RICHARDSON
Wealth

The Brand of Choice

For Canada's Top Advisors And Their Clients

RF Capital Group Inc.

First Quarter 2021 Report

RF Capital Reports Record First Quarter Performance

Q1 2021 marked the first full quarter of RF Capital operating as a pure-play wealth management firm under the Richardson Wealth brand. This focus has already started to translate into results, with the company and its advisors setting several performance records during the quarter.

Richardson Wealth[1]:

Highest AUA Ever

- $32.8 billion ($33.2 billion as at April 30, 2021)
- Added $4.8 billion in net new and recruited assets since transformation in October 2020

Highest Quarterly Fee-Income Ever

- $57.6 million
- Many advisors achieving personal bests

Second Highest-Ever Adjusted EBITDA[2]

- $14.1 million compared with $11.5 million last year

Improving Adjusted EBITDA Margin

- 17.5% compared with 16.3% last year

Improving Efficiency

- 7 percentage point improvement in expense ratio[2] compared with Q1 2020

Highest Commission Revenue in Two Years

- Benefitting from successful partnerships with Cormark Securities and Bloom Burton & Co.

Other Business Highlights:

Entering execution phase of bold and ambitious growth strategy

- Defined strategy with a global consulting firm
- Set to announce at AGM on May 26th

Strong momentum in the business

- Record number of High Net Worth households
- Built largest-ever recruiting pipeline

New Leaders and Board Directors

- Nathalie Bernier, Vincent Duhamel, David Leith, Jane Mowat, and Sandy Riley to Board
- Julie Burnham, Dean Manjuris, and Tim Wilson to leadership team

Unique and advisor-centric culture

- Named a Best Workplace in Canada and Great Place to Work for Women

Commenting on Q1 2021 highlights, Kish Kapoor, President and Chief Executive Officer, said "Our growth momentum since we completed the realignment of our ownership structure last fall is indisputable. This quarter we recorded the highest AUA in our firm's 17-year history, our highest-ever fee-based revenue, and our second highest adjusted EBITDA ever. With each calculated and deliberate step, we are building and inspiring confidence. We are strengthening our foundation, attracting deep expertise to our Board and leadership team, and actively soliciting the input of our core asset – our people – every step of the way. It is an exciting time to be at RF Capital and Richardson Wealth. We are truly beginning to realize the benefits of our bold multi-year transformation journey."

Commenting further, Mr. Kapoor said, "The toughest part of our journey is behind us. More than ever, we are convinced that our carefully mapped-out growth strategy is the best path forward to meaningful long-term shareholder value creation. With speed and tremendous conviction, we have begun to execute against the many growth initiatives identified during our strategic review. Make no mistake, we are here for the long term and we play to win."

1. Richardson Wealth's operating results pre-October 20, 2020 are for reference purposes and were not fully consolidated into RF Capital's financial statements...
2. Adjusted results are considered to be a non-GAAP financial measure. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information please read the "Presentation of Financial Information and Non-GAAP Measures" at the end of this quarterly report.

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About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company), including its wholly owned subsidiary Richardson Wealth Limited (Richardson Wealth), for the three months ended March 31, 2021.

This MD&A, dated May 7, 2021, should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes as at and for the three months ended March 31, 2021 (First Quarter 2021 Financial Statements). Additional information, including our annual MD&A (2020 MD&A), our latest Annual Information Form, and our audited consolidated financial statements for the year ended December 31, 2020, is available at *www.rfcapgroup.com* and under our profile at *www.sedar.com*.

We also filed our 2020 Annual Report on May 5, 2021, and it is available on our Corporate website *www.rfcapgroup.com* and SEDAR at *www.sedar.com*.

Our Board of Directors (Board) approved this document.

Reporting Changes Effective Q1 2021

Business Segments

Commencing first quarter 2021, we are reporting our results on the basis of only two segments, down from three in prior periods. The results of our securities clearing business are now included in the Wealth Management segment, along with those of Richardson Wealth, because we run those operations as a unified wealth management business. Our second segment is Corporate, and it includes certain corporate support functions and the costs associated with operating a public company. Both segments are described in detail later in this MD&A.

Operating results in the prior periods have been realigned in this same manner for comparative purposes.

Gross Margin and Operating Expense

Commencing first quarter 2021 and going forward, we will present gross margin, which is calculated as revenue less advisor variable compensation. We use gross margin measure operating profitability on the revenue earned in our Wealth Management segment. As a result, operating expenses will also be presented excluding variable advisor compensation. These presentation changes do not affect earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA (which excludes transformation and other one-time costs), income before income taxes or net income. Gross margin measures revenue that accrues to us after making advisor payments that are directly linked to revenue. Revenue and operating expenses for the stub period (October 20, 2020 to December 31, 2020) following our acquisition of Richardson Wealth have been realigned to conform to the 2021 presentation. Prior to its acquisition, the results of Richardson Wealth were accounted for using the equity method and, as such, these presentation changes do not affect our prior year financial statement presentation for the period from January 1, 2020 to October 19, 2020.

We also began presenting asset yield this quarter, which we calculate as commission and fee revenue divided by average AUA.

Adjusted Results

Adjusted results are used throughout this MD&A. Adjusted results are considered to be a non-GAAP financial measure. These measures do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to adjusted results and a reconciliation to its nearest IFRS measures, please read the "Presentation of Financial Information and Non-GAAP Measures" at the end of this MD&A.

Forward-Looking Information

This MD&A contains forward-looking information as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements concerning objectives and strategies to achieve those objectives, as well as statements made with respect to Management's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking information reflects Management's current beliefs and is based on information currently available to Management. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

The forward-looking statements included in this MD&A, including statements regarding the nature of our growth strategy going forward and execution of any of its potential plans, are not guarantees of future results and involve numerous risks and uncertainties that may cause actual results to differ materially from the potential results discussed or anticipated in the forward-looking statements, including those described in this MD&A and in our Annual Information Form (AIF). Such risks and uncertainties include, but are not limited to, market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, may also influence our results of operations. For a description of additional risks that could cause actual results to materially differ from current expectations, see the "Risk Management" and "Risk Factors" sections in our 2020 MD&A and the "Risk Factors" section in the latest AIF.

Although we attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Forward-looking information contained in this MD&A is:

- provided based on Management's reliance on certain assumptions it considers reasonable, however, there can be no assurance that such expectations will prove to be correct. Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this MD&A. Readers should not place undue reliance on the forward-looking statements and information contained in this MD&A. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive;
- made as of the date of this MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. Except as required by applicable law, our Management and Board undertake no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise; and
- expressly qualified in its entirety by the foregoing cautionary statements.

First Quarter 2021 Highlights

Consolidated:

Record AUA[1]	Record AUA per Team	Adjusted EBITDA[1]
$32.8B	$205MM	$12.1MM

Richardson Wealth[1]:

Record Fee Based Revenue	Adjusted EBITDA Margin	Operating Leverage
$57.6MM	Improved by 112 bps	Improved by 7%

Select Financial Highlights

	Three months ended March 31,		Increase/(decrease)	
($000's, except as otherwise indicated)	2021	2020	$	%
Operating Performance – Consolidated				
Reported Results:				
Revenue	83,662	8,828	74,834	n.m.
Variable advisor compensation	35,474	–	35,474	n.m.
Gross margin	48,188	8,828	39,360	n.m.
Operating expenses	56,073	11,377	44,696	n.m.
Consolidated EBITDA	4,488	(2,044)	3,269	n.m.
Net (loss) income	(7,475)	(2,917)	(4,558)	n.m.
Adjusted Results:				
Adjusted operating expenses	45,180	10,095	35,085	n.m.
Adjusted consolidated EBITDA	12,118	(762)	12,880	n.m.
Adjusted net income (loss)	1,066	(1,635)	2,701	n.m.
Select balance sheet and other information				
Total assets	2,291,113	2,119,919	171,194	8
Term debt[2]	109,494	18,053	91,441	n.m.
Shareholders' equity	371,416	197,633	173,783	88
Net working capital	95,758	126,142	(30,384)	(24)
Common share information				
Book value per common share ($)	1.63	1.13		
Closing share price ($)	2.11	1.30		
Common shares outstanding (millions)	159	75		
Common share market capitalization ($ millions)	336	98		
Operating Performance – Richardson Wealth[1]				
Gross revenue	80,565	70,152	10,413	15
Net revenue	45,091	40,099	4,992	12
Adjusted EBITDA – Richardson Wealth	14,068	11,462	2,606	23
AUA ($ millions) – ending balance	32,769	25,394	7,375	29
Asset Yield[3] (%)	0.89	0.90		
Adjusted EBITDA margin (%)	17.5	16.3	+112 bps	
Recurring fee-based revenue as a % of total revenue (%)	71.5	76.0	-450 bps	
Adjusted operating expense ratio[4] (%)	77.6	84.6	+702 bps	

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.Richardson Wealth's operating results pre-October 20, 2020 are for reference purposes and were not fully consolidated into RF Capital's financial statements.
2. Term debt includes subordinated bank debt, preferred share liability and net promissory note payable.
3. Calculated as commission and fee revenue divided by average AUA.
4. Calculated as adjusted operating expenses divided by gross margin.

n.m. = not meaningful

Business Overview

We are a public company listed on the Toronto Stock Exchange (TSX). Our common and preferred shares trade under the following ticker symbols (TSX: RCG, RCG.PR.B).

