjusted cash flow from operations per share is calculated on Adjusted cash flow from operations, divided using the same average shares outstanding that are used in calculating Net earnings attributable to shareholders per share. These measures 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)	2021	2020
Net cash from operating activities, as reported	$ 102,859	$ 71,790
Add (deduct):		
Net change in non-cash working capital items	(18,067)	(8,740)
Adjusted cash flow from operations	84,792	63,050
Less attributable to non-controlling interest	(9,460)	(6,277)
Adjusted cash flow from operations attributable to shareholders	$ 75,332	$ 56,773

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, 2021 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, 2021, 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

COVID-19 pandemic is now two years old, and we, alongside various prognosticators, seem to have been predicting its end for practically the same amount of time. Yet perhaps the advent of the Omicron variant is pointing us to the end of restrictions. The prospect of a quickly receding the latest wave of cases could give policymakers the ability to scale back emergency measures in the weeks ahead.

Since the start of 2020, households across the G7 economies have saved US$3 trillion more than was typical pre-crisis. That "excess saving" has been compounded by the strength in global financial and residential real estate markets over the last two years. Aggregate household net worth has surged, now standing 25% above its pre-crisis peak in Canada and the US. Furthermore, it is noteworthy that this has not strictly been a case of the rich getting richer. Economic household data from the US and Canada indicate that wealth gaps have actually narrowed since the onset of the pandemic. This rapid, substantial buildup of wealth, particularly among the less wealthy cohorts that typically spend more of their gains in net worth, has underpinned strength in household spending on goods over the last year. There is little reason to anticipate consumers will feel a need to hold back once activity is permitted to fully resume. In addition, the latest survey of American CEOs showed record highs in the plans for investment in plant, property and equipment for the coming six months. These factors suggest strong near-term economic growth alongside productivity enhancements, once these planned investments come on line. Growth is expected to slow over the coming 12 months versus the robust recovery rate of 2021, but still remain well above the trend rates that prevailed prior to the pandemic. The anticipated slower pace of growth going forward does not so much reflect a loss of momentum, but the expected evolution of the cycle. Last year's strong growth was largely a function of rebounding from the crisis-induced weakness in 2020. Real gross domestic product across the G7 economies, which together account for one-third of total global output, are expected to have returned to pre-pandemic levels by the end of the recently concluded calendar year. With a bulk of idled capacity back on line, the months ahead will represent a transition in the global economic cycle from "recovery" to "expansion."

Meanwhile, excess consumer demand against constrained supplies has put upward pressure on prices of goods and services ("demand-pull inflation"), and "cost-push" inflation is simultaneously being felt, as rising labour costs and other inputs to production, such as raw materials, cause businesses to raise prices to recover their higher costs. The result is that inflation rates have jumped to multi-decade highs globally. However, the potential for full-scale production to resume with minimal disruptions in the months ahead should help ease supply backlogs. Further, the removal of restrictions on service sector activity will pull more of the spending pie back toward services spending, potentially lessening pressure on the goods sector. With that said, the price pressures have, so far, proven to be more persistent than previously assumed, and there is scope for this "stickiness" to continue throughout 2022. The outlook for growth, employment and inflation has raised the pressure on policymakers worldwide to begin unwinding their crisis-era policy stimuli to help temper demand and contain price pressures, with central banks appearing set to make their opening volleys soon, taking their short-term interest rate benchmarks off their zero lower bounds.

Historically, the first forays into policy tightening have been taken in stride by the stock market. The MSCI World Index has increased over the year following eight of the last 10 initial rate hikes by the US Federal Reserve, by an average of 7.4%. Anticipation for economic growth in 2022, as well as consensus forecasts for earnings growth, is likely to hold above their long-term trends, but are expected to slow from the accelerated pace recorded in 2021. History shows that above-trend earnings growth has meant above-trend equity market performance, creating the potential for another year of good returns, driven by higher earnings, not increasing valuations as was seen earlier in the recovery. Government bonds are not likely to experience strong performance in the face of increasing short-term rates, and in an environment of very narrow corporate spreads, corporate bonds are not likely to be impressive performers either.

As a participant in the financial markets, Guardian's results are significantly affected by the level and performance of stock and bond markets; as such, during the COVID-19 pandemic, we have, along with other market participants, benefitted from the fiscal and monetary stimulus provided by governments around the world. This stimulus is slowly starting to be withdrawn. While we expect that economic growth will provide the earnings to support further increases in equity prices, there are always risks to asset price forecasts. Guardian is somewhat unusual for companies of our size, in that our strong balance sheet, combined with the diverse sources of our profitability, allow us the luxury of making long-term plans that are not necessarily reliant on the co-operation of events outside of our control.

We will continue upon our long-held path of innovating new product lines created from existing teams at Guardian, in addition to identifying new capabilities we wish to add while bringing in new human and technological assets that will permit us to execute on those capabilities. Success in creating new products that can be sold through our existing platforms gives us a very efficient way to grow Guardian, as well as its profitability. We have a number of initiatives that can fit into this strategy, but this does not stop us from looking for potential acquisition opportunities. We believe a combination of both organic and acquisition strategies for growth makes a great deal of sense for us. Over the long term, shareholders can expect growth through both strategies.

Over the last several reporting periods, we have expressed the hope and expectation that our shared experience with COVID-19 restrictions would soon be over. Our path to returning to normal has not yet come to fruition, but we are hopeful that with the dominance of Omicron, the less-virulent COVID-19 strain, we will soon be able to have more and more of our Guardian colleagues return to their places of work. As always, we will do our utmost to ensure the safety of our people, guided by the best advice received from health authorities and the various levels of government with authority in the jurisdictions in which we operate. We hope that in next year's annual report to our shareholders, we will be able to discuss how our return-to-work plan was smoothly executed, while having this chapter of our collective existence slowly fade from our consciousness. In the meantime, Guardian will continue to endeavour to execute our growth plans and sustain the strong momentum that we have shown in our financial metrics over the past several years.

