

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

---

# GUARDIAN DIRECTED EQUITY PATH ETF

DECEMBER 31, 2020

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 1-866-718-6517, 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.



**GUARDIAN CAPITAL**

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The primary objective of the Guardian Directed Equity Path ETF (the “Fund”) is to seek to preserve the value of the Fund’s investments and provide long-term capital appreciation with reduced portfolio volatility, by investing directly and indirectly primarily in global equity securities of high-quality companies.

The Manager uses primarily a fundamental bottom-up approach to security analysis. The Fund maintains a global equity focus and invests primarily in securities of mid to large-size companies that have a track record of sustained earnings growth. The Fund also invests in sector and market exchange-traded funds. The Fund seeks to manage the downside risks of the equity securities in which the Fund invests through the use of derivatives including, without limitation, buying or selling a combination of put and/or call options. The Fund employs this strategy to reduce exposure to market declines, while recognizing that the Fund may not fully benefit from strong equity market growth. The Fund is diversified by sector, normally holding between 20 and 40 issuers. The Fund is diversified globally but maintains a U.S. equity bias, targeting a minimum 50% allocation to U.S. equities. The Fund will use derivatives to hedge against potential loss. The Fund will also use derivatives for non-hedging purposes, including put and/or call options, futures, forward contracts and swaps, in order to gain exposure to certain securities without investing directly in such securities, to reduce the impact of currency fluctuations on the Fund or to provide protection for the Fund’s portfolio.

### Risk

The risks associated with investing in the Fund remain as discussed in the prospectus. The Fund may be suitable for investors with a low to medium tolerance for risk, particularly those who seek a globally diversified portfolio that preserves and grows capital over the long term while reducing portfolio volatility and who plan to hold their investment for the medium to long term.

## 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 was \$17.1 million at December 31, 2020, of which \$0.3 million was provided by investment performance and \$16.8 million came from net subscriptions.

The Hedged and Unhedged Units of the Fund both underperformed its blended benchmark from the Fund’s inception to the end of the year. The blended benchmark is made up of 40% FTSE Canada Universe Bond Index and 60% MSCI World Index (Net, C\$). The difference in performance between the Hedged and Unhedged Units of the Fund is attributable to foreign currency exposure and the exchange rate.

The COVID-19 pandemic, and the corresponding response from governments and central banks across the world, dominated market activity during the period.

Evidence that the virus was spreading quickly throughout the world in March led to the shutdown of significant portions of the global economy and resulted in steep declines in equities and government bond yields, as the 10-year US government bond yield recorded a low of 0.33%. The sharpest bear market in stock market history was followed by an equally sharp rebound, aided by aggressive central bank action and unprecedented fiscal response. The US Federal Reserve cut short-term rates and restarted quantitative easing, to include commercial and residential mortgage-backed securities, while the US Treasury injected over \$3 trillion into the US economy. Later in the year, successful outcomes of clinical trials of various COVID-19 vaccine candidates outweighed rising infection rates and new lockdowns, driving stock markets higher into year end.

The S&P 500 Total Return Index ended the year up 16.3% (net C\$), a 74% rally from the March 23rd trough, driven by multiple expansion. Aided by a COVID-19 boost to earnings and lower discount rates,

Technology and Growth stocks lead the market for much of the year. Leadership in the US changed in November, with Value stocks outperforming Growth and Quality stocks, in anticipation of an economic rebound driven by widespread vaccination. The US outperformed Europe for the fifth consecutive year, while Emerging Markets were in line with the S&P 500 Index, driven by markets in Asia.

The Fund's geographic weight is tilted to North America (primarily US equities) versus Europe and Asia. Information Technology, Consumer Discretionary and Communication Services were the top-performing sectors in the US. The weakest sectors included Energy, REITS and Financials. Strength was seen in many commodities, such as copper and gold, through 2020.

### Recent Developments

After making some material progress through the middle of the year, the global economic recovery took a step back as 2020 ended, and started the new year on its back foot, thanks to the resurgence of the spread of COVID-19 forcing renewed lockdowns.

As such, the prospect of a sentiment-driven resurgence of market volatility in the coming weeks and months remains very much on the table.

There is reason, however, to argue that there is plenty of scope for the global economy to get its feet under it in earnest, such that it can again take cautious steps forward in the not-too-distant future, and pick up the pace to a brisk run by year-end.

### 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 also incurs operating expenses on behalf of the Fund and is then reimbursed by the

Fund for such expenses. 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 and Unhedged units are subject to management fees which are based on a percentage of the average NAV during each month, calculated and accrued daily, and payable monthly. The management fee is 0.85% 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.

