

2019 Annual Report

Guardian Capital Group Limited



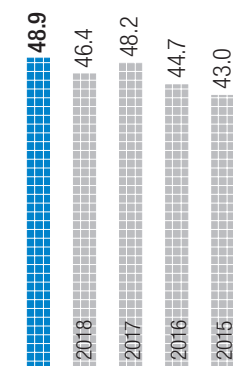
GUARDIAN CAPITAL

Our history. Your future.

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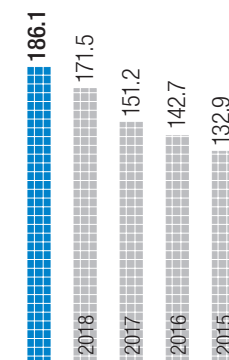
2019 Financial Highlights



2019

OPERATING EARNINGS

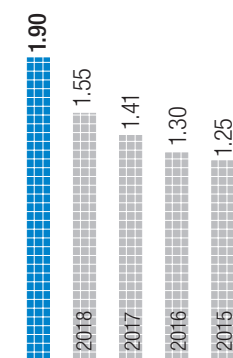
For the years ended December 31 (\$ in millions)



2019

NET REVENUE

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

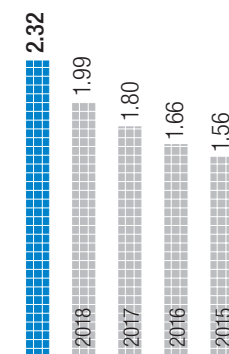


2019

ADJUSTED CASH FLOW FROM OPERATIONS¹

(per share, diluted)

For the years ended December 31 (in \$)

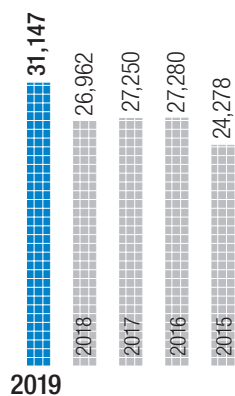


2019

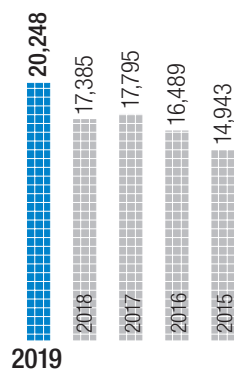
EBITDA¹

(per share, diluted)

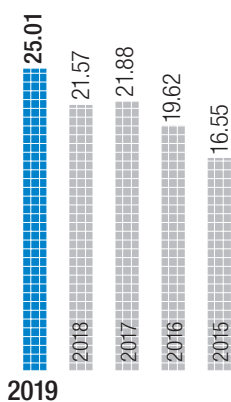
For the years ended December 31 (in \$)



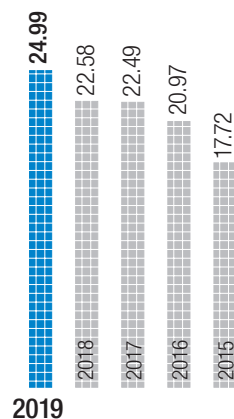
ASSETS UNDER MANAGEMENT
As at December 31 (\$ in millions)



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



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



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

(1) These terms are not standardized measures under IFRS. 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,

On behalf of your Board of Directors, I am pleased to report that during 2019, Guardian Capital Group Limited continued to successfully grow most of the financial measures by which it is evaluated, including dividends. The results for 2019 are evidence both of a successful business strategy and its execution by a highly effective management team.

Last year, I wrote of the strategic transformational journey upon which we have embarked. This journey includes investment in new and growing aspects of our businesses, along with innovation in products and services. Initiating sustained successes, with a strong management team in place, has built a robust and innovative company, growing carefully and thoughtfully. Management's critical focus is on the drivers that are within its control and which contribute to the firm's long-term growth and sustainability. Our strong balance sheet provides the ability to invest in organic growth, as well as to consider acquisitions that complement our strategies.

Your company continues to excel, to outperform and to deliver value to you. We are particularly pleased with the progress in our UK investment management business, which has been growing at an accelerated pace. We have also made excellent progress with our Life Insurance Managing General Agency unit, which has continued to grow in importance.

Following on the continued growth in operating earnings and cash flow in 2019, your Board has declared a quarterly dividend of \$0.16 per share, an increase of 7%, payable on April 17, 2020, to the shareholders of record on April 10, 2020.

Your Board recognizes Guardian's capable and experienced leadership team, led by George Mavroudis, President and Chief Executive Officer, for the robust performance in our business operations, which are now established in multiple jurisdictions. We also wish to acknowledge the contributions of Guardian's many Associates throughout our organization, who are each to be commended for their passion, industriousness and commitment. I remind you that one of our core strengths is that senior management and employees are significant investors in Guardian's stock.

In the past year, we have welcomed to your Board Marilyn De Mara, a new director who brings vital skills to the role, and who was elected at last year's Annual Meeting. Ms. De Mara brings to our Board a career of senior executive and international experience which has enhanced the mix of talents and skills that make Guardian's Board a strong and balanced force.

I would like to thank all the Board members for their assistance and contribution over the last year, in support of our management team. We will continue to work diligently, to provide excellent value to our shareholders.

On behalf of the Board of Directors,

Respectfully,



James Anas,
Chairman of the Board

February 19, 2020

President and Chief Executive Officer's Message

Dear Shareholders,

In preparation to author this year's annual letter to shareholders, I spent a few minutes reflecting on the past decade. In my first annual letter to shareholders for fiscal year 2011 I expressed enthusiasm about Guardian's future, in building upon its strong legacy and foundation, with a primary goal of achieving scale across our business segments and demonstrating our ability to be resilient through the delivery of stable and meaningful operating earnings. I believe that, under most objective standards, we have delivered on these goals. Our combined operating business segments now account for nearly 80% of Guardian's operating earnings, whereas ten years ago the vast majority of operating earnings were derived from investment income generated by our liquid portfolio of securities. Additionally, assets under management and assets under administration are each more than double their 2011 balances, while Net Revenues and Operating Earnings are each almost three times their 2011 achievements. At the same time, we continue to make significant investments for new initiatives that we believe will provide us with continued growth into the future. Maximizing current earnings growth is balanced with the importance of strategically investing for the long-term, either through acquisitions or increased annual spending to build the successful businesses of the future. This philosophy has delivered a stronger, more diversified and resilient group of operating business segments that collectively improve the quality of future sustainable and meaningful operating earnings.

The growth delivered over the past decade has also been done while remaining disciplined in preserving the strength of our balance sheet. This too requires a delicate balancing act, as being too conservative could result in lost opportunities, while underestimating the risks and investing without concern could lead to a weaker financial situation for Guardian. Preserving a quality financial balance sheet and a determined long-term approach to committing to investments form the foundation for Guardian's future success.

Beyond the story presented by our financial results, Guardian has also nurtured certain intangible quality characteristics that position it to build on its success for years to come. We have built a broadening set of quality clients across the Group, including adding meaningful geographical presence to use as beachheads for further expansion. For the year 2019, approximately 40% of our revenues in asset management were derived from outside Canada, whereas just two years ago, this was approximately 10%. This geographical expansion has brought many more talented people into our ecosystem, who are incentivized and encouraged to promote a winning partnership across the firm, so as to prosper as a team. In the past decade, we have built a much deeper and talented team of executives, tasked with various growth initiatives. This improved executive bench strength, as with the strong balance sheet, provides greater confidence that Guardian's improved resilience will enable us to tackle the many challenges or threats facing the business as we compete in a dynamic financial services industry.

The results reported in this year's annual report highlight the diversification of Guardian's capabilities and, most excitingly, how we are positioned for continued future growth. In 2019, all of our key financial metrics achieved all-time highs, including assets under management, assets under administration, first year life premiums sold, fair value of our securities portfolio, net revenue, EBITDA and Operating earnings. These financial results include a steadily growing stream of strong free cash flow, which offers Guardian the ability to return an ever-increasing amount of cash to its shareholders. In 2019, Guardian paid out more than \$15.5 million in dividends, increasing our quarterly dividend from \$0.125 a share to \$0.15 a share, an increase of 20%. We also returned more than \$13 million to shareholders by repurchasing and cancelling 566,000 shares in 2019. Through a combination of dividends and share repurchases, Guardian returned to its shareholders more than 55% of the Adjusted cash flow from operations generated in the year. Over the past decade, Guardian has returned to shareholders approximately \$220 million through a combination of dividends and share repurchases. Guardian's management team is focused on building sustainable quality businesses

continued →

that generate strong free cash flow. With strong, growing cash flow, we are in the enviable position of being able to balance the needs of all stakeholders, including our clients, employees, and shareholders.

Our core values at Guardian are to be Trustworthy, to act with Integrity and to ensure Stability throughout the organization. Clients, Shareholders, Employees, Partners and other Stakeholders of Guardian should be assured that, from top to bottom, our organization embraces the responsibilities with which we are entrusted very seriously, and is continuously striving to make improvements to all aspects of how we do business. As long as we continue to live up to these expectations, all of our stakeholders should expect to benefit from our success over the next decade.

Warmest regards,



George Mavroudis,
President and Chief Executive Officer

February 19, 2020

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

Guardian's institutional assets under management ("AUM") were \$27.9 billion at the end of 2019, up from \$24.1 billion at the end of 2018. The challenging market environment of 2018 gave way to significantly better performance across all asset classes in the current year, which supported our asset growth in 2019. As well, we experienced successes in attracting new assets into a number of strategies, particularly the Fundamental Global Equity strategy, which were largely offset by net outflows from the domestically-focused strategies.

Canadian equities, both at the institutional and retail levels, again resulted in net outflows in 2019. Institutional investors continued to reduce their allocations to Canadian equities in favour of global equities and alternatives, with private investments in particular gaining growing share of assets. This is a trend we have witnessed for some years as Canadian markets, which remain highly concentrated and levered toward the natural resource sectors, consistently underperformed their global peers through the last decade's global bull market. This trend has also been increasingly adopted by retail investors, adding to the move away from Canadian equities. A relatively new phenomena, the divesting of fossil fuel stocks by both institutional and retail investors, also hurt allocations to Canadian equities generally.

At the end of 2019, our AUM in Canadian equity strategies amounted to \$8.9 billion, compared to \$9.1 billion at the end of 2018 and \$12.2 billion at the end of 2017. That amounts to a net decrease of 2% in a year when the S&P/TSX Composite Index generated a total return of 23%.

Our AUM in foreign equity strategies were \$11.5 billion at the end of the year, an increase from \$8.1 billion at the end of 2018. Foreign equity strategies continue to represent our fastest area of growth, which now account for approximately 41% of our total AUM, compared to 34% in 2018 and 16% in 2017.

The AUM for our fixed income mandates totaled \$7.5 billion at the end of 2019, which compares to \$6.9 billion at the end of 2018 and \$8.1 billion at the end of 2017. This represents an increase of approximately 8% in 2019 in an environment when the Canadian bond universe generated returns of 7%.

As always, continued stability in the investment teams and organization, and strong client service and business development efforts, supported the business effectively in 2019.

Canadian Equity

Stock markets turned in a strong performance across the globe in 2019, with all major geographic regions and industrial sectors recording solid returns. Canadian equities were among the top performers for a change, with the S&P/TSX Composite Index generating a 23% total return for the year. The outperformance was supported by the comparatively stronger returns in the Canadian Financials, Materials, and especially Energy sectors versus the global benchmarks which was amplified by their higher relative weights. This was partially offset by the continued sector-best strength in the Information Technology which carries a lower weight in Canada. Small Cap stocks in Canada once again lagged their Large Cap peers, interestingly due to the significant weakness in the smaller players in Canada's Energy sector as well as the relative underweight in Health Care and Tech.

These general observations on the Canadian equity market largely explain the overall returns of our strategies. Our Core Canadian Equity strategy generated a positive total return for the year but lagged its benchmark. Our Growth strategy lagged the broad market benchmark once again, and as a result is one of the main areas in our firm where we are under significant pressure from clients. Unfortunately what was once a highly sought after strategy is now experiencing our greatest loss of client assets due to an extended underperformance against the S&P/TSX benchmark. Finally, strategies with a bias toward income generation, a hallmark of Guardian's competencies, experienced relatively strong performance, due in part to their natural emphasis on Energy and the high-performing Utilities stocks. Dividend yields in these strategies continue to exceed bond yields, and we expect that they will likely continue to do so for some time yet.

The Canadian Focused strategy, launched in 2015, continued to experience strong absolute returns in 2019, however, it underperformed the broad market index due to the weak returns from its Energy holdings and underweight in Industrials. That said, it remains materially ahead of the benchmark since its inception, making it our strongest domestic performer and putting it among the top of its peer group over that four year period. This strategy's focus on a concentrated portfolio of high quality names aligns with the strategies managed by GuardCap, our UK-based investment management firm, and Alta, our US-based investment management firm, to meet the increased demand for such products from large institutional investors worldwide.

US Equity

The addition of Alta in January 2018, added two flagship US equity strategies to our roster – US Large Cap Growth and US All Cap Growth. These strategies follow a high-conviction approach, investing in quality growth companies exhibiting a high degree of free cash flow and sustainable revenue growth. This approach complements our company-wide array of high-conviction strategies, both in concept and investment philosophy.

The last 12 months proved to be highly fruitful for this approach to investing as the indications of a recovery in global growth momentum underpinned by easier monetary policy around the world was a boon for growth-oriented investment strategies, while the continued uncertainty and concomitant pick up in volatility drove investor preference for quality names. Both strategies generated strong returns in 2019 — the Large Cap strategy beat the S&P 500 but lagged slightly the Russell 1000 Growth Index; similarly, the All Cap strategy trailed the Russell 3000 Growth Index but outpaced the returns for the S&P 500. Alta ended 2019 with USD \$3.3 billion (\$4.4 billion CAD) in AUM.

Global Equity

Guardian has two global strategy teams. The Toronto-based Systematics team follows a quantitative approach, while our London-based team follows a fundamental approach and offers highly concentrated strategies. These strategies serve as good complements for each other and provide a broader set of choices to investors.

The Systematic Global Equity team underperformed the market in their dividend-biased strategies (though, they outperformed the High Dividend benchmarks), which account for the majority of the team's AUM. Nevertheless, we are encouraged by the fact that the strategies performed relatively close to the broad market in a very strong year, which should be acknowledged by investors and support a revival of interest in the near future. While economic growth momentum appears to be improving as the New Year begins, we still anticipate that abundant political risks and low interest rates will continue to support the performance of the core Systematic strategies as the market places a premium on safe, income-generating assets. The longer-term performance history of the Global Dividend Equity strategy has been instrumental in placing us on several key retail intermediary platforms in Canada and the US over the past few years. This acquired shelf space, along with an anticipated continued demand by retail investors for strategies with a bias toward income generation and lower volatility, leaves us well positioned.

We continue to build our portfolios emphasizing companies that grow both their earnings and dividends. Over the past few years, as part of a multi-year research project, the team has continued to develop and enhance elements of artificial intelligence in our dividend and recently in our growth strategies. These enhancements have already contributed improvements in returns, which will further support the growth of this strategy in the future.

GuardCap, our UK-based subsidiary, manages the Fundamental Emerging Markets and the Fundamental Global Equities strategies.

The Fundamental Global Equities strategy again experienced very strong performance in 2019, which continued a long history of success for these professionals dating back beyond their tenure at Guardian. The strategy outperformed its benchmark in 2019 by 2%, making it the third consecutive year and a total of five out of six years of outperformance since becoming part of Guardian. It has delivered annualized value add above the market index by close to 7% since inception.

The Global strategy's consistently strong performance record, and its underlying investment philosophy, has proven to be highly attractive to institutional investors that are increasingly interested in high-conviction strategies. As such, we have gained a number of new clients that have helped to grow our AUM to \$4.0 billion at the end of 2019, from \$1.0 billion at the end of 2018. We are optimistic that we will continue to experience growth, and that 2020 will bring a number of new appointments.

The Emerging Markets strategy bounced back from a down year in 2018, generating strong returns in 2019 and outperforming its benchmark by 3% for the calendar year. We believe that this strong performance combined with the meaningful track record of success for our highly-experienced investment team will increasingly gain traction with institutional investors.