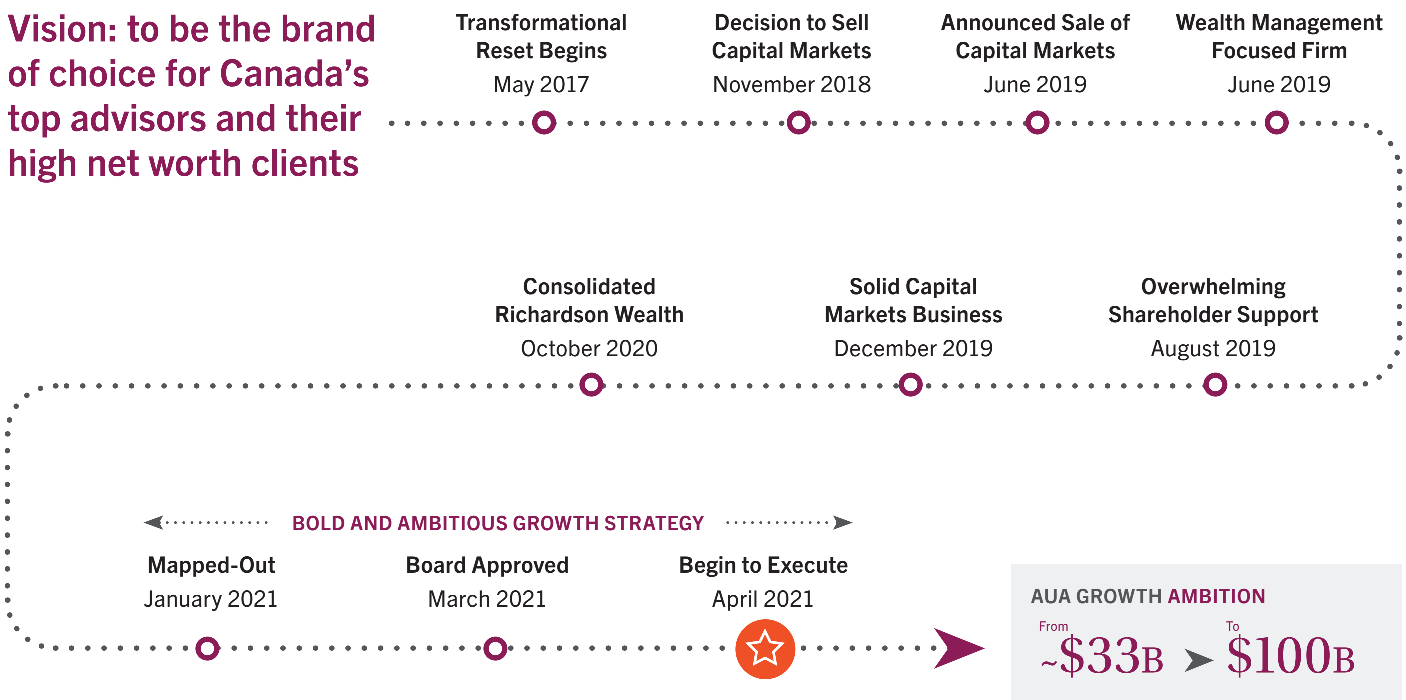
We are one of Canada's leading independent wealth managers, with total assets under administration (AUA) of over $33 billion. We have 160 advisor teams serving 31,000 high net worth clients across Canada. Our advisors operate out of 19 offices in eight provinces under the Richardson Wealth and Patrimoine Richardson brands.

Richardson Wealth has been recognized as a Great Place to Work™ for the past three years, a Best Workplace in Canada in 2021, and a Great Place to Work for Women. These awards are a powerful endorsement of our diverse culture, our Company and indeed, our people. They reflect the values that inspire our people to support initiatives such as the Black Opportunity Fund, the Richardson Wealth Partners in Community Gifting Program, and many women's financial empowerment initiatives.

A Multi-Year Transformation Journey

On October 20, 2020, with the support of 95% of our shareholders, we took further steps towards realizing our growth vision. On that date, we acquired all the common shares of Richardson Wealth (formerly named Richardson GMP) that we did not already own. After the transaction, our employees owned approximately 31% of our common shares outstanding, which aligns their interests with those of the Company. With clarity of ownership, a capable team, the country's leading advisors, and an exceptional brand behind us, it is now time to begin executing on our ambitious growth strategy.

The diagram below illustrates the key developments during our multi-year transformation journey:



Vision and Strategy

The Board and Management have spent the past several months defining a **bold and ambitious** five-year action plan to drive shareholder value. This plan is designed to unlock the full potential and value of our Richardson Wealth business by driving AUA and EBITDA growth. It was informed by considerable input from our exceptional investment advisory teams. To increase the likelihood of success, we hired a global consulting firm with deep expertise in wealth management and large-scale organizational transformation to support our strategy. This exercise encompassed establishing a view of the external market, assessing current capabilities, laying out the desired end-state vision and value proposition, and developing an execution roadmap.

Management intends to communicate the full growth strategy at the upcoming virtual **annual and special meeting** on **May 26, 2021**

In March, we introduced our strategic plan, along with our new leaders and organization structure, to the entire organization through 12 virtual town hall meetings. Employees are supportive of our plan: in a recent survey, **94% of advisors and employees** indicated that they are excited to be part of this bold ambitious journey. We are delighted by this response and will share more on our strategy at our upcoming shareholders' meeting.

The Founding Pillars of Our Strategy

Vision	To be the brand of choice for Canada's top Advisors and their high net worth clients
Brand and Value Proposition	Define a compelling brand promise and value proposition for Advisors and clients
Wealth Services / Advisor Practices / Product Shelf / Process and Technology	Develop a platform to deliver on brand promise, while increasing profitability for advisors and the firm as a whole
Organization and Culture	Make it easier for Advisors to be more successful here than anywhere else while preserving culture
M&A Capabilities	Continuously monitor markets for opportunities to rapidly build scale and enhance capabilities
Total Shareholder Return	Clearly articulate growth ambition and strategy to investors

Recent Momentum

We have demonstrated growth momentum since our acquisition of Richardson Wealth. This success, which we achieved even before implementing our new strategy, highlights the strength of our franchise. We have reached numerous performance high-water marks this year including record AUA, record fee-based revenue, and record AUA per advisory team. Many of our advisors are also realizing personal bests month after month. This progress has deepened our conviction that our transformation was the best path for creating meaningful long-term shareholder value and our new strategy should only accelerate that journey.

The market for retail financial wealth in Canada is expected to grow from $4.4 trillion today to $7.7 trillion[1] by 2028, creating a considerable opportunity for an independent wealth management firm with national scale. Richardson Wealth currently has a 0.7% share of Canadian retail wealth. Capturing an additional 1.4% of the existing market or 2% of the expected market growth would allow us to triple our assets under administration. We believe that is an achievable goal as we embark on the next phase of our evolution – and do so from a position of strength.

1. Source: Investor Economics

Renaissance of a Bygone Era

Independent firms across Canada are enjoying a renaissance of a bygone era, when the name on the door mattered, capturing the imagination of a growing number of advisors and high net worth families opting to leave bank owned firms for the personal, high-touch experience of a boutique firm.

We have taken bold strides in the last several years to position ourselves to capitalize on this trend, including associating ourselves with the rich 90-year history of the powerful Richardson brand in financial services. This alignment is an unmatched calling card for our advisors and their high net worth clients.

Many of the country's top advisors are inspired to join our entrepreneurial firm, where their voices matter, where diverse perspectives are always valued, where the culture and architecture is geared toward their success, and where the name on the door is synonymous with integrity and excellence.

We believe that our new strategy will make us the brand of choice for Canada's top advisors and their high net worth clients. Our plan begins with strengthening the foundation that we already have in place, in order to deliver even better service to our existing advisors. Preserving our unique and entrepreneurial culture during our journey will be critical to our success.

