

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN i<sup>3</sup> US QUALITY GROWTH ETF

JUNE 30, 2021

This interim management report of fund performance contains financial highlights, but does not contain either the interim financial report or annual financial statements of the investment fund. You can obtain a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling 1-866-718-6517, by writing to us at Guardian Capital LP, Commerce Court West, 199 Bay Street, Suite 3100, P.O. Box 201, Toronto, Ontario, M5L 1E8, or by visiting our website at [www.guardiancapitallp.com](http://www.guardiancapitallp.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

Guardian i<sup>3</sup> US Quality Growth ETF (the “Fund”) seeks to achieve long-term capital appreciation by primarily investing in a portfolio of equity or equity-related securities of issuers based in the U.S., with business operations potentially located throughout the world. The Fund may also achieve its investment objectives by investing in other investment funds or exchange-traded funds. The Manager employs a system-driven bottom-up research approach to assess relative value and capital growth potential within a broad stock-selection universe. The Manager uses a quantitative approach, including in particular machine learning techniques, to analyze multiple fundamental factors and incorporate financial and alternative data. The Fund maintains a mid-large capitalization bias and is broadly diversified by issuer, sector and geographic region, normally holding securities of 30 to 60 issuers. The Fund may use derivatives to hedge against potential loss and to reduce the impact of currency fluctuations on 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 exposure to equity securities of issuers with business primarily in the United States.

### Results of Operations

*(This Fund’s first prospectus was dated July 21, 2020, and the ETF Units were first listed for trading on the TSX on August 11, 2020. In accordance with regulatory requirements, investment performance for a fund that has been in existence for less than one year cannot be shown.)*

The Fund’s net asset value increased by 48% to \$7.1 million at June 30, 2021 from \$4.8 million at December 31, 2020. Of this change, an increase of \$0.5 million was provided by investment performance and an increase of \$1.8 million was attributable to net subscriptions.

The Hedged and Unhedged units of the Fund both underperformed the Fund’s benchmark, the S&P 500 Index (Net C\$), during the period. The Fund’s return is after the deduction of fees and expenses, where applicable for the series, unlike the benchmark’s return.

At the beginning of November, 2020, the vaccine announcements led to a rally of low-quality, deep value stocks that COVID-19 closures had hurt. Negative earnings were one of the strongest-performing factors in this rally, which carried into Q1 of 2021. This low-quality rally subsided, as secular growth came back into focus in Q2. Productivity increased during the pandemic, as activity outpaced employment. It may shift lower as activity normalizes and job growth catches up but should still remain strong because of the sustained shift up in the US Capex cycle (manufacturing renaissance) and accelerating digitization as the economy responds to COVID-19-related supply chain and labor force disruptions. Strength in blue-collar/goods-producing jobs (i.e.; manufacturing renaissance/on-shoring themes) plus re-openings, which are now lifting COVID-19-recovery sectors (such as Travel and Leisure) and accelerating wage gains, as reflected in the Employment Cost Index, are luring people back into the labour market.

The Fund underperformed the benchmark in the first quarter, because of the low-quality rally referred to above. The Fund is focused on high-quality companies with robust growth prospects and secure streams of cash flow that should continue to sustain earnings growth, but will lag in a rally that is characterised by low-quality companies. Positive stock selection within the Consumer Staples sector, and an underweight to the sector, added to the Fund’s performance. Positive stock selection in Communications Services sector also added to performance. Negative stock selection in the Consumer Discretionary sector (Consumer Services industry group primarily) and in the Financials sector, along with an underweight to the Financials sector, detracted from Fund performance. A move from underweight to overweight in the Energy sector during the period also contributed negatively to performance.

The Fund’s positions in Estee Lauder in the Consumer Staples sector, Alphabet in the Communication Services sector, and Generac in the Industrials sector;

each outperformed their respective sector contributing to positive performance. The Fund's position in Etsy posted negative returns, while the position in MarketAxess lagged in the Financials sector and the position in Airbnb lagged in the Consumer Discretionary sector, each detracting from the Fund's performance.