Fixed-income

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

Once again, 2019 was generally rewarding for all of our key mandates. Our consistently conservative style of management continues to appeal to investors seeking safety in their bond allocations, as evidenced by the continued growth experienced in our Liability Driven Investing ("LDI") strategies. Our approach to LDI is to construct portfolios tied to the liability structures of our clients, while seeking to add modest value above the rate of growth in underlying liabilities.

The renewed downdraft in market interest rates in response to uncertainty over the outlook and widespread central bank easing provided a positive environment for fixed income securities in 2019. The ongoing hunt for yield and a recovery in risk sentiment as fears of an imminent recession ebbed also saw investors dive deeper into credit in their bond allocations, which resulted in a significant compression in yield spreads on Investment Grade and High Yield debt through the year and drove a relative outperformance of credit.

With indications that growth momentum is turning the corner, market expectations for further policy rate cuts have diminished which limit the potential for interest rates to move lower. Indeed, the market rates have been drifting higher and the potential for interest rates to grind higher over the coming year will provide challenges for many strategies that have performed well for nearly four decades.

We expect that some of our benchmark agnostic strategies will fare better in this environment, but investors will have to learn to accept lower returns, particularly relative to the outsized performance in 2019, from their bond portfolios going forward.

Balanced

Balanced or multi-asset class strategies have historically been a relatively small component of Guardian's AUM, but we have witnessed increased momentum over the past few years. Investors are increasingly recognizing Guardian's ability to customize balanced funds, by selecting strategies from its growing range of Canadian and foreign equity solutions, combined with a solid fixed-income offering.

In 2015, we refined our tactical asset allocation capabilities and combined them with our full suite of mutual funds, resulting in a comprehensive retail offering. Performance since inception of these strategies has been solid — for instance, one of our strategies has earned a "Fundata FundGrade A+® Award" for its risk-adjusted performance. These are distributed as standalone portfolios, including through our Financial Advisory's distribution wealth platform, as well as under an insurance umbrella, in the form of sub-advised segregated funds. The retail industry has witnessed a strong trend toward multi-asset solutions in recent years, and we believe our offerings are very competitive in that space.

Our suite of six "Managed Solution" portfolios surpassed \$300 million in AUM in 2019. They are set to experience continued growth, now that they have completed a three-year performance record, a period of time that many investors see as critical before committing significant assets.

Real Estate

Guardian entered the direct real estate investment business in 2013. Our purpose was to introduce an asset class that offered some degree of diversification to the public market assets Guardian has historically focused on. Our first fund, Guardian Capital Real Estate Fund LP, has been raising money from institutional and private investors with the intent of providing high and sustainable income for clients, with the expectation that well-purchased properties will, in the fullness of time, provide capital gains to investors, as well as the targeted income generation. Our team of highly qualified real-estate professionals' mandate is to create a portfolio with gross yields between 6% and 8% by investing in well-located, functional assets, priced below their replacement cost and with rents at or below market. To date, the fund has raised just over \$192 million of capital commitments from investors, including a seed commitment of \$35 million from Guardian and deployed just under 90% of this capital. In total, our team manages over \$300 million of gross real estate assets financed by our client contributions, and a moderate amount of debt. Real estate is an important asset class for our clients, and our team is establishing a successful track record of efficiently deploying clients' capital and generating strong results. We are starting to see more interest from new clients in this product, and we are hopeful that we will be able to accelerate AUM growth in this asset class.

Investment Client Distribution

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

In Canada, our retail intermediary client base remains well balanced across channels, which includes sub-advisory relationships with mutual funds and exchange traded funds, and a leading position in the separately-managed account (“SMA”) and unified managed account (“UMA”) wrap programs with the top broker-dealers in the country, including all big six bank-owned broker-dealers. In 2019, we witnessed continued strong distribution activity, including dramatic growth in a sub-advisory mandate gained in 2018, and the continued expansion of the Guardian product set on numerous broker-dealer platforms.

With continued consolidation in the asset management space reducing the number of independent managers, Guardian is increasingly recognized and preferred as an independent wholesaler of diversified investment solutions which deliver consistent returns, strong investment team continuity and excellence in servicing the advisors in the broker-dealer distribution channels. Guardian is well-positioned to grow with our partners as they continue to develop their fast-expanding fee-based programs.

Guardian’s US distribution efforts over the past few years are continuing to bear fruit, as we embrace a growing audience of potential investors and an increased rate of new account openings. The growth potential in the US market for Guardian strategies is very attractive, and our goals will increasingly reflect this. To complement its business in the SMA/UMA space in the US, Guardian has now launched three ‘40 Act’ US mutual funds, managed by the Alta, Systematics and GuardCap teams, respectively. This expansion of investment vehicles for strategies that are already approved and well-followed on the US broker-dealer platforms opens new avenues through which to generate positive flows.

In Europe, the Dublin, Ireland-domiciled GuardCap UCITS umbrella vehicle continues to provide distribution opportunities throughout Europe and, more recently, has opened opportunities in the Latin American markets. GuardCap’s distribution reach is expansive, now including most of the larger markets of continental Europe and beyond. With its marquee Fundamental Global Equity strategy having now broken through critical thresholds for AUM and the length of its excellent track record, and with the Emerging Markets strategy not far behind, GuardCap can expect new business opportunities to multiply and inflows to increase meaningfully.

Over the years, we have seen many of the large asset owners of domestic institutional pension plans internalize or even create competitor investment firms that has reduced the size of opportunity in the institutional market. Despite this reduced opportunity set within the institutional market, we remain engaged and positive on the attractive source of opportunities for Guardian’s asset management business. In Canada, we remain a beneficiary of the trend toward liability-driven investing (LDI) by maturing defined-benefit pension plans, with Guardian’s fixed-income team providing a recognized service in this space. In addition, we have seen a slight renewal of interest in Core and related Canadian equity strategies. Beyond this, we have received a steady level of requests for proposals from smaller consultants to create customized, balanced solutions for their clients, often representing First Nations communities and educational, healthcare and religious institutions. Outside Canada, institutional investor interest in our global equity capabilities has grown dramatically, especially in the Fundamental Global Equity strategy managed by GuardCap, and we have seen new business from Europe, US, Australia and Asia. We are also hopeful that our efforts over the past couple of years to explore opportunities with Latin American institutions, in particular in Brazil and Columbia, are close to bearing fruit.

Guardian is increasing its commitment to serving institutional investors, with several additional experienced distribution professionals coming on board in early 2020. As our profile grows and we enjoy continued success in more international markets, we are considering bringing our own direct sales resources to bear in increasing measure. The evolution of Guardian, whereby we have added to our traditional strengths and concentrations in Canadian equities and fixed-income with an increasing array of international and global capabilities, both systematically-invested and, with GuardCap and Alta, fundamentally-driven, positions us well for the future, both near and longer-term. While demand trends continue to demonstrate cyclicalities, we believe skilled management will always be sought, and a premium paid for it. A good example of this is the demand for active global equity management which continues unabated. The combination of Guardian’s traditional investment strengths and its more recently-introduced investment capabilities, is enhancing Guardian’s profile with a broadening audience. Importantly, we continue on the path to becoming widely known as a leading manager and distributor of high-conviction, higher-concentration, active equity strategies covering the world’s major markets, and for our ability to innovate relevant and progressive investment solutions.

PRIVATE WEALTH MANAGEMENT

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

AUM increased over the prior year, largely as a result of strong market appreciation during 2019 and to a lesser extent net flows into the business. AUM at December 31, 2019 was \$3.2 billion, compared to \$2.8 billion at the end of 2018. Our business development efforts continue to focus on promoting awareness in the professional and financial advisory communities. Continued marketing and business development efforts in the endowment and foundation communities as well as the creation of a new practice servicing current and former professional athletes has positioned GCA favourably.

INTERNATIONAL PRIVATE BANKING

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

Alexandria Bancorp Limited (“ABL”) is a private bank based in the Cayman Islands and established in 1990. ABL is licensed and regulated by the Cayman Islands Monetary Authority to provide investment, fiduciary and banking services to international clients. ABL offers investment management capabilities through The Alexandria Fund and a segregated account platform.

Alexandria Trust Corporation is licensed with the Barbadoes Ministry of International Business and Industry as a Corporate and Trust Service Provider as of December 2019.

In 2019, we were successful in attracting a number of new trust and fiduciary clients and look to continue this momentum in 2020.

FINANCIAL ADVISORY

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

Worldsource had another successful year in 2019. Total assets under administration (“AUA”) were \$20.2 billion at December 31, 2019, compared to \$17.4 billion at the end of 2018. Net commission revenues in 2019 were \$54.4 million and operating earnings were \$15.7 million, compared to \$47.8 million and \$12.9 million, respectively, in 2018.

In IDCWIN, the segregated fund and accumulation annuity AUA increased to \$6.0 billion as at the end of 2019, compared to \$4.6 billion at the end of 2018, due to the strong global financial markets, the successful recruiting of new advisors and the addition of \$0.4 billion from the Quebec-based MGA acquisition, as discussed below. The annual contractual premiums on insurance policies sold increased to \$125 million in 2019 from \$90 million in 2018. This was a result of continued highly successful advisor recruitment campaign, as well as continued organic growth. 2019 was an active year for recruitment, with over \$4.5 million being invested in new advisors. As a result, IDCWIN grew its net commission revenue by 30% to \$39 million in 2019. Included in the 2019 net commission revenue were annual service commissions of \$18.9 million, an increase of 31% from \$14.4 million in 2018.

On December 31, 2019, IDCWIN completed the acquisition of Aurrea Signature Inc., (“Aurrea”) a leading Quebec-based MGA with its head office in Boucherville. Aurrea will add over 1,000 advisors to IDCWIN and approximately \$0.4 billion in AUA.

The Dealers ended the year with \$14.2 billion in AUA, a \$1.4 billion increase from \$12.8 billion in 2018. The Dealers enjoyed a renewed and promising effort to attract new independent financial advisors and financial service entities to its platform, with approximately \$132 million in net new AUA. Strong financial markets helped to further grow AUA.

The conversion to a new technology platform for our mutual fund dealer in 2018 has been strategically important, as the new platform has provided improved operational effectiveness and a stronger platform for our advisors’ future growth. We are now focused on: leveraging the capabilities of the new system to enhance our advisor experience; helping our existing advisors grow their AUA through practice management activities; and additional growth in our AUA through continued advisor recruitment.

Guardian continued to work closely with the Dealers to develop quality investment solutions for our advisors. AUA placed by advisors in investment solutions managed by Guardian’s investment management businesses were \$910 million at year end, a 26.0% increase compared to the prior year; \$646 million of these assets have been placed with Guardian’s Private Wealth business; however, assets placed into Guardian mutual funds and separately managed account mandates have been growing at a faster pace, and there is now approximately \$264 million invested in these product offerings.

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, 2019, with comparatives for the year ended December 31, 2018. Readers are encouraged to refer to Guardian's Consolidated Financial Statements contained in the 2019 Annual Report. This discussion and analysis has been prepared as of February 19, 2020.

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

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

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

OVERVIEW OF GUARDIAN'S BUSINESS

Guardian is a diversified financial services company, which serves the wealth management needs of a range of clients through its various business segments. The areas in which Guardian operates are: institutional and private wealth investment management; financial advisory, which includes an insurance managing general agency ("MGA"), a mutual fund dealer, and a securities dealer (together, the "Dealers"); and corporate activities and investments. Guardian is headquartered in Canada and operates in Canada, the United Kingdom ("UK"), the United States ("US") and the Caribbean. As at December 31, 2019, Guardian had \$31.1 billion of assets under management ("AUM") and \$20.2 billion of assets under administration ("AUA"). In addition, Guardian has a diversified portfolio of securities, which includes its investment in Bank of Montreal ("BMO") shares, with a fair value of approximately \$682 million as at December 31, 2019.

NON-IFRS MEASURES

Guardian uses certain measures to evaluate and assess the performance of its business, which are not defined within International Financial Reporting Standards ("IFRS"). These measures are EBITDA, EBITDA per share, Adjusted cash flow from operations, Adjusted cash flow from operations per share, Shareholders' equity per share, and Securities per share. Non-IFRS measures do not have standardized meanings prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. However, Guardian believes that most shareholders, creditors, other stakeholders and investment analysts prefer to utilize these measures in their analysis of Guardian's results. On page 23 of this report, a description of how these measures are defined by Guardian is provided, with reconciliations to their most comparable IFRS measures.

2019 HIGHLIGHTS

In 2019, Guardian made significant progress in its strategic plan to expand its non-domestic AUM, and to diversify its revenue sources away from the historical concentration in Canadian equities. Guardian's patient investment in the UK subsidiary's Fundamental Global Equity strategy over the past few years started to pay off in 2019, delivering a three-fold growth to \$4.0 billion in AUM and a significant growth in Operating earnings to \$2.4 million, in 2019, from losses in 2018 and each of the preceding years since inception in 2014. With this growth, for the first time in Guardian's history, the non-domestic equity AUM exceeded Canadian Equity AUM. Interest in this strategy by clients from all parts of the world has helped drive this impressive growth. Current institutional investors in this strategy includes representations from Australia, Asia, Europe, and North America.

Within the Financial Advisory Segment, IDC Worldsource Insurance Network Inc. (“IDCWIN”), the life insurance managing general agency (“MGA”) business completed the acquisition of Aurrea Signature Inc. (“Aurrea”) on December 31, 2019, a leading Quebec-based MGA for a combination of cash and shares of IDCWIN. This acquisition accelerates our objective to expand into the Quebec market. Key management employees were retained as part of the transaction. In addition, IDCWIN completed another successful year with historic highs in many key financial metrics.

To support its strategic priorities, Guardian recruited two senior executives during the year to provide strategic leadership in wealth management and Canadian retail asset management. Our patience in supporting a collection of wealth management businesses present a tremendous platform to compete for a growing demand by independent advisors and corporate financial institutions. The appointment of Docé Tomic in early 2019 added significant senior strategic experience to serving the needs for both independent advisors and corporate financial institutions. We are excited that with our scale and focus to providing a best in class, open architecture wealth platform that a great deal more of organic and inorganic growth is possible over the next few years. In late 2019, we also recruited Barry Gordon to lead our plans to compete selectively for retail assets focused on serving the needs of both our own Wealth Management distribution units and the needs of the top financial advisors in the Canadian retail segment. Guardian has a breadth of quality strategies and brand recognition that provides us with the confidence that we can build assets under management with a client segment that is looking for solutions from an independent and innovative manager such as our firm. This initiative will be a multi-year effort where expenses will likely outpace growth in revenues in the near term but similar to other successful organic initiatives we believe with the patience of time and focus on strategy that these added expenditures will be well rewarded in the years ahead.

Both hires ultimately focus on our goal to improve our access to grow assets under management in Canada from retail advisors and balance our current profile of client segment distribution which is highly concentrated in the hands of institutional or retail intermediary third party gatekeepers.

Finally subsequent to year end, on January 30, 2020, Guardian announced that its subsidiary, Guardian Innovations Inc., has entered into an agreement to acquire a majority interest in Vancouver-based, Modern Advisor Canada Inc. (“ModernAdvisor”), a leading Canadian digital advisor platform. Key management employees will remain as part of the transaction and continue to hold an equity interest in ModernAdvisor. The transaction provides ModernAdvisor with access to Guardian’s distribution infrastructure and Guardian with a foundational building block for its digital strategy, in line with Guardian’s overall technology strategy and plan.

