

GUARDIAN DIRECTED EQUITY PATH 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 the third quarter.

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 Index +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.

PERFORMANCE ATTRIBUTION

The Guardian Directed Equity Path Portfolio (the “Fund”) rose 1.28% in Canadian dollar terms over the third quarter of 2025 versus a gain of 9.4% for the MSCI World Index (C\$, net). The stocks within the Fund’s portfolio delivered a total return of positive 0.15% 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. Option premiums earned from the covered calls amounted to 1.51% and the upside forfeited was -1.46%, contributing a net amount of 0.05% over the quarter, while the put options added 1.13% responding to the sharp reversal in equity stock prices and the reduction of implied volatility.

The Manager will continue to cautiously balance the options premium collected with selling further out-of-the-money call options to help protect against a sharp reversal to the upside, while still collecting a moderate level of option premium. The protective options benefit from weaker stock performance, which will continue to contain a downside if market conditions deteriorate. The Manager will continue 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.

Key stock contributors to performance within the Fund were:

The largest positive contributor to the returns of the Fund’s portfolio during Q3 2025 with shares rising 21.0% was **EssilorLuxottica S.A.** EssilorLuxottica is a global leader in the design, manufacture, and distribution of eyewear and ophthalmic lenses, combining iconic brands like Ray-Ban and Oakley with innovative vision care solutions. The combination of continued traditional eyewear strength, strong sales growth in smart glasses and the expansion into healthcare technology through the roll out of Nuance Audio and acquisition of Optegra have contributed to strong performance year-to-date. In September, the company unveiled next-generation products including Meta Ray-Ban Display and expanded into ‘athletic intelligence’ with Oakley Meta Vanguard.

Shares of **Reckitt Benckiser Group plc** finished the period 17.4% higher. Reckitt Benckiser, the world's leading consumer health and hygiene company, saw shares rise following the announcement of strong first half results. The company's recent reorganisation to simplify and speed up decision making appears to be improving investor confidence. Emerging markets have been particularly strong, with the company reporting growth across all regions and categories. Despite improved execution with key retail partners, the North American consumer remains challenging as economic uncertainty impacts confidence. The company has upgraded its full-year guidance.

UnitedHealth Group Inc. stock ended 13.6% (USD) higher in Q3. UnitedHealth Group is the largest health insurer in the US. The company has faced several headwinds including a significant Q1 earnings miss and 2025 guidance cut due to elevated care costs, the resignation of its CEO and a DOJ investigation. However, the company continues to be well positioned to benefit from a shift to value-based care models and a drive toward healthcare productivity in the US.

Apple's stock price rose 26.7% (USD) this quarter. **Apple Inc.** contributed to relative returns, driven by record quarterly revenue and earnings fueled by a surge in iPhone sales and all-time high services revenue, both exceeding expectations. Strong demand for the latest iPhone 17 series, margin resilience from supply chain shifts, and renewed strength in Mac sales supported a 12% increase in earnings per share. Continued leadership in digital services and the rollout of AI-driven features reinforced robust consumer enthusiasm and investor confidence. Overall, Apple's performance this quarter reflected strong execution across its core businesses and innovation strategy, positioning the company for sustained growth and positive market sentiment going forward.

Microsoft Corp. was up 6.4% (USD) during the quarter. It is a technology company that develops and supports software, services, devices, and solutions. The company continues to benefit from strong AI-driven growth and accelerated demand for cloud migrations across industries. The company reported better than expected Azure performance and commercial bookings strength signals sustained momentum into fiscal 2026. While Azure is described as "AI first," the growth over the quarter has primarily come from cloud migrations.

The largest stock detractors to returns over the quarter were:

The largest detractor to returns over the quarter was **MarketAxess Holdings Inc.**, with shares falling -20.1% (USD). MarketAxess is a leading electronic trading platform for fixed income securities. The company reported market share losses to its closest competitor over 2024 in both high-grade and high-yield bond trading. The business launched a new platform, XPro, and continues to enhance trading functionality to regain share. Despite reporting strong revenue growth in Q2, the stock fell as the market continues to have concerns about the competitive landscape.

Novo Nordisk A/S shares, which were down -19.1% (USD) for the quarter, have been under pressure due increased competition from Eli Lilly in the U.S. market, resulting in market share losses for the company. The presence of unauthorised semaglutide compounders in the US, despite FDA bans, has continued to erode revenues. The company's new CEO, Mike Doustdar, outlined several priorities including improving U.S. commercial execution, increasing operational efficiency and raising the innovation bar.

Shares of **Verisk Analytics, Inc.** fell -17.5% (USD) in Q3. Verisk Analytics is a leading provider of data analytics to the insurance industry. The stock declined following disappointing earnings results and the announcement of two acquisitions. Management believe these acquisitions will provide a differentiated data set, improving the analytics provided to clients, and immediate cross-selling opportunities.

Colgate-Palmolive Co. finished the quarter -9.8% (USD) lower. Colgate-Palmolive is the global oral care market leader and produces hygiene, home care and pet nutrition products. Colgate-Palmolive underperformed this quarter as the company reported slowing category growth in many markets, including the U.S., Europe and Asia. Concerns around the impact of tariffs are weighing on the stock as well.

Shares of **Accenture plc** fell -15.4% (USD) in Q3. Accenture is a leading global consulting and managed services business. Despite reporting expectation-beating-earnings in its fiscal Q4, the share price has been under pressure due to U.S. government spending cuts, elevated macro uncertainty and continued headwinds in the small,

discretionary deal space. Spending on large, transformative deals continues and Accenture remains at the forefront of digital reinvention for businesses.

PORTFOLIO TRANSACTIONS

During the quarter, the Manager reduced the Fund's positions in Automatic Data Processing ("ADP"), L'Oréal S.A., and Verisk Analytics, Inc., and added to positions in Nike, Inc. and Keyence Corp.

PORTFOLIO OUTLOOK & POSITIONING

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 Portfolio or for tax-efficient cash flow¹ generation through Guardian Directed Equity Path Portfolio.

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

1. Employing the security analysis and selection process of the high-conviction, concentrated equity portfolios provided by Guardian Capital LP's U.K., U.S. and Canadian asset management 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.

The premise of Guardian Capital LP's 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 Equity Path 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).

The options strategy is expected to continue to collect attractive option premiums, while participating in the upside in a more gradual manner.

¹ Tax efficient cash flow is derived from the additional income earned from writing (selling) call options, known as "premium", which is taxed as capital gains and is more tax-efficient relative to dividend or interest income.

Returns are presented in CAD, unless otherwise stated.

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There can be no assurance that the Fund's portfolio will continue to hold the same position in companies referenced here, and the portfolio may change any position at any time. The securities discussed may not represent the Fund's entire portfolio and in the aggregate may represent only a small percentage of portfolio holdings. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable, or will equal the investment performance of the securities discussed.

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