As global growth prospects looked strong for 2021, and the proprietary algorithms used by the Fund's Manager, which aim to forecast earnings growth, were positive for the stocks purchased, the Fund increased weights in the Financials, Consumer Discretionary, Energy, Materials and Industrials sectors. Funding came from the Information Technology, Health Care, Consumer Staples and Communication sectors. Overweight sectors are currently Information Technology, Consumer Discretionary and Health Care. Underweight sectors are Financials, Consumer Staples and Communications Services. The Fund does not own any securities in the Utilities and Real Estate sectors.

## Recent Developments

As the world continues to re-open, economic activities continue to improve. This upbeat macro backdrop, a strong consumer spending outlook and strength in company earnings have led to further equity upside. Europe, Asia and Latin America are on the path toward joining the US in delivering widespread vaccinations, which has created increased mobility and economic activity. GDP growth is set to remain comfortably above trend after a very strong first quarter. EPS predictions continue to move higher globally, led by the US, and now Europe is following. Growth is poised to accelerate further, with international re-opening and service-based consumption gaining traction.

The Fund will continue to focus on high-quality companies with strong fundamentals, visible cash flows and sustainable and growing earnings.

## 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. The Manager is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.

## Management Fees

Hedged ETF and Unhedged ETF units are subject to management fees which are based on a percentage of the average Series NAV during each month, calculated and accrued daily, and payable monthly. The management fee is 0.55% per annum. The services received in consideration of the management fee include investment management and other general administration services. In the event that the Fund invests in another investment fund to obtain exposure to the constituent securities, the Fund may pay the management fee on the portion of the Fund's assets invested in the other fund, regardless of whether the fund is managed by the Manager or an affiliate of the Manager. As a result, the actual Management Fee may be higher than that shown.

## Past Performance

In accordance with regulatory requirements, investment performance for a fund that has been in existence for less than one year cannot be shown.

## 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 (Unhedged ETF Units)

	6 months ended June 30, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Net Assets per unit, Beginning of Period <sup>[1]</sup>	\$21.33	\$20.00
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>		
Total revenue	0.06	0.05
Total expenses	(0.08)	(0.08)
Realized gains (losses)	(0.28)	(0.03)
Unrealized gains (losses)	1.88	1.69
Total increase (decrease) from operations per unit	1.58	1.63
Distributions per unit from: <sup>[1]</sup> <sup>[2]</sup> <sup>[3]</sup>		
Income (excluding dividends)	-	-
Canadian dividends	-	-
Foreign dividends	-	-
Capital gains	-	-
Return of capital	-	-
Total Distributions per unit	0.00	0.00
Net Assets per unit, End of Period <sup>[1]</sup>	\$22.83	\$21.33

<sup>[1]</sup> 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.

<sup>[2]</sup> Distributions were paid in cash or certain distributions were reinvested in additional units of the Fund. Immediately following such reinvestment, the number of units outstanding was consolidated so that the net assets per unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid.

<sup>[3]</sup> The tax characteristics of distributions are reported annually by the Fund to CDS Clearing and Depository Services Inc. ("CDS"). CDS makes this information available to brokers who provide it to unitholders through standard tax reporting.

### Ratios and Supplemental Data (Unhedged ETF Units)

	6 months ended June 30, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Total net asset value (000's) <sup>[1]</sup>	\$3,424	\$2,133
Number of units outstanding <sup>[1]</sup>	150,000	100,000
Management expense ratio <sup>[2]</sup>	0.72%	0.90%
Management expense ratio before waivers and absorptions	2.84%	4.73%
Trading expense ratio <sup>[3]</sup>	0.01%	0.00%
Portfolio turnover rate <sup>[4]</sup>	33.68%	18.29%
Net asset value per unit <sup>[1]</sup>	\$22.83	\$21.33
Closing market price	\$22.25	\$21.18

<sup>[1]</sup> This information is provided as at the end of the period indicated.

<sup>[2]</sup> The management expense ratio ("MER") 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. For new series launched, the MER is annualized from the date of the first external purchase. The Manager absorbed some of the Fund's expenses, if it had not done so the MER would have been higher.

