

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDIAN INTERNATIONAL 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.



**GUARDIAN CAPITAL**

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

Guardian International Equity Fund (the “Fund”) seeks to achieve long-term capital appreciation through investing in equity securities of businesses with operations outside North America. 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 outside of North America.

### Results of Operations

*(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 increased by 42.0% to \$39.8 million at December 31, 2020 from \$28.0 million at December 31, 2019. Of this change, a \$4.4 million increase was provided by investment performance and an increase of \$7.4 million came from net subscriptions.

Series I units of the Fund posted a return of 13.7% in 2020. The Fund’s benchmark, the MSCI EAFE Index, returned 5.92% (Net C\$) 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.

International equities rose for the 12 months ending December 31, 2020, a reversal from the March lows from one of the most severe market corrections since the Global Financial Crisis in 2008, going from the onset of the pandemic-related lockdown seen

around the world to unbridled optimism regarding a resumption in economic growth with the approval and distribution of COVID-19 vaccines.

During the first half of 2020, we witnessed one of the most volatile periods in financial history. The COVID-19 virus caused severe economic disruptions globally, followed by a significant ‘V-shaped’ rebound in the second quarter, supported by the aggressive efforts from the major central banks to inject liquidity into the market. A “K-shaped” dispersion extended into the third quarter, between the secular Growth stocks positively impacted by lifestyle transformation and cyclical Value stocks negatively impacted by COVID. The fourth quarter was dominated by factor reversion as deep-Value stocks rebounded on positive vaccine news, narrowing the gap between Quality and Growth stocks, as Quality was one of the worst-performing factors.

Japan also rose strongly despite depressed economic activity. Europe lagged with a modest return, as both the London FTSE and Frankfurt DAX saw sharp declines. Emerging Markets outperformed, as China led with a strong recovery and commodity prices saw a rebound, but Latin America ended in negative territory due to the unrelenting high number of Covid case counts.

From a sector perspective in the EAFE region, Information Technology, Consumer Discretionary and Materials were the top-performing sectors, while Energy and Financials were the bottom-performers, and were the only two sectors to end the year in red. Crude oil was weak in the first four months, as the market was hit by weaker oil consumption forecasts and the risk of deflation due to the pandemic. However, as lockdowns eased and hopes of a vaccine increased, oil prices finished the year strong, trading on either side of U\$50/Bbl before year-end.

Precious and industrial metals also saw strong double-digit gains across the board, led by growth-dependent iron ore and copper, while gold, silver, and palladium saw strong returns.

With the outbreak of the COVID-19 crisis, markets plummeted in the first quarter and the CBOE Volatility Index (“the VIX”) traded near its all-time highs, and

the Fund remained focused on owning high-Quality global companies with strong fundamentals, visible cash flows and sustainable growing earnings.

For the Fund, sector allocation was the main performance contributor, although security selection was also positive. Information Technology was the highest positive contributor, from both overweight allocation and security selection. Nice, SAP and Tokyo Electron were the highest contributors for both the sector and the Fund. Energy also contributed, mainly from underweight allocation, as the Fund held two names, Royal Dutch Shell and Equinor, and sold them early in 2020. Underweight allocation to Health Care also provided positive contribution, though security selection detracted, mainly from Straumann Holding, Smith Nephew and Sonova Holding, while positive contribution was primarily from Lonza Group. Industrials was the key detracting sector for the period, as a slight positive overweight allocation, as we added to positions in the last quarter, was insufficient to offset negative security selection. Detraction was led by Deutsche Post, Eiffage, and Vinci. Schneider Electric and Komatsu were the leading contributors.

The largest changes to sector weights were an increase to Technology and a decrease in Health Care. In Health Care, large positions in Smith & Nephew and Straumann were sold as forecast earnings decreased. Among the names that exited the portfolio were IHS Markit, Dassault Systems (Information Tech Software) and Ferrovial (Spanish Construction). Dassault saw deteriorating forward expected growth, and Ferrovial had exposure to Covid-related areas of construction that could take longer to recover, and as such we saw deteriorating earnings estimates. Novo-Nordisk, Allianz and SAP were also sold.

