

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN CANADIAN EQUITY INCOME 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 Canadian Equity Income Fund (the “Fund”) is the achievement of 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, and seeks out income trusts and higher yielding equities with stable and predictable revenue and cash flow, a diversified customer base, and focused management, and invest in the securities of those which can be obtained at a reasonable price. The Fund will be broadly diversified by issuer. The Fund will maintain a Canadian equity focus, however, due to increased global integration and cross-border corporate transactions, the Fund may invest up to 20% of its market value in individual foreign equities that have either significant business operations in Canada or are listed on the TSX. The Fund may invest in convertible debentures up to a maximum of 20% of the market value of the Fund.

### 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 1% to \$201.5 million at June 30, 2023 from \$199.1 at December 31, 2022. Of this change, an increase of \$4.7 million was

provided by investment performance and a decrease of \$2.3 million was attributable to net redemptions.

Series I units of the Fund posted a return of 2.4% for the period. The Fund’s benchmark, the S&P/TSX Composite Index, returned 3.2% for the same period. The Fund’s return is after the deduction of fees and expenses, unlike the benchmark’s return.

Canadian equity markets started the year on a positive note in the first quarter of the year, but muted in the second quarter as investors became more worried about rates remaining higher for longer. The S&P/TSX Composite Index delivered a total return of 5.7%, however, Canada underperformed U.S. and global markets. Information Technology was the best performing sector, as many large technology companies delivered strong earnings results. Heavy-weighted sectors in Canada, like Energy and Materials, lagged during the period.

Central banks in Canada and the US continued to be aggressive in their fight against inflation by raising interest rates 50 bps and 75 bps, respectively, in the period. Bond yields held steady, with the 10-year Canada bond yield declining 3 basis points to finish at 3.27%. Within the Energy sector, oil prices declined as interest rates continued to rise and demand weakened. Prices fell below US\$67 per barrel and finished at US\$71 per barrel.

The Fund underperformed the benchmark, due to both negative sector allocation and stock selection. The underperformance can be attributed to high dividend-paying stocks underperforming. Being underweight the Industrials sector positively contributed to performance, due to positive stock selection, but was partially offset by negative sector allocation. Also being underweight the Information Technology sector detracted from performance, due to negative sector allocation and stock selection. Overweight Utilities the sector, and underweight both Materials and Financials sectors, also detracted from performance, mainly due to negative stock selection.

Top security contributors during the period include SNC-Lavalin, Finning International, and Cenovus

Energy. Finning posted a strong earnings beat, driven by strong end-markets and operating leverage. The company also announced additional cost actions to further enhance the bottom line without impacting revenue growth potential. Overweight positions in Northland Power and Superior Plus detracted from performance during the period.

The Fund sold its position in Magna during the period given the increasing likelihood of a recession that will delay the expected recovery in the auto sector. The Manager initiated a new position in Barrick Gold to add to the Fund's gold exposure, which should provide more ballast to the portfolio should a recessionary environment unfold.

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 primary risk to equity markets remains the risk of a recession triggered by the aggressive rate hikes taken by central banks to fight inflation. While inflation readings continue to moderate, they remain stickier than central banks prefer, which may require additional rate increases early in the third quarter before pausing again to gauge the cumulative impacts on inflation and the economy. While the odds of a

central bank induced recession remain elevated, the Manager currently expects any recession to be mild.

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 Fund 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 more positive macro environment.

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. Oil fundamentals remain strong as inventories, including Strategic Petroleum Reserves (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 recovering, and SPR releases have ended. Energy stocks offer attractive free cash flow yields, shareholder friendly capital return policies, strong balance sheets and attractive valuations.

The Utilities sector also looks attractive given its 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 and growth that is less economically sensitive.

With price-to-earnings multiples well below long-term averages in Canada, the Manager believes current valuations appear to be discounting further negative forward earnings revisions. While there remains a lot of uncertainty, the Manager continues 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, combined with twice the dividend yield and better expected earnings momentum.