Capitalizing on recent trends in the industry and our strong performance since we acquired Richardson Wealth, we intend to pursue the three strategic priorities described in the chart below:

Organic Initiatives

Inorganic Initiatives

Invest in our talented advisory teams

- Double-down on support and tools to help advisors and their high net worth clients thrive at Richardson Wealth
- Make it easier for advisors to be more successful here than anywhere else

Supercharge advisor recruitment

- Dedicated team to aggressively recruit advisors
- Make this an advisor's last home – enhance succession planning program

Acquire and partner with like-minded firms

- Continuously monitor markets for opportunities to rapidly build scale and enhance capabilities

We expect that successfully executing this strategy will enable us to realize our $100 billion AUA ambition.

Business Segments

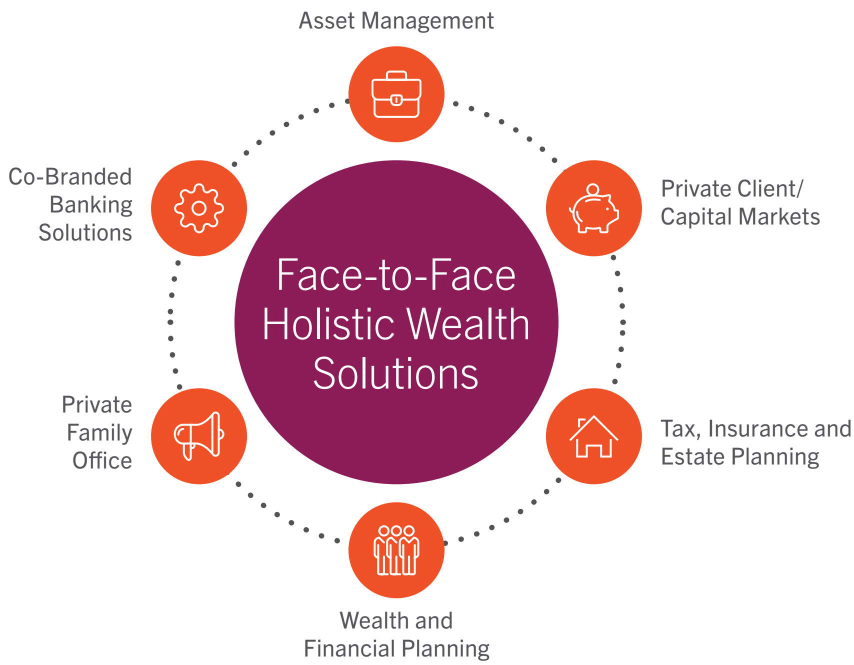
We operate through two business segments: Wealth Management and Corporate.

Wealth Management

Our Wealth Management segment is focused on supporting exceptional advisor teams that provide strategic wealth advice and innovative investment solutions to their high net worth clients across Canada. We offer advisors working under our Richardson Wealth and Patrimoine Richardson brands with a platform – including technology, carrying broker services, a comprehensive product shelf, and operational support – that enables them to deliver value to existing high net worth clients and to attract new ones. We make a team of tax, estate, and wealth planning experts available to advisors to assist with complex client needs.

This platform allows our advisors to present a holistic suite of wealth management solutions to their clients:

Holistic Wealth Management Solutions



Our advisors share our entrepreneurial spirit. There is no standard formula for their success; within the boundaries of our compliance regime, they have the flexibility to individually determine how best to serve their clients. Management is intently focused on creating an environment that will maximize retention of existing advisors and attract new talent.

We include our carrying broker business in the Wealth Management segment since it focuses on serving the needs of our Richardson Wealth advisors. Maintaining a wholly owned clearing business allows us to better control the quality of service that we provide. It also creates option value in the event that market conditions change, and it becomes attractive to provide these services to third parties. At the moment, our carrying broker provides services to one third party under a legacy arrangement.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. These functions included in the Corporate segment are those that do not directly and entirely support the Wealth Management segment. Public company costs include those associated with external disclosures, registrations, maintaining a board, external audits, and other corporate services.

For further information on our business segments, please visit our corporate website at *www.rfcapgroup.com*.

Outlook

We have strong momentum heading into the second quarter, which will be bolstered by our ambitious growth strategy. We anticipate continued AUA and adjusted EBITDA growth throughout the year, subject to broad market conditions.

Adjusted EBITDA

We expect to report quarterly adjusted EBITDA that is in line with or slightly above Q1 levels in each remaining quarter of 2021.

Revenue

Our strategy will help our advisors build their practices and will attract new advisors to the firm. As a result, we expect to continue growing our AUA and our more stable stream of fee income. While we plan to accelerate our advisor recruiting, our expectation for the remaining three quarters of the year is for a slightly slower rate of AUA growth than we experienced in Q1 (mainly due to a forecast of lower overall equity market growth).

Commission revenue was exceptionally high in Q1 as our partnership with Cormark allowed us to capitalize on the elevated level of equity issuances in Canada. Our effective capital markets team, alongside Cormark Securities and Bloom Burton & Co., should continue to drive activity in the coming quarters, though likely at a lower level than in the first quarter.

Expenses

We expected adjusted expenses in the remaining quarters of the year will be consistent with Q1. Compensation and marketing expenses in support of strategic initiatives will be modest in 2021.

Richardson Wealth currently has enough excess capacity in its offices to absorb new advisors representing $10 billion in AUA with little incremental fixed costs. If we can recruit advisors to fill those vacancies, the operating margin on those incremental assets is almost double what we achieve in our current business.

Strategic Initiatives

We are now beginning to execute on the initiatives in our strategic plan. We will communicate the details of that plan along with our specific priorities at our AGM on May 26, 2021 and will provide progress updates at least quarterly throughout the year. Our key strategic initiatives will include providing a state-of-the-art portfolio management platform, recruiting new advisors to the firm, enhancing our insurance offering, and increasing awareness of our exceptional brand.

Balance Sheet

In order to finance our growth plans and capitalize on the current interest rate environment, we intend to increase the size of our long-term debt facility in Q3 and renegotiate the terms thereof. Our strategic initiatives, including advisor recruiting, all require up-front outlays of cash but should create significant shareholder value over a multi-year horizon. This mismatch between the timing of the outlays and the benefits will require us to take on additional debt. In addition, we need to make investments in some of our offices, including building out our new flagship office in downtown Toronto. The amount of the increase to our long-term debt facility will depend primarily on the number of advisors that we are able to recruit. Our overall appetite for leverage remains low and we will not expose ourselves to undue financial risk.

Q1 2021 Financial Highlights

Items of Note

Consolidation of Richardson Wealth

Q1 2021 was the first quarter in which Richardson Wealth's financial results were consolidated for a full reporting period. This change reflects the fact that we acquired 100% ownership of Richardson Wealth on October 20, 2020. Prior to this acquisition, the results of Richardson Wealth were accounted for using the equity method and included in our income statement under the line item "Share of net income of associate". As a result, the comparability of results across periods is limited.

Further, prior to the transaction RF Capital owned just 34% of Richardson Wealth, thus reported only that proportion of its earnings. After the transaction, we began to consolidate a full 100% of its financial results.

To assist readers in understanding the performance of our underlying business over time, we have included supplemental financial information for Richardson Wealth in this MD&A.

Q1 2021

In Q1 2021, Wealth Management incurred $6.5 million and Corporate incurred $1.1 million of transformation charges.

Q1 2020

In Q1 2020, Corporate incurred $1.3 million of transformation costs.

We have included a complete list of adjusting items for both quarters in the *Presentation of Financial Information and Non-GAAP Measures* section later in this MD&A.

Overall Financial Performance

Q1 2021 results are not comparable with those of Q1 2020 because we began to fully consolidate the financial results of Richardson Wealth in the current quarter, as discussed above.

	Three months ended March 31,		Increase/(decrease)	
($000's, except as otherwise indicated)	**2021**	2020	$	%
Adjusted Consolidated Results:				
Revenue	**83,662**	8,828	74,834	n.m.
Variable advisor compensation	**35,474**	–	35,474	n.m.
Gross margin	**48,188**	8,828	39,360	n.m.
Operating expenses	**45,180**	10,095	35,085	n.m.
Adjusted consolidated EBITDA	**12,118**	(761)	12,879	n.m.
Net income (loss)	**1,066**	(1,635)	2,701	n.m.
Reported Results:				
Revenue	**83,662**	8,828	74,834	n.m.
Operating expenses	**56,073**	11,377	44,696	n.m.
Consolidated EBITDA	**4,488**	(2,044)	3,269	n.m.
Net loss	**(7,475)**	(2,917)	(4,558)	n.m.

n.m. = not meaningful

Q1 2021 vs. Q1 2020

Net Income

Our reported net loss increased as a result of $8.5 million of specified after-tax adjusting items ($10.9 million pre-tax), including transformation charges and intangible asset amortization booked in Q1 2021. The transformation charges relate to our ongoing strategic repositioning and recent changes in our organizational structure. The amortization arises from intangible assets that were created on the acquisition of Richardson Wealth in Q4 2020 and will recur quarterly at a similar rate through to 2035.

