GUARDIAN DIRECTED EQUITY PATH PORTFOLIO QUARTERLY COMMENTARY

MARCH 2023

Performance Attribution

The Guardian Directed Equity Path Portfolio (the "Fund") underperformed its benchmark[1] in Q1 2023. The stocks within the portfolio delivered a total return of 9.16%, outperforming the market given the rebound in quality growth stocks during the quarter. Option premiums earned from the covered calls were more than offset by the upside forfeited from the performance of various stocks, detracting approximately 0.83% and the put options decreased in value by 3.89%, from the reversal of the intrinsic value in the options. Strong employment data and a rebound in some economic indicators, as well as China's reopening late last year, increased investor optimism that developed economies would manage through the tightening of monetary conditions. However, continued inflationary pressures in February brought shifts in market sentiment, as investors raised expectations additional rate hikes would be required by central banks. Then, in March, the failure of two US regional banks and concerns about Credit Suisse in Europe triggered a sharp reversal in both rates and investor sentiment from the optimism that had built up at the beginning of the year. The quick and decisive response by regulators eased market concerns and resulted in all major asset classes rising.

Option premiums remained reasonably elevated during the quarter, but implied volatility levels began to subside with more optimism on the horizon. The manager took advantage of the higher implied volatility to sell further out of the money call options to protect against a sharp reversal to the upside while still collecting a moderate level of option premium. With the sharp rise of many quality growth stocks during the quarter, some upside was forfeited in the portfolio and the put options lost some of their intrinsic value, which detracted from the performance. The manager will strive to balance the trade-off between the premiums collected with the upside strike prices on the covered calls to provide a decent level of option premiums and upside participation.

Below is a summary of the key contributors to the stock performance within the Fund were:

Novo Nordisk (NOVOB)'s management guided to 16-19% sales growth in 2023, following 16% growth in 2022, boosted by the relaunch of Wegovy (obesity drug) in the US. The company also reported positive trial results of higher dose oral Semaglutide, with glycemic control in-line with the injectable version and a better weight loss profile. The stock was up 18.14% during the 1Q.

Booking Holdings (BKNG) finished the period 31.46% higher. Travel demand has seen a faster-than-expected bounce back post COVID with 2022 gross bookings and revenues 26% and 13% ahead of 2019. The move beyond the pent-up demand phase indicates people value travel more than before. Almost 900 million room nights were booked on Booking's platforms in 2022.

[1] Benchmark : 40% FTSE Canada Universe Bond Index, 60% MSCI World Index (Net, C$)

Microsoft (MSFT) rose 20.38% in Q1, outperforming largely due to the successful integration of ChatGPT within its product suite. Decelerating growth in its Azure unit appears to be macro-related rather than a fundamental shift. The company's best-in-class product portfolio strengthens its bundling proposition versus peers, further embedding the company's products.

Apple: Apple shares outperformed in the first quarter (up 26.22%) as investors returned to the technology sector. The service business continued to grow and outpace expectations, and prior concerns around slowing in iPhone sales were overblown. The company's impressive balance sheet, loyal customer base, and focus on services demonstrate its high quality. The market expects AAPL to generate nearly $100B in FCF this year, while delivering an ROE of more than 20%

Alphabet (GOOGL)'s stocks ended 17.43% higher in 1Q. In Q1, Google launched Bard, its AI Chatbot for public experimentation in the US and UK, easing concerns about falling behind in the AI race. Along with recent upward revenue revisions by analysts, this has boosted its stock prices.

The largest negative contributors to returns over the quarter were:

UnitedHealth Group (UNH) fell 10.65% during the quarter. Concerns around US government healthcare funding pressured shares of UnitedHealth Group in Q1. In February, the Centers for Medicare and Medicaid Services (CMS) announced Medicare Advantage reimbursement rates for 2024 which were lower than expected.

Automatic Data Processing (ADP)'s shares dropped 8.19% in 1Q after reporting weaker-than-expected bookings and retention in their PEO business, but their larger and higher margin Employer Services business was stronger-than-expected. As a result, guidance for the year remained unchanged.