Ten Year Review

Note[c]	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
($ in millions)										
Assets under management	**$ 56,341**	$ 45,984	$ 31,147	$ 26,962	$ 27,250	$ 27,280	$ 24,278	$ 24,968	$ 22,228	$ 18,832
Assets under administration	**31,508**	22,289	20,248	17,385	17,795	16,489	14,943	13,126	11,559	9,918
($ in thousands)										
Net revenue	**$285,087**	$215,791	$186,102	$171,513	$151,238	$142,686	$132,911	$119,275	$101,278	$ 86,360
Expenses[a]	**203,299**	160,950	137,201	125,126	103,069	98,019	89,913	81,134	74,347	66,222
Operating earnings	**81,788**	54,841	48,901	46,387	48,169	44,667	42,998	38,141	26,931	20,138
Net gains (losses)	**142,623**	(1,313)	96,706	(55,652)	65,231	94,525	(19,414)	55,283	58,446	33,825
Net earnings (losses) attributable to shareholders	**184,239**	42,358	123,120	(16,952)	96,819	118,319	16,903	78,354	74,971	46,471[b]
Shareholders' equity	**838,520**	699,610	682,777	599,311	634,416	580,177	504,255	488,835	414,985	353,756
Securities	**751,885**	632,571	682,279	627,220	652,176	620,218	539,920	525,352	449,179	379,956
(In dollars)										
Per common and Class A share:										
Net earnings attributable to Shareholders										
Basic	**$ 7.35**	$ 1.67	$ 4.77	$ (0.63)	$ 3.49	$ 4.16	$ 0.57	$ 2.60	$ 2.46	$ 1.48[b]
Diluted	**6.87**	1.57	4.50	(0.63)	3.30	3.95	0.56	2.50	2.39	1.45[b]
Shareholders' equity										
Basic	**33.89**	27.43	26.73	22.85	23.20	20.75	17.37	16.33	13.68	11.44
Diluted	**31.53**	25.69	25.01	21.57	21.88	19.62	16.55	15.62	13.17	11.16
Dividends paid	**0.700**	0.630	0.575	0.475	0.385	0.330	0.290	0.240	0.300	0.170
Share prices:										
Common high	**42.50**	28.80	28.00	27.00	29.50	25.98	24.61	21.45	18.00	11.65
Common low	**26.00**	16.00	22.38	20.40	23.41	16.20	16.55	15.30	11.50	9.41
Class A high	**37.00**	28.10	27.98	27.05	29.00	25.10	19.25	18.85	16.82	10.55
Class A low	**25.53**	16.05	21.68	20.05	23.45	15.58	15.50	15.10	10.40	9.00
(In thousands)										
Year end common and Class A shares outstanding										
Basic	**24,741**	25,506	25,542	26,232	27,345	27,963	29,029	29,940	30,333	30,917
Diluted	**26,595**	27,234	27,302	27,782	29,001	29,576	30,472	31,300	31,510	31,696

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 in Note 2 Significant Accounting Policies. 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, 2022

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, 2021 and December 31, 2020
- 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, 2021 and December 31, 2020, 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, 2021. 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 a majority owned 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 $66,643 thousand, of which $18,554 thousand relates to a majority owned 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 majority owned 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 majority owned 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 judgment 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 appropriateness 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 a portfolio investment in an 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 $37,512 thousand, of which $7,719 thousand relates to a portfolio investment in an investment management company. The fair value of the investment management company is based on a multiple of EBITDA observed in market transactions and further corroborated by a multiple applied to Assets under Management (AUM). 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 portfolio 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 EBITDA and AUM 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 procedures we performed to address this key audit matter included the following:

We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the multiple applied to EBITDA method corroborated with a multiple of AUM method. They compared the multiple applied to the EBITDA against an implied multiple that was independently developed using publicly available information for comparable public asset managers based in North America and industry transaction multiples.

We involved valuations professionals to assess the change in method from an AUM based multiple methodology to an EBITDA based multiple methodology.

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 "2021 Annual Report".

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 "2021 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

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Peter Hayes
February 24, 2022
Toronto, Canada

Consolidated Balance Sheets

As at December 31 ($ in thousands)		2021		2020
Assets				
Current assets				
Cash	**$**	**77,081**	$	41,677
Interest-bearing deposits with banks		**54,510**		43,197
Accounts receivable and other assets		**77,570**		60,211
Receivables from clients and broker		**89,356**		77,313
Income tax receivable		**10,425**		1,193
Securities backing third party investor liabilities (note 3)		**115,626**		59,063
		424,568		282,654
Securities (note 4)		**751,885**		632,571
Other assets				
Deferred tax assets (note 12c)		**792**		805
Intangible assets (note 5)		**168,213**		161,186
Equipment (note 6)		**16,574**		16,112
Goodwill (note 7)		**66,643**		60,234
		252,222		238,337
Total assets	**$**	**1,428,675**	$	1,153,562
Liabilities				
Current liabilities				
Bank loans and borrowings (note 8)	**$**	**114,873**	$	95,737
Third party investor liabilities (note 3)		**115,626**		59,063
Client deposits		**53,451**		43,128
Accounts payable and other (note 9)		**104,763**		65,825
Lease obligations (note 11)		**3,116**		2,607
Income taxes payable		**1,690**		10,169
Payable to clients		**89,356**		77,313
		482,875		353,842
Lease obligations (note 11)		**11,275**		10,816
Other liabilities (note 9)		**31,299**		31,093
Deferred tax liabilities (note 12c)		**50,649**		40,104
Total liabilities		**576,098**		435,855
Equity				
Shareholders' equity				
Capital stock (notes 13a and 13b)		**18,067**		18,634
Treasury stock (note 14a)		**(31,712)**		(29,511)
Contributed surplus		**25,106**		22,136
Retained earnings		**822,195**		681,023
Accumulated other comprehensive income		**4,864**		7,328
		838,520		699,610
Other equity interests		**14,057**		18,097
Total equity		**852,577**		717,707
Total liabilities and equity	**$**	**1,428,675**	$	1,153,562

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)		2021		2020
Revenue				
Commission revenue, gross	**$**	**196,905**	$	165,175
Commissions paid to advisors		**(121,820)**		(103,238)
		75,085		61,937
Management fee, gross		**181,174**		122,480
Fees paid to referring agents		**(8,007)**		(6,155)
		173,167		116,325
Administrative services income		**18,149**		17,082
Dividend and interest income (note 15)		**18,686**		20,447
Net revenue		**285,087**		215,791
Expenses				
Employee compensation and benefits (note 16)		**130,559**		98,260
Amortization		**21,490**		18,183
Interest		**1,391**		2,000
Other expenses		**49,859**		42,507
		203,299		160,950
Operating earnings		**81,788**		54,841
Net gains (losses) (note 17)		**142,623**		(1,313)
Earnings before income taxes		**224,411**		53,528
Income tax expense (notes 12a)		**33,671**		7,460
Net earnings		**190,740**		46,068
Other comprehensive income (loss)				
Net change in foreign currency translation on foreign subsidiaries		**(2,754)**		(7,414)
Comprehensive income	**$**	**187,986**	$	38,654
Net earnings attributable to:				
Shareholders	**$**	**184,239**	$	42,358
Non-controlling interests		**6,501**		3,710
Net earnings	**$**	**190,740**	$	46,068
Net earnings attributable to shareholders per Class A and Common share (note 18):				
Basic	**$**	**7.35**	$	1.67
Diluted		**6.87**		1.57
Comprehensive income attributable to:				
Shareholders	**$**	**181,775**	$	35,632
Non-controlling interests		**6,211**		3,022
Comprehensive income	**$**	**187,986**	$	38,654