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)	2019	2018	% change
Net revenue	\$ 186,102	\$ 171,513	9%
Expenses	137,201	125,126	10%
Operating earnings	48,901	46,387	5%
Net gains (losses)	96,706	(55,652)	274%
Earnings (losses) before income taxes	145,607	(9,265)	1672%
Income tax expense	19,147	4,342	341%
Net earnings (losses)	\$ 126,460	\$ (13,607)	1029%
Attributable to shareholders:			
Net earnings (losses)	\$ 123,120	\$ (16,952)	826%
EBITDA	63,214	56,187	13%
Adjusted cash flow from operations	51,634	43,680	18%
Attributable to shareholders, per share, diluted:			
Net earnings (losses)	\$ 4.50	\$ (0.63)	814%
EBITDA	2.32	1.99	17%
Adjusted cash flow from operations	1.90	1.55	23%
As at December 31 (\$ in millions, except per share amounts)	2019	2018	% change
Shareholders’ equity	\$ 683	\$ 599	14%
Securities	682	627	9%
Per share, diluted:			
Shareholders’ equity	\$ 25.01	\$ 21.57	16%
Securities	24.99	22.58	11%
For the years ended December 31 (\$ in millions)	2019	2018	% change
Annual premiums on insurance policies sold	\$ 125	\$ 90	39%

Guardian's consolidated Operating earnings for the year ended December 31, 2019 were \$48.9 million, as compared to \$46.4 million for the year ended December 31, 2018, a 5% increase.

The operating earnings from the Investment Management Segment were \$23.4 million in 2019, a 2% increase over the 2018 Operating earnings of \$23.0 million. The increase is largely attributable to the significant growth in Operating earnings to \$2.4 million from GuardCap, our UK-based subsidiary, partially offset by the continued headwinds in the Canadian Equity strategies. GuardCap's Fundamental Global Equity strategy grew to \$4.0 billion by the end of 2019, from \$1.0 billion at the end of 2018. This significant growth in Fundamental Global Equity strategy has come from investors from all parts of the world and the healthy pipeline of business continues to be geographically diverse. Offsetting this growth were the continued challenges in the Canadian Equity strategies. We continued to experience net redemptions from these strategies as the clients reduced their allocations to this asset class and was further challenged by a weak relative performance period with a select number of our Canadian equity strategies.

The Financial Advisory Segment earned \$15.7 million in Operating earnings in 2019, as compared to \$12.9 million in 2018, a 21% increase. The increase was driven by another year of significant growth in Net commission revenue and Operating earnings in the MGA business. It continued to benefit from increased sales generated by the advisors recruited in the current and prior years. The MGA business hit historic highs in many financial measures, such as contractual annual premiums on life insurance policies sold ("Premiums Sold"), AUA, Net commission revenue and Operating earnings. Partially offsetting this growth was a decrease in Operating earnings from the Dealers business. We continued to invest in this business with the focus on making enhancements to the new technology platform and to add additional support to improve advisor experience, operational efficiencies and to better prepare the business for the next phase of growth. While we make these investments, we expect the Operating earnings growth from this business to continue to be modest in the near-term with the expectation of a much higher growth in future periods.

The Corporate Activities and Investments Segment earned \$9.8 million in operating earnings in 2019, compared to \$10.5 million in 2018. The decrease in operating earnings was due to a combination of lower income from securities and higher expenses in 2019. The lower dividend income from securities was largely driven by reallocation of capital from higher dividend yielding strategies in 2018 to more growth-oriented strategies in 2019. The expenses increased as a result of investments made into additional staffing to support the growth of the operating businesses.

The Net gains of \$96.7 million recognized during the current year were due largely to the significant rise in the financial markets and the effects of appreciation in the Canadian dollar against the US dollar. The fair value of the Securities increased significantly from the lows of December 2018, accounting for approximately \$92.8 million of the Net gains in the current year. Included in this Net gains were the realized gains on 200,000 shares of the Bank of Montreal disposed of during the year. The effects of appreciation in the Canadian dollar against the US dollar on the US dollar loan accounted for approximately \$2.9 million of the Net gains.

Net earnings attributable to shareholders in 2019 were \$123.1 million, compared to \$17.0 million in Net losses attributable to shareholders 2018. The significant increase was caused by the large swing in the Net gains (losses) between 2018 and 2019 along with the increase in Operating earnings in 2019, as described above.

EBITDA for the year ended December 31, 2019 were \$63.2 million, compared to \$56.2 million in 2018, a 13% increase. Adjusted cash flow from operations for the year amounted to \$51.6 million, compared to \$43.7 million in 2018, an 18% increase. The adoption of IFRS 16 in the current year, as described in note 3 to Guardian's 2019 Consolidated Financial Statements, resulted in both EBITDA and Adjusted cash flow from operations being higher than under the previous accounting standard by \$2.6 million and \$2.1 million, respectively. Excluding the impact of the adoption of IFRS 16, the EBITDA would have increased by 8% and Adjusted cash flow from operations by 14%. Both of these measures grew at a higher rate than Operating earnings, due largely to the increased contributions from recruited advisors in the Financial Advisory Segment. The recruitment of advisors results in the recognition of amortization expenses in the post-recruitment periods. These amortization expenses are included in Operating earnings but not in EBITDA.

Per share EBITDA, and adjusted cash flow from operations, grew at higher percentages than the dollar amounts described above due largely to the benefits of the repurchase and cancellation of 0.6 million shares in 2019.

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

For the years ended December 31 (\$ in millions)	2019	2018
Assets under management, beginning of year	\$ 26,962	\$ 27,250
Alta acquisition	—	4,160
Net additions (reductions) from clients during year	(73)	(3,199)
Market appreciation (depreciation)	4,258	(1,249)
Assets under management, end of year	\$ 31,147	\$ 26,962
End of year amounts comprised of:		
Institutional	\$ 27,930	\$ 24,111
Private wealth and international private banking	3,217	2,851
Total Assets under management, end of year	\$ 31,147	\$ 26,962
Institutional AUM is comprised of:		
Canadian equities	\$ 8,937	\$ 9,122
Global equities	11,528	8,089
Fixed-income	7,465	6,900
Total institutional AUM	\$ 27,930	\$ 24,111
Assets Under Administration ¹	\$ 20,248	\$ 17,385

(1) 2019 AUA includes \$427 million associated with the acquisition of Aurrea Signature Inc.

REVENUES AND EXPENSES

Guardian's Net revenue in 2019 was \$186.1 million, a growth of 9% from \$171.5 million in 2018. The growth came from both the Investment Management and the Financial Advisory Segments, slightly offset by lower income from securities earned in the Corporate Activities and Investments Segment.

Investment Management Revenues

The largest source of revenue at Guardian is management fees received from clients, which vary as a result of changes in the amounts of client assets managed, and variations in the rates of management fees charged. The investment management revenue discussions below do not include the effects of the inter-segment eliminations.

Guardian's total AUM were \$31.1 billion at December 31, 2019, an increase of 16% from \$27.0 billion at December 31, 2018. The growth was due to a combination of significant net inflow of assets into the Fundamental Global Equity strategy, and the positive financial market performance, offset by the net redemption of assets from largely the Canadian Equity Strategies.

Management fees, net of referral fees paid, were \$93.3 million for the year ended December 31, 2019, 6% higher than the \$87.6 million in fees generated in 2018. Institutional management fees were \$75.5 million in 2019, a 7% increase from 2018. This can be attributed largely to the growth in AUM, as described above, and the improved net average fee earned on the assets, compared to the prior year. Private Wealth and International Private Banking management fees, net of referral fees paid, increased 5% to \$17.8 million, from \$17.0 million in 2018.

Financial Advisory Commission Revenues

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

Total AUA at Guardian at the end of 2019 amounted to \$20.2 billion, 16% higher than the \$17.4 billion at the end of 2018. The increase was due largely to the \$0.4 billion of AUA added at the end of the current year as part of the acquisition of Aurrea, the continued recruitment of advisors, positive market performance and net flows during the year.

The Premiums Sold in 2019 by the MGA subsidiary were \$125 million, compared to \$90 million in 2018. This growth was driven by new sales contributed by the advisors recruited in 2019 and the full year's benefit of significant recruitments completed in the second quarter of 2018. The Financial Advisory Commission revenues discussions that follow do not include the effects of the inter-segment eliminations.

Net commission revenue from the Financial Advisory Segment was \$54.4 million for the year ended December 31, 2019, an increase of 14% over the \$47.8 million earned in 2018. The MGA net commission revenue increased to \$39.0 million from \$32.4 million in 2018. The increase was due largely to the increase in continuing service commission and trailer commission revenues and the growth in sales commission earned on life insurance policies sold. The service commission revenue, which are earned on renewal of policies sold in prior years, rose to 18.9 million in 2019 from 14.5 million in 2018. The Dealer net commission revenue remained substantially unchanged at \$15.4 million.

Administrative Services Income

Administrative services income amounted to \$16.1 million in 2019, compared to \$14.1 million in 2018. This revenue was comprised of \$9.3 million of registered plan and other fees earned in the Financial Advisory Segment, as compared to \$7.8 million in 2018, and \$6.8 million in fund administration, trust and corporate administration and other fees earned in the Investment Management Segment in 2019, as compared to \$6.3 million in 2018.

Dividend and Interest Income

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

For the years ended December 31 (\$ in thousands)	2019	2018
Bank of Montreal common shares	\$ 14,360	\$ 13,986
Other securities	4,708	5,373
Dividend income	19,068	19,359
Interest income on securities	1,457	1,648
Interest income from operations	3,026	2,439
Interest income	4,483	4,087
Total dividend and interest income	\$ 23,551	\$ 23,446

Dividend and interest income increased to \$23.6 million in 2019, substantially unchanged from the \$23.4 million in 2018. Dividends on the BMO shares increased slightly, as the increase in dividends paid per share was partially offset by fewer shares being held throughout 2019. Dividends on other securities decreased, as the investments were reallocated from a dividend focused strategy in 2018 to more growth focus strategies in 2019 as we seeded the launches of 1940 Act funds in the US. Interest income on securities decreased by \$0.2 million compared to the prior year, largely due to the partial redemption of a preferred share investment during 2019. Interest income from operations increased by \$0.6 million, largely as a result of higher interest-spread income being earned in the Dealers and the International Private Banking businesses.

Expenses

Guardian's operating expenses, excluding commissions paid and referral fees, were \$137.2 million in 2019, compared with \$125.1 million in 2018, an increase of 10%. The increase in expenses is partially related to the growing businesses and partially related to reinvestments into the businesses for future growth. We expect the level of reinvestments made in 2019 to continue in the near-term and will have a dampening effect on Operating earnings. We reinvest into these businesses today with the expectation of higher Operating earnings in the future.

The increase in Employee compensation and benefits and other expenses are mainly associated with the growth of the business in GuardCap and the MGA. In addition, we have been investing in additional staff in various other parts of the business to better prepare them for future growth. We strengthened our senior leadership capabilities with the recruitment of the Head of Wealth Management and the Head of Canadian Retail Asset Management in 2019. We also added staff in the Dealer business to continue to improve its operations and better prepare it for the next phase of growth. Other increases in expenses were due largely to increased technology related expenses in the Dealer business, increased marketing and branding expenses in all operating Segments and increased expenses of amortizing the intangible assets arising from the successful advisor recruitment campaigns in the Financial Advisory Segment. The increase in interest expense is due mainly to the adoption of IFRS 16, which resulted in additional interest expenses being recognized, as described in note 3 to Guardian's 2019 Consolidated Financial Statements.

NET GAINS (LOSSES)

For the years ended December 31 (\$ in thousands)	2019	2018
Bank of Montreal common shares	\$ 42,464	\$ (42,476)
Other securities	50,291	(9,333)
Net gains (losses) on securities	92,755	(51,809)
Foreign exchange gains (losses)	2,902	(5,502)
Gains on disposition of intangible assets	1,049	1,207
Gain on expiration of contingent liability	—	452
Net gains (losses)	\$ 96,706	\$ (55,652)

The volatility in global financial markets, especially shortly before and shortly after 2018 year end has resulted in the fair values of Guardian's securities experiencing significant fluctuations year over year. The large swing in Net gains (losses) in 2019 as compared to 2018 can be attributed to the recovery of global markets in 2019, following the downturn at the end of 2018. Both the BMO shares and the other securities increased in value as compared to the end of 2018. There was also a

foreign exchange gain on the US dollar loan outstanding, resulting from the appreciation of the Canadian dollar against the US dollar during the year. This foreign exchange gain is offset by net losses recorded in the Net change in foreign currency translation associated with the investment in Alta in the Statement of comprehensive income.

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)	2019	2018
Securities, carried at fair value		
Proprietary investment strategies:		
Fixed-income securities	\$ 18,049	\$ 20,746
Canadian equities	10,717	13,159
Global equities	243,703	182,954
Real estate	22,364	19,560
	294,833	236,419
Bank of Montreal common shares	351,750	329,670
Other securities	30,696	51,131
	677,279	617,220
Security, carried at amortized cost	5,000	10,000
Securities	\$ 682,279	\$ 627,220
Total securities per share, diluted	\$ 24.99	\$ 22.58

Guardian's securities as at December 31, 2019 had a fair value of \$682 million, or \$24.99 per share, diluted, compared with \$627 million, or \$22.58 per share, diluted, as at December 31, 2018, as shown above. Reflecting this value and Operating earnings for the year, net of taxes, Guardian's Shareholders' equity as at December 31, 2019 amounted to \$683 million, or \$25.01 per share, diluted, compared to \$599 million, or \$21.57 per share, diluted, as at December 31, 2018. Both of these measures increased compared to the prior year, mainly due to the increase in market value of securities, as the worldwide financial markets rebounded in 2019, following a downturn at the end of 2018.

In addition to its large liquid marketable securities portfolio, Guardian has, under various borrowing arrangements, total borrowing capacity of \$155 million. At December 31, 2019, the total bank borrowing amounted to \$113.7 million, as compared with \$138.9 million at December 31, 2018.

Guardian generated Adjusted cash flow from operations of \$51.6 million during the year ended December 31, 2019, compared to \$43.7 million in 2018. Guardian uses its Adjusted cash flow from operations primarily to fund its working capital, pay its quarterly dividends, repurchase shares under its Normal Course Issuer Bid, repay debt where possible and for capital expenditures, including acquisitions. At current levels of cash flow and anticipated dividend payout rates, Guardian generates sufficient cash flow to meet its operating obligations, necessary capital expenditures, other than significant acquisitions, dividend payments and normalized levels of share repurchases.

In 2019, by utilizing its strong balance sheet and cash flows, Guardian returned \$29.1 million to the shareholders in the form of dividends and share repurchases, recruited additional advisors in the Financial Advisory Segment, and paid down debt.

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, 2019 (\$ in thousands)	Total	Within one year	One to three years	Three to five years	After five years
Bank loans and borrowings	\$ 113,729	\$ 113,729	\$ —	\$ —	\$ —
Client deposits	106,430	106,430	—	—	—
Payable to clients	38,073	38,073	—	—	—
Accounts payable and other	72,989	72,989	—	—	—
Other liabilities	20,091	—	—	20,091	—
Investment commitments	26,071	26,071	—	—	—
Scheduled lease payments	15,330	2,784	5,102	3,913	3,531
Third party investor liabilities	14,252	14,252	—	—	—
Total contractual obligations	\$ 406,965	\$ 374,328	\$ 5,102	\$ 24,004	\$ 3,531

Guardian's contractual obligations are supported by its strong financial position, including its securities, 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 \$16.0 million into a real estate limited partnership managed by a subsidiary, and the second is a commitment to invest an additional \$10.0 million in a private equity fund. Guardian will decide on the appropriate strategy for funding these commitments when called upon by the funds. In addition, included in Accounts payable and other in the above table is the outstanding payment of \$5.0 million USD relating to the Alta acquisition.

SELECTED ANNUAL INFORMATION

Years ended December 31 (\$ in thousands, except per share amounts)	2019	2018	Restated ⁽¹⁾ 2017
Net revenue	\$ 186,102	\$ 171,513	\$ 151,238
Net earnings (losses) attributable to shareholders	123,120	(16,952)	96,819
Per share			
Net earnings (losses) attributable to shareholders:			
Basic	\$ 4.77	\$ (0.63)	\$ 3.49
Diluted	4.50	(0.63)	3.30
Dividends paid	0.575	0.475	0.385
As at December 31 (\$ in thousands)	2019	2018	2017
Total assets	\$ 1,129,963	\$ 988,868	\$ 912,484

(1) 2017 results have been restated to reflect the impact of the adoption of IFRS 9.

The increase in total assets in 2019 as compared to 2018 is largely attributable to an increase in the market value of securities in 2019, an increase in interest-bearing deposits and increases in intangible assets and goodwill in the MGA during the year.

