

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN SHORT DURATION BOND FUND

JUNE 30, 2023

This interim management report of fund performance contains financial highlights, but does not contain either the interim financial report or interim financial statements of the investment fund. You can obtain a copy of the interim financial report or interim 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.sedarplus.ca](http://www.sedarplus.ca).

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 principal objective of the Guardian Short Duration Bond Fund (the "Fund") is the provision of current interest income while at the same time preserving capital and seeking opportunities for capital appreciation, while maintaining relatively short portfolio duration, through investment in bonds, debentures, notes or other evidence of indebtedness.

The Manager uses a proactive, disciplined management approach while employing various analytical tools to identify investments that offer value on a relative basis with a view to providing current income while maintaining relatively short portfolio duration and preserving the prospect for some potential capital growth. We adhere to a risk management process that is designed to limit total exposure to individual issuers, diversify exposure to various credit risks, and maintain portfolio liquidity. The Fund may be invested in foreign pay Canadian issues and securities of foreign issuers. A maximum of 30% of the Fund may be held in foreign currency denominated securities. The Fund does not invest in securities issued by a corporation in respect of which the majority of revenue is derived from the manufacture or distribution of tobacco related products.

### Risk

The risks associated with investing in the Fund remain as discussed in the prospectus. The Fund may be suitable for investors with a low tolerance for risk, particularly those who are looking for a core Canadian fixed-income fund, but who are concerned about the risk of rising interest rates and will accept lower interest income in exchange for the lower volatility of shorter-term bonds.

### 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 decreased by 70% to \$16.8 million at June 30, 2023 from \$56.5 at December 31, 2022. Of this change, an increase of \$1.0 million was provided by investment performance and a decrease of \$40.7 million was attributable to net redemptions.

Series I units of the Fund posted a return of 1.6% for the period. The Fund's benchmark, the FTSE Canada Short Term Overall Bond Index, returned 1.0% for the same period. The Fund's return is after the deduction of fees and expenses, unlike the benchmark's return.

Canadian bonds bounced back, rising 2.51%, after two consecutive calendar years of negative returns. The FTSE Canada Short-, Mid- and Long-Term Indices returned 1.00%, 1.85%, and 5.39%, respectively. Provincial bonds (overall) returned 3.32% while corporate bonds (overall) returned 2.97%.

The Bank of Canada (BoC) implemented another rate increase at its January meeting, but announced it would pause to assess the effects of a cumulative 425bps of rate hikes since early 2022. Silicon Valley Bank's failure in late March was assumed to be the proverbial thing that broke to signal the end of the hiking cycle but turned out to be another false positive. Following decisive actions by the US Federal Reserve and the US banking regulators to stem systemic risks from developing, yields experienced large upward moves after stronger-than-expected employment data, inflation, and GDP reports in April and May. This economic resilience persisted in Q2 and caused the BoC to surprise markets with a 25 basis point hike at its June meeting and suggested that more adjustments may be needed to better rebalance labour markets as well as wage and price pressures. Similarly in the US, the Federal Reserve also announced a 25 basis point hike at its May meeting, to an upper bound of 5.25%. While inflation remains above target in both Canada and the US, both countries now have the two lowest inflation figures amongst the G7 countries.

The policy rate increase by the BoC caused a repricing of the Canadian yield curve, with the front end

flattening and approaching levels last seen in the first quarter before Silicon Valley Bank's failure. Long-term bonds outperformed short- and mid-term bonds.

During the second quarter, credit spreads retraced much of their SVB-driven widening from March reflecting a general consensus that central banks may be close to the end of their hiking cycles and are likely to manage to rebalance demand without engineering a significant economic slowdown. As a result, corporate bonds outperformed government bonds during the period.

The Fund outperformed its index during the period, with an underweight allocation to federals, an overweight allocation to financials and credit selection within financials all adding value. Within financials, longer-dated bonds added value. Underweight allocations to the Industrial sector marginally detracted from relative returns given strong performance during the period.