### The Fund's Net Assets per Unit (Unhedged Units)

	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
<b>Net Assets per unit, Beginning of Period <sup>[1]</sup></b>	<b>\$20.00</b>
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>	
Total revenue	0.14
Total expenses	(0.25)
Realized gains (losses)	(0.32)
Unrealized gains (losses)	0.50
<b>Total increase (decrease) from operations per unit</b>	<b>0.07</b>
<b>Distributions per unit from: <sup>[1] [2] [3]</sup></b>	
Income (excluding dividends)	-
Canadian dividends	-
Foreign dividends	0.01
Capital gains	0.30
Return of capital	-
<b>Total Distributions per unit</b>	<b>0.31</b>
<b>Net Assets per unit, End of Period <sup>[1]</sup></b>	<b>\$19.57</b>

[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 (Unhedged Units)

	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
<b>Total net asset value (000's) <sup>[1]</sup></b>	<b>\$7,339</b>
Number of units outstanding <sup>[1]</sup>	375,000
Management expense ratio <sup>[2]</sup>	1.23%
Management expense ratio before waivers and absorptions	2.72%
Trading expense ratio <sup>[3]</sup>	0.49%
Portfolio turnover rate <sup>[4]</sup>	13.47%
Net asset value per unit <sup>[1]</sup>	\$19.57
Closing market price	\$19.55

[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.

[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 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.

### The Fund's Net Assets per Unit (Hedged Units)

	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
<b>Net Assets per unit, Beginning of Period <sup>[1]</sup></b>	<b>\$20.00</b>
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>	
Total revenue	0.17
Total expenses	(0.07)
Realized gains (losses)	0.13
Unrealized gains (losses)	0.85
<b>Total increase (decrease) from operations per unit</b>	<b>1.08</b>
<b>Distributions per unit from: <sup>[1] [2] [3]</sup></b>	
Income (excluding dividends)	-
Canadian dividends	-
Foreign dividends	0.01
Capital gains	0.44
Return of capital	-
<b>Total Distributions per unit</b>	<b>0.45</b>
<b>Net Assets per unit, End of Period <sup>[1]</sup></b>	<b>\$20.55</b>

[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 Units)

	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
<b>Total net asset value (000's) <sup>[1]</sup></b>	<b>\$9,763</b>
Number of units outstanding <sup>[1]</sup>	475,000
Management expense ratio <sup>[2]</sup>	1.23%
Management expense ratio before waivers and absorptions	2.72%
Trading expense ratio <sup>[3]</sup>	0.49%
Portfolio turnover rate <sup>[4]</sup>	13.47%
Net asset value per unit <sup>[1]</sup>	\$20.55
Closing market price	\$20.52

[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.

[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 an Fund.

## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2020

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Communication services	10.8%	iShares MSCI EAFE ETF	25.2%
Consumer discretionary	18.9%	UnitedHealth Group Inc.	5.3%
Consumer staples	9.2%	The Home Depot Inc.	5.1%
Financials	4.1%	Facebook Inc., Class 'A'	4.9%
Health care	8.1%	Apple Inc.	4.8%
Information technology	18.4%	Microsoft Corporation	4.6%
Utilities	2.2%	CME Group Inc., Class 'A'	4.2%
Investment Funds	24.7%	Visa Inc., Class 'A'	3.8%
Option contracts, net	3.1%	NIKE Inc., Class 'B'	3.8%
Forward currency contracts, net	0.4%	Alimentation Couche-Tard Inc., Class 'B'	3.7%
Other Net Assets	0.1%	The Walt Disney Company	3.6%
		McDonald's Corporation	3.5%
		Booking Holdings Inc.	3.4%
		Automatic Data Processing Inc.	3.2%
		PepsiCo Inc.	3.2%
		Alphabet Inc., Class 'A'	2.7%
		Colgate-Palmolive Company	2.7%
		Dollar Tree Inc.	2.6%
		Mastercard Inc.	2.4%
		Duke Energy Corporation	2.3%
		Illumina Inc.	2.3%
		Ulta Beauty Inc.	1.4%
		Thermo Fisher Scientific Inc.	0.7%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>99.5%</b>
		<b>Total Net Asset Value</b>	<b>\$17,101,827</b>

  

Geographic Allocation	% of Net Asset Value
Australia	1.7%
Belgium	0.2%
Canada	3.5%
Denmark	0.6%
Finland	0.3%
France	2.6%
Germany	2.3%
Hong Kong	0.8%
Israel	0.2%
Italy	0.5%
Japan	6.3%
Netherlands	1.3%
Republic of Ireland	0.3%
Singapore	0.3%
Spain	0.6%
Sweden	0.8%
Switzerland	2.5%
United Kingdom	3.1%
United States of America	68.2%
Other countries	0.3%
Option contracts, net	3.1%
Forward currency contracts, net	0.4%
Other net assets (liabilities)	0.1%

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 LP

199 Bay Street, Suite 3100  
Commerce Court West, P.O. Box 201  
Toronto, Ontario  
M5L 1E9

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



This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts, but rather represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements, as a number of factors could cause actual future results, conditions, actions or events to differ materially from the expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments and the effects of competition in the geographic and business areas in which the Fund may invest. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, Guardian Capital LP does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.