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 ($ in thousands)		2021		2020
Total equity, beginning of year	**$**	**717,707**	$	694,201
Shareholders' equity, beginning of year		**699,610**		682,777
Capital stock, beginning of year		**18,634**		18,705
Acquired and cancelled (note 13c)		**(567)**		(71)
Capital stock, end of period		**18,067**		18,634
Treasury stock, beginning of year		**(29,511)**		(28,129)
Acquired (note 14a)		**(3,378)**		(2,941)
Disposed of (note 14a)		**1,177**		1,559
Treasury stock, end of year		**(31,712)**		(29,511)
Contributed surplus, beginning of year		**22,136**		20,008
Stock-based compensation expense		**2,970**		2,678
Redemptions of equity-based entitlements		**–**		(550)
Contributed surplus, end of year		**25,106**		22,136
Retained earnings, beginning of year		**681,023**		658,139
Net earnings		**184,239**		42,358
Dividends declared and paid (note 13d)		**(18,530)**		(16,805)
Capital stock acquired and cancelled (note 13c)		**(24,537)**		(2,502)
Changes in the ownership of a subsidiary		**–**		(31)
Other		**–**		(136)
Retained earnings, end of period		**822,195**		681,023
Accumulated other comprehensive income, beginning of year		**7,328**		14,054
Other comprehensive (loss)		**(2,464)**		(6,726)
Accumulated other comprehensive income, end of year		**4,864**		7,328
Shareholders' equity, end of year		**838,520**		699,610
Other equity interests, beginning of year		**18,097**		11,424
Non-controlling interests, beginning of year		**44,184**		31,515
Net earnings		**6,501**		3,710
Other comprehensive (loss)		**(290)**		(688)
Dividends declared and paid		**(5,039)**		(2,787)
Acquisition of subsidiaries (note 24)		**–**		11,169
Changes in the ownership of a subsidiary		**–**		1,129
Other		**–**		136
Non-controlling interests, end of period		**45,356**		44,184
Obligations to non-controlling interests, beginning of year		**(26,087)**		(20,091)
Acquisition of subsidiaries (note 24)		**–**		(5,468)
Change during year		**(5,212)**		(528)
Obligations to non-controlling interests, end of year		**(31,299)**		(26,087)
Other equity interests, end of year		**14,057**		18,097
Total equity, end of year	**$**	**852,577**	$	717,707

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 ($ in thousands)	2021	2020
Operating activities		
Net earnings	$ 190,740	$ 46,068
Adjustments for:		
Income taxes (paid)	(21,504)	(12,628)
Income tax expense	33,671	7,460
Net (gains) losses	(142,623)	1,313
Amortization of intangible assets	16,953	13,918
Amortization of equipment	4,538	4,265
Stock-based compensation	2,970	2,678
Non-cash items	47	(24)
	84,792	63,050
Net change in non-cash working capital items (note 20)	18,067	8,740
Net cash from operating activities	102,859	71,790
Investing activities		
Net disposition of securities	17,618	41,944
Income taxes (paid)	(20,801)	(5,379)
Net (acquisition) of securities backing third party investor liabilities	(54,564)	(18,214)
Acquisition of intangible assets	(14,683)	(8,876)
Acquisition of equipment	(734)	(759)
Disposition of intangible assets	3,539	2,563
Acquisition of subsidiaries (note 24)	(18,389)	(48,783)
Net cash used in investing activities	(88,014)	(37,504)
Financing activities		
Dividends paid to shareholders	(18,530)	(16,805)
Dividends paid to non-controlling interests	(5,039)	(2,787)
Acquisition and cancellation of capital stock	(25,104)	(2,573)
Acquisition of treasury stock	(3,378)	(2,941)
Disposition of treasury stock	1,177	1,559
Net proceeds from (repayment of) bank loans and bankers' acceptances	809	(19,060)
Principal payments on lease obligations	(2,622)	(2,371)
Net funds from third party investors in consolidated mutual funds	54,564	18,214
Changes in the ownership of a subsidiary	–	103
Net cash from (used in) financing activities	1,877	(26,661)
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	(307)	316
Net change in net cash	16,415	7,941
Net cash, beginning of year	28,472	20,531
Net cash, end of year	$ 44,887	$ 28,472
Net cash represented by:		
Cash	$ 77,081	$ 41,677
Bank indebtedness	(32,194)	(13,205)
	$ 44,887	$ 28,472

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, 2022.

(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 2020 comparative financial information in order to conform to the current period's presentation. To reflect its current operating structure, the Company reclassified in note 19(a) Business segments, certain revenues, expenses, assets and liabilities from the Investment Management segment to the Wealth Management segment (formerly Financial Advisory).

(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, and receivables from clients and brokers.
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, and certain other liabilities.
c. Fair value through equity. A financial liability is included in this classification when it is an obligation to non-controlling interests pertaining to the future purchase of their holdings in a subsidiary and they are considered to have continuing access to the returns associated with that subsidiary.

(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 seven 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 the type of security is as follows:

As at December 31	**2021**	2020
Fair value through profit or loss:		
Short-term securities	**$ 8,459**	$ 44,904
Fixed-income securities	**19,357**	12,197
Bank of Montreal common shares (i)	**308,834**	222,295
Other equity securities (ii)	**387,019**	328,328
Real estate fund (ii)	**28,216**	24,847
	$ 751,885	$ 632,571

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

For the years ended December 31	2021	2020
Number of shares sold	**30**	1,200
Proceeds of disposition	**$ 3,819**	$ 89,148

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

For the years ended December 31	2021	2020
Real estate fund managed by a subsidiary		
Commitment, beginning of year	**$ 13,875**	$ 16,040
Called capital	**(157)**	(2,165)
Commitment, end of year	**13,718**	13,875
Private equity fund		
Commitment, beginning of year	**8,320**	10,031
Called capital	**(7,299)**	(1,711)
New commitments	**12,621**	–
Foreign exchange	**(167)**	–
Commitment, end of year	**13,475**	8,320
Total outstanding capital commitments	**$ 27,193**	$ 22,195

(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	2021	2020
Level 1	**$ 636,555**	$ 548,103
Level 2	**77,818**	67,910
Level 3	**37,512**	16,558
Securities classified at FVTPL	**$ 751,885**	$ 632,571

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	2021	2020
Securities categorized as Level 3, beginning of year	**$ 16,558**	$ 15,819
Change in fair value	**13,697**	(1,059)
Purchases	**7,299**	1,711
Foreign exchange translation	**(42)**	87
Securities categorized as Level 3, end of period	**$ 37,512**	$ 16,558

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

As at December 31	2021	2020
Investment management company	**$ 7,719**	$ 7,940
Private equity funds	**28,455**	7,767
Other	**1,338**	851
	$ 37,512	$ 16,558

The Company's investment in the investment management company is valued using an EBITDA multiple and the projected earnings for the following year. The EBITDA multiple and the projected earnings are the most significant internally generated unobservable inputs in this valuation. The EBITDA multiple used was 6.75, which is based on research reports of similar business by independent analysts. The projected earnings are estimated using the company's current AUM and historical financial ratios. At December 31, 2020, the Company valued this investment using a multiple of AUM. The Company changed its method of estimating the fair value of this investment because of a greater availability of market comparable data, such as the EBITDA multiples. Had the Company used this previous method in the current year it would have used multiple of AUM of 1.9% (2020 – 1.7%) to result in the same estimate of fair value as the current method.