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA was up year-over-year for two primary reasons:

- The Richardson Wealth business increased its adjusted EBITDA on the strength of all-time high AUA and fee-based revenue; and
- We are now capturing a greater share of those earnings as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

Our brand promise

Segment Results

The following section highlights the financial results of our two business segments for first quarter 2021 compared with first quarter 2020. These segments reflect the manner in which financial information is evaluated by Management.

Wealth Management

Q1 2021 results are not comparable with those of Q1 2020 because we began to fully consolidate the financial results of Richardson Wealth in the current quarter, as discussed above.

	Three months ended March 31,		% Increase/(decrease)	
($000's, except as otherwise indicated)	**2021**	2020	$	%
Investment management and fee income	**57,634**	–	57,634	100
Commissions	**13,018**	–	13,018	100
Interest	**4,573**	3,608	965	27
Other income	**8,468**	5,340	3,128	59
Revenue	**83,693**	8,948	74,745	835
Variable advisor compensation	**35,474**	–	35,474	100
Gross margin	**48,219**	8,948	39,271	439
Employee compensation and benefits	**19,219**	2,068	17,151	829
Selling, general and administrative	**13,874**	3,068	10,806	352
Transformation costs	**6,500**	–	6,500	100
Advisor loan amortization	**4,938**	–	4,938	100
Interest	**1,744**	2,965	(1,221)	(41)
Depreciation and amortization	**2,819**	128	2,691	n.m.
Operating expenses	**49,094**	8,229	40,865	497
Share of loss of associate[1]	**–**	(114)	114	(100)
(Loss) income before income taxes – reported	**(875)**	833	(1,708)	(205)
Income before income taxes – adjusted	**5,625**	833	4,792	575
Advisor loan amortization	**4,938**	–	4,938	100
Interest	**1,163**	83	1,080	n.m.
Depreciation and amortization	**2,819**	128	2,691	n.m.
Adjusted EBITDA – Wealth Management	**14,545**	1,044	13,501	n.m.

1. Share of net loss of associate represents our proportionate ownership of Richardson Wealth's financial results prior to its consolidation by us.

n.m. = not meaningful

Financial Performance

Q1 2021 vs. Q1 2020

Wealth Management reported a Q1 2021 net loss before taxes of $0.9 million and a gross margin of $48.2 million. Adjusted EBITDA for the Wealth Segment was $14.5 million. The majority of the adjusted EBITDA and revenues are related to our Richardson Wealth operations.

As discussed earlier in the MD&A, operating results for Q1 2021 are not comparable to those of the prior year because of the Richardson Wealth acquisition in late 2020. Due to this lack of comparability and in order to help the readers understand the performance of our underlying wealth management business, we have included the standalone financial results of Richardson Wealth as a supplemental disclosure below. We have also focused our commentary on these results, to give readers a more complete understanding of the performance of our wealth management segment.

Supplemental Financial Information – Richardson Wealth

The following table sets forth an overview of the consolidated financial results of Richardson Wealth for the periods indicated:

	Three months ended March 31,		Increase/(decrease)	
($000, except as otherwise indicated)	**2021**	2020	$	%
Commissions	**13,018**	9,213	3,805	41
Investment management and fee income	**57,634**	53,301	4,333	8
Interest	**3,298**	5,842	(2,544)	(44)
Other	**6,615**	1,796	4,819	268
Revenue	**80,565**	70,152	10,413	15
Variable advisor compensation	**35,474**	30,053	5,421	18
Gross margin	**45,091**	40,099	4,992	12
Employee compensation and benefits	**17,823**	17,218	605	4
Non-compensation expenses	**17,167**	17,960	(793)	(4)
Transformation costs	**5,750**	–	5,750	100
Advisor loan amortization	**4,938**	2,370	2,568	108
Operating expense	**45,678**	37,548	8,130	22
(Loss) income before income tax	**(587)**	2,551	(3,138)	(123)
Net (loss) income – reported	**(646)**	1,460	(2,106)	(144)
Interest	**1,481**	1,979	(498)	(25)
Income tax	**59**	1,091	(1,032)	(95)
Depreciation and amortization	**2,486**	3,316	(830)	(25)
Advisor loan amortization	**4,938**	2,370	2,568	108
EBITDA	**8,318**	10,216	(1,898)	(19)
Transformation costs	**5,750**	–	5,750	100
Share-based compensation	**–**	1,246	(1,246)	(100)
Adjusted EBITDA – Richardson Wealth	**14,068**	11,462	2,606	23

Adjusted EBITDA – Richardson Wealth

Adjusted EBITDA increased as a result of higher gross margin and stable operating expenses. This is Richardson Wealth's highest quarterly adjusted EBITDA in the past seven years. Adjusted EBITDA margin was 17.5% in Q1 2021, up from 16.3% in the same period a year ago.

Revenue

Revenue was up by $10.4 million or 15% from Q1 last year, benefitting from record AUA.

	Three months ended March 31,		Increase/(decrease)	
	2021	2020	$	%
AUA – ending ($millions)	**32,769**	25,394	7,375	29
AUA – average ($millions)	**31,925**	27,936	3,989	14
New issue participation (# of deals)	**215**	57	158	277
New issue commissions ($000's)	**4,449**	1,509	2,940	195
Asset yield[1] (%)	**0.89**	0.90	–	n.m.
Adjusted EBITDA margin (%)	**17.5**	16.3	+112 bps	
Advisory teams	**160**	162	(2)	(1)

1. Calculated as commission and fee revenue divided by average AUA.
n.m. = not meaningful

AUA increased over Q1 2020 largely due to overall market growth, offsetting the effects of advisor attrition prior to the acquisition of Richardson Wealth. We believe that our ownership stability and bold new strategy will allow us to grow Richardson Wealth's AUA by both increasing recruiting and reducing attrition going forward.

Fee revenue was at an all-time high in Q1, up 8% from last year and representing 72% of total revenue. We have been successful migrating more of our AUA to a fee-based structure over the past several years, which makes our revenue base more recurring and predictable in nature.

We also experienced success growing commission revenues in Q1 2021. Our strategic partnerships with Cormark Securities and Bloom Burton allowed us to capitalize on the increase in overall capital markets activity. We participated in 215 new issues in Q1 2021 vs 57 last year.

Interest revenue was the one element of revenue that declined. The decrease was due to the 150 basis point drop in overnight rates in March of last year. We earned, on average, approximately 158 basis points less on our Canadian cash balances as compared with Q1 2020.

Variable advisor compensation, an offset to revenue, was up by 18%, commensurate with the increase in fee income and commissions. It remained relatively stable as a percentage of these two revenue lines, at 50% in Q1 2021 compared with 48% in Q1 2020.

Adjusted Operating Expenses

Adjusted operating expenses were consistent with last year despite significant revenue growth, due to the largely fixed nature of our cost base. To that point, we achieved meaningful operating leverage over the year, as our operating expense ratio (adjusted operating expenses/gross margin) declined by 7 percentage points, from 85% to 78%.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs.

The following table sets forth the financial results for the Corporate segment for the periods presented.

	Three months ended March 31,		Increase/(decrease)	
($000's)	**2021**	2020	$	%
Revenue	**(31)**	(120)	89	(74)
Employee compensation and benefits	**1,007**	973	34	3
Non-compensation expenses	**1,579**	893	686	77
Transformation costs	**1,130**	1,282	(152)	(12)
Amortization of acquired intangibles	**3,263**	–	3,263	n.m.
Operating expenses	**6,979**	3,148	3,831	122
Loss before income taxes – reported	**(7,010)**	(3,268)	(3,742)	115
Transformation costs	**1,130**	1,282	(152)	(12)
Amortization of acquired intangibles	**3,263**	–	3,263	n.m.
Loss before income taxes – adjusted	**(2,617)**	(1,986)	(631)	(32)
Interest	**189**	180	9	5
Adjusted EBITDA – Corporate	**(2,428)**	(1,806)	(622)	34

n.m. = not meaningful

Financial Performance

Q1 2021 vs. Q1 2020

Expenses

Expenses of $7.0 million in Q1 2021 included $4.4 million of adjusting items. Q1 2020 included $1.3 million of such items. Excluding these adjusting items from both quarters, Q1 2021 expenses were $2.6 million, up $0.7 million from the same period last year. The increase results from a mark-to-market loss on outstanding deferred share units in the current year compared with a gain last year.

Quarterly Results

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ending with Q1 2021.

