


## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN CANADIAN EQUITY INCOME 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

Guardian Canadian Equity Income Fund (the "Fund") aims to achieve a high level of stable income, with an attractive total return, by investing primarily in Canadian dividend-paying equity securities and other flow-through securities. The Manager primarily uses a fundamental, bottom-up approach to security analysis. The Manager seeks out income trusts and higher yielding equities with stable and predictable revenue and cash flow, a diversified customer base, and focused management, and invests in the securities of those which can be obtained at a reasonable price.

### 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 stable income and capital gains through an investment in primarily income-oriented Canadian equity securities.

### Results of Operations

*(This commentary is based on the performance of Series I units of the Fund. Returns for other Series of units may vary, largely due to differences in fees and expenses. Please refer to the Past Performance section for specific Series level performance details.)*

The Fund's net asset value increased by 27% to \$199.1 million at December 31, 2022 from \$157.2 million at December 31, 2021. Of this change, a decrease of \$1.1 million was due to investment performance and an increase of \$42.9 million was attributable to net subscriptions.

Series I units of the Fund posted a return of 0.9% for the year. The Fund's benchmark, the S&P/TSX Composite Index returned -5.8% for the same period. The Fund's return is after the deduction of fees and expenses, where applicable for the Series, unlike the benchmark's return.

A strong start and end to the year in the Canadian equity

markets salvaged the year's negative performance overall, as investors became increasingly concerned about a possible economic recession driven by central banks aggressively hiking interest rates throughout the year to combat high inflation. Previous monetary and fiscal policies during the pandemic, high energy prices and supply chain problems have been the key drivers of rising inflation. The ongoing war in Ukraine has also weighed on investor sentiment and contributed to higher inflation by adding to the already substantial supply chain problems. The S&P/TSX Composite Index delivered a total return of -5.8%; however, Canada handily outperformed US and global markets. Energy stocks were the best performing sector by far, while Consumer Staples also managed to deliver positive returns during the year. Health Care and Information Technology were the worst performing sectors during 2022.

Central banks in Canada and the US became more aggressive in their fight against inflation by raising interest rates seven times (400 bps and 425 bps respectively) during 2022. Bond yields also increased materially, with the 10-year Canada bond yield rising 187 bps to finish at 3.298%. Within Energy, oil prices ended the year at US\$80 per barrel, after breaching US\$120 per barrel a few times during the year.

The Fund outperformed its benchmark during the period, due to both positive stock selection and sector allocation. An underweight allocation to the Information Technology and Financials sectors, due to positive sector allocation, was a contributing factor to performance. The Fund's overweight allocation to the Energy sector, due to positive sector allocation, which was partially offset by stock selection, was also a positive contribution to performance. The Fund's overweight to the Real Estate sector, due to negative sector allocation and not having exposure to the Consumer Staples sector detracted from overall performance.

The Fund's positions in both Element Fleet and Intact Financial outperformed given their lower economic sensitivity within the Financials sector, and contributed to overall performance. The Fund's holdings in Chartwell REIT outperformed both cannabis stocks and Bausch Health within the Healthcare sector during the year, which also had a positive effect on

performance. The Fund did not own Cenovus and Tourmaline within the Energy sector, which detracted from performance during the year. The Fund's position in SNC-Lavalin underperformed given the continued weak performance within the legacy construction business, however, the company is in the process of exiting this business. Allied Property REIT also underperformed given exposure to commercial office real estate and the risks to office fundamentals following the pandemic.

The Fund initiated a new position in Superior Plus. Superior is the largest propane distributor in Canada and the 4th largest in the US. Following the sale of their volatile chemicals business in 2021, Superior is now a much more stable and predictable business that will grow through the consolidation of the fragmented US market. The Fund participated in the recent equity raise by the company, which improved the balance sheet to allow for continued tuck-in acquisitions. The Fund added Open Text to its portfolio, as it has an increasingly recurring revenue stream, improving organic growth profile and strong free cash flow. With its strong cash flow, the company is well positioned to continue to grow dividends and continue their long history of successful acquisitions to supplement organic growth. The selloff in technology stocks provided an attractive opportunity to add to technology holdings.

