

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN U.S. EQUITY SELECT FUND

DECEMBER 31, 2023

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.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 primary objective of the 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 Manager maintains a U.S. equity focus and invest 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

The Fund's net asset value increased by 25% to \$71.5 million at December 31, 2023 from \$57.4 at December 31, 2022. Of this change, an increase of \$7.0 million was provided by investment performance and an increase of \$7.1 million was attributable to net subscriptions.

Series I units of the Fund posted a return of 11.3% for the year. The Fund's benchmark, the S&P 500 Index (Net C\$), returned 22.9% for the same period. The Fund's return is after the deduction of fees and expenses, unlike the benchmark's return.

This past year was the S&P 500 Index's 4th best return in the last 25 years. The large cap technology names that underperformed in 2022 were leading performers in 2023. The primary factor driving the strong US equity markets in 2023 was the effectiveness of the US Federal Reserve (the "Fed") in bringing inflation under

control without doing significant economic damage in the process. By the end of 2023, inflation (as measured by CPI) stood at 3.1%, down significantly from the highs of 9.1% in June 2022. After aggressively increasing rates seven times in 2022, the Fed more measuredly raised rates an additional four times in 2023, with the interest rate topping out at 5.5%. With inflation in retreat, investors turned their focus to the improving corporate earnings outlook and the expanding U.S. economy, propelling the market significantly higher in the second half of the year. Contributing to the higher valuations seen during the year was the sharp and decisive rally in a handful of large- and mega-cap technology stocks, fueled by artificial intelligence (AI) euphoria and significantly adding to the overall gains in the last six months.

Heading into the end of the year, indications of moderating inflationary pressures became apparent, signaling the possibility for interest rates to come back down. Subsequently, leading to strong performance in global markets and a bullish view towards 2024.

The Fund's underperformance relative to its benchmark is largely due to the lack of exposure to the "Magnificent 7" stocks that saw incredible performance in 2023 on the back of AI-related investor optimism. Thus, stock selection within both the Information Technology and Communication Services sectors detracted from relative performance. Furthermore, stock selection in the Consumer Discretionary sector also detracted from relative performance. Factors that contributed to performance during the year were an overweight allocation to Consumer Staples, as well as an overweight allocation to the Financials sector.

In terms of securities that contributed to performance on the year, both Microsoft and Apple outperformed on the back of strong earnings and investor optimism towards AI. Lastly, Intuit, a leading personal tax and small business tax software provider, led by the two marquee brands of TurboTax and QuickBooks, contributed to performance in 2023 as small-business and self-employed demand drove revenue growth.

Securities that detracted from performance in 2023 included Baxter, a leading medical device company operating across Hospital Products and Renal Care, as the company is currently undergoing a strategic transition. Additionally, Raytheon Technologies (RTX), a major aerospace and defense company, equally split between a missile and advance warning system defense business and a collection of aerospace brands including Pratt & Whitney, Rockwell Collins, and Goodrich, detracted from performance during the year following execution-related flaws with a top-selling plane engine. Lastly, the major integrated oil and gas company, Chevron, detracted from performance in 2023 along with peers.

A new investment was made in the leading software company Intuit. Intuit is a leading personal tax and small business tax software provider, led by the two marquee brands of TurboTax and QuickBooks. The company's TurboTax software is the gold standard for "do-it-yourself" individuals completing their tax returns each year, with uptake steadily rising to now 43 million users, of whom 94% renew annually.

At year end, the Fund is overweight in Financials, Utilities, and Consumer Staples. Additionally, the Fund is underweight Energy and Materials.

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

The Manager believes there are several positives in the current investment environment for equities. Interest rates look to have peaked and are trending lower. The Fed itself is anticipating three rate cuts in 2024, bringing interest rates to around 4.5%. With lower inflation and lower interest rates on the horizon, we believe the environment for equities looks rather promising. The year ahead will also likely see more emphasis on the impact of the developments related to what is viewed as a secular theme of artificial intelligence — and the US is viewed as the leader in this area, suggesting it will reap more productivity and profitability benefits sooner than its peers. As ever, the Fund remains positioned in a diversified mix of high-quality companies with excellent dividend attributes trading at an attractive overall valuation, all of which stands to buffer volatility in investment performance as events unfold.

## 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 0.18% 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 Fund may invest some of its available short term cash in money market funds managed by Guardian Capital LP, deemed a related issuer. 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.

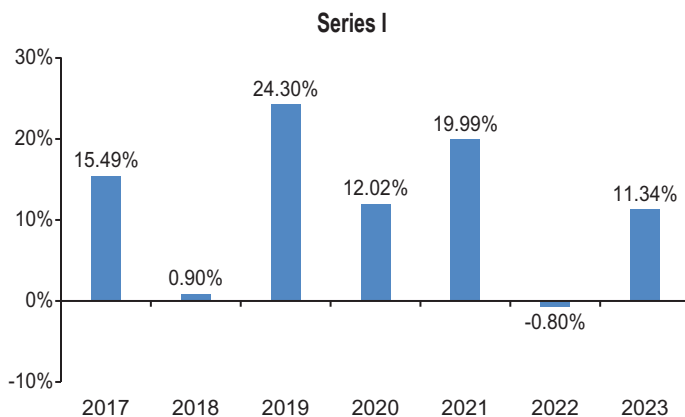
## Past Performance

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.