The comparability of our financial results across quarters is limited primarily because we acquired full ownership interest of the Richardson Wealth business on October 20, 2020. Q1 2021 was the first quarter in which Richardson Wealth's financial results were consolidated for a full reporting period.

($000's, except as otherwise indicated)	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Investment management and fee income	**57,634**	42,427	–	–	–	–	–	–
Commissions	**13,018**	6,127	–	–	–	–	–	–
Investment banking and principal transactions	–	–	–	–	–	533	999	1,527
Interest	**4,573**	4,271	2,463	2,177	3,639	4,575	6,360	4,007
Other income	**8,437**	7,890	5,043	4,893	5,189	3,259	3,199	3,203
Revenue	**83,662**	60,715	7,506	7,070	8,828	8,367	10,558	8,737
Advisor variable compensation	**35,474**	23,726	–	–	–	–	–	–
Gross margin	**48,188**	36,989	7,506	7,070	8,828	8,367	10,558	8,737
Expenses	**56,073**	38,837	12,846	8,566	11,377	11,248	14,220	10,383
Share of loss of associate	–	(1,591)	(415)	(473)	114	603	587	137
Gain on investment in associate	–	45,734	–	–	–	–	–	–
(Loss) income before income taxes	**(7,885)**	42,295	(5,755)	(1,969)	(2,435)	(2,278)	(3,075)	(1,509)
Net (loss) income from continuing operations	**(7,475)**	39,992	(5,760)	(1,787)	(3,038)	(5,288)	(8,123)	(464)
Net (loss) income from discontinued operation	–	–	(217)	(564)	121	(3,175)	(17,284)	(3,345)
Net (loss) income	**(7,475)**	39,992	(5,977)	(2,351)	(2,917)	(8,463)	(25,407)	(3,809)
Net (loss) income per Common Share:								
Basic	**(0.13)**	0.52	(0.08)	(0.05)	(0.06)	(0.13)	(0.38)	(0.07)
Diluted	**(0.13)**	0.26	(0.08)	(0.05)	(0.06)	(0.13)	(0.38)	(0.07)
Adjusted Results:								
Operating expenses	**45,180**	33,651	8,945	8,457	10,095	11,184	11,730	10,158
Income before income taxes	**3,008**	1,747	(1,854)	(1,860)	(1,153)	(2,214)	(585)	(1,284)
Adjusted consolidated EBITDA	**12,118**	9,108	(1,510)	(1,473)	(762)	(1,930)	59	(443)
Net income (loss) from continuing operations	**1,066**	(1,242)	(2,076)	(2,242)	(1,635)	(8,399)	(14,886)	(3,584)

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of Q1.

As at ($000's)	March 31, 2021	December 31, 2020	Increase/ (decrease) $	%
Selected highlights:				
Total assets	**2,291,113**	2,119,919	171,194	8
Goodwill and intangible assets	**353,618**	356,881	(3,263)	100
Shareholders' equity	**371,416**	379,863	(8,447)	(2)
Term debt[1]	**109,494**	109,494	–	–
Net working capital	**95,758**	87,881	7,877	9

1. Includes subordinated bank debt, preferred share liability and net promissory loan payable.

Total assets increased by $171.2 million from last year. Most asset and liability categories are up due to the general growth of our business.

As we invest more in strategic initiatives over the coming quarters, we may prudently increase our long-term debt levels in order to fund these initiatives. The initiatives will create shareholder value and we will ensure that any increased leverage will not expose us to excessive financial risk.

Components of Debt

Debt is up year-over-year mainly because we began to consolidate the financial results of Richardson Wealth in Q1 2021.

	Three months ended March 31,	
($000's, except as otherwise indicated)	**2021**	2020
Subordinated bank debt	**67,000**	–
Promissory note (net)	**12,072**	18,053
Preferred share liability	**30,422**	–
	109,494	18,053
Ratios:		
Total debt/annualized consolidated adjusted EBITDA	**2.3**	n.m.
Annualized adjusted consolidated EBITDA/interest	**12.9**	n.m.

n.m. = not meaningful

The subordinated bank debt is unsecured, subject to regular scheduled repayment dates, and bears interest at the prime rate plus 2.5%. Promissory notes in the amount of $14.8 million are payable to employees of our former capital markets business, and are, in part, offset by promissory notes receivable in the amount of $2.8 million, for a net amount owing of $12.1 million. Both the promissory notes payable and receivable are due in September 2021.

Liquidity

Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations and future cash payments to shareholders. Management believes that our current working capital provides us with an appropriate level of liquidity for normal operating purposes and to manage through periods of financial stress.

Management and the Board continually assess our dividend policy, expense structure, and capital spending plans. If equity markets or other business conditions deteriorate, adversely impacting our expected cash flow, we will take swift action to preserve our liquidity position.

Other Credit Facilities

We supplement the liquidity provided by our working capital with access to a variety of other cost effective, short-term funding sources. These credit facilities are available solely for the purpose of facilitating the day-to-day securities settlement process, primarily for client transactions.

	Three months ended March 31,	
($ millions)	**2021**	2020
Credit facilities	**401.5**	651.8

Management considers the current level of credit, after the reduction, to be sufficient since we no longer have a capital markets business and are focused on wealth management.

Liquid Assets

We hold our cash and short-term investments with several financial institutions, all of which have high credit ratings. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

We also hold government securities that factor into our working capital balance. These securities are classified as inventory on our balance sheet. We consider them to be liquid assets and they form an important part of our overall liquidity risk management framework.

Subsidiary Capital Requirements

Certain of our subsidiaries are subject to regulatory capital requirements which are designed to assess the sufficiency of their liquidity position and provide notice to the relevant regulatory authority of possible concerns. Regulatory capital levels, which fluctuate based on margin requirements for outstanding trades and other factors, were in compliance with all regulatory requirements during the first quarter of 2021.

Updated Share Information

At May 7, 2021, we had 159.4 million common shares issued and outstanding. In addition, there were 375 thousand unexercised stock options outstanding, with a weighted average exercise price of $5.40 per share.

We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding. On March 31, 2021, 1.0 million Series C preferred shares automatically converted into Series B shares as a result of preferred shareholder conversion rights. The results of that conversion were press released on March 18, 2021. The Series B preferred shares pay dividends at a fixed annual rate of 3.73%.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by us, (b) key management personnel, who are comprised of our directors and/or officers, including those entities that are controlled (directly or indirectly) by key management personnel, and (c) any persons having authority and responsibility for planning, directing and controlling the Company's activities.

For further information on Related-Party Transactions, please refer to Note 14 to the 2020 Annual Financial Statements.

Critical Accounting Policies and Estimates

Our significant accounting policies are essential to an understanding of our reported results of operations and financial position. Accounting policies applied by us in the Q1 2021 interim consolidated financial statements are the same as those applied by us as at and for the year ended December 31, 2020. Please refer to Note 2 to the interim consolidated financial statements for further discussion.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments, or the types of financial instruments employed in its trading and non-trading activities during the first three months of 2021.

For significant assumptions made in determining the valuation of financial and other instruments, refer to the “Critical Accounting Policies and Estimates” section in the 2020 Annual MD&A.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions to be made regarding required public disclosure. As of March 31, 2021, Management evaluated the design of disclosure controls and procedures as defined under *National Instrument 52-109.* Based on the evaluation, the CEO and CFO concluded that the design of disclosure controls and procedures was effective.

Changes in Internal Control over Financial Reporting

To the best of the knowledge and belief of our CEO and CFO, no changes were made in our internal control over financial reporting during the first three months of 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management concluded that our internal control over financial reporting was effective as of March 31, 2021.

Risk Management

The financial services industry is, by its nature, subject to numerous and substantial risks, particularly in volatile, uncertain, or illiquid markets.

We have a robust, effective, and continuously evolving enterprise-wide risk management framework designed to address nine core risks identified by us.

This framework ensures that risks impacting our business are identified, classified, assessed, and managed in the best interests of our stakeholders and are communicated to senior Management and the Board in a timely manner.

Our Board sets risk management direction including the overall risk appetite and tolerance. Senior Management is accountable for effectively managing areas of significant risk. Risk oversight and monitoring ensures governance and risk management effectiveness.

We view our approach to risk management as a key differentiator. Effective risk management is an essential asset that, when managed proactively using qualitative and quantitative measures of evaluation, creates opportunities to recapture and increase stakeholder value.

Risk Factors

For a description of risk factors, please see Note 26 "*Financial Risk Management*" to the 2020 Annual Financial Statements and "*Risk Factors*" in our AIF dated March 4, 2021, which can be found under our profile on SEDAR at *www.sedar.com*.