The Company's investment in private equity funds are valued on the most recent fair value as obtained from each fund's manager.

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	2021				2020			
	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	$ 5,765	$ 200,586	$ 14,715	$ 221,066	$ 4,214	$ 164,115	$ 8,066	$ 176,395
Additions	5,808	7,133	1,742	14,683	1,552	6,110	1,341	9,003
Arising on acquisition (note 24)	6,105	4,619	–	10,724	–	33,547	5,309	38,856
Disposals	–	(1,040)	(116)	(1,156)	–	(1,058)	–	(1,058)
Foreign exchange translation	(40)	(763)	(2)	(805)	(1)	(2,128)	(1)	(2,130)
Balance, end of year	17,638	210,535	16,339	244,512	5,765	200,586	14,715	221,066
Accumulated amortization:								
Balance, beginning of year	1,303	52,433	6,144	59,880	594	41,102	4,891	46,587
Amortization	1,448	13,962	1,543	16,953	708	11,954	1,256	13,918
Disposals	23	(441)	(26)	(444)	–	(485)	–	(485)
Foreign exchange translation	(1)	(82)	(7)	(90)	1	(138)	(3)	(140)
Balance, end of year	2,773	65,872	7,654	76,299	1,303	52,433	6,144	59,880
Carrying value, end of year	$ 14,865	$ 144,663	$ 8,685	$ 168,213	$ 4,462	$ 148,153	$ 8,571	$ 161,186

6. EQUIPMENT

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

For the years ended December 31	2021				2020			
	Office equipment	Leasehold improvements	Right of use asset	Total	Office equipment	Leasehold improvements	Right of use asset	Total
Cost:								
Balance, beginning of year	$ 10,723	$ 5,929	$ 16,499	$ 33,151	$ 10,201	$ 5,661	$ 15,449	$ 31,311
Additions	653	81	3,147	3,881	481	278	1,007	1,766
Arising on acquisition (note 24)	112	92	963	1,167	76	–	44	120
Disposals	(22)	–	(1,129)	(1,151)	(30)	–	–	(30)
Foreign exchange translation	(19)	(1)	(38)	(58)	(5)	(10)	(1)	(16)
Balance, end of year	11,447	6,101	19,442	36,990	10,723	5,929	16,499	33,151
Accumulated amortization:								
Balance, beginning of year	8,273	3,768	4,998	17,039	7,421	3,127	2,250	12,798
Amortization expense	741	630	3,167	4,538	858	642	2,765	4,265
Disposals	(21)	–	(1,129)	(1,150)	–	–	–	–
Foreign exchange translation	(10)	–	(1)	(11)	(6)	(1)	(17)	(24)
Balance, end of year	8,983	4,398	7,035	20,416	8,273	3,768	4,998	17,039
Carrying value, end of year	$ 2,464	$ 1,703	$ 12,407	$ 16,574	$ 2,450	$ 2,161	$ 11,501	$ 16,112

Substantially all the Company's right of use assets are for office space under lease arrangements. Information on the related lease obligations are 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	2021	2020
Balance, beginning of year	$ 60,234	$ 40,643
Acquisitions (note 24)	6,653	20,343
Foreign exchange translation	(244)	(752)
Balance, end of year	$ 66,643	$ 60,234

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		2021		2020
Wealth Management:				
Mutual fund distributor	$	**4,226**	$	4,226
Life insurance managing general agency		**28,396**		26,445
Outsourced chief investment officer		**4,702**		–
Investment management:				
USA-based equities manager		**18,554**		18,713
USA-based fixed income manager		**9,877**		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 2021 & 2020, 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") client assets under administration ("AUA") and annual life insurance renewal commissions and first year life insurance commissions. 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		2021	2020
Mutual fund distributor:	multiple of AUA	**1.00%**	1.00%
Life insurance managing general agency:	multiple of renewal commission revenue	**6**	6
Outsourced chief investment officer:	multiple of AUA	**0.20%**	n/a
	multiple of AUM	**1.00%**	n/a
USA-based equities manager:	multiple of AUM	**2.10%**	2.10%
USA-based fixed income manager:	multiple of AUM	**0.35%**	0.34%

Based on the results of the testing, there was no impairment of goodwill in 2021 or 2020.

The Company believes that a reasonable change in the key assumptions pertaining to the assessment of either the mutual fund distributor or the Life insurance managing general agency units would not cause an impairment in 2021 or 2020. A reasonable change in the key assumption pertaining to the assessment of certain other units could result in an impairment. An analysis pertaining to the sensitivity of these key assumptions is as follows:

As at December 31		2021		2020
Amount by which the recoverable amounts exceeds the carrying value:				
Outsourced chief investment officer	$	**5,625**	$	n/a
USA-based equities manager		**29,237**		7,670
USA-based fixed income manager		**3,720**		–
Percentage change in the key assumptions which would cause the recoverable amount to equal the carrying value:				
Outsourced chief investment officer		**38%**		n/a
USA-based equities manager		**29%**		0.25%
USA-based fixed income manager		**11%**		0.01%

8. BANK LOANS AND BORROWINGS

Bank borrowings, and details of the Company's borrowing facilities, are as follows:

As at December 31				2021		2020
Nature of facility	Type of borrowing	Currency				
Revolving credit (i)	LIBOR advances	USD	$	**14,779**	$	35,290
	Bank indebtedness	CAD		**32,012**		13,205
Revolving credit (ii)	Bankers' acceptances'	CAD		**37,000**		18,000
Revolving credit (iii)	Bankers' acceptances'	CAD		**30,900**		29,100
	Bank indebtedness	CAD		**182**		142
			$	**114,873**	$	95,737

(i) The borrowings under this facility are for short-term maturities of 90 days of less, which may be in several forms in either Canadian or US dollars. The facility limit is $65,000 (2020 – $65,000). The interest rate on the USD borrowing is LIBOR plus 1.4% (2020 – LIBOR plus 0.5%). The Interest rate on the bank indebtedness is Bank Prime plus 0.4% (2020- Bank Prime) and is calculated on the indebtedness balance, less certain offsetting cash balances of $17,795 (2020 – $14,938). During 2021, the Company renegotiated the terms of this facility, resulting in the removal of the previously required deposit of securities, which was $91,817 as of December 31, 2020, and an increase interest rate charged. The renegotiated terms of this facility require that the Company maintain certain financial ratios. The Company is in compliance with these requirements.

(ii) The borrowings under this facility are for short-term maturities of 90 days of less, which may be in several forms in either Canadian or US dollars. The facility limit is $65,000 (2020 – $60,000). The interest rate on these borrowings is the rate negotiated in the bankers' acceptance market plus 1.4% (2020 – 0.5%). During 2021, the Company renegotiated the terms of this facility, resulting in the removal of the previously required deposit of securities, which was $72,488 as of December 31, 2020, an increase in the credit limit and increase in the interest rate charged. The renegotiated terms of this facility require that the Company maintain certain financial ratios. The Company is in compliance with these requirements.