## 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. 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 period.

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

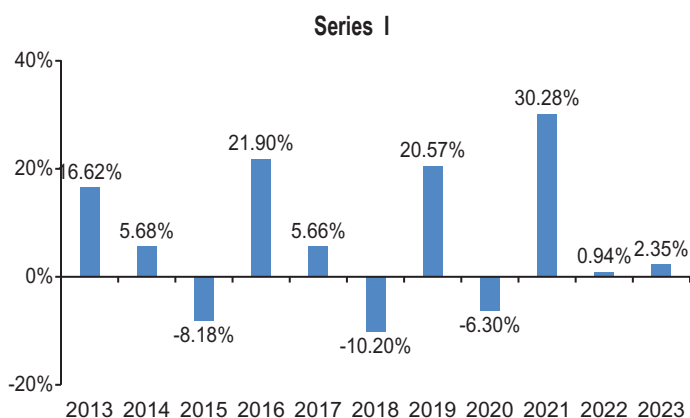
## Past Performance

The performance information shown 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.

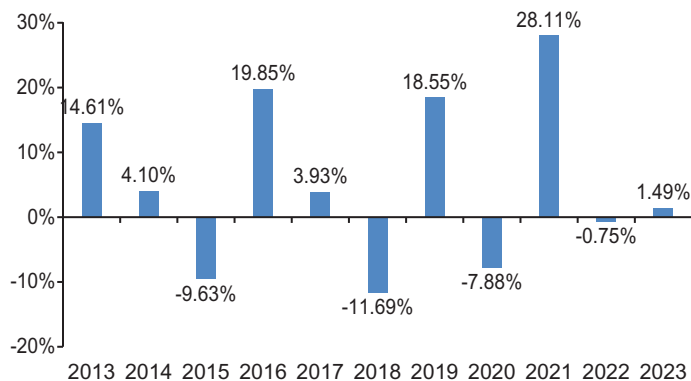
## Year-by-Year Returns

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 March 30, 2011 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 W**



## 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 I (%)	3.63	15.96	6.61	6.73
S&P/TSX Composite High Dividend Index (%)	2.49	18.48	8.43	7.37
S&P/TSX Composite Index (%)	10.43	12.42	7.62	8.43

\* Inception date - September 1, 2003.

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Series W (%)	1.89	14.01	4.82	4.99
S&P/TSX Composite High Dividend Index (%)	2.49	18.48	8.43	7.37
S&P/TSX Composite Index (%)	10.43	12.42	7.62	8.43

\* Inception date - May 29, 2012.

The S&P/TSX Composite Index is a broad measure of the Canadian equity markets.

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. 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.

## 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>	\$20.68	\$21.48	\$17.03	\$19.10	\$16.49
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>					
Total revenue	0.46	0.87	0.71	0.75	0.73
Total expenses	(0.02)	(0.05)	(0.05)	(0.05)	(0.05)
Realized gains (losses)	0.08	0.72	0.87	(0.73)	0.34
Unrealized gains (losses)	(0.03)	(1.66)	3.56	(1.96)	2.41
Total increase (decrease) from operations per Unit	0.49	(0.12)	5.09	(1.99)	3.43
Distributions per Unit from: <sup>[1] [2]</sup>					
Income (excluding dividends)	(0.40)	(0.01)	–	–	(0.02)
Canadian dividends	–	(0.75)	(0.64)	(0.76)	(0.72)
Foreign dividends	–	–	–	–	–
From foreign dividends	–	(0.01)	–	–	(0.01)
Capital gains	–	(0.23)	–	–	–
Return of capital	–	–	–	–	–
Total Distributions per Unit	(0.40)	(1.00)	(0.64)	(0.76)	(0.75)
Net Assets per Unit, End of Period <sup>[1]</sup>	\$20.77	\$20.68	\$21.48	\$17.03	\$19.10