The Funds' position in Rogers Communications was sold following their second network outage in the last year and the risk of a negative financial impact on the business due to the combination of compensating customers, negative margin impact from price discounting to retain customers and outright customer losses. In addition, there was increasing risks to closing the acquisition of Shaw Communications. BCE was purchased as a replacement following the sale of Rogers Communications. BCE had an attractive 6.0% dividend yield and provides superior defensive characteristics in a volatile equity market within the telecommunications sector. The Fund sold its position in Primaris REIT, which is an owner and operator of enclosed malls in Canada. Primaris was spun out of H&R REIT at the beginning of the year, which resulted in an improved valuation for the enclosed mall assets and outperformance for the stock. This position was exited to reduce the Fund's exposure to the retail real

estate sector.

The Fund was overweight Utilities, Energy and Real Estate sectors during the year. The Fund was underweight both the Materials and Industrials sector during the year.

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

While most Covid-19 risks have faded to the background in 2022, concerns about China's re-opening represent another headwind for stocks. Given the environment remains uncertain and volatility will remain elevated for some time, the portfolio remains defensively biased. However, recognizing that equity markets would react positively should inflation readings continue to moderate or the war in Ukraine end, the Fund continues to have exposure to sectors and stocks that will participate in a recovery. One indication that inflationary pressures are already moderating is that supply chain problems appear to be easing, which has been a key driver of higher inflation.

The Manager continues to have a positive outlook on the energy sector despite concerns about a negative impact on oil demand due to a potential recession next year. Oil fundamentals remain strong as total inventories, including Strategic Petroleum Reserve (SPR), have been drawn down massively over the

past two years. In addition, OPEC+ remains steadfast in managing supply to defend higher oil prices, Chinese demand is expected to recover following Covid-19 lockdowns, fuel switching in Europe due to high natural gas prices, and the end of SPR releases. Although the Manager expects ESG considerations to continue to impact sentiment for energy stocks, we believe strong oil and natural gas prices, attractive free cash flow yields, shareholder friendly capital return policies, strong balance sheets and low historical valuations will result in improved investor interest in the Energy sector. The utilities sector also looks attractive following underperformance in 2022, driven by rising interest rates, despite their defensive attributes in a volatile market. With rate increases likely coming to an end in the near term, a major headwind will be removed, combined with reasonable valuations, defensive attributes and growth that is less economically sensitive.

With price-earnings multiples well below long-term averages in Canada, the Manager believes current valuations appear to be discounting a decline in forward earnings. While there remains a lot of uncertainty, we continue to see good opportunities in high quality dividend stocks that generate steady income to help ride-out volatile markets, as well as retain good upside potential when market conditions improve. In addition, the Manager believes Canadian stocks remain well positioned relative to their US peers given the Canadian stocks have a more attractive relative valuation, almost twice the dividend yield and better earnings momentum.

The primary risk to equity markets remains the risk of a recession triggered by the aggressive rate hikes taken by central banks to fight inflation. With moderating inflation readings in the fourth quarter of 2022, central banks are likely nearing the end of their tightening cycle, however, further tightening is expected in early 2023 and then a pause to gauge the cumulative impacts on inflation and the economy. While the odds of a central bank induced recession in 2023 have continued to rise, at this point, we expect the severity of a likely recession to be mild. Factors that would support a mild recession include still high savings by consumers, corporate balance sheets are in good shape with less debt and more liquidity, and

many companies remain understaffed and may not reduce staffing as much as in past recessions.

## 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 for these 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 year. 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 \$6,638,974 or 3.3% 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. Series W units are subject to a management fee which is based on a percentage of the average Series NAV during each month, calculated and accrued daily, and payable monthly. The Series W management fee is 1.50% per annum. The table below provides a breakdown of services received in consideration of the management fees, as a percentage of the management fees, for the year.

