GUARDIAN CAPITAL

GUARDIAN RISK MANAGED CONSERVATIVE PORTFOLIO Q3 2025 COMMENTARY

MARKET OVERVIEW

Some stability with respect to American trade policy following the August 1 tariff implementation deadline, indications of continued economic resilience despite some softening in job markets, and a dovish turn by central banks in the U.S. and Canada that resulted in September rate cuts and indications of more easing coming in the months ahead all supported investor risk appetite that drove a broad market rally through Q3.

In equities, the MSCI World Index rallied 9.4% in Canadian dollar terms for the three months ended September to mark its best quarter in a year-and-a-half (and second best in the last five years) underpinned by broad-based strength across sectors and regions. Canadian stocks (S&P/TSX Composite Index +12.5%) were the top performers among Developed Markets with outsized returns in gold factoring heavily into the outperformance relative to the U.S. (S&P 500 +10.2%) and Europe, Australasia & the Far East (MSCI EAFE Index +6.8%), while China drove the strong performance in Emerging Markets (MSCI Emerging Markets Index +12.8%). The more growth-oriented sectors outpaced other areas.

Fixed income markets posted comparatively modest, though notably widespread, gains in the quarter as the shift in focus at central banks from firm inflation to concerns about employment strength put downward pressure on rates, particularly those at the front end of the yield curve. The FTSE Canada Universe Bond Index ended Q3 up 1.5% with Mid Term and Corporate bonds outperforming the broader domestic benchmark.

PERFORMANCE ATTRIBUTION

The Guardian Risk Managed Conservative Portfolio (the “Fund”) underperformed its benchmark, the FTSE Canada Universe Bond Index, during the quarter.

The strategic decision to hedge some of the U.S. currency risk had a negative impact during the quarter given the strength of the U.S. dollar versus the Canadian dollar during the quarter. The strategy also benefited from gains in other foreign currencies that weren’t hedged during the quarter.

Below is a summary of the key contributors to the Fund’s performance during the quarter:

The two Directed Outcomes™ portfolios, Guardian Directed Equity Path Portfolio and Directed Premium Yield Portfolio, continue to represent most of the non-Fixed Income exposure in the Fund’s portfolio during the third quarter of 2025. Both these underlying funds lagged the FTSE Canada Universe Bond Index and the MSCI World Index return over the quarter. The Guardian Directed Equity Path Portfolio was up 1.28% and the Guardian Directed Premium Yield Portfolio was up 0.15% versus positive 9.4% for the MSCI World Index (Net C$) and 1.51% for the FTSE Canada Universe Bond Index. Stock performance within both of these underlying funds underperformed because of security selection in the Information Technology, Industrials and the Financials sectors, as well as the underweight allocation in the Communication Services sector given the continued outperformance of momentum relative to quality stocks.

The Fund's exposures to the Guardian Strategic Income Fund, Guardian Investment Grade Corporate Bond Fund and Guardian Canadian Bond Fund contributed positively to performance relative to the FTSE Canada Universe Bond Index. The current mix of the Fund's Fixed Income portfolio is 14.2% in Guardian Canadian Bond Fund, 8.2% in Guardian Investment Grade Corporate Bond Fund and 4.3% in Guardian Strategic Income Fund.

All underlying funds in the Global Equity portion of the Fund's portfolio, apart from the Guardian Fundamental Global Equity Fund, made a positive contribution to returns, represented by allocations to the Guardian i³ Global Dividend Growth Fund (2.3%), the Guardian Fundamental Global Equity Fund (3.2%) and the Guardian Emerging Markets Equity Fund (1.5%).

The U.S. dollar relative to the Canadian dollar was up 2.29% in the third quarter and the strategic decision to hedge the U.S. dollar currency risk back into Canadian dollars had a negative impact on performance.

The overall strategic skew of the Fund toward a more conservative posture, favouring a defensive equity strategy over bonds, resulted in significant added value over the last few years, however it lagged this quarter. The Manager continues to favour equities over bonds and given the conservative nature of the equity strategies in the Fund's portfolio, and continues to see the Fundas a conservative balanced fund alternative and/or a complement to the fixed income component of a balanced portfolio.

PORTFOLIO TRANSACTIONS

There were no changes in the Fund's portfolio during the quarter.

PORTFOLIO OUTLOOK & POSITIONING

There are some indications in the "hard" data that economic momentum has slowed, though remained positive, over the last three months as the impact of tariffs and their related policy uncertainty has restrained activity. More recent "soft" survey-based data, however, has shown a marginal improvement as there has been greater, albeit still very limited, clarity on what trade policies are likely to be in place following the tariff deadline imposed by the White House.

As well, there are growing expectations that the policy easing cycle is likely to continue in North America as central banks have shifted from a "reactive" approach to setting policy to a more "proactive" slant as concerns about economic slack move to the forefront.

Accordingly, growth expectations for this year and next have continued to move higher from their lows in April (albeit still below the assumed rates that prevailed at the outset of the year) and the estimated probability of an imminent downturn have ebbed.

At the same time, inflation expectations appear to have come off of recent peaks and are not anticipated to become unanchored, though forecasts are for price pressures to remain sticky at rates above central bank targets for the foreseeable future.

Earnings momentum has similarly improved, and expectations have broadly been revised higher, supporting further positive performance of risk assets.

Looking at the months ahead, there does not appear to be a clear catalyst for market momentum to be materially derailed. The new bias at the U.S. Federal Reserve suggests room to move away from the current restrictive stance even in the face of positive economic news, while negative developments are likely to be met with expectations of more cuts sooner — both of which could prove constructive backdrops for markets.

At the same time, there is cause for some caution. Recent market performance has pushed valuations higher which could set up for some pullback, especially in those more expensive growth-focused segments of the market — though, such an environment could prove relatively positive for those other areas of the market that have underperformed the U.S.-centric AI trade, suggesting potential relative performance gains from more active strategies.

The Fund's asset mix remains overweight Equity with a bias toward Global "quality growth" strategies. Fixed Income allocations are skewed toward high quality corporate credit with below benchmark duration. Given the emphasis on reducing volatility and downside protection, a significant proportion of the equity exposure is protected via the Fund's investment in the Guardian Directed Equity Path Portfolio, which employs a put option strategy to help minimize downside risk. The Manager will continue to monitor economic and market developments closely and stands ready to tactically exploit opportunities that may present themselves.

Returns are presented in CAD, unless otherwise stated.

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