SUMMARY OF QUARTERLY RESULTS

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

As at (\$ in millions)	2019				2018			
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Assets under management	\$ 31,147	\$ 30,243	\$ 30,088	\$ 29,631	\$ 26,962	\$ 29,185	\$ 29,731	\$ 29,457
Assets under administration	20,248	19,040	18,784	18,745	17,385	18,096	17,980	17,601
Quarters ended (\$ in thousands)								
Net revenue	\$ 49,865	\$ 45,983	\$ 45,963	\$ 44,291	\$ 44,300	\$ 42,773	\$ 42,924	\$ 41,516
Operating earnings	13,030	12,105	12,590	11,176	12,137	12,444	11,302	10,504
Net gains (losses)	24,140	(1,274)	7,957	65,883	(89,001)	28,481	20,800	(15,932)
Net earnings (losses)	31,808	8,952	17,601	68,099	(69,652)	35,079	26,245	(5,279)
Net earnings (losses) attributable to shareholders	30,787	8,275	16,838	67,220	(70,449)	34,320	25,385	(6,208)
Shareholders' equity	682,777	653,983	647,983	656,167	599,311	670,382	644,956	623,511
Per Class A and Common share (in \$)								
Net earnings (losses) attributable to shareholders:								
Basic	\$ 1.20	\$ 0.32	\$ 0.65	\$ 2.57	\$ (2.63)	\$ 1.28	\$ 0.95	\$ (0.23)
Diluted	1.13	0.31	0.62	2.43	(2.63)	1.21	0.90	(0.23)
Shareholders' equity:								
Basic	\$ 26.73	\$ 25.49	\$ 25.26	\$ 25.14	\$ 22.85	\$ 24.98	\$ 24.06	\$ 23.27
Diluted	25.01	23.93	23.73	23.66	21.57	23.57	22.74	21.98
Dividends paid	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.100

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

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

The fourth quarter of 2018 and the first quarter of 2019 was impacted by the significant decline and recovery in the global financial markets, with the consequential decreases and increases in management fees and trailer and other recurring commission revenues. The adoption of IFRS 9 in 2018, introduced significant volatility to Net gains (losses). The Net gains (losses) recorded each period largely represent the changes in market value of Guardian's holdings of Securities, as global financial markets fluctuate. The quarterly fluctuations in shareholders' equity shown above have been caused largely by the changes in the value of Guardian's holdings of Securities, less the provision for deferred income taxes thereon.

RISK FACTORS

The largest business segment at Guardian is investment management, in which clients look to Guardian to manage risks within their portfolios. 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. Readers are encouraged to refer to Note 22 of the Consolidated Financial Statements, contained in Guardian's 2019 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 management fees, which make up a significant part of our revenues, are generally based on market values. In the Financial Advisory Segment, market fluctuations can significantly impact the amounts being invested by clients, thereby increasing or decreasing our commission revenues. We manage the risk of market fluctuations by having a

diversified client base with different investment needs, and by having a variety of products and services, which may be attractive in different market environments and which have different correlations to equity and other financial markets and to each other. Guardian's securities holdings are managed independently of clients' assets, except for those of our assets that are invested in Guardian's investment funds.

Portfolio Value and Concentration 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 22 of the Consolidated Financial Statements. Guardian manages this risk through professional in-house investment management expertise, which takes a disciplined approach to investment management. All securities are held by well-known independent custodians chosen by Guardian. As at December 31, 2019, Guardian holds \$352 million of BMO shares (2018 – \$330 million), which represents 52% of Guardian's securities (2018 – 53%). 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 1.5 million shares, or 29% of its holdings since the second quarter of 2013, and used the proceeds to support our business by investing in new products that are managed by our Investment Management business. The remainder of Guardian's security portfolio is more diversified, from both an asset class and a geographical perspective. At December 31, 2019, the corporate holding of securities consisted of 57% Canadian equities (2018 – 59%), primarily consisting of Bank of Montreal shares, 37% of non- Canadian equities (2018 – 31%) and 6% short term investments and fixed-income securities (2018 – 10%).

Foreign Currency Risk

Guardian's investments in its foreign subsidiaries are subject to the risk of foreign currency exchange rate fluctuations. The effects of changes in foreign currency exchange rates on the values of these investments are not included in Net earnings (losses), but are recorded in the "Net change in foreign currency translation on foreign subsidiaries" in Guardian's Consolidated Statements of Operations and Comprehensive Income, and the cumulative effect is included in Accumulated Other Comprehensive Income in the Shareholders' Equity section of the Consolidated Balance Sheets. With the acquisition of Alta in 2018, Guardian now also recognizes obligations to non-controlling interests on its balance sheet, which are denominated in US dollars. As these are expected future transactions between equity interest holders, the changes in the value of these obligations, including changes resulting from foreign exchange rate fluctuations, are recorded directly in the Statements of Equity. This currency risk is managed in a manner similar to the investments in other foreign subsidiaries, in that they are not actively managed, due to the long-term nature of the investments, but are closely monitored by management. As Guardian continues to expand into foreign jurisdictions and the revenue and earnings sources grow and diversify into other currencies, the operating results can fluctuate with the changes in the foreign currency exchange rate compared to the Canadian dollar. This risk will continue to grow as Guardian increases the size and scope of its non-domestic operations. 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. This risk is offset by an offsetting, similar amount being recognized on the investment in Alta through Other comprehensive income, as discussed above. Guardian may also record gains (losses) in Net earnings on Canadian dollar cash balances held by foreign subsidiaries. These foreign exchange gains and losses result in similar offsetting Net gains (losses) being recorded in Other comprehensive income as discussed above. Readers are encouraged to refer to Note 22 in the Consolidated Financial Statements for further discussion and sensitivity analyses.

Credit Risk

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

Interest Rate Risk

Guardian's most significant exposure to interest rate risk is through its bank loans and borrowings. The interest rates on these borrowings are short-term, and Guardian's interest expense and net earnings will fluctuate with the changes in short-term rates. Guardian manages interest rate risk in its international banking operations, through matching the

interest rates of client deposit liabilities with the assets, which consist of interest-bearing deposits with banks or other similar interest-earning instruments. The interest rate risk associated with Guardian's investment in fixed-income mutual funds is managed by monitoring the activities of the portfolio manager, who manages this risk by positioning the portfolio for various interest rate environments.

Liquidity Risk

Guardian manages liquidity risk through the monitoring and managing of cash flows from operations, by establishing sufficient borrowing facilities with major Canadian banks, which currently total \$155 million 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.

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.

Financial Advisory Risk

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

Key Personnel Risk

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

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.

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 2019 Consolidated Financial Statements. The most significant accounting estimates and judgements are related to the impairment assessment of goodwill, and the determination of fair value of securities classified as level 3 within the fair value hierarchy and the determination of whether an acquisition is of a business or of a group of assets, along with the identification and estimation of fair value of assets acquired or liabilities assumed in a business combination.

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

A financial instrument is classified as level 3 when the fair value of the instrument is determined using valuation techniques based on inputs which are not observable in the market. The fair values of securities classified as level 3 in note 5(b) to Guardian's 2019 Consolidated Financial Statements were determined based on a valuation approach using a multiple of AUM and further corroborated by a multiple of EBITDA observed in market transactions. The multiple was developed based on prior tender offers and recent research reports by independent research analysts for similar types of business. This valuation approach is most sensitive to the level of AUM and the EBITDA generated by these entities.

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.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2019, Guardian adopted IFRS 16 – Leases ("IFRS 16"). The new standard provides a single lease accounting model for lessees, under which substantially all leases will be accounted for as asset acquisitions financed by lease obligations. The Right of use assets and Lease obligations recognized will be equal to the present value of the contractual lease payments adjusted for certain items. The Right of use assets are amortized over their useful lives, which will generally be the lease terms. Lease payments will be accounted for as repayments of the Lease obligations, and interest will be recorded on the obligations. This differs from the prior standard, under which most of Guardian's leases did not result in the recognition of an asset or a lease obligation, and Guardian's lease payments were expensed over the term of the leases as part of Other expenses.

IFRS 16 was implemented on a modified retrospective basis, which resulted in the effects of the initial application of the new standard being recorded only in the current period, with no restatement of prior period results. Therefore, current period results may not be entirely comparable to prior periods.

The adoption of IFRS 16 did not have a significant impact on Guardian's Operating earnings. However, it resulted in the reclassification of expenses from Other expenses to Amortization and Interest expenses, and the reclassification of cash flows from Operating activities to Financing activities. The reclassification of expenses and cash flows resulted in increases in both EBITDA and Adjusted cash flow from operations under the new standard by \$2.6 million and \$2.1 million, respectively, in the current year. The adoption of IFRS 16 is discussed in further detail in note 3 (a) of Guardian's 2019 Consolidated Financial Statements.

NON-IFRS MEASURES

EBITDA and EBITDA per share

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

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

For the years ended December 31 (\$ in thousands)	2019	2018
Net earnings (losses) as reported	\$ 126,460	\$ (13,607)
Add (deduct):		
Income tax expense	19,147	4,342
Net (gains) losses	(96,706)	55,652
Stock-based compensation	2,453	2,155
Interest expense	4,014	3,251
Amortization	14,116	10,259
Non-controlling interests	(6,270)	(5,865)
EBITDA	\$ 63,214	\$ 56,187

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

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

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

For the years ended December 31 (\$ in thousands)	2019	2018
Net cash from operating activities, as reported	\$ 49,112	\$ 47,141
Add (deduct):		
Net change in non-cash working capital items	8,097	1,512
Non-controlling interests	(5,575)	(4,973)
Adjusted cash flow from operations	\$ 51,634	\$ 43,680

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, 2019 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, 2019, 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

The calendar year 2019 started with a fair degree of uncertainty, following a negative performance by most markets in 2018 due to a significant market downturn to close out the year. For a year that started following this large market correction, amid widespread concerns of an imminent recession, 2019 ended being as close to a best-case scenario for investors as could have been hoped. Effectively, every major asset class ended the year solidly in positive territory, global equities having their best year since 2013, with gains in excess of 27% (in US Dollars), while bonds generated their best returns in five years, nearly doubling their average performance over the preceding decade in the process. The S&P/TSX Composite Index had a total return of 22.9%, while the S&P 500 had a total return of 31.5% (in US Dollars). Globally, the vast majority of developed and emerging markets had good returns, although most underperformed the S&P 500. This occurred against a broad-based slowing in global growth and a backdrop of persistent and significant geopolitical risks that stifled business sentiment and clouded the outlook, making the strong performances all the more notable.

After a year that seems too good to be true, it is reasonable to look forward with trepidation, since history shows 20%+ gains are not sustainable. At the same time, there is ample reason not to get too bearish on the prospects for the coming twelve months. A first point worth considering is related to these “outsized” returns of the past twelve months. The strong performance of 2019 is measured against the low opening levels which resulted from the panic-induced correction that brought 2018 to a close. For example, the Canadian S&P/TSX closed 2018 down 13% from the high it registered in mid-July of that year. The market may have rallied over 20% in 2019 (its best calendar year since 2008), but it is up only 5% relative to that 2018 peak. A similar story is reflected in the global MSCI World Index, which is up 27.7% for 2019, but just 5% above its 2018 high (all in US Dollars). In other words, the moves over the last twelve months may seem outsized, but are much more appropriately-sized in the context of the last eighteen months.

The chief risks that have hampered activity for much of the last few years are showing significant signs of ebbing. After three years of unrelenting uncertainty, there is finally some clarity with respect to the Brexit ordeal. The British Conservative Party's decisive win in the December UK election set the stage for a resolution to the separation between the UK and EU. It is arguable that the direction may not be the most beneficial for Britons, but the pure fact that an outcome has been reached is a welcome development for an economy that has been on hold. More notably, the spectre of an ever-escalating and expanding trade war that has loomed large over the global macroeconomic outlook has been warded off, at least for now. While the situation clearly remains fluid and details still sparse, the first stage of a broader deal between the US and China, the world's two largest economies, has let the many exposed to globally integrated supply chains take a tentative sigh of relief. With these risks muted, at least in the near term, the focus can again return to the fundamentals driving underlying growth. On this score, the developments in recent months have been encouraging, with the dataflow pointing to activity stabilizing across the globe. One major caution is that the yield curve inverted briefly in late March, 2019, and again in late May, and remained inverted until it again turned positive in October. While the curve is now positive, yield curve inversions often portend economic slowdowns 12-24 months in the future. However, what is different this time is that central banks almost immediately reduced short rates to stimulate the economy. It will be interesting to see if this will be successful in forestalling a slowdown in the future. Going forward, there is no reason to assume that the monetary environment is set to become any less stimulative from a policy perspective. Even if the economy was going strong, the raft of geopolitical uncertainty and the concerns of potential Coronavirus impact would stay the policymaker's hand. Calendar year 2020 therefore, looks like a trade-off between geopolitical and other uncertainty and reasonable economic and financial market data. Our expectation is for financial markets to continue to perform, although hopes for a repeat of 2019's outsized performance should be tempered. The road to the end of the year will likely have a few bumps, given the preponderance of risk events that litter the political landscape over the next twelve months.

Guardian is transitioning from having a dominant exposure to Canadian domestic assets, both for client assets managed across its main business segments and in its corporate investment portfolio, to being more globally focused, albeit with a strong Canadian bias. While our exposure to non-Canadian assets has grown strongly in relation to domestic assets, our overall exposure to Canadian equities remains significant. We remain very committed to the belief that there are still opportunities to succeed in a variety of client segments in Canada. Institutional demand for Canadian assets has been muted during the current cycle, as opposed to the demand resulting from the commodity cycle from 2002 to 2008, but history has shown us that positive sentiment toward Canada will likely return as it has through decades of cyclicity. In the meantime, we have been creating and seeding new Canadian investment solutions and continuing to support and defending our existing domestic offerings, with the expectation that when demand for Canadian products improve, we will be well positioned to benefit. We are able to weather this trend a bit easier due to our success to date in creating a growing stable of non-Canadian products with excellent long-term results and the potential to be very meaningful asset growth opportunities at higher margins. At GuardCap, our Fundamental Global Equity investment team in London, with several years of top decile performance has begun to pay off meaningfully. We have grown the assets under management of this global high-conviction product to roughly \$4 billion, and are continuing to receive numerous expressions of interest from potential new clients. There have also been encouraging conversations with potential clients for our Emerging Markets investment team located in the same office.

We are also excited in the longer-term prospects for our Systematic Global Equity team, who are implementing artificial intelligence into their process in order to improve on the accuracy of forecasting growth in dividends and earnings, while excluding companies with bad results on the horizon. Alta, our 70%-owned US equity investment management firm, has had good results in 2019, recovering from a relative weak performance period in the two prior years. Alta's short-term and longer-term performance has recovered to the point that absent any major disruptions in the market, we expect positive sales momentum to resume in 2020. Our US wholesaling team has spent the recent period being introduced to Alta's existing partners in the US, and prospecting for new distribution platforms, who would be interested in adding our products. We expect all of this groundwork to lead to increasing net sales going forward for Alta.

A new strategic initiative for Guardian is expanding our presence in Canada's retail investment marketplace. To this end, we have been fortunate to welcome Barry Gordon to Guardian. Barry has a twenty-year track record of success as a retail asset management executive in Canada, and a proven track record of being innovative and adaptive within this dynamic and competitive marketplace. We believe it is timely to initiate this effort as both the demand from the marketplace and our growing investment capabilities present significant competitive opportunities. Over the long term, our goal is to build a reputation as an innovative and high quality brand assisting Canadians to reach their financial goals. This initiative will require the patience of time, but success will bring a new market segment for our domestic and non-domestic investment teams, in a higher margin sector of our core asset management business.

One of the advantages available to Guardian is the ability to utilize its significant financial resources to consistently seed new strategies with meaningful sums, demonstrating our commitment to our product introductions and showcasing real performance, which are better than what any models might attempt to do. Substantive seed capital for strategies and new pooled vehicles make our track records more meaningful and aid in our ability to accelerate the commitments from third-party investors. We have proven this to be a key differentiator for our investment management growth plans, and we will continue to do this for our many talented investment management teams.