Home Depot (HD) fell 6.01% during the quarter. A recent change in consumer spending patterns away from home improvement has caused growth to slow and, as a result, shares underperformed this quarter. The Pro segment remains strong, with big ticket sales growing 4%, further extending robust backlogs. While housing activity remains under pressure, HD is a market leader in home improvement, and the Manager believes it will demonstrate continued resilience in an uncertain economic environment.

Portfolio Activity and Positioning

Buys:

None.

Sells:

None.

Outlook

Guardian Directed Outcomes strategies offer investment choices designed to address different priorities of investor objectives for either growth with enhanced downside protection through Guardian Directed Equity Path, or for tax-efficient cash flow generation through Guardian Directed Premium Yield.

The guiding principles underlying the investment philosophy of both of the Guardian Directed Outcome strategies rests on the following key tenets:

1. Employing the security analysis and selection process of the high-conviction, concentrated equity portfolios within Guardian's UK, US and Canadian businesses
2. Identifying short- to intermediate-term catalyst and stock price behavior aligned with long-term quality growth intrinsic value estimates
3. Implementing varying option overlay strategies to tailor the return behaviour of the underlying positions to target the portfolio outcomes desired, as follows:

Guardian Directed Outcomes strategies

The premise of the Guardian approach to managing the Directed Outcomes strategies is to apply the bottom-up fundamental research from our concentrated equity teams in the United Kingdom, the United States and Canada. In effect, the Directed Outcomes portfolios will hold a concentrated portfolio of global high-quality growth securities (20 to 30 stocks) with a managed options overlay, taking into account intrinsic value estimates and catalysts derived from the research. This information will be complemented with a short- to intermediate-term technical and fundamental review to assess prevailing trend strength and stock price behavior to exploit shorter horizon trading opportunities.

Guardian Directed Premium Yield Portfolio

Risk Rating[2]: Medium

This Fund's portfolio is designed to deliver a high and consistent level of tax-efficient[3] cash flow – 6%[4],annually, distributed monthly – to investors, recognizing that securities within the portfolio may fluctuate according to prevailing market conditions.

Volatility levels have leveled out considerably with both implied and realized volatility normalizing. This strategy is expected to continue to collect attractive option premiums and participate in the upside in a more gradual manner.

Guardian Directed Equity Path Portfolio

Risk Rating[2]: Low to Medium

In the case of the anticipated Directed Equity Path outcome, the portfolio is engineered with the aim to manage volatility and provide downside protection, so that it is never exposed to the entire downside of any position held. As a result, returns are expected to lag in a rising market environment (the sharper the rise, the larger the lag) and to help preserve capital in a declining market environment (the more severe the drawdown, the better the protection).

Volatility levels have leveled out considerably, with both implied and realized volatility normalizing. This Fund's portfolio continues to be positioned defensively with a high level of put option protection implying that the portfolio will be well insulated on the downside if market conditions deteriorate in the near-term. The strategy is expected to continue to collect attractive option premiums and participate in the upside in a more gradual manner.

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2 As disclosed in the Fund's most recent prospectus and Fund Facts. The Risk Classification of a fund has been determined in accordance with a standardized risk classification methodology in National Instrument 81-102, that is based on the fund's historical volatility as measured by the 10-year standard deviation of the fund's returns. Where a fund has offered securities to the public for less than 10 years, the standardized methodology requires that the standard deviation of a reference mutual fund or index that reasonably approximates the fund's standard deviation be used to determine the fund's risk rating. Please note that historical performance may not be indicative of future returns and a fund's historical volatility may not be indicative of future volatility.

3 Distributions are expected to be primarily return of capital or capital gains generated from option premiums and securities transactions, which are taxed more favourably than income.

4 As disclosed in the Fund's prospectus, the Fund intends to make monthly distributions based on a targeted annualized monthly distribution of 6% of the NAV per Unit at the end of the prior year. Distributions may consist of net income, dividends, net realized capital gains, and may also include return of capital.

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