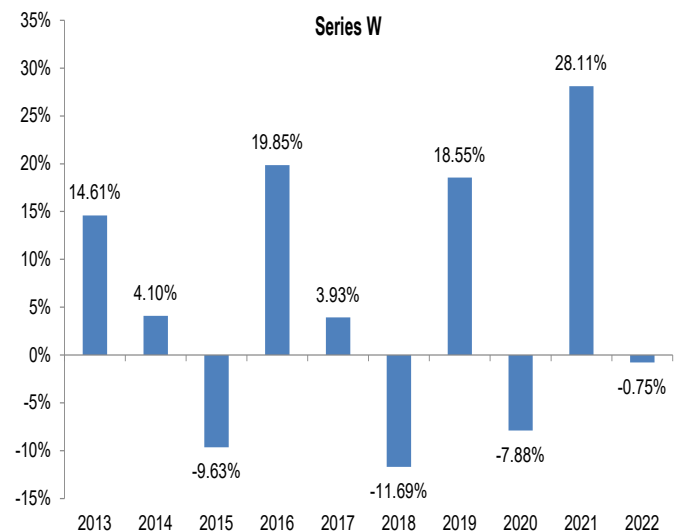
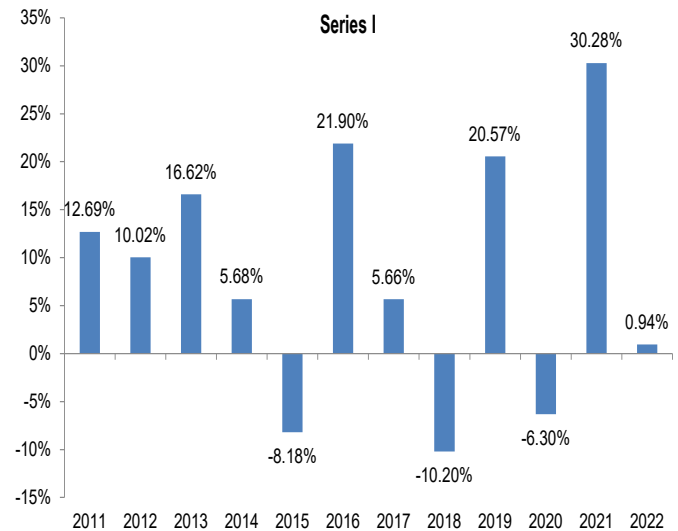
	Series I	Series W
Investment management and other general administration	n/a	33.3%
Trailer Commission	n/a	66.7%

## Past Performance

The performance information shown below 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.

## 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 show the historical compound returns of the Fund's Series I and Series W 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
Series I (%)	0.94	7.21	5.94	6.88
S&P/TSX Composite High Dividend (%)	0.65	8.25	7.33	7.46
S&P/TSX Composite (%)	-5.84	7.54	6.85	7.74

\* Inception date - August 31, 2003.

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Series W (%)	-0.75	5.41	4.16	5.11
S&P/TSX Composite High Dividend (%)	0.65	8.25	7.33	7.46
S&P/TSX Composite (%)	-5.84	7.54	6.85	7.74

\* Inception date - May 29, 2012.

**Old Benchmark:** The S&P/TSX Composite High Dividend Index is focused on dividend yield and is composed of 50 to 75 stocks selected from the S&P/TSX Composite Index.

**New Benchmark:** The S&P/TSX Composite Index is designed to be a broad measure of the Canadian equity markets. It includes common stocks and income trust units listed on the Toronto Stock Exchange.

Effective January 1, 2021, the benchmark for this Fund has changed to the S&P/TSX Composite Index in order to better reflect the Fund's investment strategy.

## 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>	\$21.48	\$17.03	\$19.10	\$16.49	\$19.18
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>					
Total revenue	0.87	0.71	0.75	0.73	0.74
Total expenses	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)
Realized gains (losses)	0.72	0.87	(0.73)	0.34	0.74
Unrealized gains (losses)	(1.66)	3.56	(1.96)	2.41	(3.32)
Total increase (decrease) from operations per unit	(0.12)	5.09	(1.99)	3.43	(1.88)
Distributions per unit from: <sup>[1] [2]</sup>					
Income (excluding dividends)	(0.01)	-	-	(0.02)	-
Canadian dividends	(0.75)	(0.64)	(0.76)	(0.72)	(0.71)
From foreign dividends	(0.01)	-	-	(0.01)	-
Capital gains	(0.23)	-	-	-	(0.06)
Return of capital	-	-	-	-	-
Total Distributions per unit	(1.00)	(0.64)	(0.76)	(0.75)	(0.77)
Net Assets per unit, End of Period <sup>[1]</sup>	\$20.68	\$21.48	\$17.03	\$19.10	\$16.49

