


## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN INTERNATIONAL 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 International Equity Select Fund (the “Fund”) is the achievement of a high level of stable income, with an attractive total return, by investing primarily in international dividend-paying equity securities. The Fund invests primarily in securities of mid- to large-size international companies that have a track record of paying and growing dividends. International markets are defined as those countries included in the MSCI EAFE Index. Securities are selected primarily from developed markets, but the Fund may invest in emerging market securities. 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 to diversify their portfolio outside of North America and who have 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 18% to \$47.6 million at December 31, 2022 from \$58.1 million at December 31, 2021. Of this change, a decrease of \$2.3 million was due to investment performance and a decrease of \$8.2 million was attributable to net redemptions.

Series I units of the Fund posted a return of -1.3% for the year. The Fund’s benchmark, the MSCI EAFE Index (Net C\$), returned -8.2% 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 TotalEnergies

and BASF, were negatively impacted by virtue of having operations suddenly stranded within Russia, while defense contractor, BAE Systems, benefited from invigorated demand for military equipment. The COVID-19 lockdowns in China caused component supply shortages and material shipping delays for a number of Fund holdings, including Fresenius Medical Care, Murata Manufacturing and Siemens. Interest rate increases from the Bank of England and the European Central Bank provided the opportunity for higher lending yields, helping Fund holdings such as ING Group and Deutsche Boerse.

The Fund’s collective 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 equity markets in 2022. Stock selection in the Financials sector was beneficial, as Deutsche Boerse, Mitsubishi UFJ and DBS Group all meaningfully outperformed both the broader benchmark and also the Financials sector.

The Fund has a dividend and “value” 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 MSCI EAFE Index. The Fund has a large cap bias to its holdings, with the weighted average market capitalization of the Fund greater than the benchmark. This was beneficial in 2022, a year in which the MSCI EAFE Small Cap Index moderately lagged the broader MSCI EAFE Index. The Fund also benefited from not having holdings in the Real Estate sector, a group which underperformed the benchmark in 2022 by more than 8%.

The Fund having no holdings in Australia or Hong Kong, two markets which outperformed the MSCI EAFE benchmark in US dollar terms by 7% and 8%, respectively, in 2022, detracting from Fund performance. Also detracting from performance were several of the Fund’s holdings, such as Murata Manufacturing and FANUC, with significant business exposure to China. The COVID-19 lockdowns in China had a materially negative impact on product demand for these companies during 2022, with both

of these stocks underperforming the MSCI EAFE benchmark by more than 10%.

UK defense contractor, BAE Systems, was the largest contributor to Fund performance, rising in response to the Russian invasion of the Ukraine as military budgets grew in importance for many European nations. Also contributing to performance, was large Japanese bank, Mitsubishi UFJ, which gained in value in anticipation that the Bank of Japan, the last major central bank across developed markets yet to raise interest rates, might finally change course in response to inflationary pressures. The Fund's position in TotalEnergies rose in price, despite the problem of having some assets located in Russia, as oil and natural gas prices jumped in Europe in response to curtailed energy supplies from Russia.

Detracting from Fund performance was German dialysis leader, Fresenius Medical Care, declined materially over the course of 2022, with profits under pressure due to supply shortages, labour constraints, and a patient population reduced by COVID-19 mortalities. Danish enzymes leader, Novozymes, fell late in the year following the announced acquisition of domestic competitor Christian Hansen at a fulsome valuation. Also detracting from performance was Japan-based Murata Manufacturing, the global leader in ceramic capacitors, which declined in response to falling electronics and smart phone demand and COVID-19 lockdowns at customers in China.

One new position was added to the Fund in 2022, that of French luxury goods manufacturer, LVMH Moët Hennessy Louis Vuitton, in July. A pullback in the shares reduced the valuation of this highly profitable dividend grower to some compelling levels, and the purchase was additive to Fund performance over the remainder of 2022. To fund the purchase, the Fund's holding in German chemicals producer BASF was eliminated, as a looming energy shortage in Europe raised the potential for markedly lower profits and a dividend reduction. ESG considerations also factored into this swap, with the portfolio's overall environmental impact improved by the addition of LVMH in lieu of the greater fossil fuel consumption of BASF.

The Fund is notably overweight Consumer Staples,

with a bias to the dependable dividend growers in this sector, and has no exposure to the Real Estate sector, reflecting concerns about financial leverage and dividend security across many constituents of this group. Regionally, the Fund is quite overweight Germany, owning a number of high quality and reasonably valued global leaders in this country. The Fund currently owns no stocks in Australia, Hong Kong, Sweden, Finland, Norway, Spain or Italy, a reflection of better investment opportunities elsewhere, although the Manager actively monitors a number of high quality stocks across all of the markets mentioned.

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 luxury goods companies Richemont and LVMH, stand to benefit from a resumption in shopping from Chinese nationals both locally and abroad, while Holdings in the Industrials sector, such as Siemens and FANUC, could benefit from reduced bottlenecks in both demand and supply of components from China. A possible offset might come from higher interest rates in Europe, reducing housing demand and straining personal and corporate balance sheets, which might present headwinds to Fund holdings in

the Financials sector such as ING Group. As a counter to these uncertainties set to manifest over the course of 2023, the Fund remains positioned in a diversified mix of high quality companies with strong 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 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 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 \$66,170 or 0.1% 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.