(iii) The borrowings under this facility are for short-term maturities of 270 days or less, which may be in several forms in Canadian dollars. The facility limit is $35,000 (2020 – $35,000). The interest rate on the bankers' acceptances is the rate negotiated in the bankers' acceptance market plus 0.5%(2020 – 0.5%). The interest rate on the bank indebtedness is Bank Prime (2020 – Bank Prime). A deposit of treasury stock valued at $77,226 (2020 – $60,218) secures this facility.

9. OTHER LIABILITIES

(a) Classification of other liabilities

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

As at December 31		**2021**		2020
Current, included in accounts payable and other				
Acquisition-related (i)	**$**	**5,343**	$	–
Non-Current				
Acquisition-related (i)		**–**		5,006
Obligations to non-controlling interests (ii)		**31,299**		26,087
		31,299		31,093
	$	**36,642**	$	31,093

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		**2021**	2020
Agincourt Capital Management, LLC (1)	**$**	**5,012**	5,006
Other		**331**	–
	$	**5,343**	5,006

(1) 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 Consolidated Statement of Equity. An analysis of these obligations is as follows:

Subsidiary to be acquired	Option period		**2021**		2020
Alta	January 2, 2023 to January 2, 2033	**$**	**25,107**	$	21,042
Modern Advisor Canada Inc.	March 31, 2025 to March 31, 2034		**283**		284
Agincourt	October 1, 2025 to October 1, 2040		**5,909**		4,761
		$	**31,299**	$	26,087

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 11.9% (2020 – 12.8%). 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		2021		2020
Fair value through profit or loss:				
Balance, beginning of the year	$	5,006	$	6,484
Payments		–		(6,613)
Arising on acquisition		331		5,210
Recognized in net earnings		48		12
Foreign exchange translation		(42)		(87)
Balance, end of the year	$	5,343	$	5,006
Fair value through equity:				
Balance, beginning of the year	$	26,087	$	32,574
Payments		–		(12,483)
Arising on acquisition		–		5,468
Change in fair value		5,415		1,220
Foreign exchange translation		(203)		(692)
Balance, end of the year	$	31,299	$	26,087

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, 2021 and 2020, 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		2021		2020
Payable within one year	$	3,926	$	3,293
Payable after one year and within five years		10,827		9,872
Payable after five years		2,168		2,097
Total undiscounted lease obligations	$	16,921	$	15,262

In 2021, the Company recognized interest expense of $596 and paid a total cash amount of $3,218 (2020 – $2,930) 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		2021		2020
Current tax expense				
Tax on profits for the current year	$	24,458	$	26,484
Adjustments in respect of prior periods		(57)		97
		24,401		26,581
Deferred tax expense (recovery)				
Origination and reversal of temporary differences		9,151		(19,232)
Adjustments in respect of prior periods		119		111
		9,270		(19,121)
Income tax expense	$	33,671	$	7,460

(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% (2020 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2021	2020
Tax at the combined Federal and Provincial statutory income tax rate for the current year	$ 59,037	$ 14,185
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(4,468)	(3,239)
Rate differential on earnings of foreign subsidiaries	(4,569)	(8,776)
Non taxable portion of (gains) or losses	(16,216)	4,500
Non-deductible expenses	133	537
Benefits of losses not recognized	242	217
Other	(488)	36
Income tax expense	$ 33,671	$ 7,460

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2020 – 15.0%) and the Provincial income tax rate of 11.5% (2020 – 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, 2021	Bank of Montreal shares	Other securities	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences	Total
Deferred tax assets:						
Balance, beginning of year	$ –	$ –	$ 576	$ 7	$ 222	$ 805
Recognized in net earnings	–	–	(2)	–	(11)	(13)
Balance, end of year	$ –	$ –	$ 574	$ 7	$ 211	$ 792
Deferred tax liabilities:						
Balance, beginning of year	$ 29,326	$ 6,761	$ (13)	$ 8,971	$ (4,941)	$ 40,104
Recognized in net earnings	10,788	2,081	–	(2,312)	(1,301)	9,256
Arising on acquisition (note 24)	–	–	–	1,618	–	1,618
Foreign exchange translation	–	(190)	–	–	(139)	(329)
Balance, end of year	$ 40,114	$ 8,652	$ (13)	$ 8,277	$ (6,381)	$ 50,649

For the year ended December 31, 2020	Bank of Montreal shares	Other securities	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 24)	–	–	(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

(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 $395,509 (2020 – $323,669), 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 $5,358 (2020 - $818) of non-capital loss carry forwards which have not been recognized and expire between 2034 to 2041.

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	2021			2020		
	Shares		**Amount**	Shares		Amount
Class A shares						
Outstanding, beginning of year	**24,845**	**$**	**17,935**	24,944	$	18,006
Acquired and cancelled	**(786)**		**(567)**	(99)		(71)
Converted from common	**146**		**35**	–		–
Outstanding, end of year	**24,205**		**17,403**	24,845		17,935
Common shares						
Outstanding, beginning of year	**2,895**		**699**	2,895		699
Converted to Class A	**(146)**		**(35)**	–		–
Outstanding, end of year	**2,749**		**664**	2,895		699
Total outstanding, end of year	**26,954**	**$**	**18,067**	27,740	$	18,634

(c) Issuer bid

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

For the years ended December 31		**2021**		2020
Purchased and cancelled				
Class A		**786**		99
Consideration paid	**$**	**25,104**	$	2,573
Less average issue price, charged to share capital		**(567)**		(71)
Excess consideration charged to retained earnings	**$**	**24,537**	$	2,502

Under the current NCIB, which commenced on November 23, 2021 and expires on November 22, 2022, the Company may purchase up to 137 common shares and 1,706 Class A shares. The Company had purchased and cancelled 11 Class A shares under the current NCIB in the period up to December 31, 2021.

(d) Dividends on common and Class A shares

For the years ended December 31		**2021**		2020
Dividends declared and paid, per share	**$**	**0.700**	$	0.630

The Company also declared dividends of $0.18 and $0.24 per share payable on January 18, 2022 and April 19, 2022, 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	2021			2020		
	Shares		**Amount**	Shares		Amount
Balance, beginning of year	**2,234**	**$**	**29,511**	2,298	$	28,129
Acquired	**122**		**3,378**	109		2,941
Disposed	**(144)**		**(1,177)**	(173)		(1,559)
Balance, end of year	**2,212**	**$**	**31,712**	2,234	$	29,511

During the year, the Company disposed of 144 (2020 – 173) of the class A shares for amounts equal to their costs.

