GUARDIAN CAPITAL

GUARDIAN STRATEGIC INCOME FUND
Q3 2026
REVIEW AND OUTLOOK

SEPTEMBER 2026

Market Review

Canadian bond yields ended the quarter materially higher, reflecting a broader global trend led by the U.S., as fixed income investors reassessed the required return on capital amid a sustained increase in public and private sector investment needs, concerns around the fiscal sustainability of government deficits, and continued geopolitical uncertainty. The Canadian government yield curve flattened, as short- and mid-term yields increased more than longer-term yields. Canadian investment grade corporate bond spreads were largely unchanged to marginally tighter, as new issuance declined over the quarter while attractive all-in yields continued to draw investor inflows into the asset class.

In Canada, the macroeconomic backdrop was mixed over the quarter, as GDP rebounded meaningfully in Q2, with the economy growing at an annualized rate of 3.8% over the period, driven by a surge in exports and further supported by strong consumer spending and capital investment. In contrast, business surveys for the services sector pointed to continued weakness, with the S&P Global Canada Services PMI contracting over the quarter as tariff uncertainty and elevated energy costs weighed on demand and increased firm operating expenses. The Consumer Price Index (CPI) remained near the top of the Bank of Canada's 1 to 3 percent target range, while core inflation firmed as higher energy prices contributed to broader based price pressure across the economy. The labour market also showed signs of softness, with the economy shedding approximately 35,000 jobs over the quarter. Against this backdrop, the Bank of Canada (BoC) left its policy rate unchanged during the quarter, balancing emerging potential downside risks to growth with ongoing concerns that inflation may take longer to return to target. While lower interest rates could support economic activity, they may also risk reinforcing inflationary pressures and contributing to further weakness in the Canadian dollar. Conversely, increasing rates could restrain household spending and business activity.

In the U.S., second-quarter real GDP growth was revised higher to 2.2%, while both the ISM Manufacturing and Services indices remained in expansionary territory. The labour market continued to normalize, with a slower pace of hiring but few signs of a meaningful deterioration in labour demand. The Federal Reserve reaffirmed its commitment to returning inflation to target, raising the federal funds rate at its September meeting and signaling the potential for further policy tightening. Globally, central bank policy paths became more aligned during the quarter, with the Bank of Japan, the European Central Bank, Norges Bank, the Reserve Bank of Australia, and Reserve Bank of New Zealand raising policy rates, while the Bank of England left rates unchanged.

Domestically, the broader fixed income market delivered negative total returns, with the FTSE Canada Universe Bond Index returning -2.96%, as a significant rise in bond yields weighted on fixed income markets. Longer-duration segments within the index were especially impacted, with Provincial government bonds (-4.09%) and corporate bonds within the rate-sensitive Infrastructure sector (-3.60%) leading the negative performance. The front-end segment (FTSE Canada Short Term Overall Bond Index; -0.91) outperformed both the mid-term (FTSE Mid Term Overall Bond Index; -2.98%) and long-end (FTSE

Canada Long Term Overall Bond Index; -6.31%). Corporate bonds (FTSE Canada All Corporate Bond Index; -2.14%) outperformed government bonds (FTSE Canada All Government Bond Index; -3.24%).

The USD/CAD exchange rate strengthened from 1.4196 to 1.4232 over the quarter, supported by widening interest rate differentials and a relatively stronger U.S. growth outlook. Renewed trade tensions weighed on the Canadian dollar, while investors increasingly priced in divergent monetary policy trajectories between the Fed and the BoC.

Performance Attribution and Positioning

The Guardian Strategic Income Fund (the “Fund”) generated positive returns during the third quarter of 2026, with performance driven primarily by issuer selection across the Fund's high yield credit portfolio.

The Fund's holding in Getty Images' 10.500% Senior Secured Notes due 2030 (ABEGET 10.5% 11/15/2030) was the largest contributor to returns during the quarter. Performance was driven by the issuer's announcement that it would redeem the notes at par following the termination of its proposed merger with Shutterstock. The notes had originally been issued to finance the transaction and included a special mandatory redemption provision if the merger was terminated or failed to close, resulting in a sharp price appreciation as the bonds converged toward their redemption value. The Fund’s holding in Venture Global (VENLNG 9% Perpetual) was also a strong contributor to returns. The issuer continued to report strong operating and financial results during the quarter, including a significant increase in LNG export volumes, higher EBITDA guidance, and continued progress on its Plaquemines LNG and CP2 LNG projects. Investor sentiment toward the energy sector was further supported by a roughly 30% increase in oil prices over the period, which reinforced the constructive outlook for energy-related credits and contributed to spread tightening in the issuer’s bonds.

Notwithstanding these positive contributors, the Fund's holding in Cogent Communications (CCOI 7.0% 06/15/2027) detracted from returns as investor sentiment weakened following softer-than-expected operating results, persistent leverage concerns led to a credit rating downgrade by S&P Global Ratings from B to B-. The issuer continued to face challenges, offsetting declines in its legacy business with growth in newer service offerings, resulting in spread widening in the company's bonds.

During the quarter, the portfolio remained active in both the primary and secondary markets, selectively deploying capital into opportunities offering attractive carry and total return potential. Notable additions included new issues from Well Health Technologies, NFI Group, Saturn Oil & Gas, MDA Space, Rogers Communications, and OpenText, which enhanced the portfolio's income profile while increasing exposure to issuers where fundamentals were viewed favorably. The Fund also added to select higher-yielding positions, including CoreWeave, North American Construction Group, and IAMGOLD. To fund these purchases, the portfolio realized gains and reduced exposure to several positions that had performed well, including holdings in Getty Images, Venture Global, Toronto-Dominion Bank and CIBC hybrid securities, as well as select positions in the real estate and industrial sectors. Overall, trading activity was focused on enhancing portfolio income, upgrading risk-adjusted return opportunities, and maintaining diversified exposure across sectors and issuers.

The Manager remains focused on robust underwriting of current and prospective investments given the uncertain macro environment, with a focus on elevated raw materials costs due to the ongoing conflict in Iran, and potential disruption or benefit from AI. In addition, utilizing credit hedges to manage overall portfolio quality and add value in both positive and negative environments.

Outlook

Monetary policy and short-rate expectations remain key drivers of fixed income markets. In the U.S., limited forward guidance from the Federal Reserve has left investors highly sensitive to incoming economic and inflation data, resulting in frequent reassessments of policy rate expectations and corresponding shifts in the shape of the yield curve. In Canada, the Bank of Canada continues to navigate a challenging backdrop, as renewed trade tensions with the U.S. combined with increased fiscal stimulus create uncertainty around the outlook for both growth and inflation. As a result, bond market volatility is likely to remain elevated in the coming quarters.

Yield curve relationships remain broadly consistent with historical ranges, while corporate credit fundamentals continue to be supported by healthy balance sheets and attractive all-in yields continue to draw capital into the asset class. Corporate credit spreads also remain relatively tight, although they have widened modestly from the exceptionally tight levels observed earlier in the year. In this environment, income and carry remain important drivers of total return potential, while diversification and disciplined portfolio construction continue to provide valuable downside protection and risk-adjusted return benefits.

Returns are presented in CAD, unless otherwise stated.

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