GUARDIAN CAPITAL

GUARDIAN INTERNATIONAL EQUITY SELECT FUND QUARTERLY COMMENTARY

September 2023

Market Review

In a similar downward trend to the US market, International equities returned -4.11%, in US dollar terms, for the third quarter of 2023. Energy and Financials sectors outperformed, while Consumer Discretionary, Industrials, and Information Technology underperformed.

Investment Strategy

As the Fund's Manager, we define our investment style as "Growth at a Discount", seeking stocks we believe are capable of superior long-term growth, trading at a discount valuation, relative to the MSCI EAFE Index. While individual stocks may not meet both of these criteria at all times, we generally expect the portfolio as a whole will.

Our investable universe includes all stocks in the MSCI EAFE Index. We focus our research on those that have demonstrated long-term sustainable profitability and dividend payout. The resultant portfolio consists of the 15-30 stocks that have earned our highest conviction.

Performance Attribution

The Fund underperformed the MSCI EAFE Index (net) in the third quarter. Stock Selection within the Energy, Financials and Health Care sectors added to performance. Top contributors for the quarter included the Fund's positions in Mitsubishi UFJ, DBS, TotalEnergies, and Novo Nordisk. Mitsubishi UFJ is one of the largest banking institutions in Japan and a leading global financial services group, while DBS is the one of the largest banks in Singapore and southeast Asia. Both companies saw strong performance as higher interest rates boosted net interest margins in a "higher-for-longer" environment, helping both companies beat profit estimates. TotalEnergies is a French-based global energy producer. The company benefited from a rise in energy prices throughout the third quarter, as oil prices surged following deeper supply cuts from OPEC members. Novo Nordisk is a global healthcare company based in Denmark. The stock jumped in the third quarter following the announcement of a successful obesity drug-related study for its weight-loss drug, Wegovy.

Conversely, stock selection within the Consumer Discretionary, Industrials and Information Technology sectors detracted from performance. Top detractors for the quarter were the Fund's holdings in FANUC, Richemont, and LVMH. FANUC is a Japanese based company that supplies automation products and services for the manufacturing industry. The company lagged in the third quarter as demand from China softened. Richemont is a Swiss-based luxury goods company while LVMH is a

French-based luxury goods company. Both companies saw a lag in performance as outlook on discretionary spending softened, particularly in China, given the global macroeconomic backdrop.

Portfolio Positioning and Outlook

The Fund remains most notably overweight the Consumer Staples sector and European stocks generally, relative to the benchmark. We seek companies we believe are capable of above-average sustainable growth, regardless of the economic environment, and positions held by the Fund are not adjusted based on short-term factors.

During the quarter, the Fund's positions in LVMH and Richemont were reduced after an impressive run over the past year that increased valuations to fulsome levels. Proceeds were invested into Sanofi, National Grid, Nestle and TotalEnergies, all being more reasonably-valued after some underperformance. Furthermore, Diageo raised their 2023 dividend payment by 5%, the 24th year in a row, while DBS raised their dividend for the second time this year, now up 20% over 2022.

The Manager believes EAFE stocks look to be more attractively valued, particularly in light of year-to-date performance in the US stock market. As the international stock market lagged in Q3, Japanese equities saw their run of positive quarterly performance end, with Mitsubishi UFJ a notable exception, while European and UK stocks lagged. The performance dispersion within international equities continues to present opportunities to invest in quality international companies with above-average growth at a more reasonable valuation.

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