

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN U.S. EQUITY SELECT FUND

DECEMBER 31, 2022

This annual management report of fund performance contains financial highlights, but does not contain either the annual financial report or annual financial statements of the investment fund. You can obtain a copy of the annual financial report or annual financial statements at your request, and at no cost, by calling 1-866-383-6546, by writing to us at Guardian Capital LP, Commerce Court West, 199 Bay Street, Suite 2700, P.O. Box 201, Toronto, Ontario, M5L 1E8, or by visiting our website at [www.guardiancapital.com/investmentsolutions](http://www.guardiancapital.com/investmentsolutions) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The primary objective of Guardian U.S. Equity Select Fund (the “Fund”) is the achievement of a high level of stable income, with an attractive total return, by investing primarily in U.S. dividend-paying equity securities and income trust units. The Fund invests primarily in securities of mid- to large-size U.S. companies that have a track record of paying and growing dividends. The Fund is broadly diversified by sector and seeks a dividend yield that is competitive with the market, normally holding between 15 and 30 issuers.

### Risk

The risks associated with investing in the Fund remain as discussed in the prospectus. The Fund may be suitable for investors with a medium tolerance for risk, particularly those who seek a core U.S. equity holding with a medium to long-term investment horizon.

### Results of Operations

*(This commentary is based on the performance of Series I units of the Fund.)*

The Fund’s net asset value decreased by 13% to \$57.4 million at December 31, 2022 from \$66.2 million at December 31, 2021. Of this change, a decrease of \$1.9 million was due to investment performance and a decrease of \$6.9 million was attributable to net redemptions.

Series I units of the Fund posted a return of -0.8% for the year. The Fund’s benchmark, the S&P 500 Index (Net C\$), returned 12.2% for the same period. The Fund’s return is after the deduction of expenses, unlike the benchmark’s return.

The Russian invasion of Ukraine impacted the Fund in several ways. Fund holdings, such as McDonald’s and Pepsi, were negatively impacted by virtue of having a moderate proportion of operations suddenly stranded within Russia, while defense contractor, Raytheon Technologies, benefited from invigorated demand for

military equipment. The COVID-19 lockdowns in China caused component supply shortages for medical devices manufacturer, Baxter, and reduced consumer demand for Apple and Starbucks, all Fund holdings. Interest rate increases from the U.S. Federal Reserve provided the opportunity for higher investment yields for Fund holdings Aflac and American Express.

The Fund’s aggregate attributes of above-average quality, as measured by return on capital, and inexpensive valuation, as measured by a lower price to normalized earnings valuation versus the benchmark, buffered Fund performance in a weak year for the Canadian equity markets in 2022. Stock selection in the Information Technology sector was beneficial, as Apple, Texas Instruments, Mastercard and Roper Technologies all meaningfully outperformed both the broader benchmark and also the Information Technology sector. The Fund’s focus on reasonably valued, dividend growing stocks led it to avoid many of the more highly valued, non-dividend paying stocks, which had led the US market rally in recent years before coming under considerable pressure in 2022.

The Fund has a “value” and dividend tilt to its complexion, with the weighted average valuation of its constituent holdings at a discount to the benchmark. This was beneficial in 2022, a year in which “value” and dividend strategies materially outperformed the broader S&P 500 Index. The Fund benefitted from not having holdings in the Real Estate sector, a group which underperformed the benchmark in 2022 by more than 10%. Negative contributors to Fund performance were the holdings, such as NIKE and Walt Disney, with significant business exposure to China. The COVID-19 lockdowns in China had a materially negative impact on profits for these holdings during 2022, with both of these stocks underperforming the S&P 500 benchmark by more than 10%.

Energy producer, Chevron, was the largest contributor to Fund performance, profiting as oil and natural gas prices rose in response to a supply crisis in Europe. Supplemental health insurance provider, Aflac, gained as the Japanese economy reopened for business and rising interest rates created better future returns for their investment portfolio. Another positive contributor was defense contractor, Raytheon Technologies, rose

in price as the outlook for national defense budgets grew in response to the Russian invasion of Ukraine.