The Fund initiated a moderately long duration position relative to its benchmark during the period. The Fund remains overweight the Financials sector at the expense of federal bonds, both in terms of absolute weight and on a duration-adjusted basis. The Fund remains overweight the 3 and 5 year nodes of the yield curve. This overweight was increased during the period, in anticipation of the yield curve steepening and the middle outperforming. During the period, the Manager significantly reduced weight in the Financials sector by selling shorter-dated holdings and redeploying capital into Real Estate and agency bonds.

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 factors 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 reports, along with an annual Responsible Investing Report and its Responsible Investing Policies on its website:

<https://www.guardiancapital.com/investmentsolutions/>

## Recent Developments

Aggressive interest rate hiking cycles, on both sides of the border, to tame inflation is now bearing fruit, although we have yet to feel the full effects of the initial increases (rate hikes typically take about 18 months to fully filter through the economy) and inflation still remains above long-term targets. Looking ahead, both the BoC and the US Federal Open Market Committee (FOMC) have suggested that they are closer to a prolonged pause at these elevated rates and future adjustments, if needed, are likely to be modest. The Canadian yield curve is more deeply inverted now than it was at the beginning of the year, with yields at the short end of the curve rising and the long end remaining relatively unchanged.

Credit spreads, on the other hand, remain wider than the multi-year lows seen post-pandemic as financial conditions have tightened. The Manager believes credit offers the best risk-adjusted return potential at this point in the cycle, given the spread "cushion", and that higher quality credit, in particular, is more attractive, as the effect of higher interest rates begins to show in corporate profitability. The Fund remains overweight corporate bonds at the expense of federal and provincial bonds. The Manager expects spreads to remain volatile in the near term, but believes it will be compensated with spread carry. Additional spread widening is likely to present an opportunity to selectively add to the Fund's corporate bond positioning.

## 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, based on the average Net Asset Value of the Fund, as detailed in the Management Fees section below. The Manager is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.

The Manager also receives an Administration Fee from the Fund, amounting to 0.04% 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 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. 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 A and Series F 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 A management fee is 0.80% per annum. The Series F management fee is 0.30% 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 period.

	Series A	Series F	Series I
Investment management and other general administration	37.5%	100.0%	n/a
Trailer Commission	62.5%	n/a	n/a

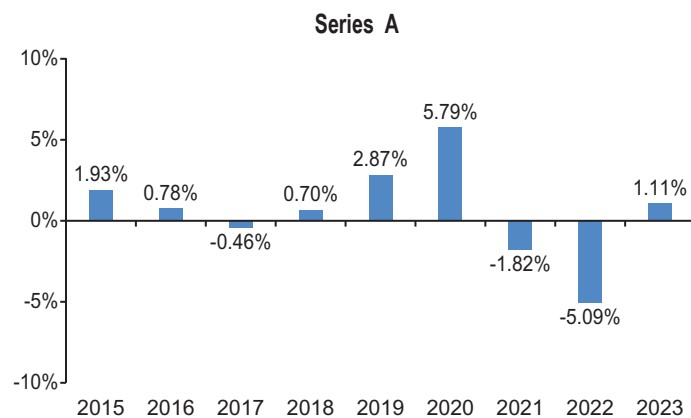
## Past Performance

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.

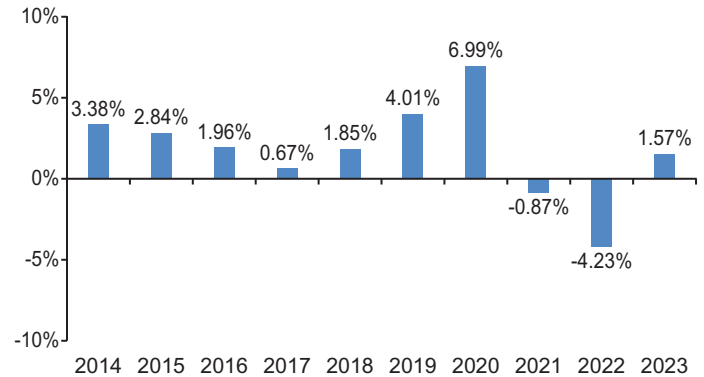
## Year-by-Year Returns

The bar charts show the Fund's performance for the period from January 1, 2023 to June 30, 2023, 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.

The performance shown for Series I below includes results prior to April 24, 2014 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.



