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GUARDIAN i^3 US QUALITY GROWTH ETF MANAGER COMMENTARY Q1 2024

Market Review

In the US equity markets, the strong momentum from the last two months of 2023 carried into 2024. The 'Magnificent 7', a group of seven US mega-cap technology stocks, carried most of the S&P 500 Index gains last year, as the shares in this group of tech giants virtually made up a market of their own. Alas, the band seemed to have broken up, as the broader S&P 500 Index had a stellar first quarter, while three members of the Magnificent 7 group have turned from leaders to "laggards", and the other four have beaten the index by wildly differing amounts.

From a macro perspective, investors who had been expecting aggressive rate cuts to start the year had to face a reality check. With the continued resiliency in the economic dataflow into 2024 - particularly firmer than anticipated readings on gauges of underlying inflationary pressures, the overarching theme from the US Federal Reserve Bank (Fed) meetings this quarter was "closer, but not yet close enough" when it came to rate cuts. While conceding that it was premature to pivot to less restrictive policy rates, the Fed implied that cutting conditions should gradually fall into place.

Meanwhile, corporate earnings season kicked off on a strong note, as key indicators like long-term sales growth, and earnings growth forecasts adjusted upward. The market strength thus far, however, has been attributable to a relatively narrow set of stocks associated with artificial intelligence (AI) technology. Nevertheless, the dominance of these top performers saw a slight dilution, signaling a shift towards broader-based growth compared to the previous year, also reflected in the improvement in non-tech stock valuations.

Encouraging key macroeconomic signals further boosted global financial markets' performance during the quarter. The US market outperformed relative to its global peers, driven by strong consumer spending and labour market strength, which helped keep a recession at bay with excess savings still in play. Furthermore, the ISM Manufacturing Purchasing Managers' Index, a key indicator of economic activity in the US manufacturing sector, rebounded breaking even at 50.3, a level not seen since September 2022, indicating a positive outlook for economic expansion.

Even so, market volatility lingered during the quarter, with the CBOE Volatility Index (VIX) rising 10%. Contributing to this uncertainty was the sluggish activity in the housing market and inflation concerns, which, although receding, still exceeded target levels. Investors remained cautious on the possibility of the underlying economic strength to impede anticipated rate cuts later this year.

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Performance Attribution

The Guardian i^3 US Quality Growth ETF (the "Fund") outperformed its benchmark, the S&P 500 Index.

The Fund outperformed in seven of the 11 GICS sectors, with the top two being Information Technology and Consumer Discretionary. Hardware and Semiconductor industries continued to outperform Software as a Services (SaaS) as the SaaS growth is more downstream given the current uptick in AI demand. NVIDIA, again, is at the forefront of driving the returns, returning 87% during the quarter vs. the sector at 12%. Positive Fund performance from stock selection was gained through the sale of NXP and Microchip Technologies as their earnings forecasts deteriorated, which was borne out by their subsequent performance after their sale. In the Consumer Discretionary sector, while the Fund's Manager sees growth moderating overall, we do see Amazon as the standout with sector-leading earnings growth. Amazon drove the Fund's outperformance to this sector as the Fund is 3% overweight in Amazon, and it returned more than triple the overall sector.

Negative performance from stock selection effect came from the Financials sector. While both Visa and Factset had positive returns, due to the dovish comments from the Fed at the last meeting, bank stocks had a larger rally.

Transactions

Transactions in the Fund's portfolio this quarter reflect further the Manager's focus on forecasted secular earnings growth companies, while either taking profits in companies with lower growth that have stabilized their performance or exiting positions with deteriorating growth.

The Fund exited the Energy sector by selling EOG. Some Information Technology and Industrial stocks were sold due to deteriorating forward earnings (MicroChip Technology, NXP, and Rockwell Automation). McDonalds had recovered from its negative Q4 performance, however, with forecasted earnings no longer being sector-leading, it was sold in favour of Booking Holdings. Also, in keeping with the theme of growth coming from Industrial Automation and Robotics in the Health Care space, a new position was initiated into Intuitive Surgical.

Outlook & Positioning

The Manager's i^3 Investments™ team* has a core belief that successful asset management is focused on three pillars of investment: Growth, Payout and Sustainability (or GPS) of earnings and cash flows. For outlook and positioning, the i^3 Investments™ team will address each of these core beliefs.

