

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN U.S. EQUITY FUND

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.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

Guardian U.S. Equity Fund (the "Fund") seeks to achieve long-term capital appreciation through investing in equity securities of businesses with operations in the United States. Relying on a bottom-up, quantitative approach, the Fund's Manager selects securities based on an analysis of multiple factors and information, including rates of change in fundamental factors.

### 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

*(Please note that all figures provided in this report are in U.S. Dollars. 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 decreased by 28.0% to \$7.3 million at December 31, 2020 from \$10.2 million at December 31, 2019. Of this change, a \$2.5 million increase was provided by investment performance and a decrease of \$5.4 million came from net redemptions.

Series I units of the Fund posted a return of +35.0% (US\$) in 2020. The Fund's benchmark, the S&P 500 Index, returned +18.4% (US\$) for the same period. The Fund's return is after the deduction of fees and expenses, where applicable for the Series, unlike the benchmark's return.

In 2020, the stock market encountered what investors frightfully refer to as a "Black Swan" event. The global COVID-19 pandemic that engulfed our world, markets and lives in early 2020 is one of the scariest, disruptive,

and memorable events of our lifetimes. The reaction of the U.S. equity markets to the virus was at first muted. Then, when the first-known U.S. cases started to appear in February, fear took control of investors, and markets quickly collapsed. By March 23rd, the S&P 500 had lost nearly 35% of its value in less than a month. As a result of prompt economic stimulus and building investor confidence in the future of the U.S. economy, the S&P 500 exploded to the upside and increased more than 60% by September. The Investment Manager is encouraged by signs that this new "recovery" bull market has legs and investors are looking with optimism to the post COVID-19 equity market. The extreme investor pessimism seen early in 2020 appears to have been replaced with a more optimistic view of the U.S. equity market's future.

The U.S. economy should continue to recover from the pandemic and corporate earnings will likely rebound, although year-over-year growth comparisons will be weak. The S&P 500 Index companies reported earnings per share (EPS) of \$159 in 2018; in 2021 the potentially optimistic forecast is for EPS of \$165. Interest rates are expected to remain at or near their current historic low levels in 2021. Longer-term, however, the Investment Manager believes interest rates will likely begin to creep higher, in combination with upward trending inflation. The real estate market remains strong with national inventories of homes for sale at very low levels. The existing home inventory level stands at less than four months' supply, significantly lower than the historical average supply of 6 months. Energy prices will likely remain at or near current levels as we enter the post COVID-19 economy. This backdrop gives investors confidence the stock market will offer the best investment option for the coming year.

The top contributors to Fund performance for the year included Apple, Walt Disney, Facebook, Alphabet and Zebra Technologies. The top detractors from performance for the year included Oneok, Jacobs Engineering, Discover Financial Services, CDW Corporation and Estee Lauder.

The Fund is diversified across sectors, with the top three weighted sectors noted as Information Technology, Communication Services and Consumer Discretionary. From a capitalization perspective, the Fund's weighted average market capitalization is

\$354 billion, as compared to \$488 billion for the S&P 500. Less emphasis is placed on mega cap stocks with preference given to large and mid-cap companies.

### Recent Developments

On April 21, 2020, Guardian Capital LP appointed Alta Capital Management, LLC to serve as sub-advisor for the Fund. Alta is a money management firm based in Salt Lake City, which focuses on identifying high-quality growth companies through fundamental analysis and a sound valuation methodology. Guardian owns a majority interest in Alta Capital Management, LLC.

As a result of the change in the Fund's portfolio management team, the majority of Fund holdings changed. After the Fund was repositioned, purchases included Take-Two Interactive, Markel, Citrix and Match Group. Sales included Wells Fargo, Expedia, Otis Worldwide, CVS Health and Phillips 66.

The Fund continues to exhibit high-quality features as compared to the index, with higher estimated EPS growth albeit with lower variability, and it offers higher profitability as measured by Net Margin, Return on Invested Capital and Return on Equity. The Fund does not compromise on the quality of the businesses in which it invests, and is always mindful of the valuations.

### 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, as detailed in the Management Fees section below. The Manager also receives an Administration Fee from the Fund, amounting to 0.19% 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 Manager is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.

Alta Capital Management, LLC ("ACML") is an affiliate of the Manager and has entered into a sub-advisory agreement with the Manager, effective April 21, 2020 to provide investment advice concerning the Fund's investment portfolio. The Manager made payments to ACML in accordance with the sub-advisory agreement, based on the Net Asset Value of the Fund, during the year. With respect to the appointment of and payment to its affiliate as sub-advisor for the Fund, the Manager has relied on the positive recommendation that it has received from the IRC. The recommendation requires the Manager to comply with its current policy and procedures regarding the selection of an affiliated sub-advisor and to report periodically to the IRC.

### Management Fees

No management fees are payable or collected for Series I units of the Fund.

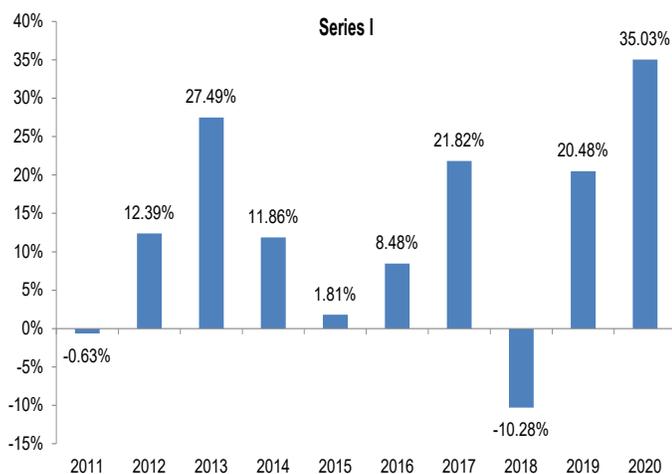
## Past Performance

The performance information shown below 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.