Presentation of Financial Information and Non-GAAP Measures

Unless otherwise specified herein, financial results, including related historical comparatives, contained in this MD&A are based on our First Quarter 2021 Financial Statements, which have been prepared by Management in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is our functional and reporting currency for purposes of preparing our consolidated financial statements.

Non-GAAP Measures

We use a variety of measures to assess our performance. In addition to GAAP prescribed measures, we use certain non-GAAP measures that we believe provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP measures often do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP measures are reported in addition to and should not be considered as alternatives or a substitute to net income or comparable metrics determined in accordance with IFRS as indicators of our performance, liquidity, cash flows and profitability.

The primary non-GAAP financial measures used in this MD&A are:

Assets Under Administration

Assets under administration (AUA) is a non-GAAP financial measure of client assets that is common to the wealth management business. AUA represents the market value of client assets managed and administered by us from which we earn commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Our method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies.

EBITDA and Adjusted EBITDA

EBITDA is used to evaluate core operating performance by adjusting net income to exclude:

- Interest expense recorded primarily in connection with term debt;
- Income tax expense (benefit);
- Depreciation and amortization expense recorded primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and
- Loan amortization in connection with investment advisor transition and loan programs. We view these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by Management upfront when the loan is provided rather than over its term.

The use of EBITDA is common in the wealth management industry. We believe adjusted EBITDA provides a more accurate measure of our core operating results, a facilitator for enterprise valuation, and a proxy for operating cash flow.

Adjusted Operating Expense Ratio

This ratio is determined by dividing adjusted operating expenses, which exclude the impact of certain unusual specified items from reported operating expenses, by gross margin. We use this ratio to measure the efficient use of adjusted operating expenses to generate one dollar of gross margin.

Adjusted Results

In periods that we determine non-recurring or unusual specified items have a significant impact on a user's assessment of ongoing business performance, we may present adjusted results in addition to reported results by removing the non-recurring or unusual items from the reported results. The adjusting items are considered by Management to be outside of our core operating performance. We believe that adjusted results, if any, can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how Management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers.

Adjusting items in Q1 2021 and Q1 2020 include the following, by reporting segment:

Wealth Management:

- *Transformation costs:* provisions in connection with the ongoing transformation of our business and organizational structure.
- *Share-based compensation costs:* for first quarter 2020, share-based compensation recorded in connection with certain non-cash awards granted to employees and investment advisors. This amount is included in the compensation expense line on our income statement. There was no adjustment for Q1 2021.

Corporate:

- *Transformation costs:* incremental professional and advisory fees in connection with the acquisition of Richardson Wealth and the development of our go-forward strategy.
- *Amortization of acquired intangible assets:* amortization for intangible assets created on the acquisition of Richardson Wealth.

All of the adjusting items affect reported expenses. The following table overlays the pre-tax impact of $10.9 million of adjusting expense items on operating expenses and provides a reconciliation of our reported operating expenses to adjusted operating expenses for the periods presented.

	Three months ended March 31,	
	2021	2020
Total consolidated operating expenses – reported	**56,073**	11,377
Transformation costs	**7,630**	1,282
Amortization of acquired intangibles	**3,263**	–
	10,893	1,282
Total consolidated operating expenses – adjusted	**45,180**	10,095

The following table provides a reconciliation of our reported results to adjusted consolidated EBITDA for the periods presented.

	Three months ended March 31,	
($000's)	**2021**	2020
Loss before income taxes – reported	**(7,885)**	(2,435)
Advisor loan amortization	**4,938**	–
Interest[1]	**1,353**	263
Depreciation and amortization	**6,082**	128
Consolidated EBITDA – reported	**4,488**	(2,044)
Transformation costs	**7,630**	1,282
Adjusted consolidated EBITDA	**12,118**	(762)

1. Excludes interest expense from Stock Borrow/Lend business of $0.6 million and $2.9 million in Q1 2021 and Q1 2020, respectively.

The following table overlays the after-tax impact of $8.5 million ($10.9 million pre-tax) of adjusting expenses items on reported net loss and provides a reconciliation of our reported results to adjusted net income for the periods presented.

	Three months ended March 31,	
($000's)	**2021**	2020
Net loss – reported	**(7,475)**	(2,917)
After-tax adjusting items:		
Transformation costs	**6,143**	1,282
Amortization of acquired intangibles	**2,398**	–
Adjusted net income	**1,066**	(1,635)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

($ thousands) As at	Note	March 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		**614,026**	556,245
Securities owned	4, 15	**64,115**	70,322
Receivable from:			
Clients		**539,986**	455,166
Brokers	6	**104,601**	128,273
Client funds held in trust		**477,007**	409,648
Promissory note receivable		**2,754**	2,754
Employee and other loans receivable	7	**62,662**	67,475
Equipment and leasehold improvements		**15,564**	13,587
Right-of-use assets		**20,041**	24,234
Other assets	5	**14,237**	12,810
Deferred tax assets		**22,502**	22,524
Goodwill and intangible assets	8	**353,618**	356,881
		2,291,113	2,119,919
LIABILITIES			
Obligations related to securities sold short	4, 15	**14,106**	15,320
Lease liabilities		**22,890**	25,414
Payable to:			
Clients		**1,343,020**	1,183,572
Brokers	6	**276,726**	264,857
Issuer		**17,189**	1,114
Accounts payable and accrued liabilities		**55,148**	64,888
Other liabilities		**2,460**	2,112
Provisions	10	**25,653**	19,410
Promissory note liability		**14,826**	14,826
Deferred tax liability		**50,257**	51,121
Subordinated debt and preferred shares	12	**97,422**	97,422
		1,919,697	1,740,056
EQUITY			
Shareholders' equity	9	**371,416**	379,863
		2,291,113	2,119,919

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald A. Wright
Chair of the Board

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS

($ thousands)	Note	Three months ended March 31, 2021	2020
REVENUE			
Investment management and fee income		**57,634**	–
Commissions		**13,018**	–
Interest		**4,573**	3,639
Other income	11	**8,437**	5,189
TOTAL REVENUE	3	**83,662**	8,828
Variable advisor compensation		**35,474**	–
GROSS MARGIN		**48,188**	8,828
OPERATING EXPENSES			
Employee compensation and benefits		**20,226**	3,041
Selling, general and administrative		**15,264**	3,781
Advisor loan amortization		**4,938**	–
Transformation costs		**7,630**	1,282
Interest		**1,933**	3,145
Depreciation and amortization		**6,082**	128
		56,073	11,377
Share of net income of associate		**–**	114
Loss before income taxes from continuing operations		**(7,885)**	(2,435)
Income tax expense (recovery)			
Current		**433**	603
Deferred		**(843)**	–
		(410)	603
Net loss from continuing operations		**(7,475)**	(3,038)
Net income from discontinued operations		**–**	121
Net loss		**(7,475)**	(2,917)
Weighted-average number of common shares outstanding (in thousands):			
Basic	14	**65,776**	73,064
Diluted		**159,380**	75,434
Net loss per common share (dollars) from continuing operations:			
Basic	14	**(0.13)**	(0.06)
Diluted		**(0.13)**	(0.06)
Net loss per common share (dollars):			
Basic	14	**(0.13)**	(0.06)
Diluted		**(0.13)**	(0.06)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

($ thousands)	Three months ended March 31, 2021	2020
Net loss	**(7,475)**	(2,917)
Other comprehensive income:		
Item that may be subsequently reclassified to net income:		
Foreign currency translation gain	–	673
Total other comprehensive income	–	673
Total comprehensive loss	**(7,475)**	(2,244)
Total comprehensive income (loss) attributable to shareholders		
Continuing operations	**(7,475)**	(2,365)
Discontinued operations	–	121

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands)	Preferred shares #	Preferred shares $	Common shares #	Common shares $	Deferred share-based awards $	Contributed surplus $	Accumulated other comprehensive income $	Accumulated deficit $	Shareholders' equity $
Balance, December 31, 2019	4,600	112,263	74,162	325,810	(5,525)	45,273	8,287	(283,248)	202,860
Net foreign currency translation gain	–	–	–	–	–	–	365	–	365
Share-based compensation	–	–	–	–	5,525	(5,513)	–	(44)	(32)
Common shares purchased through substantial issuer bid	–	–	(16,529)	(49,178)	–	–	9,178	–	(40,000)
Common shares issued for RGMP Transaction	–	–	100,518	193,999	–	–	–	–	193,999
Common shares forfeited	–	–	(43)	(216)	–	216	–	–	–
Common share dividends	–	–	–	–	–	–	–	(1,886)	(1,886)
Preferred share dividends	–	–	–	–	–	–	–	(4,190)	(4,190)
Net income	–	–	–	–	–	–	–	28,747	28,747
Balance, December 31, 2020	4,600	112,263	158,108	470,415	–	39,976	17,830	(260,621)	379,863
Share-based compensation	–	–	–	–	–	**21**	–	–	**21**
Preferred share dividends	–	–	–	–	–	–	–	**(993)**	**(993)**
Net loss	–	–	–	–	–	–	–	**(7,475)**	**(7,475)**
Balance, March 31, 2021	**4,600**	**112,263**	**158,108**	**470,415**	–	**39,997**	**17,830**	**(269,089)**	**371,416**

