GUARDIAN EMERGING MARKETS EQUITY FUND Q1 2023 COMMENTARY

Market Review

The MSCI Emerging Markets Index (the “Index”) returned +3.8% in the first quarter of 2023, the second consecutive quarter of positive returns for emerging markets since mid-2021. The period was marked by heightened volatility – January witnessed strong positive returns as market euphoria around the post-COVID Chinese economic reopening continued. However, all of these gains were subsequently surrendered by the asset class in a steady decline through to mid-March as the twin threats of global economic malaise and stubborn inflation combined with concerns over the health of the US mid-tier banking system to weigh upon sentiment. The Index recovered through to the end of the quarter, boosted by a more dovish tone from US rate setters and encouraging comments from Chinese regulators. During Q1, the Guardian Emerging Markets Equity Fund (the “Fund”) outperformed the Index.

By region, Emerging Asia was the strongest performer during the quarter, returning +4.8%, closely followed by Latin America (+3.9%). EMEA was the clear regional laggard (-1.1%), in part reflecting the retrenchment in commodity prices during the quarter.

In terms of performance by sector there was a reasonable level of dispersion, with information technology (+14.7%) and communication services (+12.6%) the stand-out performers on the upside, while utilities (-10.6%) and healthcare (-5.0%) saw reasonable drawdowns in the quarter.

Performance Attribution

The largest contributor to performance was Latin American ecommerce company **MercadoLibre**, the shares of which benefited as the company’s quarterly results continued to demonstrate a combination of solid revenue growth and margin expansion. Investor sentiment for the company was also boosted by the ongoing financial struggles of one of its largest competitors in Brazil, potentially providing an opportunity for the company to gain share in one of its key markets. Shares in Taiwanese semiconductor manufacturer **TSMC** recovered after enduring a weak fourth quarter. Although management acknowledged likely downward pressure on the industry in the upcoming year, they reiterated guidance for the company to still generate positive revenue growth over this period, as well as highlighting the strength of customer demand for their latest leading-edge technology offering. Another positive contributor in the period was Chinese digital entertainment company **Tencent**, a chief beneficiary of the more benign regulatory environment in the gaming industry and the return of a steady stream of new game approvals. The company is also set to see growth from additional advertising revenues as the country continues its post-COVID recovery.

The largest detractor from performance for the Fund was Chinese e-commerce company **JD.com**, with shares coming under pressure following media reports that the company will launch a large subsidy campaign, igniting fears of a potential price war in the industry. **Wuxi Biologics** shares were similarly weak in the quarter, the rapid COVID about-turn from the Chinese authorities seen by investors as a negative for the trajectory of the company's future vaccine-related revenue streams. Philippine mixed-use property developer **Ayala Land** was another detractor in the quarter. Its shares came under pressure as sentiment around the sector weakened with the country's Central Bank lifting domestic interest rates in the face of escalating inflation.

Portfolio Activity and Positioning

During the quarter there were no new stocks added to the Fund and no outright company sales. As a result of a special dividend from Tencent, the Fund has a small new position in Chinese delivery service and travel platform, Meituan.

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