The performance shown below includes results prior to March 29, 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.guardiancapitalllp.com](http://www.guardiancapitalllp.com) or upon request.

## Year-by-Year Returns

The bar charts show the Fund's performance for the period from January 1, 2020 to December 31, 2020, and annual performance for each of the prior years shown, 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.



## Annual Compound Returns

The tables below show the historical compound returns of the Fund's Series I units for the periods indicated, as at December 31, 2020. The returns of a broad based market index are also shown.

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Series I (US\$)(%)	35.03	13.43	14.04	12.08
S&P 500 Index (US\$)(%)	18.40	14.18	15.22	13.89

The S&P 500 Index is designed to be a measure of 500 widely held U.S. Companies, with a focus on large cap equities.

## 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. All dollar amounts shown refer to U.S. dollars. The information is derived from the Fund's audited annual financial statements.

### The Fund's Net Assets per Unit (Series I)

	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019	12 months ended Dec. 31, 2018	12 months ended Dec. 31, 2017	12 months ended Dec. 31, 2016
<b>Net Assets per unit, Beginning of Year <sup>[1]</sup></b>	<b>\$9.59</b>	<b>\$8.04</b>	<b>\$10.70</b>	<b>\$9.52</b>	<b>\$9.27</b>
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>					
Total revenue	0.08	0.10	0.15	0.16	0.16
Total expenses	(0.04)	(0.02)	(0.03)	(0.03)	(0.03)
Realized gains (losses)	2.51	(0.11)	1.20	1.10	0.35
Unrealized gains (losses)	0.45	1.81	(2.17)	0.85	0.22
<b>Total increase (decrease) from operations per unit</b>	<b>3.00</b>	<b>1.78</b>	<b>(0.85)</b>	<b>2.08</b>	<b>0.70</b>
<b>Distributions per unit from: <sup>[1] [2]</sup></b>					
Income (excluding dividends)	-	-	-	-	-
Foreign dividends	(0.08)	(0.10)	(0.14)	(0.17)	(0.20)
Capital gains	(2.04)	-	(1.42)	(0.72)	(0.34)
Return of capital	-	-	-	-	-
<b>Total Distributions per unit</b>	<b>(2.12)</b>	<b>(0.10)</b>	<b>(1.56)</b>	<b>(0.89)</b>	<b>(0.54)</b>
<b>Net Assets per unit, End of Year <sup>[1]</sup></b>	<b>\$10.82</b>	<b>\$9.59</b>	<b>\$8.04</b>	<b>\$10.70</b>	<b>\$9.52</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] Substantially all distributions were reinvested in additional units of the Fund.

### Ratios and Supplemental Data (Series I)

	12 months ended Dec. 31, 2020	12 months ended Dec. 31, 2019	12 months ended Dec. 31, 2018	12 months ended Dec. 31, 2017	12 months ended Dec. 31, 2016
<b>Total net asset value (000's) <sup>[1]</sup></b>	<b>\$7,298</b>	<b>\$10,151</b>	<b>\$11,267</b>	<b>\$16,298</b>	<b>\$16,317</b>
Number of units outstanding <sup>[1]</sup>	674,525	1,059,004	1,400,971	1,523,273	1,714,633
Management expense ratio <sup>[2]</sup>	0.22%	0.21%	0.21%	0.21%	0.22%
Management expense ratio before waivers and absorptions	0.22%	0.21%	0.21%	0.21%	0.22%
Trading expense ratio <sup>[3]</sup>	0.05%	0.06%	0.11%	0.09%	0.11%
Portfolio turnover rate <sup>[4]</sup>	105.42%	112.98%	130.44%	104.34%	128.13%
<b>Net asset value per unit <sup>[1]</sup></b>	<b>\$10.82</b>	<b>\$9.59</b>	<b>\$8.04</b>	<b>\$10.70</b>	<b>\$9.52</b>

[1] This information is provided as at the end of each year 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, for the stated period and is expressed as an annualized percentage of daily average net asset value during the year.

[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 year.

[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 a 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	22.1%	Apple Inc.	6.1%
Consumer Discretionary	16.4%	Facebook Inc.	5.8%
Financials	4.3%	Alphabet Inc.	5.8%
Health Care	14.5%	Booking Holdings Inc.	5.2%
Industrials	8.0%	Walt Disney Co.	5.1%
Information Technology	31.4%	Fiserv Inc.	3.9%
Materials	2.0%	Mastercard Inc.	3.8%
Other Net Assets	1.3%	Home Depot Inc.	3.8%
		Visa Inc.	3.5%
		Thermo Fisher Scientific Inc.	3.5%
		Take-Two Interactive Software Inc.	3.3%
		TJX Cos. Inc.	3.1%
		Becton Dickinson and Co.	3.1%
		Broadridge Financial Solutions Inc.	3.0%
		Zebra Technologies Corp.	3.0%
		Adobe Inc.	2.9%
		Amphenol Corp.	2.9%
		STERIS PLC	2.9%
		Zoetis Inc.	2.6%
		Ulta Beauty, Inc.	2.5%
		PerkinElmer Inc.	2.4%
		KAR Auction Services Inc.	2.4%
		S&P Global Inc.	2.3%
		Citrix Systems Inc.	2.3%
		Match Group Inc.	2.1%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>87.3%</b>
		<b>Total Net Asset Value (\$U.S.)</b>	<b>\$ 7,298,378</b>

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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