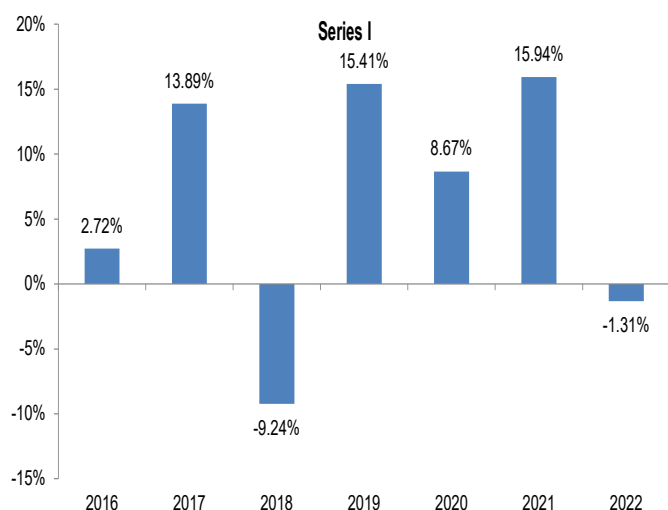
## Past Performance

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 (%)	-1.31	7.53	5.43	n/a	6.87
MSCI EAFE (%)	-8.23	2.35	3.16	n/a	5.46

\* Inception date - August 31, 2016.

The MSCI EAFE Index is designed to be a broad measure of international equity performance in developed markets outside North America. It comprises of MSCI country indices that represent markets in Europe, Australasia and the Far East.

## 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>	\$130.53	\$117.25	\$110.92	\$98.78	<b>\$112.79</b>
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>					
Total revenue	4.04	3.56	3.82	2.97	3.59
Total expenses	(1.09)	(0.88)	(0.98)	(0.31)	(0.34)
Realized gains (losses)	0.77	4.86	(1.31)	(0.46)	(0.20)
Unrealized gains (losses)	(9.22)	11.06	5.59	12.84	(13.63)
Total increase (decrease) from operations per unit	(5.50)	18.60	7.12	15.04	<b>(10.58)</b>
Distributions per unit from: <sup>[1] [2]</sup>					
Income (excluding dividends)	-	-	-	-	-
Canadian dividends	-	-	-	-	-
Foreign dividends	(2.91)	(2.68)	(3.02)	(2.92)	(3.33)
Capital gains	-	(2.57)	-	-	(0.50)
Return of capital	-	-	-	-	-
Total Distributions per unit	(2.91)	(5.25)	(3.02)	(2.92)	<b>(3.83)</b>
Net Assets per unit, End of Period <sup>[1]</sup>	\$125.62	\$130.53	\$117.25	\$110.92	<b>\$98.78</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>	\$47,349	\$58,064	\$45,778	\$44,103	<b>\$37,916</b>
Number of units outstanding <sup>[1]</sup>	376,908	444,823	390,416	397,605	383,855
Management expense ratio <sup>[2]</sup>	0.20%	0.20%	0.20%	0.20%	0.21%
Management expense ratio before waivers and absorptions	0.20%	0.20%	0.20%	0.20%	0.21%
Trading expense ratio <sup>[3]</sup>	0.15%	0.07%	0.12%	0.09%	0.10%
Portfolio turnover rate <sup>[4]</sup>	37.61%	25.42%	56.34%	41.00%	54.85%
Net asset value per unit <sup>[1]</sup>	\$125.62	\$130.53	\$117.25	\$110.92	\$98.78

<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	4.7%	Mitsubishi UFJ Financial Group Inc.	6.4%
Consumer Discretionary	8.2%	ING Groep NV	6.0%
Consumer Staples	16.3%	Siemens AG	5.9%
Energy	5.2%	TotalEnergies	5.2%
Financials	19.8%	Henkel AG & Co.	5.1%
Health Care	11.7%	Sanofi	4.9%
Industrials	13.7%	National Grid PLC	4.7%
Information Technology	8.4%	Nestle SA	4.7%
Materials	7.0%	Nippon Telegraph and Telephone Corporation	4.7%
Utilities	4.7%	SAP SE	4.4%
Short-Term Securities	0.1%	FANUC Corporation	4.4%
Other net assets	0.2%	Compagnie Financiere Richemont SA	4.3%
		DBS Group Holdings Limited	4.3%
		Murata Manufacturing Company Limited	4.0%
		LVMH Moet Hennessy Louis Vuitton SE	3.9%
		L'Oreal SA	3.8%
		Air Liquide SA	3.6%
		Novozymes A/S	3.4%
		BAE Systems PLC	3.4%
		Deutsche Boerse AG	3.1%
		Diageo PLC	2.7%
		Alcon Inc.	2.5%
		Novo Nordisk A/S, Class 'B'	2.4%
		Fresenius Medical Care AG & Company	1.9%
		Guardian Canadian Short-Term Investment Fund, Series I	0.1%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>99.8%</b>
		<b>Total Net Asset Value</b>	<b>\$47,571,924</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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