Guardian's Financial Advisory subsidiary, Worldsource, is now a meaningful generator of revenue and operating earnings for Guardian. IDC WIN, Worldsource's MGA unit, continues to demonstrate meaningful year-over-year growth, and we expect this to continue over the foreseeable future. We are pleased to note that we have significantly expanded our Quebec presence due to the acquisition, at year-end, of Aurrea Signature Inc., a large Quebec MGA. While this acquisition has the obvious benefit of allowing IDC WIN to be a truly national distributor of life insurance solutions and gives us even greater scale, it also gives us a very solid platform to recruit and acquire new advisors and grow revenue and profitability in a significantly underrepresented part of the country for IDC WIN prior to this acquisition. Worldsource Financial Management, our mutual fund distribution arm, is now operating with more consistency and stability after a difficult system conversion in 2018. While we continue to invest in the business to better leverage the new platform to enhance advisor experience and improve operational efficiencies, we have also started to turn our focus back to growing the business. We will re-focus on recruitment, assisting our advisors with business development and, where opportunities arise, consider tuck-in acquisitions. We also expect further success at Worldsource in selling our existing investment products, and new products which may be developed as part of newly expanded ambitions to win business in the wider Canadian retail market.

Beyond our allocation of capital towards investing in organic growth opportunities within each of our business segments we will also continue to look at capital allocations to increase our potential for growth through acquisitions. In 2019, we continued to investigate a number of acquisition opportunities, and expect this to continue going forward. Valuation expectations for private firms are often still at higher levels of multiples than comparable public firms, but if one looks hard enough, and maintains discipline, good opportunities do arise. Going forward, we will invest to create new opportunities, whether by strengthening our existing offerings, organically creating new lines of business, or seeking to acquire capabilities complementary to Guardian's strategic plans.

Ten Year Review

Note ^(c)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
(\$ in millions)										
Assets under management	\$ 31,147	\$ 26,962	\$ 27,250	\$ 27,280	\$ 24,278	\$ 24,968	\$ 22,228	\$ 18,832	\$ 15,928	\$ 16,266
Assets under administration	20,248	17,385	17,795	16,489	14,943	13,126	11,559	9,918	8,654	7,783
(\$ in thousands)										
Net revenue	\$186,102	\$171,513	\$151,238	\$142,686	\$132,911	\$119,275	\$101,278	\$ 86,360	\$ 73,693	\$ 64,928
Expenses ^(a)	137,201	125,126	103,069	98,019	89,913	81,134	74,347	66,222	56,560	51,389
Operating earnings	48,901	46,387	48,169	44,667	42,998	38,141	26,931	20,138	17,133	13,539
Net gains (losses)	96,706	(55,652)	65,231	94,525	(19,414)	55,283	58,446	33,825	(17,415)	25,878
Net earnings (losses)										
attributable to shareholders	123,120	(16,952)	96,819	118,319	16,903	78,354	74,971	46,471 ^(b)	(623)	40,780
Shareholders' equity	682,777	599,311	634,416	580,177	504,255	488,835	414,985	353,756	322,618	331,856
Securities	682,279	627,220	652,176	620,218	539,920	525,352	449,179	379,956	364,182	383,604
(In dollars)										
Per common and Class A share:										
Net earnings attributable to Shareholders										
Basic	\$ 4.77	\$ (0.63)	\$ 3.49	\$ 4.16	\$ 0.57	\$ 2.60	\$ 2.46	\$ 1.48 ^(b)	\$ (0.02)	\$ 1.24
Diluted	4.50	(0.63)	3.30	3.95	0.56	2.50	2.39	1.45 ^(b)	(0.02)	1.21
Shareholders' equity										
Basic	26.73	22.85	23.20	20.75	17.37	16.33	13.68	11.44	10.12	10.16
Diluted	25.01	21.57	21.88	19.62	16.55	15.62	13.17	11.16	9.90	10.01
Dividends paid	0.575	0.475	0.385	0.330	0.290	0.240	0.300	0.170	0.160	0.150
Share prices:										
Common										
high	28.00	27.00	29.50	25.98	24.61	21.45	18.00	11.65	12.75	9.75
low	22.38	20.40	23.41	16.20	16.55	15.30	11.50	9.41	9.49	7.90
Class A										
high	27.98	27.05	29.00	25.10	19.25	18.85	16.82	10.55	11.63	9.00
low	21.68	20.05	23.45	15.58	15.50	15.10	10.40	9.00	8.70	7.35
(In thousands)										
Year end common and Class A shares outstanding										
Basic	25,542	26,232	27,345	27,963	29,029	29,940	30,333	30,917	31,890	32,652
Diluted	27,302	27,782	29,001	29,576	30,472	31,300	31,510	31,696	32,604	33,162

NOTES

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

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

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

Management's Statement on Financial Reporting

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

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

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized on pages 35 to 39. 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 19, 2020

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, 2019 and December 31, 2018;
- 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, 2019 and December 31, 2018, 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.

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; and
- the information, other than the financial statements and the auditors’ report thereon, included in a document entitled “2019 Annual Report.”

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

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

We obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions and the “2019 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.



Chartered Professional Accountants, Licensed Public Accountants.

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

February 19, 2020

Toronto, Canada

Consolidated Balance Sheets

As at December 31 (\$ in thousands)	2019	2018
Assets		
Current assets		
Cash	\$ 34,198	\$ 32,362
Interest-bearing deposits with banks	107,253	61,730
Accounts receivable and other assets	62,542	43,854
Receivables from clients and broker	37,984	57,712
Income tax receivable	1,163	3,259
Securities backing third party investor liabilities (note 4)	14,252	852
	257,392	199,769
Securities (note 5)	682,279	627,220
Other assets		
Deferred tax assets (note 13c)	1,328	1,469
Intangible assets (note 6)	129,808	120,480
Equipment (note 7)	18,513	5,170
Goodwill (note 8)	40,643	34,760
	190,292	161,879
Total assets	\$ 1,129,963	\$ 988,868
Liabilities		
Current liabilities		
Bank loans and borrowings (note 9)	\$ 113,729	\$ 138,902
Third party investor liabilities (note 4)	14,252	852
Client deposits	106,430	61,747
Accounts payable and other (note 10)	70,929	47,449
Lease obligations (note 12)	2,694	—
Income taxes payable	2,060	605
Payable to clients	38,073	56,147
	348,167	305,702
Lease obligations (note 12)	12,364	—
Other liabilities (note 10)	20,091	25,650
Deferred tax liabilities (note 13c)	55,140	45,537
Total liabilities	435,762	376,889
Equity		
Shareholders' equity		
Capital stock (notes 14a and 14b)	18,705	19,060
Treasury stock (note 15a)	(28,129)	(25,235)
Contributed surplus	20,008	17,600
Retained earnings	658,139	560,479
Accumulated other comprehensive income	14,054	27,407
	682,777	599,311
Other equity interests	11,424	12,668
Total equity	694,201	611,979
Total liabilities and equity	\$ 1,129,963	\$ 988,868

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)	2019	2018
Revenue		
Commission revenue, gross	\$ 150,431	\$ 142,990
Commissions paid to advisors	(99,062)	(97,393)
	51,369	45,597
Management fee, gross	101,552	94,585
Fees paid to referring agents	(6,457)	(6,235)
	95,095	88,350
Administrative services income	16,087	14,120
Dividend and interest income (note 16)	23,551	23,446
Net revenue	186,102	171,513
Expenses		
Employee compensation and benefits (note 17)	80,064	73,266
Amortization	14,116	10,259
Interest	4,014	3,251
Other expenses	39,007	38,350
	137,201	125,126
Operating earnings	48,901	46,387
Net gains (losses) (note 18)	96,706	(55,652)
Earnings (losses) before income taxes	145,607	(9,265)
Income tax expense (notes 13a and 13b)	19,147	4,342
Net earnings (losses)	126,460	(13,607)
Other comprehensive income (loss)		
Net change in foreign currency translation on foreign subsidiaries	(14,671)	24,211
Comprehensive income	\$ 111,789	\$ 10,604
Net earnings (losses) attributable to:		
Shareholders	\$ 123,120	\$ (16,952)
Non-controlling interests	3,340	3,345
Net earnings	\$ 126,460	\$ (13,607)
Net earnings (losses) attributable to shareholders per Class A and Common share (note 19):		
Basic	\$ 4.77	\$ (0.63)
Diluted	4.50	(0.63)
Comprehensive income attributable to:		
Shareholders	\$ 109,767	\$ 5,207
Non-controlling interests	2,022	5,397
Comprehensive income	\$ 111,789	\$ 10,604

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31 (\$ in thousands)	2019	2018
Total equity, beginning of year	\$ 611,979	\$ 641,204
Shareholders' equity, beginning of year	599,311	634,416
Capital stock, beginning of year	19,060	19,871
Acquired and cancelled (note 14c)	(355)	(811)
Capital stock, end of year	18,705	19,060
Treasury stock, beginning of year	(25,235)	(23,764)
Acquired (note 15a)	(2,995)	(2,255)
Disposed of (note 15a)	101	784
Treasury stock, end of year	(28,129)	(25,235)
Contributed surplus, beginning of year	17,600	15,882
Stock-based compensation expense	2,453	2,155
Redemptions of equity-based entitlements	(45)	(437)
Contributed surplus, end of year	20,008	17,600
Retained earnings, beginning of year	560,479	617,179
Net earnings (losses)	123,120	(16,952)
Dividends declared and paid (note 14d)	(15,549)	(13,284)
Capital stock acquired and cancelled (note 14c)	(13,189)	(25,221)
Changes in the ownership of a subsidiary (note 25)	2,511	(1,243)
New accounting standards – IFRS 16 (note 3)	767	–
Retained earnings, end of year	658,139	560,479
Accumulated other comprehensive income, beginning of year	27,407	5,248
Other comprehensive income (loss)	(13,353)	22,159
Accumulated other comprehensive income, end of year	14,054	27,407
Shareholders' equity, end of year	682,777	599,311
Other equity interests, beginning of year	12,668	6,788
Non-controlling interests, beginning of year	31,674	6,788
New accounting standards – IFRS 16 (note 3)	96	–
Net earnings	3,340	3,345
Other comprehensive income	(1,318)	2,052
Acquisition of subsidiary (note 26)	–	22,656
Dividends declared and paid	(3,102)	(2,528)
Changes in the ownership of a subsidiary (note 25)	825	(639)
Non-controlling interests, end of year	31,515	31,674
Obligations to non-controlling interests, beginning of year	(19,006)	–
Acquisition of subsidiary (note 26)	–	(14,404)
Change during year	(1,085)	(4,602)
Obligations to non-controlling interests, end of year	(20,091)	(19,006)
Other equity interests, end of year	11,424	12,668
Total equity, end of year	\$ 694,201	\$ 611,979

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31 (\$ in thousands)	2019	2018
Operating activities		
Net earnings (losses)	\$ 126,460	\$ (13,607)
Adjustments for:		
Income taxes (paid)	(8,436)	(10,323)
Income tax expense	19,147	4,342
Net (gains) losses	(96,706)	55,652
Amortization of intangible assets	10,683	9,265
Amortization of equipment	3,433	994
Stock-based compensation	2,453	2,155
Other non-cash expenses	175	175
	57,209	48,653
Net change in non-cash working capital items (note 21)	(8,097)	(1,512)
Net cash from operating activities	49,112	47,141
Investing activities		
Net (acquisition) disposition of securities	30,227	(10,469)
Income taxes (paid)	–	(2,177)
Net (acquisition) of securities backing third party investor liabilities	(12,411)	(3,962)
Acquisition of intangible assets	(12,703)	(28,823)
Acquisition of equipment	(1,066)	(1,615)
Disposition of intangible assets	2,619	2,227
Acquisition of subsidiary (note 26)	846	(56,327)
Net cash from (used in) investing activities	7,512	(101,146)
Financing activities		
Dividends paid to shareholders	(15,549)	(13,284)
Dividends paid to non-controlling interests	(3,102)	(2,528)
Acquisition and cancellation of capital stock	(13,544)	(26,032)
Acquisition of treasury stock	(2,995)	(2,255)
Disposition of treasury stock	101	784
Net proceeds from (repayment of) bank loans and bankers' acceptances	(28,940)	88,717
Principal payments on lease obligations	(2,054)	–
Net funds from third party investors in consolidated mutual funds	12,411	3,962
Changes in the ownership of a subsidiary (note 25)	(7,450)	(1,882)
Net cash from (used in) financing activities	(61,122)	47,482
Foreign exchange		
Net effect of foreign exchange rate changes on cash balances	(148)	572
Net change in net cash	(4,646)	(5,951)
Net cash, beginning of year	25,177	31,128
Net cash, end of year	\$ 20,531	\$ 25,177
Net cash represented by:		
Cash	\$ 34,198	\$ 32,362
Bank indebtedness	(13,667)	(7,185)
	\$ 20,531	\$ 25,177

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 19, 2020

(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 2018 comparative financial information in order to conform to the current period's presentation.

(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 an obligation to non-controlling interests within equity.

(iv) Transactions eliminated on consolidation

All inter-company transactions, balances, income and expenses between the consolidated entities are eliminated on consolidation.

(e) Foreign currency translation

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

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

(f) Financial instruments – financial assets

(i) Recognition and initial measurement

The Company recognizes a financial asset when the Company becomes party to the contractual provisions of the instrument. All financial assets are measured at fair value upon recognition.

(ii) Classification and subsequent measurement

The classification of the Company's financial assets is based on the business model for managing the assets and their contractual characteristics. Financial assets are classified and subsequently measured as follows:

- a. Amortized cost. Financial assets are measured at amortized cost when they are held in order collect contractual cash flows and whose terms give rise to cash flows that are solely payments of principal and interest. The Company's financial assets classified as amortized cost includes interest bearing deposits with banks, accounts receivable, loans receivable, receivables from clients and brokers and certain securities.
- b. Fair value through other comprehensive income ("FVOCI"). Financial assets measured at FVOCI when they are held in order collect contractual cash flows and for periodic sales and whose terms give rise to cash flows that are solely payments of principal and interest. FVOCI may also include certain equity instruments, if the Company has irrevocably designated them as FVOCI on initial recognition. The Company has no assets in this category.
- c. Fair value through profit or loss ("FVTPL"). All other financial assets and assets which have been designated FVTPL are included in this classification. The Company may designate assets which are amortized cost or FVOCI as FVTPL in order to provide more relevant information by significantly reducing a mismatch from measuring assets or liabilities on different basis. This designation which is made on initial recognition is irrevocable. The Company's financial assets classified as FVTPL includes securities backing third party liabilities and substantially all of its securities portfolio.

(iii) Derecognition

The Company derecognizes a financial asset when the contractual rights of the instrument expire or the Company substantially transfers all risks and rewards of ownership to a third party.

(iv) Impairment

The Company provides for credit losses on financial assets classified as amortized cost. If there has not been a significant increase or there has been a significant decrease in credit risk since initial recognition or the prior year, the Company provides for credit losses which are expected over the next 12 months. If there has been a significant increase in credit risk, the Company provides for the expected lifetime credit losses.

(g) Financial instruments – financial liabilities

(i) Recognition and initial measurement

The Company recognizes a financial liabilities when the Company becomes party to the contractual provisions of the instrument. All financial liabilities are measured at fair value upon recognition.

(ii) Classification and subsequent measurement

The Company's financial liabilities are classified and subsequently measured as follows:

- a. Amortized cost. Generally all financial liabilities are included in this classification. The Company's financial liabilities included in this classification are bank loans, client deposits, accounts, other payables and payable to clients and lease liabilities.
- b. Fair value through profit or loss ("FVTPL"). Financial liabilities included in this classification are derivative liabilities, contingent consideration recognized in a business combination and liabilities which have been designated FVTPL. The Company may designate liabilities which are amortized cost as FVTPL in order to provide more relevant information by significantly reducing a mismatch from measuring assets or liabilities on different basis. This designation which is made on initial recognition is irrevocable. The Company's financial liabilities included in this classification are securities backing third party liabilities, (designated), and certain other liabilities.

(iii) Derecognition

The Company derecognizes a financial liability when the contractual obligation is discharged, cancelled or expires.