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ thousands)	Note	Three months ended March 31, 2021	2020
OPERATING ACTIVITIES			
Net loss		**(7,475)**	(2,917)
Add (deduct) items not involving cash:			
Depreciation and amortization		**6,082**	128
Deferred income taxes		**(843)**	–
Accretion of lease liability expense		**221**	–
Advisor loan amortization		**4,938**	–
Share of net income of associate		**–**	(114)
		2,923	(2,903)
Net change in non-cash operating items	13	**60,682**	194,781
Cash provided by operating activities		**63,605**	191,878
FINANCING ACTIVITIES			
Dividends paid on common shares		**–**	(1,886)
Dividends paid on preferred shares		**(993)**	(1,097)
Principal elements of lease payments		**(1,888)**	(281)
Cash used in financing activities		**(2,881)**	(3,264)
INVESTING ACTIVITIES			
Common share dividend received from associate		**–**	698
Equipment and leasehold improvements		**(2,943)**	–
Cash (used in) provided by investing activities		**(2,943)**	698
Effect of foreign exchange on cash balances		**–**	703
Net increase in cash and cash equivalents		**57,781**	190,015
Cash and cash equivalents, beginning of period		**556,245**	516,601
Cash and cash equivalents, end of period		**614,026**	706,616
Supplemental cash flow information			
Interest paid		**1,927**	3,725
Interest received		**4,406**	3,707
Taxes (paid) received		**(641)**	522

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements

Note 1 – Basis of Preparation

a. Basis of Presentation

These unaudited interim condensed consolidated financial statements (consolidated financial statements) of RF Capital Group Inc. (the Company), formerly GMP Capital Inc., have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are presented in compliance with International Accounting Standard 34, Interim Financial Reporting. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed.

These consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2020 (2020 Annual Financial Statements). All defined terms used herein are consistent with those terms as defined in the 2020 Annual Financial Statements. Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

On October 20, 2020, the Company completed the acquisition of all the common shares of Richardson Wealth Limited (Richardson Wealth) that were not previously owned by the Company (the RGMP Transaction). Richardson Wealth's results were accounted for using the equity method prior to the RGMP Transaction and consolidated thereafter. The Company has a period of one year to complete the business combination accounting.

Commencing first quarter 2021 and going forward, we will present gross margin on our statement of income (loss). The Company uses gross margin, which is calculated as gross revenue less variable advisor compensation, as a measure of the operating results of the Wealth Management segment and the Richardson Wealth business. Gross margin deducts from revenue that accrues to the company the advisor payments that are directly linked to revenue. As a result, operating expenses will no longer include variable advisor compensation. Operating expenses for the stub period (October 20, 2020 to December 31, 2020) following the RGMP Transaction, have been reclassified to conform with our 2021 presentation. Prior to its acquisition, the results of Richardson Wealth were accounted for using the equity method and, as such, these presentation changes do not affect our prior year financial statement presentation for the period from January 1, 2020 to October 19, 2020.

Also commencing first quarter 2021, the Company is reporting its results on the basis of two operating segments, down from three in prior periods. The results of the securities clearing business are now included in the Wealth Management segment, along with those of Richardson Wealth, because these operations are run as a unified wealth management business. The second segment is Corporate and includes certain corporate support functions and the costs associated with operating a public company.

Operating results in the prior periods have been realigned in this same manner for comparison purposes.

These consolidated financial statements were authorized for issuance by the Company's board of directors (Board of Directors) on May 7, 2021.

b. Principles of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries, after the elimination of intercompany transactions and balances.

Note 2 – Significant Accounting Policies

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's 2020 Annual Financial Statements. There were no new accounting standards adopted by the Company effective as at January 1, 2021.

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

Note 3 – Revenue from Contracts with Customers

The following table presents disaggregated revenue information for each of the Company's reportable segments for the period ended March 31, 2021 and 2020.

	Wealth Management		Corporate		Total	
	2021	2020	**2021**	2020	**2021**	2020
Investment management and fee income	**57,634**	–	**–**	–	**57,634**	–
Commissions	**13,018**	–	**–**	–	**13,018**	–
Other income	**3,027**	2,887	**–**	–	**3,027**	2,887
Revenue – contracts with customers	**73,679**	2,887	**–**	–	**73,679**	2,887
Timing						
Point in time	**13,018**	–	**–**	–	**13,018**	–
Over time	**60,661**	2,887	**–**	–	**60,661**	2,887
Other revenue	**10,014**	6,061	**(31)**	(120)	**9,983**	5,941
Total revenue	**83,693**	8,948	**(31)**	(120)	**83,662**	8,828

Note 4 – Securities Owned and Obligations Related to Securities Sold Short

The following table presents a breakdown of the Company's securities owned and obligations related to securities sold short as at March 31, 2021 and December 31, 2020.

	2021		2020	
	Securities owned	**Securities sold short**	Securities owned	Securities sold short
Debt securities:				
Canadian and U.S. federal governments	**37,238**	**9,037**	37,296	11,851
Canadian provincial and municipal governments	**7,731**	**2,331**	10,688	590
Corporate and other	**15,606**	**2,738**	19,660	2,879
Equity securities	**2,245**	**–**	1,528	–
Derivative financial instruments	**1,295**	**–**	1,150	–
	64,115	**14,106**	70,322	15,320

As at March 31, 2021, the Company had $26,931 in securities pledged as collateral to central clearing agencies and custodians, compared to $17,630 at December 31, 2020.

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

Note 5 – Other Assets

The following table presents a breakdown of the Company's other assets as at March 31, 2021 and December 31, 2020.

	2021	2020
Accounts receivable	6,838	5,804
Finance lease receivable	1,279	1,284
Prepaid deposits and other	6,120	5,722
	14,237	12,810

Note 6 – Securities Borrowed and Lent

The following table presents a breakdown of the Company's securities borrowed and lent and the corresponding cash delivered and received as collateral, respectively.

	Borrowed		Lent	
	Cash delivered as collateral	Securities borrowed	Cash received as collateral	Securities lent
As at March 31, 2021	47,572	48,229	124,760	125,406
As at December 31, 2020	69,836	68,342	157,428	152,750

Note 7 – Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at March 31, 2021 and December 31, 2020.

	2021	2020
Investment advisor loans	53,765	58,470
Transition agreement for retirees	2,495	2,141
Other loans	6,402	6,864
	62,662	67,475

Investment advisor loans

Richardson Wealth advances interest-free funds to new investment advisors upon commencement of their employment. Upon the satisfaction of certain conditions over a pre-specified term, Richardson Wealth is obligated to i) pay cash bonuses to the investment advisors of an amount sufficient to repay 100% of the total loans or ii) forgive the loan over a pre-specified term on each applicable anniversary date. The Company records a reduction in the loan as advisor loan amortization over the term of such loan.

For the period ended March 31, 2021, the Company recorded advisor loan amortization of $4,938 (2020 – nil) and a corresponding reduction to loans outstanding.

Note 8 – Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets.

	Goodwill	Intangibles	Total
Cost			
Balance at January 1	163,971	195,500	359,471
Assets acquired	–	–	–
Cost at March 31, 2021	163,971	195,500	359,471
Accumulated amortization			
Balance at January 1	–	2,590	2,590
Amortization	–	3,263	3,263
Accumulated amortization at March 31, 2021	–	5,853	5,853
Net book value at March 31, 2021	163,971	189,647	353,618
Net book values:			
At January 1, 2021	163,971	192,910	356,881
At March 31, 2021	163,971	189,647	353,618

Goodwill and finite life intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth.

Goodwill is tested for impairment annually on December 31 and more frequently if events or circumstances indicate that it may be impaired. The Company's finite life intangible assets are tested for impairment only in the event indicators of impairment exist. As at March 31, 2021, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Note 9 – Share Capital

On March 31, 2021, all Series C Shares automatically converted to Series B Shares on the basis of one Series B Share for each Series C Share. On March 18, 2021, the Company announced that after having taken into account all election notices received in respect of the Cumulative 5-Year Rate Reset Preferred Shares, Series B (the Series B Shares) and the Cumulative Floating Rate Preferred Shares, Series C (the Series C Shares), if the Company were to give effect to such notices there would be only 905,752 Series C Shares outstanding after the conversation date of March 31, 2021 (the Conversion Date).