<sup>[3]</sup> 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.

<sup>[4]</sup> 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 an Fund.

## 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 (Hedged ETF Units)

	6 months ended June 30, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Net Assets per unit, Beginning of Period <sup>[1]</sup>	\$22.17	\$20.00
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>		
Total revenue	0.06	0.06
Total expenses	(0.09)	(0.08)
Realized gains (losses)	0.82	0.73
Unrealized gains (losses)	1.56	1.59
Total increase (decrease) from operations per unit	2.35	2.30
Distributions per unit from: <sup>[1] [2] [3]</sup>		
Income (excluding dividends)	-	-
Canadian dividends	-	-
Foreign dividends	-	-
Capital gains	-	0.53
Return of capital	-	-
Total Distributions per unit	0.00	0.53
Net Assets per unit, End of Period <sup>[1]</sup>	\$24.37	\$22.17

[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] Distributions were paid in cash or certain distributions were reinvested in additional units of the Fund. Immediately following such reinvestment, the number of units outstanding was consolidated so that the net assets per unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid.

[3] The tax characteristics of distributions are reported annually by the Fund to CDS Clearing and Depository Services Inc. ("CDS"). CDS makes this information available to brokers who provide it to unitholders through standard tax reporting.

### Ratios and Supplemental Data (Hedged ETF Units)

	6 months ended June 30, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Total net asset value (000's) <sup>[1]</sup>	\$3,655	\$2,217
Number of units outstanding <sup>[1]</sup>	150,000	100,000
Management expense ratio <sup>[2]</sup>	0.72%	0.90%
Management expense ratio before waivers and absorptions	2.84%	4.73%
Trading expense ratio <sup>[3]</sup>	0.01%	0.00%
Portfolio turnover rate <sup>[4]</sup>	33.68%	18.29%
Net asset value per unit <sup>[1]</sup>	\$24.37	\$22.17
Closing market price	\$23.65	\$21.99

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

[2] The management expense ratio ("MER") 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. For new series launched, the MER is annualized from the date of the first external purchase. The Manager absorbed some of the Fund's expenses, if it had not done so the MER would have been higher.

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**SUMMARY OF INVESTMENT PORTFOLIO**

As at June 30, 2021

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Communication services	10.6%	Alphabet Inc., Class 'C'	6.0%
Consumer discretionary	15.2%	Microsoft Corporation	5.7%
Consumer staples	1.7%	Apple Inc.	5.3%
Energy	3.3%	NVIDIA Corporation	4.5%
Financials	4.2%	Amazon.com Inc.	4.3%
Health care	15.3%	ServiceNow Inc.	4.2%
Industrials	9.1%	Veeva Systems Inc., Class 'A'	3.9%
Information technology	37.9%	Lam Research Corporation	3.7%
Materials	3.3%	Airbnb Inc.	3.5%
Forward currency contracts, net	(0.9%)	IDEXX Laboratories Inc.	2.8%
Other net assets	0.3%	Zoetis Inc.	2.8%
		Generac Holdings Inc.	2.7%
		Prudential Financial Inc.	2.7%
		Keysight Technologies Inc.	2.5%
		Cadence Design Systems Inc.	2.3%
		Continental Resources Inc.	2.2%
		Global Payments Inc.	2.1%
		Zebra Technologies Corporation, Class 'C'	2.1%
		Bio-Rad Laboratories Inc., Class 'A'	2.1%
		NIKE Inc., Class 'B'	2.0%
		Facebook Inc., Class 'A'	2.0%
		Expedia Group Inc.	1.9%
		Broadcom Inc.	1.9%
		Tesla Inc.	1.8%
		CH Robinson Worldwide Inc.	1.7%
		Top 25 Holdings as a percentage of net asset value	76.7%
		Total Net Asset Value	\$7,079,072

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available. If the Fund has invested in other investment funds, the prospectus and other information about the underlying investment funds are available on the internet via [www.sedar.com](http://www.sedar.com).



**GUARDIAN CAPITAL**

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