(h) Offsetting financial assets and financial liabilities

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

(i) Fair value hierarchy

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

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

(j) Intangible assets and contract costs

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

Contract costs represent the incremental costs, such as certain sales commissions paid to staff and success fees paid to third party introducers, incurred in successfully obtaining new business with customers, primarily in the Company's investment management segment. Prior to the adoption of IFRS 15 – Revenue from Contracts with Customers in 2018, these costs were expensed as incurred.

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

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

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

(k) Equipment

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

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

(l) Leases

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

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

(m) Goodwill

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

(n) Impairment of non-financial assets

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

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

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

(o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Where some or all of the expenditure is expected to be reimbursed by insurance or some other party, and it is virtually certain, the reimbursement is recognized as a separate asset on the balance sheets, and the net amount is recorded in the statements of operations. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

(p) Treasury stock

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

(q) Revenue from customers

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

- (i) Gross commission revenue earned and commissions paid to advisors. Gross commissions include commissions on security transactions, trailing commissions and insurance commissions. Security transactions are fees charged for the buying and selling of securities on behalf of clients. These fees are recorded on a trade date basis. Trailing commissions are fees earned from investment management companies and are generally calculated based on the fair value of client asset placed with an investment management company. These fees are recognized over time during which the client assets have been placed. Insurance commissions are fees earned for the placing and renewal of life and other insurance policies with insurance carriers. These fees 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 fees the Company earns for providing investment management services to clients. The fees are generally calculated based on the fair value of the assets managed, in accordance with the agreements with the clients. The fees 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 fees are recognized when the services have been provided, the amount of the fees 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. CHANGES IN ACCOUNTING POLICIES

A number of new standards, and amendments have been issued by the IASB, which are effective for current and future periods. The following is a description of these new standards and amendments and the impact on the Company's consolidated financial statements.

Current changes in accounting policies-Leases

On January 13, 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which replaces IAS 17 Leases ("IAS 17") effective for annual periods beginning on or after January 1, 2019. The standard provides a single lease accounting model for lessees, under which substantially all leases will be accounted for as asset acquisitions financed by lease obligations. Generally, the asset and lease obligation recognized will be equal to the present value of the contractual lease payments, with adjustment for certain amounts. The asset will be recorded as right of use ("ROU") assets, as part of Equipment, and the liability will be recorded as either current or non-current "Lease obligations". The ROU assets will be amortized over their useful lives, which will generally be the lease terms. Lease payments will be accounted for as repayments of the Lease obligation, and interest will be recorded on the obligation. This differs from IAS 17, under which most of the Company's leases did not result in the recognition of an asset or a lease obligation. In addition, under IAS 17, the Company's lease payments were expensed over the terms of the leases as part of Other expenses.

The Company implemented IFRS 16 effective January 1, 2019. The Company elected to apply IFRS 16 on a modified retrospective basis using certain practical expedients, which does not require restatement of prior period balances. As a result, the comparative figures for 2018 have not been restated and are not entirely comparable with the 2019 figures. As permitted, the Company also elected not to apply IFRS 16 to leases whose terms end within 12 months of the initial application. The weighted average borrowing rate used to calculate the lease obligation on initial application was 4.10%. The difference between operating lease commitments as disclosed in the 2018 financial statements and the initial Lease obligations recognized is summarized in the following table:

Operating lease commitments, December 31, 2018	\$	15,990
Add: Options to extend reasonably certain to be exercised		761
Less: Recognition exemption for leases whose terms end within 12 months of initial application		(170)
Effects of discounting using the incremental borrowing rate		(1,998)
Lease obligations recognized, January 1, 2019	\$	14,583

The Company's ROU assets and Lease obligations consist primarily of leased office space. On initial application of IFRS 16, the ROU assets were measured at the amount of the lease obligations less derecognized amounts of accrued rent payments, such as the effects of rent escalations and tenant inducements, as recorded under the previous standard. Accrued interest on the Lease obligation as at period end is included in Accounts payable and other liabilities.

The effects of IFRS 16 on the Company's consolidated financial statements compared to IAS 17 are summarized in the following tables:

Balance sheet

	As at December 31, 2019	Activity for year	As at January 1, 2019
Increase (decrease) in reported amounts due to IFRS 16			
Assets:			
Equipment - Right of use assets	\$ 13,199	239	\$ 12,960
Deferred tax assets	55	55	–
Liabilities:			
Accounts payable and accrued liabilities	(2,499)	(13)	(2,486)
Lease obligations: Current	2,694	547	2,147
Non-current	12,364	(72)	12,436
Equity:			
Retained earnings	620	(147)	767
Non-controlling interests	88	(8)	96

Statement of operations

	For the year ended December 31, 2019
Expenses:	
Amortization	\$ 2,264
Interest	568
Other expenses	(2,622)
	210
Operating earnings	(210)
Income tax expense (recovery)	(55)
Net earnings (loss)	(155)
Net earnings (loss) attributable to:	
Shareholders	\$ (147)
Non-controlling interests	(8)

The effect of IFRS 16 on other comprehensive income is substantially the same as for Net earnings, as presented in the above table.

4. 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 the funds are no longer deemed to be controlled, the Securities backing third party investor liabilities and Third party investor liabilities are derecognized in the financial statements. During the year, the Company determined it ceased to controls three of these funds (2018 – one), as disclosed in Note 24 (c) (iv) and (v). The Company derecognized, \$9,947 (2018 – \$5,291) of such assets and their offsetting liabilities during the year.

5. SECURITIES

(a) Classification of securities

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

As at December 31	2019	2018
Fair value through profit or loss:		
Short-term securities (i)	\$ 14,725	\$ 36,259
Fixed-income securities (i)	18,049	20,744
Bank of Montreal common shares (ii)	351,750	329,670
Other equity securities (i) (iii)	270,391	210,987
Real estate fund (iii)	22,364	19,560
	677,279	617,220
Amortized cost security (iv)	5,000	10,000
	\$ 682,279	\$ 627,220

(i) These securities may include units of investment funds.

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

For the years ended December 31	2019	2018
Number of shares sold	200	—
Proceeds of disposition	\$ 20,384	\$ —

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

For the years ended December 31	2019	2018
Real estate fund managed by a subsidiary		
Commitment, beginning of year	\$ 17,886	\$ 22,584
Called capital	(1,846)	(4,698)
Commitment, end of year	16,040	17,886
Private equity fund		
Commitment, beginning of year	10,370	—
Commitments made	—	15,000
Called capital	(339)	(4,630)
Commitment, end of year	10,031	10,370
Total outstanding capital commitments	\$ 26,071	\$ 28,256

(iv) Amortized cost securities, which were acquired in 2018, are an investment in term preferred shares which mature on January 2, 2026 and have a dividend yield of 9% per annum. On June 30, 2019 the issuer redeemed for par value \$5,000 of the shares.

(b) Fair value hierarchy

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

As at December 31	2019	2018
Level 1	\$ 596,065	\$ 539,823
Level 2 (i)	65,395	62,671
Level 3	15,819	14,726
Securities classified at FVTPL	\$ 677,279	\$ 617,220

(i) Level 2 securities include investments in certain investment funds, and are valued using the net asset value of each fund.

(ii) During the years, there were no transfers between Levels.

(c) Analysis of Level 3 securities

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

For the years ended December 31	2019	2018
Securities categorized as Level 3, beginning of year	\$ 14,726	\$ 11,905
Purchases	339	4,630
Change in fair value	1,265	(2,809)
Foreign exchange translation adjustments	(511)	1,000
Securities categorized as Level 3, end of period	\$ 15,819	\$ 14,726

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

As at December 31	2019	2018
Investment management company	\$ 9,616	\$ 9,752
Private equity fund	5,715	4,630
Other	488	344
	\$ 15,819	\$ 14,726

The investment management company is valued based on a multiple of 3% (2018 – 3%) of the assets managed by it, and the private equity fund is valued based on the funds' net asset value as reported by its manager.

6. 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	2019				2018			
	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	\$ 1,755	\$ 148,495	\$ 6,769	\$ 157,019	\$ –	\$ 51,492	\$ 5,594	\$ 57,086
New accounting standard	–	–	–	–	795	–	–	795
Additions	2,464	8,922	1,304	12,690	960	25,905	1,163	28,028
Arising on acquisition (note 26)	–	12,227	–	12,227	–	66,529	–	66,529
Disposals	–	(1,852)	–	(1,852)	–	(1,537)	–	(1,537)
Foreign currency translation adjustment	(5)	(3,677)	(7)	(3,689)	–	6,106	12	6,118
Balance, end of year	4,214	164,115	8,066	176,395	1,755	148,495	6,769	157,019
Accumulated amortization:								
Balance, beginning of year	158	32,053	4,328	36,539	–	23,641	3,870	27,511
Amortization	435	9,678	570	10,683	158	8,657	449	9,264
Disposals	–	(282)	–	(282)	–	(517)	–	(517)
Foreign currency translation adjustment	1	(347)	(7)	(353)	–	272	9	281
Balance, end of year	594	41,102	4,891	46,587	158	32,053	4,328	36,539
Carrying value, end of year	\$ 3,620	\$ 123,013	\$ 3,175	\$ 129,808	\$ 1,597	\$ 116,442	\$ 2,441	\$ 120,480

7. EQUIPMENT

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

For the years ended December 31	2019				2018			
	Office equipment	Leasehold improvements	Right of use asset	Total	Office equipment	Leasehold improvements	Total	
Cost:								
Balance, beginning of year	\$ 9,326	\$ 5,676	\$ –	\$ 15,002	\$ 8,547	\$ 4,719	\$ 13,266	
New accounting standard	–	–	12,960	12,960	–	–	–	
Additions	935	126	1,193	2,254	667	948	1,615	
Arising on acquisition (note 26)	431	–	1,340	1,771	–	–	–	
Disposals	(427)	(134)	(17)	(578)	–	–	–	
Foreign exchange translation adjustments	(64)	(7)	(27)	(98)	112	9	121	
Balance, end of year	10,201	5,661	15,449	31,311	9,326	5,676	15,002	

Accumulated amortization:							
Balance, beginning of year	7,102	2,730	–	9,832	6,481	2,288	8,769
Amortization expense	686	483	2,264	3,433	560	434	994
Disposals	(398)	(89)	(17)	(504)	–	–	–
Foreign exchange translation adjustments	31	3	3	37	61	8	69
Balance, end of year	7,421	3,127	2,250	12,798	7,102	2,730	9,832
Carrying value, end of year	\$ 2,780	\$ 2,534	\$ 13,199	\$ 18,513	\$ 2,224	\$ 2,946	\$ 5,170

As described in note 3, Changes in accounting policies, the Company commenced recognition of right of use assets upon adoption of IFRS 16 – Leases on January 1, 2019. Prior to this, lease payments were expensed as incurred. Substantially all the Company's right of use assets are for office spaces under lease. Information on the lease obligations related to these right of use assets is disclosed in note 12.

8. GOODWILL

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

For the years ended December 31	2019	2018
Balance, beginning of year	\$ 34,760	\$ 15,014
Acquisitions (note 26)	6,882	18,386
Impairment	–	(300)
Foreign currency translation adjustments	(999)	1,660
Balance, end of year	\$ 40,643	\$ 34,760

Goodwill acquired in business acquisitions is allocated to the cash generating units ("CGUs") that are expected to benefit from the business acquisitions. The carrying amount of goodwill has been allocated to the relevant CGUs as follows:

As at December 31	2019	2018
Financial advisory:		
Mutual fund distributor	\$ 4,227	\$ 4,227
Life insurance managing general agency	16,481	9,599
Investment management:		
Emerging markets manager	888	888
US Equity manager	19,047	20,046
Total goodwill	\$ 40,643	\$ 34,760

Goodwill is not amortized, but is subject to annual impairment testing, as described below.

Impairment tests were performed upon the goodwill associated with each CGU in both 2019 and 2018, based upon their recoverable amount (estimated fair value, less costs to sell). Management used a multi-factor model to determine fair value, with the principal assumptions being values assigned as multiples of key business analytics pertaining to each CGU. Management considers that the key business analytics are client assets under management ("AUM") in each of the investment management CGU's, client assets under administration ("AUA") in both financial advisory CGUs and annual service fees and first year commissions in the life insurance managing general agency. It is management's opinion that estimating fair value based on these analytics is in accordance with established industry practice, and that multiples used are consistent with market transactions. These recoverable amount estimates are Level 3 under the fair value hierarchy. Based on the results of this testing, there were no indications that the goodwill was impaired in 2019 or 2018, except for a \$300 impairment in the goodwill associated with the emerging markets manager in the prior year. This impairment was recorded under Net gains (losses), as an offset to a gain on the expiration of a contingent liability, related to the acquisition of the emerging markets manager (note 18 (iii)).

The most sensitive assumptions used in the above testing were:

As at December 31	2019	2018
Mutual fund distributor: multiple of AUA	1.00%	1.00%
Life insurance managing general agency: multiple of annual net service revenue	6	6
Emerging markets manager: multiple of AUM	1.75%	1.75%
US Equity manager: multiple of AUM	2.10%	2.10%

Management believes that a reasonable change in the key assumptions pertaining to the assessment of either financial advisory unit would not cause an impairment in 2019 or 2018. A reasonable change in the key assumption pertaining to the assessment of both investment management units could result in an impairment in 2019 and 2018. A comparison of the recoverable amounts in excess of carrying value and the sensitivity of the key assumption for each of these units is as follows:

As at December 31	2019	2018
Amount by which the recoverable amounts exceeds the carrying value:		
Emerging markets manager	\$ 130	\$ —
US equity manager	625	4,474
Amount of a change in the key assumption which would cause the recoverable amount to equal the carrying value:		
Emerging markets manager	0.17%	0.00%
US equity manager	0.02%	0.10%

9. BANK LOANS AND BORROWINGS

Bank loans and borrowings are comprised of the following:

As at December 31	2019	2018
Bank indebtedness (i)	\$ 13,667	\$ 7,185
Bankers' acceptances payable (ii)		
- Canadian dollar borrowings	52,601	74,668
- US dollar borrowings	47,461	57,049
Bank loans and borrowings	\$ 113,729	\$ 138,902

The Company has three borrowing facilities with major Canadian chartered banks, which provide the ability to borrow in the form of demand loans or through bankers' acceptances at maturities ranging from 30 to 270 days. Certain of the facilities allow the Company to borrow in either Canadian or US dollars. The facilities total \$155,000 (2018 – \$155,000), and are secured by general security agreements, the deposits of securities valued at \$236,175 (2018 – \$209,385) and the deposit of treasury stock valued at \$61,696 (2018 – \$46,262).

(i) Bank indebtedness

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

(ii) Bankers' acceptances payable

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

10. OTHER LIABILITIES

(a) Classification of other liabilities

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

As at December 31	2019	2018
Current (included in accounts payable and other):		
Alta acquisition (i)	\$ 6,484	\$ —
Aurrea acquisition (ii)	12,483	—
	18,967	—
Non-current:		
Alta acquisition (i)	—	6,644
Obligations to non-controlling interests (iii)	20,091	19,006
	20,091	25,650
	\$ 39,058	\$ 25,650

i) Alta acquisition

This amount represents the estimated deferred payments totaling \$5,000 USD on the January 2, 2018 acquisition of Alta Capital Management, LLC ("Alta"), a US-based investment management firm. Subsequent to December 31, 2019, the Company paid \$5,000 USD to extinguish this liability.

ii) Aurrea acquisition

This note should be read in conjunction with note 26 (a). This amount represents the estimated remaining obligation arising from the December 31, 2019 acquisition of Aurrea Signature Inc., a Quebec-based life insurance MGA. The remaining obligation is comprised of shares of IDC WIN valued at approximately \$6,894, representing an approximately 4.1% interest, and cash of approximately \$5,589. The total value of the shares and cash will depend on the final determination of the number and the price per share of IDC WIN. In connection with this transaction, the Company has included \$6,894 in Accounts receivable and other assets. All subsequent changes in this obligation and the other current asset will be reflected in the Statement of equity. Further information on this transaction is included in note 26 (a).

iii) Obligations to non-controlling interests

The amount represents an obligation by the Company to purchase the non-controlling interests of the US-based investment management firm, acquired on January 2, 2018, should the non-controlling interests wish to sell their interests. All subsequent changes in this obligation are reflected in the Statement of equity, since this liability relates to a transactions with non-controlling interests acting in their capacity as owners. The non-controlling interests' option to sell to the Company is exercisable at specified times between January 2, 2023 and January 2, 2033, at prices determined based on the level of revenue achieved by the firm in the preceding year prior to exercise. The \$20,091 (USD \$15,494) (2018 – \$19,006 (USD \$13,926)) is the present value of the estimated US dollar payments required on the earliest date that payment might be required, which is in early 2023. The discount rate used to determine the present value was 11.6%. The most sensitive assumption used in estimating the future expected payment is the projected revenue in the year preceding the exercise date and this assumption largely relies on the most recent actual revenue plus growth that is consistent with the Company's current plans.