The terms of the Series C Shares provided that all remaining outstanding Series C Shares would automatically convert into Series B Shares, on a one-for-one basis, on the Conversion Date, if there would remain outstanding on the Conversion Date fewer than one million Series C Shares, after taking into account all election notices at the close of business on March 16, 2021.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend ($ thousands)
March 31, 2021	0.225700	0.181788	993

On May 7, 2021, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share payable on June 30, 2021, to preferred shareholders of record on June 15, 2021.

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

Note 10 – Provisions

Provisions

The Company recognizes provisions when it is probable that it has a legal or constructive obligation arising from a past event which will result in an outflow that can be reliably estimated. The Company assesses the adequacy of its provisions, if any, at each reporting period. A summary of the Company's provisions as at March 31, 2021 and the changes during the period are as follows:

	Transformation and Legal Provisions
Balance, January 1, 2021	**19,410**
Additions[1]	**6,743**
Payments	**(500)**
Balance, March 31, 2021	**25,653**

1. Included in Additions are $4,108 relating to key management personnel.

Note 11 – Other Income

The following table presents a breakdown of the Company's other income for the three months ended March 31, 2021 and 2020.

	2021	2020
Brokerage services	**754**	2,856
Foreign exchange	**2,153**	1,664
Other[1]	**5,530**	669
	8,437	5,189

1. Included in Other is insurance and private client capital markets commissions as well as certain other income.

Note 12 – Subordinate Debt and Preferred Shares

The following table presents a breakdown of the Company's debt obligations as at March 31, 2021 and December 31, 2020.

	2021	2020
Syndicate of schedule I and II chartered banks	**67,000**	67,000
Preferred Shares	**30,422**	30,422
	97,422	97,422

The Company also borrows money primarily to facilitate the securities settlement process for both client and proprietary transactions. During the first quarter, credit facilities with Schedule I Canadian chartered banks were reduced by $250.3 million from $651.8 million at December 31, 2020 to $401.5 million at March 31, 2021. The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rates. The Company had no amounts outstanding under any of these facilities.

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

Note 13 – Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items.

	2021	2020
Securities owned	6,207	2,762
Receivable from clients and brokers	(61,148)	(128,087)
Client funds held in trust	(67,359)	61,095
Employee and other loans receivable	(125)	79
Other assets	78	(181,222)
Obligations related to securities sold short	(1,214)	4,535
Payable to clients, brokers and issuers	187,392	439,805
Accounts payable and accrued liabilities	(9,740)	(5,696)
Other liabilities	348	1,868
Provisions	6,243	(358)
	60,682	194,781

Note 14 – Net Loss Per Common Share

Net loss per common share consists of the following:

	Three months ended March 31,	
	2021	2020
Net loss from continuing operations	(7,475)	(3,038)
Less: Dividends on Preferred Shares	(993)	(1,097)
Net loss from continuing operations attributable to common shareholders	(8,468)	(4,135)
Net income from discontinued operation	–	121
Net loss attributable to common shareholders	(8,468)	(4,014)
Weighted-average number of common shares outstanding:		
Basic		
Common shares	159,380	75,434
Common shares pledged	(1,866)	–
Common shares held by the SIP Trust	(1,272)	(1,272)
Contingently returnable common shares held in escrow	(90,466)	(1,098)
	65,776	73,064
Diluted		
Dilutive effect of common shares pledged	1,866	–
Dilutive effect of shares held by the SIP Trust	1,272	1,272
Dilutive effect of contingently returnable common shares held in escrow	90,466	1,098
	159,380	75,434
Net loss per common share – Basic[1]	$(0.13)	$(0.06)
Net loss per common share – Diluted[1, 2]	$(0.13)	$(0.06)

1. Basic and dilutive net loss per common share for discontinued operations are not significant.
2. In the case of a net loss, the impact of the shares pledged and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will be not be dilutive, therefore basic and diluted net loss per common share will be the same.

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

Note 15 – Financial Assets and Liabilities

Financial Instruments – Fair Value Hierarchy

IFRS 13, *Fair Value Measurement*, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs into the valuation of a financial asset or financial liability as of the measurement date.

The fair value hierarchy has the following levels:

Level 1. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange. They also include debt and money market securities that are priced using aggregated trade data or reference prices based on yield, maturity and risk rating. The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 equities are valued using last trade price or reference points based on recent offerings or financings.

Level 3. Level 3 equities are broker warrants that are valued using an internal model that uses observable data of the underlying security. The inputs for valuing the asset or liability are not based on observable market data.

The objective of these valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by arm's length market participants.

The following tables present the level within the fair value hierarchy of the Company's financial assets and liabilities carried at fair value:

As at March 31, 2021	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,615	1,623	–	37,238
Provincial and municipal governments	–	7,731	–	7,731
Corporate and other	–	15,606	–	15,606
Equity securities	2,241	4	–	2,245
Derivative financial assets	–	–	1,295	1,295
Financial assets carried at fair value	37,856	24,964	1,295	64,115
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	–	9,037	–	9,037
Provincial and municipal governments	–	2,331	–	2,331
Corporate and other	–	2,738	–	2,738
Financial liabilities carried at fair value	–	14,106	–	14,106

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

As at December 31, 2020	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and US federal governments	35,481	1,815	–	37,296
Provincial and municipal governments	–	10,688	–	10,688
Corporate and other	–	19,660	–	19,660
Equity securities	1,528	–	–	1,528
Derivative financial assets	–	–	1,150	1,150
Financial assets carried at fair value	37,009	32,163	1,150	70,322
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and US federal governments	90	11,761	–	11,851
Provincial and municipal governments	–	590	–	590
Corporate debt and other	–	2,879	–	2,879
Financial liabilities carried at fair value	90	15,230	–	15,320

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy.

	Level 3 fair value
Balance as at January 1, 2021	**1,150**
Net unrealized gain before income taxes on broker warrants	**145**
Balance, March 31, 2021	**1,295**

Capital Management

The Company requires capital to fund its existing and future operations, dividends, and investments in strategic initiatives. The capital of the Company's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and the need to comply with regulatory capital requirements.

Note 16 – Update on COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, which resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruption to businesses globally and led to considerable stress in global equity markets in the early days of the pandemic. The duration and impact of the COVID-19 outbreak is currently unknown, and the strength of the ultimate economic recovery will depend on the speed at which vaccines can be administered on a mass scale. It is not possible to reliably estimate the trajectory of the recovery or the impact on the financial results and condition of the Company in future periods.

Three months ended March 31, 2021 ($ thousands, except share and per share amounts)

Note 17 – Segmented Information

Wealth Management

The Wealth Management segment consists of the Company's wealth management distribution, asset management and carrying broker businesses.

Corporate

The Corporate segment is comprised of certain corporate functions. Amortization of intangibles acquired as a result of the RGMP Transaction is included in the Corporate segment.

The following table presents selected financial results of the Company's continuing operations by segment for the three months ended March 31, 2021 and 2020.

	Wealth Management		Corporate		Total	
	2021	2020	**2021**	2020	**2021**	2020
Revenue	**83,693**	8,948	**(31)**	(120)	**83,662**	8,828
Variable advisor compensation	**35,474**	–	**–**	–	**35,474**	–
Gross margin	**48,219**	8,948	**(31)**	(120)	**48,188**	8,828
Operating expenses						
Employee compensation and benefits	**19,219**	2,068	**1,007**	973	**20,226**	3,041
Selling, general and administrative	**13,874**	3,068	**1,390**	713	**15,264**	3,781
Advisor loan amortization	**4,938**	–	**–**	–	**4,938**	–
Transformation costs	**6,500**	–	**1,130**	1,282	**7,630**	1,282
Interest	**1,744**	2,965	**189**	180	**1,933**	3,145
Depreciation and amortization[1]	**2,819**	128	**3,263**	–	**6,082**	128
	49,094	8,229	**6,979**	3,148	**56,073**	11,377
Share of net income of associate	**–**	114	**–**	–	**–**	114
Income (loss) before income taxes	**(875)**	833	**(7,010)**	(3,268)	**(7,885)**	(2,435)

1. Amortization of $3,263 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.

Shareholder Information

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Regulatory Filings

Canadian Securities Administrators
Website: *sedar.com*

Independent Auditors

KPMG LLP

Legal Counsel

Goodmans LLP

Fiscal Year-End

December 31

Website

rfcapgroup.com

Virtual Annual and Special Meeting of Common Shareholders

May 26, 2021, at 10 a.m. (EST)

Stock Exchange Listings

STOCK	LISTING	TICKER	CUSIP
Common Shares	Toronto Stock Exchange	RCG	74971G104
Preferred Shares, Series B	Toronto Stock Exchange	RCG.PR.B	74971G203

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