

GUARDIAN INTERNATIONAL EQUITY SELECT FUND Q1 2026 MANAGER COMMENTARY

Market Overview

International developed markets, as represented by the MSCI EAFE Index, rose modestly by 0.55% in the first quarter of 2026. Despite a sharp decline of -8.20% in March, the index outperformed the S&P 500, which fell -2.60% over the quarter. This relative strength reflected the region's lower exposure to mega cap technology and software companies, which struggled during the period and carry significant weight in the U.S. market.

Quarterly returns were driven primarily by the Energy sector, which gained 42.44% amid surging oil prices, while Consumer Discretionary was the largest detractor, declining -12.97%. The quarter was marked by a sharp increase in geopolitical risk following an escalation of conflict in the Middle East. Damage to regional energy infrastructure and the effective closure of the Strait of Hormuz pushed Brent crude prices up more than 60% in March, weighing on global equity sentiment and pressuring bond markets as investors reassessed inflation and interest rate expectations.

Regional performance was mixed. Japan was a relative bright spot, with the MSCI Japan Index rising 3.20%, as corporate reforms continue and foreign investor interest gathers pace. European equities lagged, with the MSCI Europe ex-UK Index falling -4.20% in U.S. dollar terms, as higher energy costs raised concerns about economic growth given the region's reliance on energy imports. The United Kingdom (U.K) market proved more resilient, supported by its higher commodity exposure with the MSCI UK Index rising 3.87%. Style leadership also shifted during the quarter, with value stocks outperforming growth as investors rotated away from technology-oriented sectors. The MSCI EAFE Growth Index declined -2.88%, while the MSCI EAFE Value Index rose 4.00%, underscoring the widening performance gap.

Overall, international developed markets faced a more volatile environment in the first quarter of 2026 amid heightened geopolitical uncertainty, rising energy prices, and shifting central bank expectations. Nevertheless, international equities demonstrated relative resilience versus U.S. markets, supported by a shift towards a more value-oriented style, solid regional performance from the Japanese and U.K markets, and commodity-linked exposure.

Performance Attribution

The Guardian International Equity Select Fund (the "Fund") outperformed its benchmark, the MSCI EAFE Index, in the fourth quarter.

The combination of an overweight position and strong stock selection in Energy contributed positively to relative returns. Stock selection within the Industrials, Real Estate, and Financials sectors also added value, while underweight allocations to the Industrials and Financials sectors further enhanced relative performance. Top contributors for the quarter included the Fund's positions in TotalEnergies, BAE Systems, and National Grid. Shares of **TotalEnergies** rose during the period after the Manager increased its position early in the quarter, making it the

portfolio's largest holding. Performance was supported by a sharp rise in oil and gas prices and heightened energy supply concerns following the escalation of conflict in the Middle East. In addition, higher hydrocarbon prices and robust trading activity are expected to support first-quarter earnings, more than offsetting production disruptions in parts of the Middle East. The instigation of combat in Iran drove shares of **BAE Systems** to rise higher as the company benefited from investor focus on higher defense spending across Europe and NATO countries. The company entered 2026 with a strong order backlog, reported solid 2025 results, and guided to further sales and earnings growth in 2026, reinforcing confidence in its medium-term outlook. **National Grid** shares rose higher during the quarter as greater clarity on the upcoming RIIO-T3 regulatory framework improved visibility into future earnings and returns. The company also guided to stronger earnings growth as it transitions into the new regulatory period, while its defensive, regulated utility profile remained attractive amid broader market volatility.

Conversely, stock selection within the Materials and Consumer Discretionary sectors held back relative returns. Among the largest detractors from performance were the Fund's positions in Boliden, LVMH, and Richemont. **Boliden** shares came under pressure as investors focused on operational disruption at Garpenberg mine following abnormal seismic activity, which weighed on production and created uncertainty around near-term output. This offsets the benefit from stronger metal prices and solid performance across parts of the mining and smelting portfolio. **LVMH's** share price rallied in the fourth quarter of fiscal year 2025 on expectations that year-end earnings would signal a recovery; however, results indicated that the long-awaited inflection point is likely still a few quarters away. The stock also came under additional pressure amid the Iran conflict, as Middle Eastern consumer demand softened, and global luxury sentiment weakened. Similarly, **Richemont** shares declined during the quarter despite continued strength in its core jewelry brands, including Cartier and Van Cleef & Arpels, as investors remained cautious toward the broader luxury sector and watch demand.

Portfolio Transactions

The Fund's portfolio activity during the quarter included the sale of Givaudan and NTT Inc., while the portfolio added DSV, Sun Hung Kai Properties and Boliden.

Portfolio Outlook

The investment environment shifted meaningfully during the first quarter of 2026, with increased geopolitical uncertainty, higher energy prices, and a moderation in U.S. equity leadership. The Manager believes these dynamics are reinforcing the case for international equities, where valuations remain attractive and returns are supported by a broader set of drivers across regions and sectors. Some areas of note include:

1. **Europe: Fiscal Expansion and Defence Spending** – Europe is in the early stages of a multi-year investment cycle, supported by increased infrastructure spending and rising defence budgets. These fiscal tailwinds are expected to support economic activity and corporate earnings growth over time.
2. **Japan: Corporate Reform and Domestic Participation** – Japan continues to benefit from ongoing corporate governance reforms and increasing foreign investor interest. The portfolio's holdings in SMC Corp., Mitsubishi UFJ, Murata and Tokyo Electron all performed well, reflecting improving market conditions. A potential catalyst remains the return of domestic retail investors who currently have little involvement in Japanese equities after a protracted period of lacklustre returns.
3. **Hong Kong: Early Signs of Stabilization** – News flow from Hong Kong is improving, with signs of improvement in retail sales, Macau gaming activity, and immigration trends. This is further supported by relaxed immigration laws and reduced property tax regulations. The Manager had initiated a position in Sun Hung Kai Properties during the quarter, which offers exposure to the potential recovery in the region.
4. **Valuations and Market Breadth** – Valuations remain reasonable across international markets following a modest retrenchment during the quarter. If corporate reforms continue in Japan, the Manager believes that there is the potential for returns on capital for the MSCI EAFE Index to improve in the coming years, which points to a favourable backdrop.

Overall, the Manager remains focused on identifying high-quality companies trading at attractive valuations. While near-term volatility may persist, improving earnings breadth, supportive policy trends, and compelling relative valuations provide a constructive foundation for long-term returns in international equities.

Returns are presented in CAD, unless otherwise indicated.

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