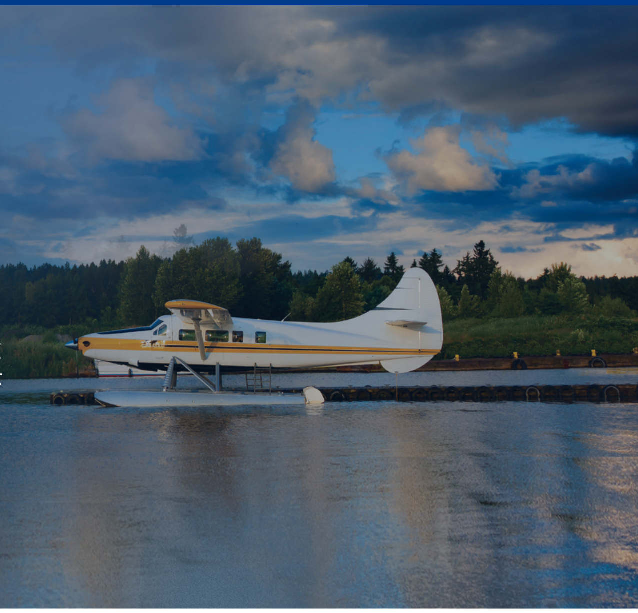

Guardian Canadian Bond ETF

Searching for effective portfolio diversification in an environment that prioritizes incremental yield over risk management, this ETF offers a modern route to a traditional destination

Central banks have decreased rates to record lows, causing a misconception that this has eliminated fixed income's classic benefits of diversification, capital preservation and reliable steady income. Yet the demand for income and risk management is increasing as the general population ages.

With investors feeling forced into chasing that income in riskier, less-diversified areas of the market in an attempt to keep the yield coming, volatility is rising, compounding concerns around the sequence of returns scenario[1] – a serious risk in the retirement phase of the financial life cycle. Yet whether investors are focused on accumulating wealth through their prime working years or earning steady income while decumulating savings in retirement one thing remains constant; the importance of diversification.

The Search for Yield

Low yield does not mean ignoring diversification

Diversification needs do not disappear due to low yields; nor do opportunities for overall total returns. Yet in the hunt for incremental yield, investors may feel the need to take unnecessary risks; it doesn't have to be this way.

Though bond correlations have risen against other asset classes recently, they remain low, sitting under 0.22 in relation to US, Canadian and Emerging Markets equities. Generally, correlations under 0.7 have diversification benefits, with those under 0.4 considered low. With this in mind, using fixed income for longer-term portfolio needs can serve as a strong diversifier in a unique market.

Nor does it mean a lack of consistent, steady returns

Using rolling three-year returns from January 2002 to January 2021, the average three-year returns for Canadian government bonds is 14.1%, with the worst three-year period returning only -1.6% and the best three-year period returning almost 27%. Meanwhile, Canadian equities had higher average rolling three-year returns of 26.8% during this time; the worst three-year period was -24.4%, and the best just over 100%. Both volatility and downside risk have historically been greater for Canadian equities, while bonds have demonstrated a more consistent, steady return profile.[2]

The Guardian Canadian Bond ETF is built upon big-picture views, including economic cycle timing. This helps direct and understand downstream risks and how to consider the appropriate fixed-income tools to help generate income. It aims to separate itself from other funds with a similar theme through three unique features:

A systematic approach

Guardian's fixed-income process is differentiated through its systematic approach to building portfolios that use top-down analysis to exploit prevailing themes and macro drivers. Starting with a disciplined method of evaluating macro opportunities, our experienced investment team then conducts detailed bottom-up assessments, aiming to identify the most optimal fixed-income investment opportunities that merge the two. This disciplined methodology is designed with long-term, repeatable income generation in mind.

A focus on quality

With a strong bias towards building a portfolio of high-quality fixed-income securities, both within Canada and globally, as well as a commitment to avoiding unnecessary interest rate risk in a chase for incremental yield, this ETF aims for sustainable income and risk-conscious capital preservation.

Risk awareness

Risk is taken into account at every stage of our process, from top-down macro views to the bottom-up assessment of securities. Implementation of our investment ideas is where we add extra quality and risk controls. As noted in the diagram below, the Risk Budgeting and Portfolio Construction steps of our process aim to ensure our portfolios are constructed with aligned objectives that balance risk, quality and the potential for added value. Combined with the team's focus on discipline, quality and a refusal to guess every short-term move in markets, this ETF is able to separate itself from peers.

Investment Process

Guardian's Canadian Fixed Income Investment Team follows a robust process using tools that aim to capture added value from macroeconomic and microeconomic analysis, while managing volatility and downside risks. By combining risk identification, value-add considerations and critical bottom-up security analysis, the team aims to ensure the right mix of holdings are in its fixed-income portfolio.

Risk Aware

Quality

Systematic

Top-down View	Alpha Factors	Bottom-up Assessment	Risk Budgeting	Portfolio Construction
Assess macro drivers: inflation, monetary/fiscal policy, business/credit cycle, liquidity, etc.	Score alpha factors - interest rates, volatility, curve and credit - from top-down analysis.	Experienced team identifies relative value and liquidity-driven opportunities in a systematic, data-driven process.	Allocate risk to our conviction-based alpha factors, aligned with relative value and liquidity-driven opportunities.	Optimize portfolio by rigorous risk, quality and diversification constraints, portfolio guidelines and benchmark awareness.

Access the Solution

Combines a focus on generating a high level of current interest income with an aim to preserve capital, while seeking opportunities for capital appreciation by directly and indirectly investing in primarily Canadian bonds, debentures, notes, or other debt instruments.

TICKER:	MANAGEMENT FEE:
GCBD	**0.30%**

Tenured Professionals that Bring Experience to Every Decision

Guardian's Fixed Income Investment Team is comprised of highly experienced investment professionals, with an average tenure of 24 years.

[1] **Sequence of Returns:** Sequence of returns risk is the threat that drawdowns during an investor's decumulation years can severely hamper their retirement income in the years they need it most, particularly because these drawdowns are combined with regular withdrawals needed to fund retirement.

[2] Canadian government bonds are represented by ICE BAML Canadian Bond. Canadian equities is represented by the S&P/TSX Composite Total Return Index.

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