(b) Fair value hierarchy

The valuation for each of the other liabilities is categorized as level 3.

(c) Changes in Level 3

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

For the years ended December 31	2019	2018
Fair value through profit or loss:		
Balance, beginning of the year	\$ 6,644	\$ –
Arising on acquisition	–	5,932
Recognized in net earnings	174	168
Foreign currency translation adjustments	(334)	544
Balance, end of the year	\$ 6,484	\$ 6,644
Fair value through equity:		
Balance, beginning of the year	\$ 19,006	\$ –
Arising on acquisition	12,483	14,404
Valuation adjustments	101	1,478
Accreted interest	1,960	1,759
Foreign currency translation adjustments	(976)	1,365
Balance, end of the year	\$ 32,574	\$ 19,006

11. 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, 2019 and 2018, there were no material provisions recorded.

12. LEASE OBLIGATIONS

On January 1, 2019, the Company adopted IFRS 16 – Leases, and recognized lease obligations on its Balance Sheets, 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	2019	2018
Current	\$ 2,784	\$ 2,623
Non-current		
Payable after one year and within five years	9,015	9,471
Payable after five years	3,531	3,896
	12,546	13,367
Total undiscounted lease obligations	\$ 15,330	\$ 15,990

In 2019, the Company recognized interest expense of \$569 and paid a total cash amount of \$2,622 (2018 - \$2,545) 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 7 Equipment.

13. INCOME TAXES

(a) Income tax expense

The components of the income tax expense are as follows:

For the years ended December 31	2019	2018
Current tax expense		
Tax on profits for the current year	\$ 12,003	\$ 10,497
Adjustments in respect of prior periods	68	(62)
	12,071	10,435
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	7,123	(6,240)
Adjustments in respect of prior periods	(47)	147
	7,076	(6,093)
Income tax expense	\$ 19,147	\$ 4,342

(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 Federal and Provincial statutory income tax rates of 26.5% (2018 – 26.5%) in the current year for the following reasons:

For the years ended December 31	2019	2018
Tax at the combined Federal and Provincial statutory income tax rate for the current year	\$ 38,223	\$ (1,971)
Increase (decrease) in the expense due to:		
Tax exempt income from securities	(3,666)	(3,675)
Rate differential on earnings of subsidiaries	(8,706)	3,440
Adjustments for changes in temporary differences	5	106
Non-taxable portion of gains or losses	(6,928)	6,401
Non-deductible expenses	389	271
Adjustments due to changes in rates	7	(31)
Other	(177)	(199)
Income tax expense	\$ 19,147	\$ 4,342

The combined statutory income tax rate is the aggregate of the Federal income tax rate of 15.0% (2018 – 15.0%) and the Provincial income tax rate of 11.5% (2018 – 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, 2019								
	Bank of Montreal shares	Other securities	Capital loss carry forwards	Non-capital loss carry forwards	Equipment and intangibles	Other temporary differences		Total
Deferred tax assets:								
Balance, beginning of year	\$ –	\$ –	\$ –	\$ 624	\$ 347	\$ 498	\$	1,469
Recognized in net earnings	–	–	–	14	(188)	33		(141)
Balance, end of year	\$ –	\$ –	\$ –	\$ 638	\$ 159	\$ 531	\$	1,328
Deferred tax liabilities:								
Balance, beginning of year	\$ 43,475	\$ 5,209	\$ –	\$ (2,416)	\$ 2,778	\$ (3,509)	\$	45,537
Recognized in net earnings	2,937	3,642	–	829	(419)	(54)		6,935
Arising on acquisition (note 26)	–	–	–	(439)	3,232	–		2,793
Foreign exchange translation adjustments	–	(140)	–	7	4	4		(125)
Balance, end of year	\$ 46,412	\$ 8,711	\$ –	\$ (2,019)	\$ 5,595	\$ (3,559)	\$	55,140

For the year ended December 31, 2018														
		Bank of Montreal shares		Other securities		Capital loss carry forwards		Non-capital loss carry forwards		Equipment and intangibles		Other temporary differences		Total
Deferred tax assets:														
Balance, beginning of year	\$	—	\$	—	\$	—	\$	633	\$	406	\$	518	\$	1,557
Recognized in net earnings		—		—		—		(9)		(59)		(20)		(88)
Balance, end of year	\$	—	\$	—	\$	—	\$	624	\$	347	\$	498	\$	1,469
Deferred tax liabilities:														
Balance, beginning of year	\$	49,103	\$	4,481	\$	—	\$	(1,905)	\$	2,778	\$	(3,087)	\$	51,370
Recognized in net earnings		(5,628)		595		—		(453)		(270)		(425)		(6,181)
Recognized on asset purchase		—		—		—		—		270		—		270
Foreign exchange translation adjustments		—		133		—		(58)		—		3		78
Balance, end of year	\$	43,475	\$	5,209	\$	—	\$	(2,416)	\$	2,778	\$	(3,509)	\$	45,537

(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 \$276,404 (2018 – \$219,927), 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.

14. CAPITAL STOCK

(a) Authorized

- 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.
- 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.
- 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		2019		2018	
		Shares	Amount	Shares	Amount
Class A shares					
Outstanding, beginning of year		25,186	\$ 18,282	26,304	\$ 19,093
Acquired and cancelled		(449)	(327)	(1,118)	(811)
Converted from common		207	51	—	—
Outstanding, end of year		24,944	18,006	25,186	18,282
Common shares					
Outstanding, beginning of year		3,219	778	3,219	778
Acquired and cancelled		(117)	(28)	—	—
Converted to Class A		(207)	(51)	—	—
Outstanding, end of year		2,895	699	3,219	778
Total outstanding, end of year		27,839	\$ 18,705	28,405	\$ 19,060

(c) Issuer bid

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

For the years ended December 31		2019	2018
Purchased and cancelled			
Class A		449	1,118
Common		117	—
Consideration paid	\$	13,544	\$ 26,032
Less average issue price, charged to share capital		(355)	811
Excess consideration charged to retained earnings	\$	13,189	\$ 25,221

(d) Dividends on common and Class A shares

For the years ended December 31	2019	2018
Dividends declared and paid, per share	\$ 0.575	\$ 0.475

The Company also declared dividends of \$0.15 and \$0.16 per share payable on January 17, 2020 and April 17, 2020, respectively, on the common and Class A shares outstanding.

15. 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	2019		2018	
	Shares	Amount	Shares	Amount
Balance, beginning of year	2,173	\$ 25,235	2,178	\$ 23,764
Acquired	130	2,995	91	2,255
Disposed	(5)	(101)	(96)	(784)
Balance, end of year	2,298	\$ 28,129	2,173	\$ 25,235

During the year, the Company disposed of 5 (2018 – 96) of its class A shares and nil (2018 – nil) of its common shares for amounts equal to their costs.

As at December 31, 2019, the treasury stock was comprised of 30 common shares (2018 – 30) and 2,268 class A shares (2018 – 2,143 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	2019	2018
Balance, beginning of year	1,045	1,011
Entitlements provided	130	91
Entitlements exercised	(2)	(57)
Forfeited	(2)	–
Balance, end of year	1,171	1,045

Equity-based entitlements provided during the year ended December 31, 2019 had a fair value of \$2,995 (2018 – \$2,255).

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	2019		2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance, beginning of year	1,128	\$ 9.64	1,167	\$ 9.62
Entitlements exercised	(1)	7.98	(39)	8.91
Balance, end of year	1,127	\$ 9.64	1,128	\$ 9.64

No option-like entitlements were granted during 2019 or 2018.

As at December 31, 2019, there were option-like entitlements outstanding for 1,127 class A shares (2018 – 1,128).

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

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

	Number of shares	Weighted average exercise price	Vested number of shares	Weighted average exercise price
As at December 31, 2019				
\$5.01 – \$7.50	74	\$ 6.76	74	\$ 6.76
\$7.51 – \$10.00	829	9.38	829	9.38
\$10.01 – \$12.50	224	11.59	224	11.59
	1,127	\$ 9.64	1,127	\$ 9.64
As at December 31, 2018				
\$5.01 – \$7.50	74	\$ 6.76	74	\$ 6.76
\$7.51 – \$10.00	830	9.37	830	9.39
\$10.01 – \$12.50	224	11.54	224	11.59
	1,128	\$ 9.64	1,128	\$ 9.64

16. DIVIDEND AND INTEREST INCOME

Dividend and interest income is comprised of the following:

For the years ended December 31	2019	2018
Dividends on Bank of Montreal shares	\$ 14,360	\$ 13,986
Other securities	4,708	5,373
Dividend income	19,068	19,359
Interest income	4,483	4,087
Dividend and interest income	\$ 23,551	\$ 23,446

17. EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits are comprised of the following:

For the years ended December 31	2019	2018
Salaries and other compensation, payroll taxes and benefits	\$ 76,537	\$ 70,131
Contributions to defined contribution pension plans	1,074	980
Stock-based compensation	2,453	2,155
Employee compensation and benefits	\$ 80,064	\$ 73,266

18. NET GAINS (LOSSES)

Net gains (losses) are comprised of the following:

For the years ended December 31	2019	2018
Bank of Montreal common shares	\$ 42,464	\$ (42,476)
Other securities	50,291	(9,333)
Net gains (losses) on securities (i)	92,755	(51,809)
Foreign exchange gains (losses) (ii)	2,902	(5,502)
Gains on disposition of intangible assets	1,049	1,207
Gain on expiration of contingent liability (iii)	–	452
Net gains (losses)	\$ 96,706	\$ (55,652)

- (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) 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.
- (iii) As part of the acquisition of GuardCap Asset Management Limited ("GuardCap") in 2014, the Company recognized a deferred payment which was payable in 2018 and dependent on the level of AUM then achieved in certain investment strategies. The level of the AUM achieved on the payment date was such that no payment was required, and as a result the Company had recorded a gain of \$752 on expiration of the liability. The gain as presented is partially offset by a \$300 impairment of goodwill, which had largely resulted from the recognition of the deferred payment upon the acquisition of GuardCap.

19. 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	2019	2018
Weighted average number of class A and common shares outstanding		
Basic	25,796	26,845
Effect of outstanding entitlements and options from stock based compensation plans	1,669	—
Diluted	27,465	26,845
Net earnings attributable to shareholders of class A and common shares		
Basic	\$ 123,120	\$ (16,952)
Effect of outstanding entitlements and options from stock based compensation plans	513	—
Diluted	\$ 123,633	\$ (16,952)

The effects of 611 (2018 – 2,191) 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.

20. BUSINESS SEGMENTS

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

(a) Business segments

The following table discloses certain information about these segments:

	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net revenue										
Commission revenue	\$ —	\$ —	\$153,458	\$145,161	\$ —	\$ —	\$ (3,027)	\$ (2,171)	\$ 150,431	\$142,990
Commissions paid to advisors	—	—	(99,062)	(97,393)	—	—	—	—	(99,062)	(97,393)
Net commission revenue	—	—	54,396	47,768	—	—	(3,027)	(2,171)	51,369	45,597
Management fees	102,784	96,016	—	—	—	—	(1,232)	(1,431)	101,552	94,585
Fees paid to referring agents	(9,482)	(8,406)	—	—	—	—	3,025	2,171	(6,457)	(6,235)
Net management fees	93,302	87,610	—	—	—	—	1,793	740	95,095	88,350
Administrative services income	6,778	6,279	9,259	7,791	50	50	—	—	16,087	14,120
Dividend and interest income	680	499	2,370	1,940	19,990	20,432	511	575	23,551	23,446
	100,760	94,388	66,025	57,499	20,040	20,482	(723)	(856)	186,102	171,513
Expenses										
Employee compensation and benefits	44,905	42,799	23,559	20,186	11,600	10,281	—	—	80,064	73,266
Amortization	6,265	5,154	6,729	4,638	1,122	467	—	—	14,116	10,259
Interest	318	178	1,021	596	3,044	2,886	(369)	(409)	4,014	3,251
Other expenses	25,862	23,256	19,034	19,151	(5,535)	(3,610)	(354)	(447)	39,007	38,350
	77,350	71,387	50,343	44,571	10,231	10,024	(723)	(856)	137,201	125,126
Operating earnings	23,410	23,001	15,682	12,928	9,809	10,458	—	—	48,901	46,387
Net gains	(48)	24	1,128	1,215	95,626	(56,891)	—	—	96,706	(55,652)
Net earnings before income taxes	23,362	23,025	16,810	14,143	105,435	(46,433)	—	—	145,607	(9,265)
Income tax expense	5,582	5,788	4,748	3,889	8,817	(5,335)	—	—	19,147	4,342
Net earnings	\$ 17,780	\$ 17,237	\$ 12,062	\$ 10,254	\$ 96,618	\$ (41,098)	\$ —	\$ —	\$ 126,460	\$ (13,607)
Net earnings attributable to:										
Shareholders	\$ 16,129	\$ 15,375	\$ 10,373	\$ 8,771	\$ 96,618	\$ (41,098)	\$ —	\$ —	\$ 123,120	\$ (16,952)
Non-controlling interests	1,651	1,862	1,689	1,483	—	—	—	—	3,340	3,345
	\$ 17,780	\$ 17,237	\$ 12,062	\$ 10,254	\$ 96,618	\$ (41,098)	\$ —	\$ —	\$ 126,460	\$ (13,607)

	Investment management		Financial advisory		Corporate activities and investments		Inter-segment transactions		Consolidated	
For the years ended December 31	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Additions to segment assets										
Intangible assets	\$ 2,464	\$ 68,566	\$ 22,244	\$ 26,731	\$ 209	\$ 55	\$ –	\$ –	\$ 24,917	\$ 95,352
Equipment	1,672	88	1,885	1,238	456	289	–	–	4,013	1,615
Goodwill	–	18,386	6,882	–	–	–	–	–	6,882	18,386
As at December 31	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets and liabilities:										
Assets	\$251,369	\$213,673	\$172,613	\$160,984	\$756,709	\$671,774	\$ (50,728)	\$ (57,563)	\$1,129,963	\$988,868
Liabilities	165,908	113,757	122,574	137,439	198,008	183,256	(50,728)	(57,563)	435,762	376,889

(b) Geographic segments

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

	Canada		Rest of the world		Inter-segment transactions		Consolidated	
For the years end December 31	2019	2018	2019	2018	2019	2018	2019	2018
Net revenue	\$ 148,899	\$ 142,369	\$ 41,512	\$ 30,459	\$ (4,309)	\$ (1,315)	\$ 186,102	\$ 171,513
As at December 31	2019	2018	2019	2018	2019	2018	2019	2018
Segment non-current assets								
Intangible assets	\$ 68,966	\$ 52,011	\$ 60,842	\$ 68,469	\$ –	\$ –	\$ 129,808	\$ 120,480
Equipment	14,289	4,472	4,224	698	–	–	18,513	5,170
Goodwill	20,709	13,826	19,934	20,934	–	–	40,643	34,760

21. 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	2019	2018
Decrease (increase) in non-cash working capital assets		
Interest-bearing deposits with banks	\$ (48,418)	\$ (4,123)
Accounts receivable and other	(10,157)	(6,008)
Receivables from clients and broker	19,728	5,654
Increase (decrease) in non-cash working capital liabilities		
Client deposits	47,774	4,126
Accounts payable and other	1,050	6,058
Payable to clients	(18,074)	(7,219)
Net change in non-cash working capital items	\$ (8,097)	\$ (1,512)

22. 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 2019 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 \$351,750 (2018 – \$329,670) 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 \$35,175 (2018 – \$32,967).