These funded new purchases in Deutsche Post, Kingspan, Komatsu and NSK. Both Komatsu and NSK provide an increase in exposure to Japan, where there is higher relative future growth coming from Industrial machinery applications. This is an attempt to capture Quality cyclical companies to complement the bulk of the Fund, which is focused on long-term secular Growth. In Information Technology, the Fund took new positions in European and Asian semi-conductors through ASML Holdings and Tokyo Electron. As part of the automation supply chain, Growth prospects are

improving with these companies, and the Fund can achieve diversification when combined with current software and services holdings.

As of December 31, 2020, the Fund had an overweight in Information Technology and Industrials. Underweight sectors were Financials, Consumer Discretionary and Consumer Staples. Geographically, the Fund is overweight Europe, Africa and the Middle East, and underweight Asia and the Pacific Basin.

## Recent Developments

Following a year that reflected a remarkable recovery for stocks and one of the fastest bear markets in history due to the threat of the pandemic, equities and other risk assets continue to benefit from high liquidity and record low interest rates in the foreseeable future. Aggressive efforts by the Federal Reserve and other major central banks to support the global economy in the wake of potential economic collapse caused by the coronavirus pandemic, coupled with positive vaccine news, fueled fourth-quarter rallies in riskier corners of the financial markets, as well as in certain sectors that had suffered the most earlier in the year.

That said, the recent rotation in broader markets toward low-Quality, high-Beta stocks that has contributed to our short-term relative underperformance is, in the Portfolio Manager's opinion, unsustainable. Further multiple expansion, particularly in stocks already trading at expensive levels, will need to be driven by earnings results and operational performance in the coming year.

We are now seeing US and foreign growth rates starting to moderate, as reflected in many Purchasing Managers Indexes (PMIs) around the world stabilizing, albeit at healthy levels.

## 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.

The Fund may invest some of its available short-term cash in units of Guardian Canadian Short-Term Investment Fund, another investment fund managed by Guardian Capital LP, which invests its assets in high-quality short-term fixed-income securities. As at December 31, 2020, the Fund had invested \$300,148 or 0.8% of its net assets, in units of the Guardian Canadian Short-Term Investment Fund. This activity is consistent with standing instructions from the IRC.

## Management Fees

No management fees are payable or collected for Series I units of the Fund. Series W units are subject to a management fee which is based on a percentage of the average Series NAV during each month, calculated and accrued daily, and payable monthly. The Series W management fee is 1.50% per annum. The table below provides a breakdown of services received in consideration of the management fees, as a percentage of the management fees, for the period.

	Series I	Series W
Investment management and other general administration	n/a	33.3%
Trailer Commission	n/a	66.7%

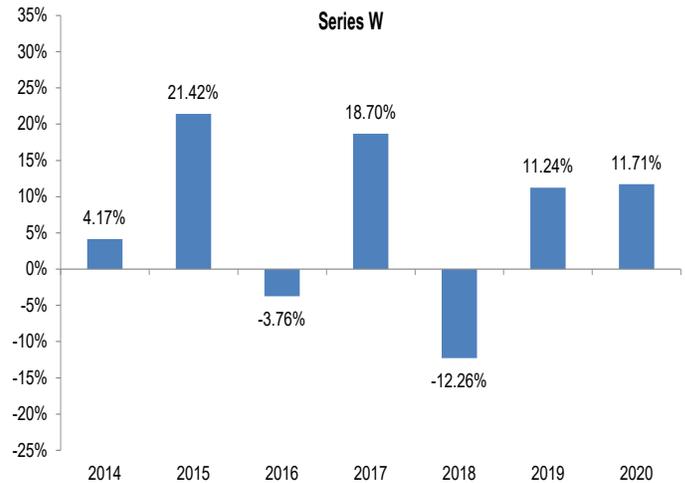
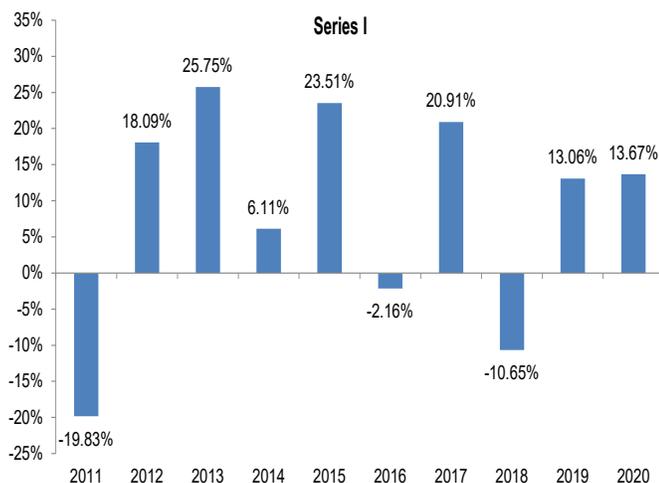
## Past Performance