As at December 31, 2021, the treasury stock was comprised of 30 common shares (2020 – 30) and 2,182 class A shares (2020 – 2,204 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	**2021**	2020
Balance, beginning of year	**1,209**	1,171
Entitlements provided	**124**	109
Entitlements exercised	**–**	(68)
Forfeited	**–**	(3)
Balance, end of year	**1,333**	1,209

Equity-based entitlements provided during the year ended December 31, 2021 had a fair value of $3,442 (2020 – $2,941).

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

(c) Option-like entitlements

The option-like entitlements allow the employees to purchase shares of the Company from the EPSP Trust 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	**2021**		2020	
	Number of shares	**Weighted average exercise price per share**	Number of shares	Weighted average exercise price per share
Balance, beginning of year	**1,023**	**$ 9.64**	1,127	$ 9.64
Entitlements exercised	**(144)**	**6.76**	(104)	9.68
Balance, end of year	**879**	**$ 9.87**	1,023	$ 9.64

No option-like entitlements were granted during 2021 or 2020.

As at December 31, 2021, there were option-like entitlements outstanding for 879 class A shares (2020 – 1,023).

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 per share	Vested number of shares	Weighted average exercise price per share
As at December 31, 2021				
$7.51 – $10.00	**655**	**$ 9.28**	**655**	**$ 9.28**
$10.01 – $12.50	**224**	**11.59**	**224**	**11.59**
	879	**$ 9.87**	**879**	**$ 9.87**
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

15. DIVIDEND AND INTEREST INCOME

Dividend and interest income is comprised of the following:

For the years ended December 31		2021		2020
Dividends on Bank of Montreal shares	$	**9,688**	$	12,402
Other securities		**7,293**		5,639
Dividend income		**16,981**		18,041
Operating activities		**1,179**		1,579
Investing activities		**526**		827
Interest income		**1,705**		2,406
Dividend and interest income	$	**18,686**	$	20,447

16. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are comprised of the following:

For the years ended December 31		2021		2020
Salaries and other compensation, payroll taxes and benefits	$	**125,468**	$	93,824
Contributions to defined contribution pension plans		**2,121**		1,758
Stock-based compensation		**2,970**		2,678
Employee compensation and benefits	$	**130,559**	$	98,260

17. NET GAINS (LOSSES)

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

For the years ended December 31		2021		2020
Bank of Montreal common shares	$	**90,358**	$	(38,900)
Other securities		**49,619**		37,400
Securities (i)		**139,977**		(1,500)
Disposal of intangible assets		**2,827**		1,570
Disposal of equipment (ii)		**–**		420
Foreign exchange (iii)		**(181)**		(1,803)
	$	**142,623**	$	(1,313)

(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 2020 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		2021		2020
Weighted average number of class A and common shares outstanding				
Basic		**25,068**		25,437
Effect of outstanding entitlements and options from stock based compensation plans		**1,794**		1,674
Diluted		**26,862**		27,111
Net earnings attributable to shareholders of class A and common shares				
Basic	$	**184,239**	$	42,358
Effect of outstanding entitlements and options from stock based compensation plans		**216**		281
Diluted	$	**184,455**	$	42,639

The effects of 439 (2020 – 650) 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) Investment Management, which primarily involves earning management fees relating to investment management services provided to clients; b) Wealth Management, which primarily involves earning investment management and advisory fees for such services to high and ultra-high net worth clients, earning transactional and continuing commissions on life insurance products, mutual funds and other securities and other fees for related services; and c) Corporate Activities and Investments, which relates substantially to the investment of the Company's securities holdings, as well as corporate management and development activities.

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

(a) Business segments

The following table discloses certain information about these segments:

	Investment management		Wealth management		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Net revenue										
Commission revenue	**$ –**	$ –	**$199,855**	$167,581	**$ –**	$ –	**$ (2,950)**	$ (2,406)	**$ 196,905**	$165,175
Commissions paid to advisors	**–**	–	**(121,820)**	(103,238)	**–**	–	**–**	–	**(121,820)**	(103,238)
Net commission revenue		–	**78,035**	64,343		–	**(2,950)**	(2,406)	**75,085**	61,937
Management fees	**149,936**	100,001	**34,246**	24,502	**–**	–	**(3,008)**	(2,023)	**181,174**	122,480
Fees paid to referring agents	**(4,904)**	(3,765)	**(7,054)**	(5,840)	**–**	–	**3,951**	3,450	**(8,007)**	(6,155)
Net management fees	**145,032**	96,236	**27,192**	18,662	**–**	–	**943**	1,427	**173,167**	116,325
Administrative services income	**5,021**	4,022	**13,063**	12,995	**65**	65	**–**	–	**18,149**	17,082
Dividend and interest income	**13**	19	**1,286**	1,698	**16,645**	18,113	**742**	617	**18,686**	20,447
	150,066	100,277	**119,576**	97,698	**16,710**	18,178	**(1,265)**	(362)	**285,087**	215,791
Expenses										
Employee compensation and benefits	**71,683**	50,293	**51,467**	42,060	**7,409**	5,907	**–**	–	**130,559**	98,260
Amortization	**7,533**	6,211	**12,714**	10,782	**1,243**	1,190	**–**	–	**21,490**	18,183
Interest	**181**	55	**408**	488	**878**	1,464	**(76)**	(7)	**1,391**	2,000
Other expenses	**22,637**	18,714	**24,964**	21,671	**3,447**	2,477	**(1,189)**	(355)	**49,859**	42,507
	102,034	75,273	**89,553**	75,001	**12,977**	11,038	**(1,265)**	(362)	**203,299**	160,950
Operating earnings	**48,032**	25,004	**30,023**	22,697	**3,733**	7,140	**–**	–	**81,788**	54,841
Net gains (losses)	**(525)**	368	**2,868**	1,654	**140,280**	(3,335)	**–**	–	**142,623**	(1,313)
Net earnings before income taxes	**47,507**	25,372	**32,891**	24,351	**144,013**	3,805	**–**	–	**224,411**	53,528
Income tax expense	**10,313**	7,132	**9,430**	5,562	**13,928**	(5,234)	**–**	–	**33,671**	7,460
Net earnings	**$ 37,194**	$ 18,240	**$ 23,461**	$ 18,789	**$130,085**	$ 9,039	**$ –**	$ –	**$ 190,740**	$ 46,068
Net earnings attributable to:										
Shareholders	**$ 33,959**	$ 16,630	**$ 20,195**	$ 16,689	**$130,085**	$ 9,039	**$ –**	$ –	**$ 184,239**	$ 42,358
Non-controlling interests	**3,235**	1,610	**3,266**	2,100	**–**	–	**–**	–	**6,501**	3,710
	$ 37,194	$ 18,240	**$ 23,461**	$ 18,789	**$130,085**	$ 9,039	**$ –**	$ –	**$ 190,740**	$ 46,068
Additions to segment assets										
Intangible assets	**$ 6,029**	$ 29,858	**$ 19,063**	$ 15,067	**$ 315**	$ 139	**$ –**	$ –	**$ 25,407**	$ 45,064
Equipment	**843**	103	**2,898**	243	**1,312**	488	**–**	–	**5,053**	834
Goodwill	**–**	10,395	**6,653**	9,948	**–**	–	**–**	–	**6,653**	20,343
As at December 31	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Segment assets and liabilities:										
Assets	**$196,356**	$167,352	**$356,949**	$311,337	**$932,162**	$732,684	**$ (56,792)**	$ (57,811)	**$1,428,675**	$1,153,562
Liabilities	**92,266**	62,867	**263,343**	231,456	**277,281**	199,343	**(56,792)**	(57,811)	**576,098**	435,855