Detracting from Fund performance was the holding in Walt Disney, which fell steadily over 2022, as content spending on Disney+ grew, while film, cruise and hotel operations remain crimped by COVID-19 constraints in many countries. Also detracting from performance was medical products company, Baxter, which also declined as components remain in short supply, hospital procedures met delays due to staffing issues, and contractual obligations to customers delay the price increases required to offset inflation. Global athletic leader NIKE declined as lockdowns in China severely reduced demand in this important region, and slowing domestic consumption created inventory overhangs across US operations as 2022 progressed.

One new position was initiated over 2022, that being the addition of globally recognized coffee chain Starbucks, at mid-year. Employee unrest and a sustained work-from-home trend is negatively impacting operations and prompted turnover in executive ranks at Starbucks, creating a compelling pullback in the shares to an opportune investment juncture in this high quality dividend grower. The addition of Starbucks was beneficial to Fund performance over the remainder of 2022. To fund the purchase, the Fund's holding in artificial hip and knee leader, ZimmerBiomet, was eliminated, as a new management team placed a lower priority on dividend growth given more pressing operational matters.

At year end, the Fund was overweight the Industrials sector, a reflection of numerous investment opportunities available in high quality dividend growing companies within this group. The Fund was underweight both the Materials and Health Care sectors, having reduced its holding in leading health insurance provider UnitedHealth during the year after substantial outperformance pushed valuation levels notably higher. Both the Materials and Health Care sector house a number of high quality dividend stocks that are actively monitored by the Manager for future investment consideration.

The Manager integrates ESG considerations into its investment analysis and stewardship activities with the objective of enhancing long-term investment

performance. Active engagement and proxy voting are a core part of the Manager's stewardship approach, and the Fund's investment team participates in these activities in a manner suitable to the asset class and Fund. Our investment teams focus on ESG and other issues which they believe could be financially material and/or impact the long-term sustainability of the company. The consideration of ESG issues is one of a number of elements in the portfolio construction process and, may or may not have a material influence on portfolio composition at any given time. For more information, the Manager posts its annual proxy voting activities and an annual Responsible Investing report on its website: <https://www.guardiancapital.com/investmentsolutions/>

## Recent Developments

The reopening of the Chinese economy in late 2022, with the removal of quarantine measures, offers the potential to be a highly influential factor across equity markets in 2023. Several Fund holdings, such as NIKE, Starbucks and Apple, stand to capitalize on a resumption in shopping from Chinese nationals both locally and abroad, while Fund holdings, such as Baxter, would benefit from reduced bottlenecks in both demand and supply of components from China. A possible offset might come from higher interest rates in the United States that appears to be curtailing housing demand and straining personal and corporate balance sheets, possibly generating headwinds to Fund holdings in the Financials sector, such as JPMorgan Chase and American Express. As a counter to these uncertainties set to manifest over the course of 2023, as ever the Fund remains positioned in a diversified mix of high quality companies with excellent dividend attributes trading at an attractive overall valuation.

## Related Party Transactions

Guardian Capital LP, the Manager of the Fund, is considered to be a "related party" of the Fund. The Manager is responsible for the day-to-day operations of the Fund and also acts as the portfolio manager, managing the investment portfolio of the Fund. These services are in the normal course of operations and the Fund pays a management fee to the Manager

services, as detailed in the Management Fees section below. The Manager also receives an Administration Fee from the Fund, amounting to 0.18% of the average daily net asset value of the Fund, in return for the payment by the Manager of all the variable operating expenses of the Fund. The Independent Review Committee ("IRC") has approved the Manager's Policy for this item, and the Manager relies on this approval as a standing instruction from the IRC. The Manager received the Administration Fee and paid Fund expenses in accordance with this Policy during the period. The Manager is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.