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.guardiancapitallp.com](http://www.guardiancapitallp.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 and Series W 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 (%)	13.67	4.72	6.32	7.80
MSCI EAFE (%)	5.92	4.90	5.68	8.15

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception*
Series W (%)	11.71	2.92	4.49	n/a	7.94
MSCI EAFE (%)	5.92	4.90	5.68	n/a	8.19

\* Inception date - October 1, 2013.

The MSCI EAFE Index is designed to be a broad measure of international equity performance in developed markets outside North America. It comprises of MSCI country indices that represent markets in Europe, Australasia and the Far East.

## 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 (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>\$7.57</b>	<b>\$7.04</b>	<b>\$8.34</b>	<b>\$7.43</b>	<b>\$7.83</b>
<b>Increase (decrease) from operations per unit <sup>[1]</sup>:</b>					
Total revenue	0.14	0.24	0.31	0.31	0.25
Total expenses	(0.06)	(0.05)	(0.04)	(0.04)	(0.04)
Realized gains (losses)	(0.25)	0.42	(0.10)	0.72	(0.23)
Unrealized gains (losses)	1.27	0.44	(0.98)	0.56	(0.21)
<b>Total increase (decrease) from operations per unit</b>	<b>1.10</b>	<b>1.05</b>	<b>(0.81)</b>	<b>1.55</b>	<b>(0.23)</b>
<b>Distributions per unit from: <sup>[1][2]</sup></b>					
Income (excluding dividends)	-	-	-	-	-
Foreign dividends	(0.08)	(0.39)	(0.41)	(0.35)	(0.23)
Capital gains	-	-	-	(0.29)	-
Return of capital	-	-	-	-	-
<b>Total distributions per unit</b>	<b>(0.08)</b>	<b>(0.39)</b>	<b>(0.41)</b>	<b>(0.64)</b>	<b>(0.23)</b>
<b>Net Assets per unit, End of Year <sup>[1]</sup></b>	<b>\$8.52</b>	<b>\$7.57</b>	<b>\$7.04</b>	<b>\$8.34</b>	<b>\$7.43</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>\$39,750</b>	<b>\$27,971</b>	<b>\$51,164</b>	<b>\$85,626</b>	<b>\$70,905</b>
Number of units outstanding <sup>[1]</sup>	4,663,630	3,694,641	7,270,018	10,270,808	9,544,225
Management expense ratio <sup>[2]</sup>	0.22%	0.22%	0.21%	0.21%	0.23%
Management expense ratio before waivers and absorptions	0.22%	0.22%	0.21%	0.21%	0.23%
Trading expense ratio <sup>[3]</sup>	0.20%	0.48%	0.29%	0.30%	0.27%
Portfolio turnover rate <sup>[4]</sup>	85.42%	152.94%	119.93%	113.05%	110.71%
Net asset value per unit <sup>[1]</sup>	\$8.52	\$7.57	\$7.04	\$8.34	\$7.43

[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.

