GUARDIAN CAPITAL

GUARDIAN INTERNATIONAL EQUITY SELECT FUND Q3 2026 MANAGER COMMENTARY

Market Overview

International developed equity markets posted modest gains in the third quarter of 2026, with the MSCI EAFE Index returning 0.88% in Canadian dollar terms. Resilient economic activity and corporate earnings helped offset concerns surrounding inflation and higher global borrowing costs. Renewed tensions in the Middle East pushed oil prices higher, supporting energy stocks while adding uncertainty to the inflation and interest-rate outlook. Performance was supported by the Financials and Energy sectors, while the Information Technology and Health Care sectors detracted from market returns. A notable divergence emerged between investment styles, with the MSCI EAFE Value Index outperforming the MSCI EAFE Growth Index. Several AI-related hardware and semiconductor stocks reversed part of their strong second-quarter gains, while strength in financial and energy companies supported value-oriented equities.

At the regional level, Asian markets generally performed better than Europe, with the MSCI Japan Index returning 6.03% in Canadian dollar terms during the quarter. Japanese equities benefited from solid corporate earnings and ongoing corporate governance reforms aimed at improving shareholder returns. Hong Kong equities also performed well, with the MSCI Hong Kong Index returning 6.72% in Canadian dollar terms over the quarter. European equities were quite weak during the quarter, with the MSCI Europe Index declining -1.58% in Canadian dollar terms. The weakness was particularly pronounced in France, where the MSCI France Index fell -5.45% in Canadian dollar terms as fiscal and political uncertainty weighed on investor sentiment. In contrast, the MSCI United Kingdom Index gained 1.97% in Canadian dollar terms, supported by the market's relatively high exposure to banks and energy companies.

Monetary policy took a more hawkish turn across several developed markets as central banks responded to persistent inflation pressures. The Bank of Japan raised its policy rate to 1.25% in September as it continued to normalize monetary policy. The European Central Bank also increased rates by 25 basis points, bringing its deposit rate to 2.50%, as the Middle East conflict prolonged energy-related inflation pressures.

Performance Attribution

The Guardian International Equity Select Fund (the "Fund") underperformed its benchmark, the MSCI EAFE Index, during the third quarter of 2026. Exposure to the Financials sector contributed positively to relative performance, but this was outweighed by weakness across the Consumer Discretionary, Industrials and Health Care sectors. Year-to-date, the Fund has outperformed the MSCI EAFE Index.

Top contributors to performance this quarter included the Fund's positions in **Mitsubishi UFJ Financial Group Inc., DBS Group Holdings Ltd. and Deutsche Boerse AG.** Mitsubishi UFJ performed well alongside continued strength in Japanese banking stocks. Results released during the quarter showed record first-quarter net income, with earnings benefiting from higher Japanese interest rates, growth in loan balances and stronger fee income. DBS Group Holdings also contributed positively, reporting record second-quarter profit as growth in wealth

management fees, treasury customer activity and trading income supported earnings. Strong loan and deposit growth further supported its operating performance. Deutsche Boerse shares rose during the quarter as the company reported broad-based revenue and earnings growth. Higher cash balances and a more favourable interest-rate outlook also led management to raise its full-year treasury-income expectations, supporting an improved outlook for the company.

Conversely, among the largest detractors from performance were the Fund's positions in **Murata Manufacturing Co. Ltd., Tokyo Electron Ltd. and DSV A/S.** Murata Manufacturing shares pulled back sharply following their strong second-quarter performance as investors reduced exposure to AI-related hardware stocks. The share-price weakness occurred despite the company raising its full-year profit forecasts in July, supported by strong demand for electronic components used in AI servers and data centers. Tokyo Electron also declined as semiconductor equipment stocks participated in the broader reversal among AI beneficiaries. The Manager had reduced both Murata and Tokyo Electron beginning in late June and into July following their substantial appreciation, before beginning to add back to the positions in late September as valuations became more attractive. DSV shares fell during the period as the company's management contends with a few operational challenges in its trucking business, which represents approximately 15% of the company.

Portfolio Transactions

There were no stock positions initiated or eliminated in the Fund's portfolio during the quarter.

Portfolio Outlook

Despite the modest third quarter results, the Manager believes several structural themes supporting international equities remain intact. The portfolio continues to emphasize high-quality companies with attractive long-term growth prospects and valuations, while position sizes are adjusted as opportunities evolve.

1. Japan: Corporate Governance and Automation — Corporate governance improvements remain a supportive influence on Japanese equities, with greater attention to balance-sheet efficiency and shareholder returns. Increasing demand for robotics and automation also supports the longer-term prospects of leading Japanese equipment suppliers.
2. Europe: Infrastructure and Capital Investment — European infrastructure and capital goods companies remain well positioned to benefit from multi-year investment programmes. Although deployment has been slower than anticipated, the Manager expects infrastructure spending to create opportunities over time.
3. Defence: A Multi-Year Spending Commitment — The rebuilding of European defence capabilities remains a long-term theme. Spending and procurement may fluctuate with political developments, but the Manager believes the underlying commitment to strengthening domestic military capacity should support selected companies for years to come.
4. Valuation Opportunities in Areas Out of Favour — Weakness in residential construction-related stocks has made valuations increasingly attractive among selected building materials companies. Property and casualty insurance stocks also remain under pressure amid a softer industry pricing cycle. The Manager is monitoring these areas for opportunities.

Overall, the Manager remains focused on identifying high-quality companies trading at attractive valuations. While near-term volatility may persist, investment decisions continue to reflect the long-term earnings potential of individual businesses and a disciplined approach to valuation.

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Returns are presented in CAD, unless otherwise indicated.

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