(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		Consolidated	
For the years end December 31	**2021**	2020	**2021**	2020	**2021**	2020
Net revenue from external parties	**$ 197,007**	$ 158,284	**$ 88,080**	$ 57,507	**$ 285,087**	$ 215,791
As at December 31	**2021**	2020	**2021**	2020	**2021**	2020
Segment non-current assets						
Intangible assets	**$ 95,805**	$ 85,312	**$ 72,408**	$ 75,874	**$ 168,213**	$ 161,186
Equipment	**13,901**	11,796	**2,673**	4,316	**16,574**	16,112
Goodwill	**37,342**	30,688	**29,301**	29,546	**66,643**	60,234

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	**2021**	2020
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	**$ (11,903)**	$ 60,738
Accounts receivable and other assets	**(15,077)**	(3,733)
Receivables from clients and broker	**(12,043)**	(39,329)
Increase (decrease) in non-cash working capital liabilities		
Client deposits	**10,898**	(60,096)
Accounts payable and other	**34,149**	11,920
Payable to clients	**12,043**	39,240
Net change in non-cash working capital items	**$ 18,067**	$ 8,740

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 2021 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 $308,834 (2020 - $222,295) 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 $30,883 (2020 – $22,223).

(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, 2021		
Canada	**$ 43,602**	**±$ 4,360**
Rest of the World	**371,634**	**37,164**
	$ 415,236	**±$ 41,524**
As at December 31, 2020		
Canada	$ 45,031	±$ 4,503
Rest of the World	308,144	30,814
	$ 353,175	±$ 35,317

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	2021	2020
Bank loans and borrowings	$ 14,779	$ 35,290

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 +/- $1,478 (2020 – $3,529) 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	2021	2020
Interest rate sensitive assets:		
Interest-bearing deposits with banks	$ 54,510	$ 43,197
Short-term securities	8,459	44,904
Fixed-income securities	19,357	12,197
	$ 82,326	$ 100,298
Interest rate sensitive liabilities:		
Bank loans and borrowings	$ 114,873	$ 95,737
Client deposits	53,451	43,128
	$ 168,324	$ 138,865

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 $939 (2020 – $1,047).

The Company holds $19,357 (2020 – $12,197) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiaries. 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.

(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	2021	2020
Cash	$ 77,081	$ 41,677
Interest-bearing deposits with banks	54,510	43,197
Accounts receivable and other assets	77,570	60,211
Receivable from clients and broker	89,356	77,313
Short-term securities	8,459	44,904
Fixed-income securities	19,357	12,197
	$ 326,333	$ 279,499

The cash and interest-bearing deposits with banks and the majority of the accounts receivable are due from major institutions. The Company reviews the credit worthiness of any banks with which it places deposits, and does not deal with a bank if it is not satisfied with the bank's financial strength. The accounts receivable and other are generally amounts due 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.

(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, 2021, the Company's regulated businesses had total regulatory capital amounting to $316,678 (2020 – $287,632). 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, 2021 Minic beneficially owned 49.5% (2020 – 49.2%) of the Company's outstanding common shares. In 2021 and 2020, 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		**2021**		2020
Short-term employment benefits	**$**	**6,397**	$	6,798
Post-employment benefits		**35**		35
Stock-based compensation		**1,198**		1,303
	$	**7,630**	$	8,136

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		**2021**		2020
Investment management services	**$**	**29**	$	25

(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		**2021**	2020
	Country of organization	Voting ownership interest	
Guardian Capital LP	Canada	**100%**	100%
Guardian Capital Advisors LP	Canada	**100%**	100%
Guardian Partners Inc.	Canada	**100%**	n/a
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%**	71%
Guardian Capital, LLC	United States	**100%**	100%
Alta Capital Management, LLC (i)	United States	**70%**	70%
Agincourt Capital Management, LLC (ii)	United States	**70%**	70%
Worldsource Wealth Management Inc.	Canada	**100%**	100%

As at December 31		2021	2020
Worldsource Financial Management Inc.	Canada	**100%**	100%
Worldsource Securities Inc.	Canada	**100%**	100%
IDC Worldsource Insurance Network Inc. (iii)	Canada	**82%**	82%
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. (2020 – 30%).

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

For the years ended December 31		2021		2020
Balance, beginning of year	**$**	**19,819**	$	21,537
Net earnings attributable to non-controlling interests		**2,350**		1,304
Other comprehensive income attributable to non-controlling interest		**(202)**		(286)
Distributions		**(3,297)**		(2,787)
Other		**–**		51
Balance, end of year	**$**	**18,670**	$	19,819

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		2021		2020
Current assets	**$**	**7,065**	$	5,943
Other non current assets		**935**		67
Intangible assets		**49,709**		54,556
Goodwill		**18,554**		18,713
	$	**76,263**	$	79,279
Current liabilities	**$**	**3,501**	$	3,410
Non current liabilities		**778**		–
	$	**4,279**	$	3,410

For the years ended December 31		2021		2020
Revenue	**$**	**21,136**	$	18,841
Net earnings		**7,833**		4,346
Comprehensive income		**7,156**		3,393

(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 (2020 – 30%). 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		2021		2020
Balance, beginning of year	**$**	**9,541**	$	–
Arising on acquisition		**–**		9,638
Net earnings attributable to non-controlling interests		**884**		305
Other comprehensive income attributable to non-controlling interest		**(86)**		(402)
Distributions		**(975)**		–
Balance, end of year	**$**	**9,364**	$	9,541

Summarized financial information about assets, liabilities, and operations of Agincourt following its acquisition on October 1, 2020 before inter-company eliminations in which the non-controlling interests have an interest are as follows:

As at December 31		2021		2020
Current assets	$	**4,983**	$	2,720
Other non-current assets		**685**		889
Intangible assets		**18,936**		20,482
Goodwill		**9,877**		9,962
	$	**34,481**	$	34,053
Current liabilities	$	**2,393**	$	1,360
Non-current liabilities		**600**		966
	$	**2,993**	$	2,326

For the years ended December 31		2021		2020
Revenue	$	**13,097**	$	3,492
Net earnings		**2,947**		1,017
Comprehensive income		**2,661**		(323)

(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% (2020 – 18%) equity and voting ownership interest in 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		2021		2020
Balance, beginning of year	$	**13,667**	$	9,980
Net earnings attributable to non-controlling interests		**3,694**		2,473
Transactions with non-controlling interests		**–**		1,129
Dividends		**(767)**		–
Other		**–**		85
Balance, end of year	$	**16,594**	$	13,667