## 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 (Series W)

	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>\$10.58</b>	<b>\$9.51</b>	<b>\$11.26</b>	<b>\$10.17</b>	<b>\$10.56</b>
<b>Increase (decrease) from operations per unit <sup>[1]</sup>:</b>					
Total revenue	0.17	0.30	0.42	0.19	0.36
Total expenses	(0.30)	(0.59)	(0.45)	(0.49)	(0.39)
Realized gains (losses)	(1.88)	0.47	(0.34)	1.06	(0.55)
Unrealized gains (losses)	(5.89)	1.73	(1.45)	0.86	(0.81)
<b>Total increase (decrease) from operations per unit</b>	<b>(7.90)</b>	<b>1.91</b>	<b>(1.82)</b>	<b>1.62</b>	<b>(1.39)</b>
<b>Distributions per unit from: <sup>[1][2]</sup></b>					
Income (excluding dividends)	-	-	-	-	-
Foreign dividends	-	-	(0.37)	(0.41)	-
Capital gains	-	-	-	(0.39)	-
Return of capital	-	-	-	-	-
<b>Total distributions per unit</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.37)</b>	<b>(0.81)</b>	<b>0.00</b>
<b>Net Assets per unit, End of Year <sup>[1][3]</sup></b>	<b>\$11.81</b>	<b>\$10.58</b>	<b>\$9.51</b>	<b>\$11.26</b>	<b>\$10.17</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.

[3] The actual results experienced by an investor in a Series might differ from the results shown in this table, as the table shows the average results for the Series, and the average can be impacted by large subscriptions and/or redemptions of units within the Series during the period.

### Ratios and Supplemental Data (Series W)

	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>\$5</b>	<b>\$46</b>	<b>\$315</b>	<b>\$180</b>	<b>\$22</b>
Number of units outstanding <sup>[1]</sup>	411	4,351	33,154	15,965	2,117
Management expense ratio <sup>[2]</sup>	1.84%	1.84%	1.79%	1.79%	1.88%
Management expense ratio before waivers and absorptions	1.84%	1.84%	1.79%	1.79%	1.88%
Trading expense ratio <sup>[3]</sup>	0.20%	0.48%	0.29%	0.30%	0.27%
Portfolio turnover rate <sup>[4]</sup>	85.42%	152.94%	119.93%	113.05%	110.71%
Net asset value per unit <sup>[1]</sup>	\$11.81	\$10.58	\$9.51	\$11.26	\$10.17

[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	5.2%	Nice Ltd.	5.6%
Consumer Discretionary	5.3%	Schneider Electric SE	5.6%
Consumer Staples	7.4%	LVMH Moet Hennessy Louis Vuitton SE	5.3%
Financials	8.5%	Air Liquide SA	4.7%
Health Care	9.5%	Lonza Group AG	4.6%
Industrials	26.5%	Tokyo Electron Ltd.	4.4%
Information Technology	30.7%	Wolters Kluwer NV	4.4%
Materials	4.7%	Deutsche Post AG	4.4%
Utilities	0.8%	ASML Holding NV	4.4%
Short-Term Securities	0.9%	Itochu Techno-Solutions Corp.	4.2%
Other Net Assets	0.5%	L'Oreal SA	4.1%
		Logitech International SA	4.1%
		Accenture PLC	4.0%
		Halma PLC	4.0%
		Kone Oyj	3.8%
		Komatsu Ltd.	3.5%
		Nestle SA	3.3%
		NSK Ltd.	3.2%
		Muenchener Rueckversicherungs-Gesellschaft AG	3.2%
		Nintendo Co. Ltd.	3.0%
		London Stock Exchange Group PLC	2.8%
		AstraZeneca PLC	2.6%
		Deutsche Boerse AG	2.5%
		CSL Ltd.	2.3%
		Nexon Co. Ltd.	2.2%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>96.2%</b>
		<b>Total Net Asset Value</b>	<b>\$ 39,754,487</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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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.