**Series I**



## Annual Compound Returns

The tables below shows the historical compound returns of the Fund's Units for the periods indicated, as at June 30, 2023. The returns of a broad based market index are also shown.

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Series A (%)	1.39	-1.44	0.65	n/a
FTSE Canada Short Term Overall Bond Index (%)	1.37	-0.95	1.11	n/a

\* Inception date - May 1, 2014.

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
Series F (%)	1.96	n/a	n/a	n/a	-1.61
FTSE Canada Short Term Overall Bond Index (%)	1.37	n/a	n/a	n/a	-1.56

\* Inception date - January 26, 2022.

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Series I (%)	2.31	-0.49	1.69	n/a
FTSE Canada Short Term Overall Bond Index (%)	1.37	-0.95	1.11	n/a

\* Inception date - August 30, 2013.

The FTSE Canada Short-Term Overall Bond Index is a broad measure of the Canadian investment grade short-term fixed income market.

## 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 and unaudited interim financial statements.

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

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	12 months ended Dec. 31, 2021	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019
Net Assets per Unit, Beginning of Period <sup>[1]</sup>	\$9.47	\$10.16	\$10.46	\$10.01	\$9.84
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>					
Total revenue	0.16	0.27	0.24	0.24	0.22
Total expenses	-	-	-	-	-
Realized gains (losses)	(0.36)	(0.40)	0.04	0.17	0.13
Unrealized gains (losses)	0.55	(0.30)	(0.35)	0.26	0.05
Total increase (decrease) from operations per Unit	0.35	(0.43)	(0.07)	0.67	0.40
Distributions per Unit from: <sup>[1] [2]</sup>					
Income (excluding dividends)	(0.21)	(0.26)	(0.22)	(0.24)	(0.22)
Canadian dividends	-	-	-	-	-
Foreign dividends	-	-	-	-	-
Capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total Distributions per Unit	(0.21)	(0.26)	(0.22)	(0.24)	(0.22)
Net Assets per Unit, End of Period <sup>[1]</sup>	\$9.41	\$9.47	\$10.16	\$10.46	\$10.01

[1] 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.

[2] Substantially all distributions were reinvested in additional units of the Fund.

Ratios and Supplemental Data (Series I)

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	12 months ended Dec. 31, 2021	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019
Total net asset value (000's) <sup>[1]</sup>	\$16,302	\$56,253	\$67,320	\$48,784	\$55,564
Number of units outstanding <sup>[1]</sup>	1,732,903	5,942,662	6,626,712	4,661,697	5,551,965
Management expense ratio <sup>[2]</sup>	0.05%	0.05%	0.05%	0.05%	0.05%
Management expense ratio before waivers and absorptions	0.05%	0.05%	0.05%	0.05%	0.05%
Trading expense ratio <sup>[3]</sup>	-	-	-	-	-
Portfolio turnover rate <sup>[4]</sup>	56.69%	120.51%	119.28%	84.17%	87.19%
Net asset value per Unit <sup>[1]</sup>	\$9.41	\$9.47	\$10.16	\$10.46	\$10.01

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

[2] 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.

[3] 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.

[4] 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 Fund's Net Assets per Unit (Series A)**

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	12 months ended Dec. 31, 2021	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019
Net Assets per Unit, Beginning of Period <sup>[1]</sup>	\$9.38	\$10.02	\$10.31	\$9.86	\$9.70
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>					
Total revenue	0.16	0.12	0.23	0.24	0.22
Total expenses	(0.05)	(0.09)	(0.10)	(0.12)	(0.11)
Realized gains (losses)	(0.24)	(0.11)	0.04	0.16	0.12
Unrealized gains (losses)	0.18	(0.40)	(0.38)	0.29	0.05
Total increase (decrease) from operations per Unit	0.05	(0.48)	(0.21)	0.57	0.28
Distributions per Unit from: <sup>[1][2]</sup>					
Income (excluding dividends)	(0.12)	(0.11)	(0.10)	(0.12)	(0.11)
Canadian dividends	-	-	-	-	-
Foreign dividends	-	-	-	-	-
Capital gains	-	-	-	-	-
Return of capital	-	(0.03)	-	-	-
Total Distributions per Unit	(0.12)	(0.14)	(0.10)	(0.12)	(0.11)
Net Assets per Unit, End of Period <sup>[1]</sup>	\$9.36	\$9.38	\$10.02	\$10.31	\$9.86

[1] 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.

