

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN U.S. EQUITY SELECT 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 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 13% to \$65.1 million at June 30, 2023 from \$57.4 at December 31, 2022. Of this change, an increase of \$3.8 million was provided by investment performance and an increase of \$3.9 million was attributable to net subscriptions.

Series I units of the Fund posted a return of 6.5% for the period. The Fund’s benchmark, the S&P 500 Index (Net C\$), returned 14.2% for the same period. The Fund’s return is after the deduction of fees and expenses, unlike the benchmark’s return.

Fund performance lagged its benchmark in an interval with historically narrow market leadership, with benchmark returns driven entirely by 7 large, high growth companies, and the remaining 493 stocks in the benchmark collectively left far behind in performance. Several of these market-leading, non-dividend paying stocks reside outside the lens of the

Fund’s valuation and dividend investment approach. The Information Technology sector was the market leader over the first half, bouncing strongly following a difficult 2022, and Fund holdings in Apple and Microsoft were the top two contributors to returns in the first half of the year. In related fashion, Fund holdings with a technology element but categorized in other sectors, such as Verisk Analytics (Industrials sector) and Mastercard (Financials) also experience material price gains in the first half. The Fund’s lack of investments in the Materials and Real Estate sectors was also beneficial, as both sectors lagged market gains. However, the absence of high growth Consumer Discretionary and Information Technology stocks in the Fund materially overwhelmed this benefit, with the Fund maintaining its approach to owning a diversified mix of moderately growing companies collectively trading at reasonable valuations and paying a healthy level of dividends. Several of the Fund’s investments in dependable dividend growers in more staid sectors, such as Health Care and Utilities, declined in price. Additionally, prices for oil and natural gas declined as demand slackened along with a loosening of supply constraints, leading to weakness in the Energy sector.

Large Information Technology holdings Microsoft and Apple were the Fund’s top performing investments, followed by Verisk Analytics, an insurance database company also with a technology element to its operations. The Fund’s top detractor was Duke Energy, falling in value as the entire Utilities sector fell from investor favour in lieu of higher growth alternatives. Chevron declined in response to lower energy prices, and the Fund’s trio of investments in the Health Care sector, those being Johnson & Johnson, Baxter and UnitedHealth Group, all declined in value as investors leaned away from slower growing dividend payers.

A new investment was made in leading software company Intuit, a company with two marquee products: TurboTax for personal tax assistance, and QuickBooks for small business accounting. A material retraction in the shares over the course of 2022 provided a window of opportunity to invest in this steadily growing, highly profitable leader with a pristine balance sheet and impressive dividend pedigree. The Fund retains a balanced mix of steady

dividend growers across most sectors, with an overweight position in the Financials and Industrials sectors, and no investments currently in the Materials or Real Estate sectors.

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

Equity markets in the United States are contending with several mixed influences at the halfway mark of 2023. Positively, inflation remains high but is perhaps showing early signs of abating, employment across the country is holding steady at robust levels, and lower energy prices are providing some relief via gasoline savings for drivers. Counter to this, higher interest rates are set to dent consumer wallets through higher loan payments, and the office property market is showing signs of weakness as office vacancies linger on at high levels. Meanwhile trade relations between the United States and China continues to deteriorate, impacting a variety of corporations and creating a possible threat to the supply of various industrial and technology components. Equity market performance over the remainder of the year will be a reflection of how these various factors collectively evolve, with the outcome quite uncertain. 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 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.

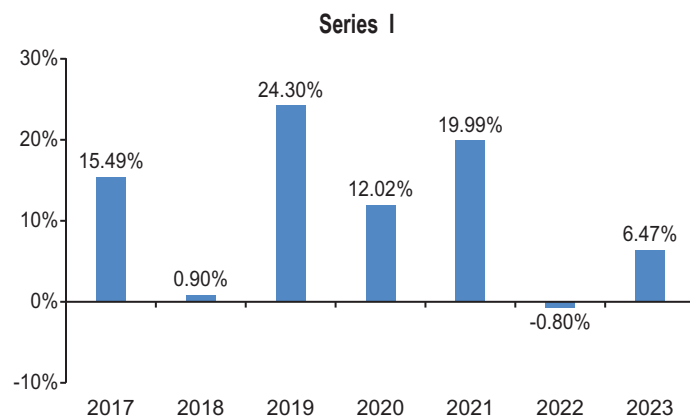
## Past Performance

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 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 on the Manager's website at [www.guardiancapital.com](http://www.guardiancapital.com) or upon request.



## 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	Since Inception*
Series I (%)	20.16	13.54	11.73	n/a	12.37
S&P 500 Total Return (C\$) (%)	22.68	13.50	12.46	n/a	13.24

\* 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 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>	\$171.28	\$182.02	\$159.65	\$144.88	\$120.26
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>					
Total revenue	1.60	3.01	2.94	3.01	2.61
Total expenses	(0.42)	(0.83)	(0.80)	(0.77)	(0.28)
Realized gains (losses)	3.46	19.12	12.47	3.89	1.40
Unrealized gains (losses)	6.46	(26.98)	17.25	9.26	25.05
Total increase (decrease) from operations per Unit	11.10	(5.68)	31.86	15.39	28.78
<b>Distributions per Unit from:<sup>[1] [2]</sup></b>					
Income (excluding dividends)	(1.13)	–	–	–	–
Canadian dividends	–	–	–	–	–
Foreign dividends	–	(2.15)	(2.14)	(2.32)	(2.41)
Capital gains	–	(7.01)	(7.21)	–	–
Return of capital	–	–	–	–	(1.72)
Total Distributions per Unit	(1.13)	(9.16)	(9.35)	(2.32)	(4.13)
Net Assets per Unit, End of Period <sup>[1]</sup>	\$181.22	\$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 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>	\$63,440	\$56,163	\$66,169	\$54,724	\$51,584
Number of units outstanding <sup>[1]</sup>	350,077	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>	9.98%	38.71%	29.78%	34.09%	25.22%
Net asset value per Unit <sup>[1]</sup>	\$181.22	\$171.28	\$182.02	\$159.65	\$144.88

[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
Communication Services	6.8%	Apple Inc.	7.6%
Consumer Discretionary	10.0%	Microsoft Corporation	7.3%
Consumer Staples	7.4%	Mastercard Inc., Class 'A'	4.9%
Energy	3.4%	Roper Technologies Inc.	4.9%
Financials	17.0%	Texas Instruments Inc.	4.8%
Health Care	11.6%	JPMorgan Chase & Company	4.5%
Industrials	12.0%	Baxter International Inc.	4.3%
Information Technology	28.8%	Verisk Analytics Inc., Class 'A'	4.2%
Utilities	3.2%	Intuit Inc.	4.2%
Other net assets (liabilities)	(0.2)%	Johnson & Johnson	4.1%
Total	100.0%	Aflac Inc.	3.9%
		Emerson Electric Company	3.9%
		Raytheon Technologies Corporation	3.9%
		Costco Wholesale Corporation	3.8%
		American Express Company	3.7%
		McDonald's Corporation	3.6%
		PepsiCo Inc.	3.6%
		The Walt Disney Company	3.4%
		Chevron Corporation	3.4%
		Comcast Corporation, Class 'A'	3.4%
		NIKE Inc., Class 'B'	3.3%
		Duke Energy Corporation	3.2%
		UnitedHealth Group Inc.	3.2%
		Starbucks Corporation	3.1%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>100.2%</b>
		<b>Total Net Asset Value:</b>	<b>\$65,132,863</b>



**GUARDIAN CAPITAL**



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