The Fund may invest some of its available short-term cash in units of Guardian Canadian Short-Term Investment Fund, another investment fund managed by Guardian Capital LP and a related issuer, which invests its assets in high-quality short-term fixed-income securities. As at December 31, 2022, the Fund had invested \$87,186 or 0.2% of its net assets, in units of the Guardian Canadian Short-Term Investment Fund. With respect to investments in related issuers, the Manager has relied on the approval that it has received from the IRC. The approval requires the Manager to comply with its current policy and procedures regarding investments in related issuers and to report periodically to the IRC. The Manager will not duplicate management fees paid to an underlying fund that is a related issuer.

## **Management Fees**

No management fees are payable or collected for Series I units of the Fund.

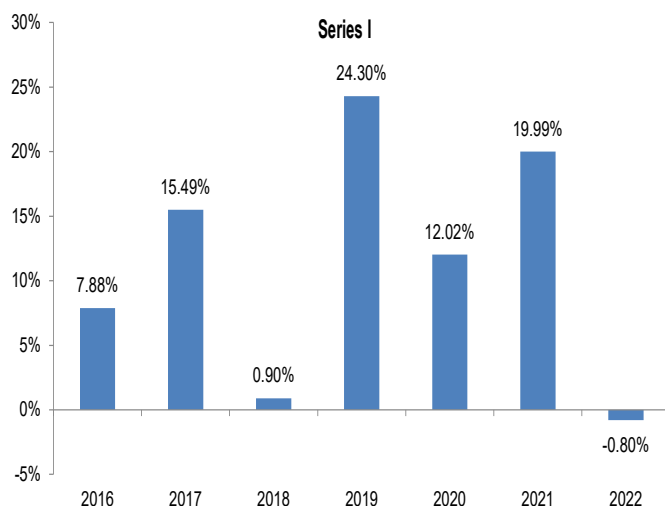
## Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. This performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance of the Fund does not necessarily indicate how the Fund will perform in the future.

The performance shown below includes results prior to April 20, 2017 when the Fund was not a reporting issuer. Had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer during such period, the expenses of the Series I units of the Fund would likely have been higher. The financial statements for the period when the Fund was not a reporting issuer, are available on the Manager's website at [www.guardiancapital.com](http://www.guardiancapital.com) or upon request.

## Year-by-Year Returns

The bar charts show the Fund's performance for the period from January 1, 2022 to December 31, 2022, and annual performance for each of the prior years shown, and illustrates how the Fund's performance has changed from year to year. The chart shows in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of that financial year.



## Annual Compound Returns

The tables below shows the historical compound returns of the Fund's Series I units for the periods indicated, as at December 31, 2022. The returns of a broad based market index are also shown.

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
Series I (%)	-0.80	10.07	10.83	n/a	12.29
S&P 500 Index (%)	-12.16	9.25	11.17	n/a	11.99

\* Inception date - August 31, 2016.

The S&P 500 Index is designed to be a measure of 500 widely held U.S. Companies, with a focus on large cap equities.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated. The information is derived from the Fund's audited annual financial statements.

### The Fund's Net Assets per Unit (Series I)

	12 months ended Dec. 31, 2022	12 months ended Dec. 31, 2021	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019	12 months ended Dec. 31, 2018
Net Assets per unit, Beginning of Period <sup>[1]</sup>	\$182.02	\$159.65	\$144.88	\$120.26	<b>\$122.35</b>
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>					
Total revenue	3.01	2.94	3.01	2.61	2.67
Total expenses	(0.83)	(0.80)	(0.77)	(0.28)	(0.27)
Realized gains (losses)	19.12	12.47	3.89	1.40	1.38
Unrealized gains (losses)	(26.98)	17.25	9.26	25.05	(2.83)
Total increase (decrease) from operations per unit	(5.68)	31.86	15.39	28.78	<b>0.95</b>
Distributions per unit from: <sup>[1][2]</sup>					
Income (excluding dividends)	-	-	-	-	-
Canadian dividends	-	-	-	-	-
Foreign dividends	(2.15)	(2.14)	(2.32)	(2.41)	(2.34)
Capital gains	(7.01)	(7.21)	-	-	(0.91)
Return of capital	-	-	-	(1.72)	-
Total Distributions per unit	(9.16)	(9.35)	(2.32)	(4.13)	<b>(3.25)</b>
Net Assets per unit, End of Period <sup>[1]</sup>	\$171.28	\$182.02	\$159.65	\$144.88	<b>\$120.26</b>