[2] Substantially all distributions were reinvested in additional units of the Fund.

**Ratios and Supplemental Data (Series A)**

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	12 months ended Dec. 31, 2021	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019
Total net asset value (000's) <sup>[1]</sup>	\$140	\$63	\$63	\$69	\$69
Number of units outstanding <sup>[1]</sup>	15,007	6,759	6,295	6,704	6,993
Management expense ratio <sup>[2]</sup>	0.95%	0.95%	1.01%	1.17%	1.14%
Management expense ratio before waivers and absorptions	0.95%	0.95%	1.01%	1.17%	1.14%
Trading expense ratio <sup>[3]</sup>	-	-	-	-	-
Portfolio turnover rate <sup>[4]</sup>	56.69%	120.51%	119.28%	84.17%	87.19%
Net asset value per Unit <sup>[1]</sup>	\$9.36	\$9.38	\$10.02	\$10.31	\$9.86

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

[2] 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.

[3] 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.

[4] 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 Fund's Net Assets per Unit (Series F)**

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	Period from Apr. 30 to Dec. 31, 2021
Net Assets per Unit, Beginning of Period <sup>[1]</sup>	\$9.20	\$9.78	\$10.00
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>			
Total revenue	0.16	0.11	0.15
Total expenses	(0.02)	(0.04)	(0.03)
Realized gains (losses)	(0.24)	(0.10)	0.02
Unrealized gains (losses)	0.15	(0.40)	(0.22)
Total increase (decrease) from operations per Unit	0.05	(0.43)	(0.08)
Distributions per Unit from: <sup>[1] [2]</sup>			
Income (excluding dividends)	(0.15)	(0.13)	(0.14)
Canadian dividends	–	–	–
Foreign dividends	–	–	–
Capital gains	–	–	–
Return of capital	–	–	–
Total Distributions per Unit	(0.15)	(0.13)	(0.14)
Net Assets per Unit, End of Period <sup>[1]</sup>	\$9.18	\$9.20	\$9.78

[1] 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.

[2] Substantially all distributions were reinvested in additional units of the Fund.

**Ratios and Supplemental Data (Series F)**

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	Period from Apr. 30 to Dec. 31, 2021
Total net asset value (000's) <sup>[1]</sup>	\$344	\$167	\$5
Number of units outstanding <sup>[1]</sup>	37,477	18,129	507
Management expense ratio <sup>[2]</sup>	0.39%	0.38%	0.44%
Management expense ratio before waivers and absorptions	0.39%	0.38%	0.44%
Trading expense ratio <sup>[3]</sup>	–	–	–
Portfolio turnover rate <sup>[4]</sup>	56.69%	120.51%	119.28%
Net asset value per Unit <sup>[1]</sup>	\$9.18	\$9.20	\$9.78

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

[2] 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.

[3] 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.

[4] 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.

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2023

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Canadian Federal and Guaranteed Bonds	30.6%	Canada Housing Trust No. 1	30.6%
Canadian Corporate Bonds	61.1%	Canadian Imperial Bank of Commerce	9.2%
United States Corporate Bonds	5.6%	The Toronto-Dominion Bank	8.6%
Short-term Securities	2.4%	SmartCentres Real Estate Investment Trust	5.8%
Other net assets (liabilities)	0.3%	Bank of America Corporation	5.6%
Total	100.0%	The Bank of Nova Scotia	5.5%
		Ventas Canada Finance Limited	5.3%
		Royal Bank of Canada	5.0%
		Federation des caisses Desjardins du Quebec	4.6%
		Great-West Lifeco Inc.	4.4%
		Enbridge Inc.	3.3%
		Sun Life Financial Inc.	3.1%
		National Bank of Canada	2.9%
		Guardian Canadian Short-Term Investment Fund, Series I	2.4%
		Sagen MI Canada Inc.	2.3%
		TransCanada Trust	1.1%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>99.7%</b>
		<b>Total Net Asset Value:</b>	<b>\$16,786,719</b>



**GUARDIAN CAPITAL**

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