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		2021		2020
Current assets	$	**27,813**	$	14,896
Intangible assets		**72,229**		69,387
Other non-current assets		**28,396**		26,445
	$	**128,438**	$	110,728
Current liabilities	$	**14,309**	$	11,426
Non current liabilities		**9,449**		9,634
	$	**23,758**	$	21,060

For the years ended December 31		2021		2020
Revenue	$	**61,895**	$	50,089
Net earnings		**20,327**		13,846
Comprehensive income		**20,327**		13,846

(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 2021 or 2020, and the Company's ownership interest at the end of each of those years are as follows:

As at December 31		**2021**	2020
	Country of organization	Voting ownership interest	
Guardian Directed Premium Yield ETF (1)	Canada	**39%**	82%
Guardian Directed Equity Path ETF (1)	Canada	**54%**	87%
Guardian i3 Global REIT ETF (1)	Canada	**19%**	55%
Guardian i3 US Quality Growth ETF (1)	Canada	**51%**	64%
Guardcap UCITS Funds PLC, Emerging Markets Equity Fund	Ireland	**88%**	92%
Guardcap UCITS Funds PLC, Alta All Cap Equity Fund	Ireland	**100%**	100%
Alta Quality Growth Fund	United States	**68%**	72%
Guardian Dividend Growth Fund	United States	**100%**	100%
Guardian Fundamental Global Equity Fund	United States	**86%**	92%
Guardian Aurora Master Fund, LP (2)	Cayman Islands	**44%**	44%
The Alexandria Directed Equity Path Fund (3)	Cayman Islands	**100%**	100%

(1) Guardian Directed Premium Yield ETF, Guardian Directed Equity Path ETF, Guardian i3 Global REIT ETF, and Guardian i3 US Quality Growth ETF were acquired on August 11, 2020. The funds have been consolidated since formation, with the exception of the i3 Global REIT ETF which was deconsolidated on November 30, 2021

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

(3) 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, are summarized in the following tables:

As at December 31	**2021**	2020
Net assets of unconsolidated investment funds	**$ 9,301,567**	$ 7,342,482
Company's interests in unconsolidated investment funds	**88,936**	124,382

For the years ended December 31	**2021**	2020
Net revenue for investment management and administration services earned directly from unconsolidated investment funds	**$ 43,834**	$ 27,271

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. ACQUISITIONS

(a) Acquisitions

(i) Guardian Partners Inc.

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

The accounting for the transaction is as follows:

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

Goodwill, which is not deductible for income tax purposes, represents the retention of the key employees access to established distribution networks in key markets, addition of new products and other potential synergies.

The costs associated with this transaction were approximately $153.

GPI's contributions to the Company since acquisition are as follows:

For the period from March 1, 2021 to December 31, 2021		
Net revenues	$	5,455
Net income and comprehensive income		(837)
Net income and comprehensive income attributable to shareholders		(837)

(ii) AFL Groupe Financier Inc.

On October 4, 2021, the Company acquired the assets AFL Groupe Financier Inc. ("AFL"), a MGA headquartered in Quebec City, Quebec. The transaction further increases the Company's expansion into the province of Quebec.

The consideration for the transaction is $6,625, which is comprised of $6,294 paid on closing, and $331, payable one year subsequent to closing.

The provisional accounting for the transaction is as follows:

Fair value of consideration:		
Cash	$	6,294
Deferred payment		331
	$	6,625
Fair value of the identifiable net assets acquired:		
Intangibles – rights to future revenues	$	4,619
Net current assets		50
Equipment and right of use assets		480
Lease obligations		(475)
Fair value of identifiable net assets acquired		4,674
Goodwill		1,951
	$	6,625

Goodwill, which is 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 achieved to increase the profitability of the acquired business.

The costs associated with this transaction were approximately $97, and these were expensed in the current year.

AFL's contributions to the Company since acquisition are as follows:

For the period from October 1, 2021 to December 31, 2021		
Net revenues	$	378
Net income and comprehensive income		153
Net income and comprehensive income attributable to shareholders		153

(iii) 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 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 in 2020 since acquisition is as follows:

For the period from February 28, 2020 to December 31, 2020		
Net revenue	$	426
Net loss and comprehensive loss		(1,266)
Net loss and comprehensive loss attributable to shareholders		(893)

(iv) 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 was $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 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 in 2020 since acquisition is as follows:

For the period from February 28, 2020 to December 31, 2020		
Net revenue	$	3,492
Net earnings and comprehensive income		764
Net earnings and comprehensive income attributable to shareholders		459

(v) Copoloff Insurance Agencies (Canada) Ltd.

On October 1, 2020, the Company acquired Copoloff Insurance Agencies (Canada) Ltd. ("Copoloff"), a MGA headquartered in Montreal, Quebec. The transaction, which follows the Company's acquisition of Aurrea 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 of the date of acquisition.

The 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
Net current assets, including cash of $552		103
Equipment		58
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 in 2020 since acquisition is as follows:

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

(vi) Pro-forma information on acquisitions
If the acquisition date for each of the above acquisitions had been January 1 of the year in which the acquisition had happened rather than the actual date then the Company estimates that its reported would have been as follows:

For the years ended December 31	**2021**	2020
Net revenue	**$ 287,368**	$ 229,101
Net earnings	**191,291**	48,703

(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	**2021**	2020
Guardian Partners Inc.	**$ 12,299**	$ –
AFL	**6,294**	–
Modern Advisor	**–**	3,722
Agincourt	**–**	17,280
Copoloff	**977**	16,625
Acquisitions closed prior to 2020	**–**	11,736
Less cash acquired in above transactions	**(1,181)**	(580)
	$ 18,389	$ 48,783

25. COVID-19 IMPACT

The continuing COVID-19 pandemic has increased the volatility in the global financial markets, as seen by the severe market declines in the first quarter of 2020 followed by its subsequent recovery. This volatility had a significant effect on the Company as it impacts the fair value of the Company's Securities and revenue earned. The Company generates a significant portion of its revenue from client assets it manages or administers and 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 or other unforeseen events 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

Paula Dunlop
Executive Vice-President, Human Resources

Robin Lacey
Head of Institutional Asset Management

Robert McLean
Senior Vice-President, Information Technology

Docé Tomic
Head of Wealth Management

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

Donald Yi
Chief Financial Officer

Ashleigh Currie
Vice-President, Human Resources

Ernest B. Dunphy
Vice-President and Controller

Eddy Fung
Vice-President, Retail Finance and Administration

Rachel Hindson
Vice-President, Legal

Angela Shim
Vice-President, Corporate Initiatives

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AUDITORS
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, 2022
King Gallery
One King West Hotel & Residence
1 King Street West
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services Inc.
Telephone: 1-800-564-6253
Website: www.investorcentre.com/service

GUARDIAN CAPITAL