Growth — We are seeing the current economy being in a relatively stronger growth and lower inflation environment, which has been favorable to large-cap and growth stocks. Overall measures of financial stress have declined, and credit spreads have been narrowing. We see this as a benefit for continued real capex growth, which should support further earnings growth in stocks that provide exposure to

disruptive growth drivers. Cross-validating this with our AI Model* for earnings per share (EPS) growth predictions, we see growth moderating slightly in the Consumer Discretionary and Consumer Staples sectors in the US but still at a positive growth rate. In the Information Technology, Health Care, Industrials and Materials sectors, the predictions are pointing to a steady recovery in earnings. The outlook for the future year-over-year EPS growth is overall positive in double-digit numbers. These numbers are higher for the shorter term and moderating for the longer term. In Europe, the model forecasts are lower than those predicted for the US with a slightly positive overall earnings growth forecast. We are seeing more dispersion between the sectors in Europe. Health Care and Information Technology are seeing the most projected recovery for earnings.

We see the strongest revenue and cash flow growth from secular companies that are thematically driven, especially in the areas of Technology, Industrial Automation and Pharmaceutical Technology. AI demand is certainly a tailwind, as well as continued chip re-shoring, and the implementation of AI into SaaS companies in multiple industries.

Notwithstanding the speculative nature of the Fed's interest rate cycles, we are more positioned for secular earnings and revenue growth versus timing the Fed's decision.

Payout — Global central banks are less hawkish and while rate cuts in the US are expected in mid-2024, the European Central Bank remains united on later rate cuts. Only Switzerland has gotten ahead of its global peers with a 25bps cut in March. We see bond proxy segments including Utilities, and Communications Services companies stabilizing as rate risk continues to be priced in. As such, any further upside is unclear, and the portfolio does not hold any positions in this segment. Continued higher price appreciation potential comes from thematically driven "quality growth" companies in the Information Technology, Industrials and Health Care sectors as their earnings forecasts are showing a steady recovery.

In the prevailing market conditions, we believe that prioritizing profitability, stability, and safety is essential. Accordingly, we continue to focus on earnings and cash flow growth versus extraneous events.

Sustainability (of earnings and cash flow) — With the recent easing of financial decisions, volatility in the markets has remained stable, with the CBOE Volatility Index still trading around 13%. The systemic market up-trend as a reaction to the more dovish narrative is eclipsing any focus on the continued need to manage inflation and recession risk. We believe that a focus on secular earnings duration within the growth asset class is still the primary means of realizing long-term earnings growth and price appreciation. We believe our AI-powered GPS offers a total return approach and the best of many worlds by owning companies that can continue to reward shareholders through growing earnings, revenue, and buybacks, combined with careful consideration of stock and sector allocations by actual portfolio managers.

While overall growth may be scarcer, we feel we can still capture leadership in "quality growth" stocks by focusing on companies that can innovate and launch new products, and that we believe have the ability to sustain and grow their revenue and earnings. We are consistently monitoring our exposures with respect to expected earnings growth and the probability of earnings disappointments, as well as avoiding companies with high variability of cash flow and revenue growth.

The Fund aims to invest in companies with quality earnings growth, rising cash flows and low cost of borrowing, which makes them less sensitive to interest rate moves. The Fund also holds secular growth stocks that provide thematic exposure to disruptive growth drivers and converging exponential technology offering long-term upside, meaning they should not be viewed through the short-term lens of market cycles. This includes leaders in innovation in Big Data and AI, Robots, Biotechnology, and Smart Cities. The Manager believes these forward-thinking companies that innovate and influence our lives daily in multiple areas are positioned to prove their resilience over multiple economic cycles.

On a sector level, the Fund remains overweight in Information Technology and market weight in Industrials. These two sectors make up the bulk of the Fund's quality growth and inflation protection positions. The Fund is underweight Financials (primarily banks) and has no positions in Energy.

* The i³ Investments™ Team is a portfolio management team with Guardian Capital LP, that combines artificial intelligence and human intelligence to provide a modern approach to portfolio construction, incorporating the advantages of big data with the experience and perspective of our investment team. Investment strategies which rely on predictive artificial intelligence and quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends and technical issues in the construction and implementation of the models. Please consider these and other factors carefully and do not place undue reliance on modeled information. There is no guarantee that the use of the quantitative model will result in effective investment decisions, as the simulated results are subject to inherent limitations.

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Returns are presented in CAD, unless otherwise stated.

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