## Year-by-Year Returns

The bar charts show the Fund's performance for the annual period from January 1, 2023 to December 31, 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 28, 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 upon request.



## Annual Compound Returns

The tables below shows the historical compound returns of the Fund's Units for the periods indicated, as at December 31, 2023. The returns of a broad based market index are also shown.

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
Series I (%)	11.34	9.84	13.04	n/a	12.16
S&P 500 Total Return (C\$) (%)	22.90	11.27	14.88	n/a	13.42

\* Inception date - September 1, 2016.

The S&P 500 Index (Net, C\$) is a broad 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)

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2020	For the year ended December 31, 2019
Net Assets per Unit, Beginning of Year <sup>[1]</sup>	\$171.28	\$182.02	\$159.65	\$144.88	\$120.26
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>					
Total revenue	3.50	3.01	2.94	3.01	2.61
Total expenses	(0.89)	(0.83)	(0.80)	(0.77)	(0.28)
Realized gains (losses)	5.22	19.12	12.47	3.89	1.40
Unrealized gains (losses)	11.37	(26.98)	17.25	9.26	25.05
Total increase (decrease) from operations per Unit	19.20	(5.68)	31.86	15.39	28.78
<b>Distributions per Unit from:<sup>[1][2]</sup></b>					
Foreign dividends	(2.39)	(2.15)	(2.14)	(2.32)	(2.41)
Capital gains	-	(7.01)	(7.21)	-	-
Return of capital	-	-	-	-	(1.72)
Total Distributions per Unit	(2.39)	(9.16)	(9.35)	(2.32)	(4.13)
Net Assets per Unit, End of Year <sup>[1]</sup>	\$188.21	\$171.28	\$182.02	\$159.65	\$144.88

[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 year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2020	For the year ended December 31, 2019
Total net asset value (000's) <sup>[1]</sup>	\$70,170	\$56,163	\$66,169	\$54,724	\$51,584
Number of units outstanding <sup>[1]</sup>	372,824	327,902	363,524	342,777	356,054
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>	0.01%	0.02%	0.01%	0.02%	0.01%
Portfolio turnover rate <sup>[4]</sup>	19.16%	38.71%	29.78%	34.09%	25.22%
Net asset value per Unit <sup>[1]</sup>	\$188.21	\$171.28	\$182.02	\$159.65	\$144.88

[1] This information is provided as at the end of each year 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, for the stated period and is expressed as an annualized percentage of daily average net asset value during the year.

[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 of daily average net asset value for the period.

[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 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, 2023

Portfolio Allocation	% of Net Asset Value
Communication services	8.5%
Consumer discretionary	10.9%
Consumer staples	7.0%
Energy	3.5%
Financials	16.3%
Health care	11.6%
Industrials	9.4%
Information technology	27.8%
Utilities	4.8%
Short-term securities	0.1%
Other net assets (liabilities)	0.1%
<b>Total</b>	<b>100.0%</b>

Top 25 Holdings	% of Net Asset Value
Microsoft Corporation	6.8%
Apple Inc.	6.4%
Roper Technologies Inc.	5.0%
Intuit Inc.	5.0%
UnitedHealth Group Inc.	4.9%
Duke Energy Corporation	4.8%
JPMorgan Chase & Company	4.8%
Texas Instruments Inc.	4.6%
The Walt Disney Company	4.5%
Emerson Electric Company	4.3%
Aflac Inc.	4.2%
Comcast Corporation, Class 'A'	4.0%
NIKE Inc., Class 'B'	3.9%
Johnson & Johnson	3.8%
Mastercard Inc., Class 'A'	3.7%
Costco Wholesale Corporation	3.7%
McDonald's Corporation	3.6%
American Express Company	3.6%
Chevron Corporation	3.5%
Starbucks Corporation	3.4%
PepsiCo Inc.	3.3%
Baxter International Inc.	2.9%
Verisk Analytics Inc., Class 'A'	2.7%
RTX Corporation	2.4%
Guardian Canadian Short-Term Investment Fund, Series I	0.1%

**Top 25 Holdings (as a percentage of NAV)** **99.9%**  
**Total Net Asset Value:** **\$71,486,188**



**GUARDIAN CAPITAL**



# GUARDIAN CAPITAL LP

199 Bay Street, Suite 2700  
Commerce Court West, P.O. Box 201  
Toronto, Ontario  
M5L 1E8

[www.guardiancapital.com/investmentsolutions](http://www.guardiancapital.com/investmentsolutions)



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