(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, 2019		
Canada	\$ 39,437	±\$ 3,944
Rest of the World	253,318	25,332
	\$ 292,755	±\$ 29,276

As at December 31, 2018		
Canada	\$ 37,842	±\$ 3,784
Rest of the World	192,705	19,271
	\$ 230,547	±\$ 23,055

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 4.

(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	2019	2018
Bank loans and borrowings	\$ 47,461	\$ 57,049

The Company's currency risk is primarily related to the US dollar borrowings used to finance the purchase of a US-based subsidiary in 2018. This risk is mitigated by the US dollar cash flows which are generated by that subsidiary, 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 +/- \$4,746 (2018 – 5,704) 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	2019	2018
Interest rate sensitive assets:		
Interest-bearing deposits with banks	\$ 107,253	\$ 61,730
Short-term securities	14,725	36,259
Fixed-income securities	18,049	20,744
Amortized cost security	5,000	10,000
	\$ 145,027	\$ 128,733
Interest rate sensitive liabilities:		
Bank loans and borrowings	\$ 113,729	\$ 138,902
Client deposits	106,430	61,747
	\$ 220,159	\$ 200,649

The Company most significant exposure to interest rate risk is through its bank loans and borrowings, as detailed above. The interest rates on these borrowings are short-term and, if short-term rates increase, the Company's interest expense will increase and net earnings will decrease. If interest rates had been 1% higher throughout the year, with all other variables held constant, the Company's interest expense would have been increased by approximately \$1,255 (2018 – \$1,261).

The Company holds \$18,049 (2018 – \$20,744) of fixed-income securities which are primarily investments in fixed-income funds that are managed by its investment management subsidiary. The interest rate risk associated with these fixed-income securities are managed first by the Company who selects appropriate fixed-income funds for various interest rates environments and then by the use of professional in-house portfolio management expertise that manages the funds in accordance with each fund's investment policy. The interest rate risk on interest-bearing deposits with banks and the client deposits, both of which arise in the international banking operation, is considered to be low, as the Company manages by matching interest and maturities on the assets and liabilities. The interest rate risk associated with the Company's investment in amortized securities is minimal as the Company intends to hold this investment until they matured or called. Should the Company change its intention and dispose of the investment prior to maturity it will be exposed to a gain or loss from changes in interest rates at that time.

(c) Credit Risk

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

As at December 31	2019	2018
Cash	\$ 34,198	\$ 32,362
Interest-bearing deposits with banks	107,253	61,730
Accounts receivable and other assets	61,402	47,113
Receivable from clients and broker	37,984	57,712
Short-term securities	14,725	36,259
Fixed-income securities	18,049	20,744
Amortized cost security	5,000	10,000
	\$ 278,611	\$ 265,920

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

(d) Liquidity Risk

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

23. 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, 2019, the Company's regulated businesses had total regulatory capital amounting to \$237,742 (2018 – \$193,460). 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 year, and at year end, the Company complied with those terms and conditions.

24. 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, 2019, Minic beneficially owned 49.2% (2018 – 49.3%) of the Company's outstanding common shares. In 2019 and 2018, 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	2019	2018
Short-term employment benefits	\$ 6,055	\$ 6,662
Post-employment benefits	25	28
Stock-based compensation	1,228	1,115
	\$ 7,308	\$ 7,805

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	2019	2018
Investment management services	\$ 33	\$ 33

(c) Subsidiaries

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

As at December 31	Country of organization	2019 Voting ownership interest	2018
Guardian Capital LP	Canada	100%	100%
Guardian Capital Advisors LP	Canada	100%	100%
Guardian Ethical Management Inc.	Canada	100%	100%
Guardian Capital Enterprises Limited	Canada	100%	100%
GuardCap Asset Management Limited	United Kingdom	100%	100%
Guardian Capital Real Estate Inc.	Canada	100%	100%
Guardian Innovations Inc.	Canada	100%	100%
Guardian Capital LLC	United States	100%	100%
Alta Capital Management, LLC (i)	United States	70%	70%
Worldsource Wealth Management Inc.	Canada	100%	100%
Worldsource Financial Management Inc.	Canada	100%	100%
Worldsource Securities Inc.	Canada	100%	100%
IDC Worldsource Insurance Network Inc. (ii)	Canada	82%	82%
Aurrea Signature Inc.	Canada	100%	n/a
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 (iii)	Canada	0%	0%
Guardian Growth & Income Fund (iv)	Canada	n/a	74%
Guardian SteadyFlow Equity Fund (v)	Canada	55%	n/a
Guardian SteadyPace Equity Fund (v)	Canada	25%	n/a
Guardian Risk Managed Conservative Portfolio (v)	Canada	9%	n/a
Guardcap UCITS Funds PLC, Emerging Markets Fund	Ireland	93%	98%
Guardcap UCITS Funds PLC, Alta All Cap Fund	Ireland	100%	100%
Alta Quality Growth Fund	United States	89%	100%
Guardian Dividend Growth Fund	United States	100%	n/a
Guardian Fundamental Global Equity Fund	United States	100%	n/a

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

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

For the years ended December 31	2019	2018
Balance, beginning of year	\$ 24,279	\$ —
Arising on acquisition	—	22,656
Net earnings attributable to non-controlling interests	1,651	1,835
Other comprehensive income attributable to non-controlling interest	(1,318)	2,052
Distributions	(3,102)	(2,264)
Balance, end of year	\$ 21,510	\$ 24,279

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

As at December 31	2019	2018
Current assets	\$ 6,474	\$ 6,783
Other non current assets	276	–
Intangible assets	59,592	67,705
Goodwill	19,047	20,047
	\$ 85,389	\$ 94,535
Current liabilities	\$ 4,015	\$ 3,375
Non current liabilities	75	–
	\$ 4,090	\$ 3,375
For the years ended December 31	2019	2018
Revenue	\$ 19,888	\$ 18,407
Net earnings	5,503	6,117
Comprehensive income	1,110	12,957

- (ii) 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 a 19% (2018 – 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	2019	2018
Balance, beginning of year	\$ 7,395	\$ 6,788
Net earnings attributable to non-controlling interests	1,689	1,510
Dividends	–	(264)
Transactions with of non-controlling interests (note 25)	825	(639)
New accounting standard – IFRS 16 (note 3)	96	–
Balance, end of year	\$ 10,005	\$ 7,395

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

As at December 31	2019	2018
Current assets	\$ 11,653	\$ 7,002
Intangible assets	56,429	43,574
Other non-current assets	16,431	5,000
	\$ 84,513	\$ 55,576
Current liabilities	\$ 9,741	\$ 17,266
Non-current liabilities	10,546	1,798
	\$ 20,287	\$ 19,064
For the years ended December 31	2019	2018
Revenue	\$ 39,723	\$ 33,009
Net earnings	10,643	8,525
Comprehensive income	10,643	8,525

- (iii) 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 15, Treasury Stock.
- (iv) Effective April 29, 2019, Guardian Growth & Income Fund ceased activity and was dissolved. As a result, the company ceased to consolidate this fund on that date.
- (v) Effective January 21, 2019, Guardian Risk Managed Conservative Portfolio ("Risk Managed"), Guardian SteadyFlow Equity Fund and Guardian SteadyPace Equity Fund ("SteadyPace") were formed. Effective July 1, 2019, Risk Managed and SteadyPace ceased to be a subsidiaries and, as a result, the Company ceased to consolidate those funds on that date.

(d) Interest in unconsolidated structured entities

The Company sponsors and manages a number of investment funds for the purpose of efficiently investing monies on behalf of the Company's clients, who are the primary investors in these funds. These investment funds, which are separate legal entities, are financed by investments made by clients and, to a limited extent, the Company. The Company is paid for the investment management services it provides to the funds either directly by the funds or by the investors. The following tables summarize the size of the unconsolidated investment funds managed by the Company, and the Company's interests in and transactions with those investment funds:

As at December 31	2019	2018
Net assets of unconsolidated investment funds	\$ 5,158,023	\$ 3,578,118
Company's interests in unconsolidated investment funds	163,000	173,695

For the years ended December 31	2019	2018
Net revenues earned directly from unconsolidated investment funds	\$ 20,142	\$ 14,815

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

25. CHANGE IN THE OWNERSHIP OF A SUBSIDIARY

During the year, the Company had several transactions which resulted in changes to the Company's ownership interest of IDC WIN. A summary of these transactions are as follows:

For the year ended December 31, 2019			
	Increased ownership interest	Decreased ownership interest	Net transactions
Consideration received (provided):			
Cash	\$ (8,354)	\$ 904	\$ (7,450)
Payable	(995)	—	(995)
Aurrea acquisition (note 26)	—	11,781	11,781
	(9,349)	12,685	3,336
Decrease (increase) in non-controlling interests	3,189	(4,014)	(825)
Increase (decrease) to retained earnings	\$ (6,160)	\$ 8,671	\$ 2,511

For the year ended December 31, 2018	
	Increased ownership interest
Cash consideration (provided)	\$ (1,882)
Decrease (increase) in non-controlling interests	639
Increase (decrease) to retained earnings	\$ (1,243)

After the above transactions, the Company's interest in IDC WIN was 82.2% (2018 – 81.6%).

26. ACQUISITIONS

(a) Aurrea Signature Inc.

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

The total consideration for the transaction was \$17,000, comprised of a 7.0% ownership interest in IDC WIN and cash, plus a cash adjustment for net working capital. Shares representing approximately 2.9% ownership interest in IDC WIN were delivered on closing and the balance of shares, plus the cash consideration and working capital adjustment, are to be delivered on or about March 31, 2020. The amount of cash consideration will be dependent on the fair value ascribed to the 7.0% ownership interest in IDC WIN and the finalized working capital adjustment as of December 31, 2019.

The provisional accounting for the transaction is as follows:

Fair value of the consideration:

Cash	\$ 5,219
Shares representing a 7% ownership interest in IDC WIN	11,781
	17,000
Cash for net working capital	370
	\$ 17,370

Fair value of the identifiable net assets acquired:

Intangible assets	\$ 12,227
Cash	846
Other net working capital	(136)
Equipment, right of use assets and other	1,771
Lease obligations	(1,427)
Deferred tax liabilities	(2,793)
Fair value of identifiable net assets acquired	10,488
Goodwill	6,882
	\$ 17,370

The acquisition accounting is provisional, as the Company is still in the process of finalizing the composition of the consideration, fair value of identifiable net assets acquired and determining any deferred tax liabilities and goodwill. Goodwill, which is not expected to be deductible for income tax purposes, represents the expectation that IDC WIN will be able to maximize the value of contracts with major life insurance carriers, and that synergies will be able to be achieved to maximize profitability of the acquired company.

As Aurrea was acquired on December 31, 2019, it did not contribute to the Company's net revenues or net earnings. Had the acquisition occurred on January 1, 2019, management estimates that the Company's reported results would have been as follows:

For the period ended December 31, 2019	
Net revenues	\$ 201,438
Net earnings	126,293
Net earnings attributable to shareholders	122,759

(b) Alta

On January 2, 2018, the Company acquired a 70% interest in Alta, an investment management firm based in Salt Lake City, Utah, USA. On closing, Alta had in excess of \$3,200,000 USD of AUM. The primary reasons for acquiring Alta were to provide the Company with increased access to the US market to distribute its investment products and further diversify the sources of its AUM and revenues. The remaining 30% interest in Alta continues to be held by its key employees, who all have entered into employment agreements with the Company.

The total consideration for the transaction was approximately \$62,259 (\$49,770 USD) which is comprised of \$56,327 (\$45,000 USD) paid on closing and the present value of an estimated deferred payment, subsequent to December 31, 2019, the Company paid \$5,000 USD to extinguish this liability.

The accounting for the transaction is as follows:

Fair value of the consideration:

Cash paid on closing	\$ 56,327
Deferred payment	5,932
Total consideration	\$ 62,259

Fair value of intangible assets acquired	\$ 66,529
Non-controlling interests	(22,656)
Goodwill	18,386
	\$ 62,259

The Company has recognized non-controlling interests at fair value. The fair value of the non-controlling interests recognized on acquisition is the sum of the present value of the expected cash distributions of profits, which will be made to the non-controlling interests prior to the options becoming exercisable, and the liability which has been recognized in respect of the options.

The intangible assets acquired primarily represent Alta's existing investment contracts with clients, and the goodwill represents the value of Alta arising from retention of key employees, access to established distribution networks in a key market, addition of new products and other potential synergies. The Company expects that approximately \$16,015 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 Alta to sell their remaining interests in Alta to the Company, and the Company received an option to buy the remaining minority interest in Alta on the same terms and conditions. These options become exercisable commencing on the 5th anniversary of the acquisition and expire on the 15th anniversary of the acquisition, and have exercise prices which are determined based on the level of revenue achieved by Alta. The Company has recognized a liability in respect of the options held by the minority shareholders based on the estimated present value of the expected payment required by the Company on the earliest date the options become exercisable. In accordance with the Company's accounting policies, the offsetting amount has been recorded in other liability.

The costs associated with this transaction were approximately \$600, which were included in the Company's 2017 net earnings as part of other expenses.

Alta's contributions to the Company's 2018 results are as follows:

For the period ended December 31, 2018	
Net revenues	\$ 18,407
Net earnings	5,072
Net earnings attributable to shareholders	3,210
Comprehensive income	11,912
Comprehensive income attributable to shareholders	9,860

Included in the net earnings is \$4,609 of amortization expense related to the intangible assets described above. Alta is partnership for income tax purposes, therefore in calculating the net earnings above, income taxes were only provided for the earnings which relate to the Company's interest in Alta. The income taxes on the earnings which relate to the non-controlling interests interest in Alta will be paid directly by them, and as a result are not included in the Company's accounts.

(c) Modern Advisor

On January 30, 2020, the Company announced that, through a subsidiary, it has entered into an agreement to acquire a majority interest in Modern Advisor Canada Inc., a leading Canadian digital advisor platform. The transaction, which is subject to regulatory approval, is expected to close in the first quarter of 2020.

Directors

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Vice-President, Legal

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Sera Kim
Portfolio Manager

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Managing Director, Head of Private Wealth

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Senior Vice-President

Douglas G. Farley
Senior Vice-President

Michael G. Frisby
Senior Vice-President

J. Matthew Baker
Vice-President

Thierry Di Nallo
Vice-President

Christie F. Rose
Vice-President

Mark Bodnar
Client Portfolio Manager

Andrew Cox
Portfolio Manager, Guardian Capital LP

Simon Bowers
Vice-President, Private Client Trading

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MANAGEMENT, LLC

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*Managing Principal and
Chief Investment Officer*

Portfolio Managers:

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*Principal and Senior
Analyst*

Tyler A. Partridge
*Principal and
Senior Analyst*

Melanie H. Peche
*Principal and
Portfolio Manager*

Nathan Rhees
*Principal and Client
Portfolio Manager*

Andrew H. Schaffernoth
*Principal and Client
Portfolio Manager*

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LIMITED

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General Manager

Derrick Harper
Chief Financial Officer

ALEXANDRIA TRUST
CORPORATION

Robert F. Madden
Director

GUARDCAP ASSET
MANAGEMENT LIMITED

Steve Bates
Chief Investment Officer

Portfolio Managers:

Michael Boyd
Investment Manager

Bojana Bidovec Kumar
Investment Manager

Clive Lloyd
Senior Advisor

Joris Nathanson
Investment Manager

Orlaith O'Connor
Investment Manager

Edward R. Wallace
Investment Manager

Giles Warren
Investment Manager

Michael Hughes
Client Portfolio Manager

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REAL ESTATE INC.

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Managing Director

Frank Bartello
*Senior Vice-President of
Acquisitions and Asset
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Joshua Hamer
*Vice-President of
Acquisitions and Asset
Management*

Investment Committee:

Andrew Barnicke
A. Michael Christodoulou
Kevin Hall
George Mavroudis

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MANAGEMENT INC.

Docé Tomic
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Paul Brown
*Managing Director,
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*Managing Director,
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Laura Reid
Chief Financial Officer

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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 14, 2020
11:00 a.m.
King Gallery
The Suites at One King West
1 King Street West
Toronto, Ontario

CUSTODIAN AND FUND ADMINISTRATOR

RBC Investor Services Trust

REGISTRAR AND TRANSFER AGENT

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



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