[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>	\$200,450	\$197,991	\$156,220	\$128,652	\$190,093
Number of units outstanding <sup>[1]</sup>	9,651,251	9,573,012	7,272,373	7,556,794	9,953,196
Management expense ratio <sup>[2]</sup>	0.20%	0.20%	0.21%	0.20%	0.20%
Management expense ratio before waivers and absorptions	0.20%	0.20%	0.21%	0.20%	0.20%
Trading expense ratio <sup>[3]</sup>	0.02%	0.03%	0.04%	0.09%	0.05%
Portfolio turnover rate <sup>[4]</sup>	6.44%	17.99%	46.87%	63.70%	30.18%
Net asset value per Unit <sup>[1]</sup>	\$20.77	\$20.68	\$21.48	\$17.03	\$19.10

[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 W)**

	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>	\$14.28	\$14.72	\$11.68	\$13.08	\$11.26
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>					
Total revenue	0.31	0.23	0.48	0.52	0.49
Total expenses	(0.14)	(0.29)	(0.31)	(0.31)	(0.29)
Realized gains (losses)	0.06	0.04	0.56	(0.45)	0.16
Unrealized gains (losses)	(0.05)	(0.33)	2.22	(1.51)	2.23
Total increase (decrease) from operations per Unit	0.18	(0.35)	2.95	(1.75)	2.59
Distributions per Unit from: <sup>[1] [2]</sup>					
Income (excluding dividends)	(0.16)	–	–	–	(0.01)
Canadian dividends	–	(0.23)	(0.22)	(0.33)	(0.24)
Foreign dividends	–	–	–	–	–
From foreign dividends	–	–	–	–	–
Capital gains	–	(0.10)	–	–	–
Return of capital	–	–	–	–	–
Total Distributions per Unit	(0.16)	(0.33)	(0.22)	(0.33)	(0.25)
Net Assets per Unit, End of Period <sup>[1]</sup>	\$14.34	\$14.28	\$14.72	\$11.68	\$13.08

[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 W)**

	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>	\$1,046	\$1,096	\$1,001	\$549	\$654
Number of units outstanding <sup>[1]</sup>	72,915	76,699	68,010	47,018	49,983
Management expense ratio <sup>[2]</sup>	1.90%	1.90%	1.90%	1.90%	1.89%
Management expense ratio before waivers and absorptions	1.90%	1.90%	1.90%	1.90%	1.89%
Trading expense ratio <sup>[3]</sup>	0.02%	0.03%	0.04%	0.09%	0.05%
Portfolio turnover rate <sup>[4]</sup>	6.44%	17.99%	46.87%	63.70%	30.18%
Net asset value per Unit <sup>[1]</sup>	\$14.34	\$14.28	\$14.72	\$11.68	\$13.08

[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	5.1%	Royal Bank of Canada	6.8%
Consumer Discretionary	1.1%	The Toronto-Dominion Bank	6.2%
Energy	22.6%	Canadian Natural Resources Limited	5.2%
Financials	29.0%	Open Text Corporation	4.7%
Health Care	1.4%	Enbridge Inc.	4.3%
Industrials	7.8%	Bank of Montreal	4.3%
Information Technology	4.7%	Canadian National Railway Company	3.8%
Materials	7.0%	Suncor Energy Inc.	3.6%
Real Estate	6.9%	Manulife Financial Corporation	3.3%
Utilities	11.8%	Agnico Eagle Mines Limited	3.2%
Short-term Securities	3.1%	TELUS Corporation	3.1%
Other net assets (liabilities)	(0.5)%	TC Energy Corporation	3.1%
Total	100.0%	Guardian Canadian Short-Term Investment Fund, Series I	3.1%
		The Bank of Nova Scotia	2.9%
		Element Fleet Management Corporation	2.8%
		Intact Financial Corporation	2.7%
		AltaGas Limited	2.7%
		Finning International Inc.	2.6%
		ARC Resources Limited	2.4%
		Brookfield Infrastructure Partners Limited Partnership	2.1%
		Pembina Pipeline Corporation	2.0%
		Canadian Apartment Properties Real Estate Investment Trust	2.0%
		Keyera Corporation	2.0%
		BCE Inc.	2.0%
		Fortis Inc.	2.0%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>82.9%</b>
		<b>Total Net Asset Value:</b>	<b>\$201,495,234</b>



**GUARDIAN CAPITAL**

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