<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>	\$197,991	\$156,220	\$128,652	\$190,093	\$204,942
Number of units outstanding <sup>[1]</sup>	9,573,012	7,272,373	7,556,794	9,953,196	12,427,618
Management expense ratio <sup>[2]</sup>	0.20%	0.21%	0.20%	0.20%	0.20%
Management expense ratio before waivers and absorptions	0.20%	0.21%	0.20%	0.20%	0.20%
Trading expense ratio <sup>[3]</sup>	0.03%	0.04%	0.09%	0.05%	0.03%
Portfolio turnover rate <sup>[4]</sup>	17.99%	46.87%	63.70%	30.18%	30.11%
Net asset value per unit <sup>[1]</sup>	\$20.68	\$21.48	\$17.03	\$19.10	\$16.49

<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.

## 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 W)

	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>	\$14.72	\$11.68	\$13.08	\$11.26	\$13.05
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>					
Total revenue	0.23	0.48	0.52	0.49	0.49
Total expenses	(0.29)	(0.31)	(0.31)	(0.29)	(0.27)
Realized gains (losses)	0.04	0.56	(0.45)	0.16	0.52
Unrealized gains (losses)	(0.33)	2.22	(1.51)	2.23	(2.15)
Total increase (decrease) from operations per unit	(0.35)	2.95	(1.75)	2.59	(1.41)
Distributions per unit from: <sup>[1][2]</sup>					
Income (excluding dividends)	-	-	-	(0.01)	-
Canadian dividends	(0.23)	(0.22)	(0.33)	(0.24)	(0.24)
From foreign dividends	-	-	-	-	-
Capital gains	(0.10)	-	-	-	(0.04)
Return of capital	-	-	-	-	-
Total Distributions per unit	(0.33)	(0.22)	(0.33)	(0.25)	(0.28)
Net Assets per unit, End of Period <sup>[1]</sup>	\$14.28	\$14.72	\$11.68	\$13.08	\$11.26

<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 W)

	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>	\$1,096	\$1,001	\$549	\$654	\$1,349
Number of units outstanding <sup>[1]</sup>	76,699	68,010	47,018	49,983	119,822
Management expense ratio <sup>[2]</sup>	1.90%	1.90%	1.90%	1.89%	1.86%
Management expense ratio before waivers and absorptions	1.90%	1.90%	1.90%	1.89%	1.86%
Trading expense ratio <sup>[3]</sup>	0.03%	0.04%	0.09%	0.05%	0.03%
Portfolio turnover rate <sup>[4]</sup>	17.99%	46.87%	63.70%	30.18%	30.11%
Net asset value per unit <sup>[1]</sup>	\$14.28	\$14.72	\$11.68	\$13.08	\$11.26

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## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2022

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Communication services	4.8%	Royal Bank of Canada	6.8%
Consumer discretionary	3.7%	The Toronto-Dominion Bank	6.6%
Energy	24.1%	Canadian Natural Resources Limited	5.9%
Financials	29.5%	Bank of Montreal	4.6%
Health care	1.3%	Enbridge Inc.	4.5%
Industrials	6.4%	Suncor Energy Inc.	3.4%
Information technology	3.4%	Open Text Corporation	3.4%
Materials	4.6%	Guardian Canadian Short-Term Investment Fund, Series I	3.3%
Real estate	6.8%	Canadian National Railway Company	3.3%
Utilities	12.2%	Manulife Financial Corporation	3.1%
Short-term securities	3.3%	TELUS Corporation	3.1%
Other net assets (liabilities)	(0.1%)	TC Energy Corporation	3.1%
		Intact Financial Corporation	3.0%
		The Bank of Nova Scotia	2.9%
		Pembina Pipeline Corporation	2.8%
		AltaGas Limited	2.6%
		Element Fleet Management Corporation	2.5%
		Agnico Eagle Mines Limited	2.5%
		Keyera Corporation	2.3%
		Northland Power Inc.	2.2%
		Restaurant Brands International Inc.	2.2%
		Brookfield Infrastructure Partners Limited Partnership	2.2%
		Finning International Inc.	2.1%
		ARC Resources Limited	2.1%
		Nutrien Limited	2.1%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>82.6%</b>
		<b>Total Net Asset Value</b>	<b>\$199,086,840</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).



**GUARDIAN CAPITAL**



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