<sup>[1]</sup> Net assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations per unit is based on the weighted average number of units outstanding over the financial period.

<sup>[2]</sup> Substantially all distributions were reinvested in additional units of the Fund.

### Ratios and Supplemental Data (Series I)

	12 months ended Dec. 31, 2022	12 months ended Dec. 31, 2021	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019	12 months ended Dec. 31, 2018
Total net asset value (000's) <sup>[1]</sup>	\$56,163	\$66,169	\$54,724	\$51,584	<b>\$41,934</b>
Number of units outstanding <sup>[1]</sup>	327,902	363,524	342,777	356,054	348,708
Management expense ratio <sup>[2]</sup>	0.20%	0.20%	0.20%	0.20%	0.20%
Management expense ratio before waivers and absorptions	0.20%	0.20%	0.20%	0.20%	0.20%
Trading expense ratio <sup>[3]</sup>	0.02%	0.01%	0.02%	0.01%	0.01%
Portfolio turnover rate <sup>[4]</sup>	38.71%	29.78%	34.09%	25.22%	30.96%
Net asset value per unit <sup>[1]</sup>	\$171.28	\$182.02	\$159.65	\$144.88	\$120.26

<sup>[1]</sup> This information is provided as at the end of each period indicated.

<sup>[2]</sup> The management expense ratio is based on total expenses (excluding commissions, other portfolio transaction costs and withholding taxes) of the Fund and its proportionate share of the total expenses of the Underlying Funds, where applicable, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>[3]</sup> The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and its proportionate share of the Underlying Funds' portfolio transaction costs, where applicable, expressed as an annualized percentage of daily average net asset value for the period.

<sup>[4]</sup> The Fund's portfolio turnover rate indicates how actively its portfolio advisor trades portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in the portfolio once in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2022

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Communication Services	9.0%	Duke Energy Corporation	5.2%
Consumer Discretionary	11.8%	Comcast Corporation, Class 'A'	5.2%
Consumer Staples	7.4%	Roper Technologies Inc.	5.1%
Energy	4.2%	Emerson Electric Company	5.1%
Financials	13.4%	Johnson & Johnson	5.0%
Health Care	11.2%	JPMorgan Chase & Company	4.8%
Industrials	12.9%	Apple Inc.	4.8%
Information Technology	24.2%	Texas Instruments Inc.	4.8%
Utilities	5.2%	Mastercard Inc., Class 'A'	4.8%
Short-Term Securities	0.2%	Starbucks Corporation	4.7%
Other net assets	0.5%	Microsoft Corporation	4.7%
		Aflac Inc.	4.7%
		Raytheon Technologies Corporation	4.6%
		NIKE Inc., Class 'B'	4.5%
		Chevron Corporation	4.2%
		American Express Company	3.9%
		The Walt Disney Company	3.9%
		Baxter International Inc.	3.7%
		Verisk Analytics Inc., Class 'A'	3.2%
		Walmart Inc.	2.8%
		PepsiCo Inc.	2.6%
		McDonald's Corporation	2.6%
		UnitedHealth Group Inc.	2.5%
		Costco Wholesale Corporation	2.0%
		Guardian Canadian Short-Term Investment Fund, Series I	0.2%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>99.5%</b>
		<b>Total Net Asset Value</b>	<b>\$57,393,268</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available. If the Fund has invested in other investment funds, the prospectus and other information about the underlying investment funds are available on the internet via [www.sedar.com](http://www.sedar.com).



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