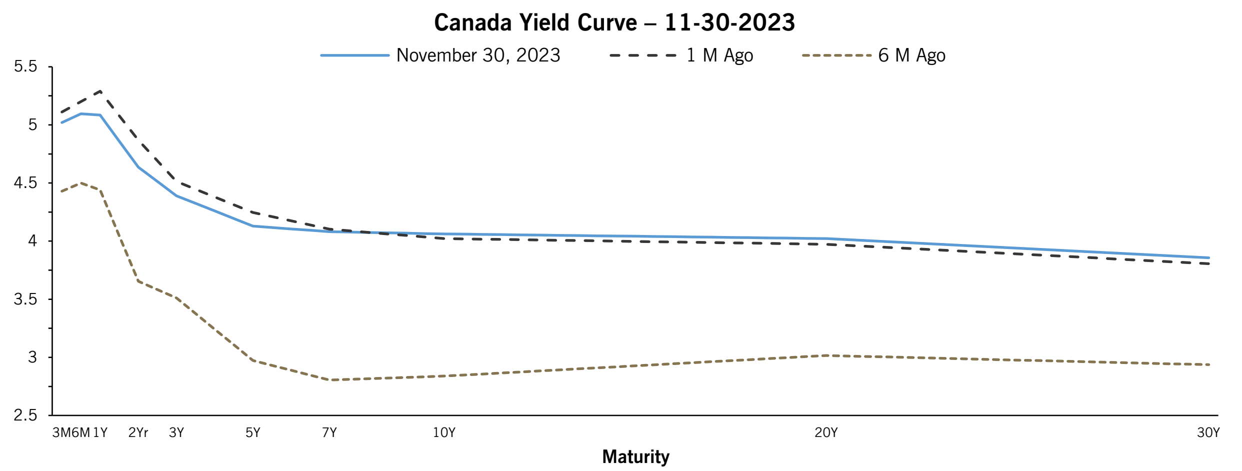
GUARDIAN CAPITAL™

AHEAD OF THE CURVE

MONTHLY BOND MARKET RECAP AND OUTLOOK

RECAP

- The narrative that the central banks are done with hiking has fueled one of the strongest months for bond markets since the 1980s. In November, the Canadian bond yields fell in the short- and middle-end of the curve, approximately 48bps and 60bps respectively. In the US, serious questions marks remained regarding inflation, even with the economy visibly slowing. As a result, both yield curves remain in deep inversion territory
- Canadian bonds, in aggregate, returned 4.29% in November, as measured by the FTSE Canada Universe Bond Index.
- In aggregate, Canadian Provincial bonds, as measured by the FTSE Canada Provincial Bond Index had the best returns (5.71%) followed by Corporate bonds as measured by the FTSE Canada All Corporate Bond Index (3.81%). Both sectors outperformed relative to Federal bonds as measured by the FTSE Canada Federal Bond Index (3.37%) – as the bond markets rallied, providing a boost to investors who have been bracing themselves for a third year of losses.
- As expected, the Bank of Canada (BoC) decided to leave its policy interest rate at 5% at its final meeting of 2023. The US Federal Reserve Bank (Fed) is likely to follow suit in mid-December.
- Credit spreads considerably narrowed in November, with lower-quality Corporate bond spreads (8bps) narrowing more than higher quality ones (2bps).



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at November 30, 2023.

THE LOOK AHEAD

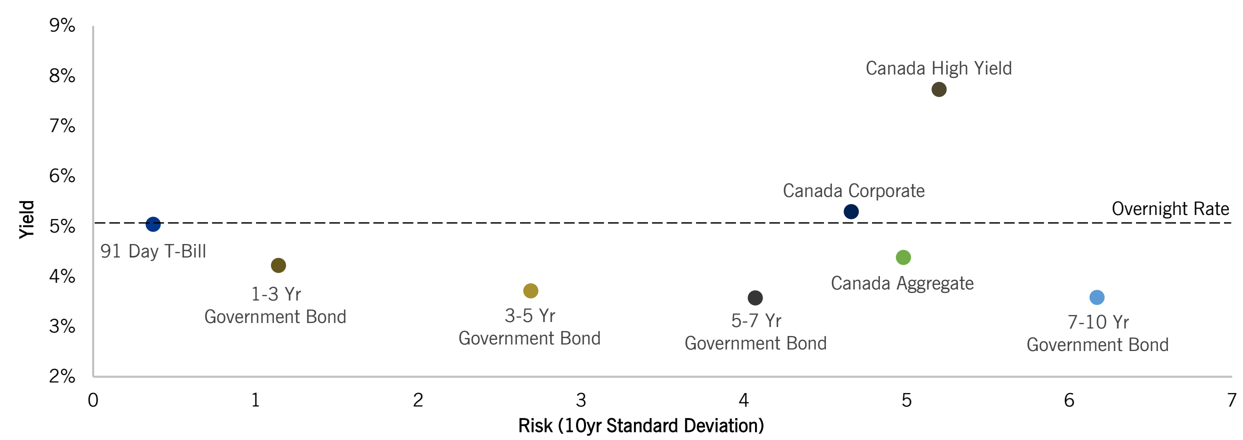
- Even though, the rate hiking cycle in Canada is at its tail end, the still-above-target inflation may keep the rate higher through the first half of 2024.
- The view from Guardian Capital LP's Fixed Income Team is that the BoC could start cutting rates by mid-2024. Most data, apart from labour statistics, suggest a general slowdown in economic activity.
- In Canada wage growth still needs to be tamed, some stickiness in housing-related inflation remained - given the overwhelming demand created by a sky-high population growth.
- South of the border, the Fed is nearing the end of its tightening cycle but has left the door open to hiking an extra quarter point at the December meeting. Moreover, we do not expect any rate cuts over the next 12 months in the US.
- Despite some risk of one final Fed rate hike, we continue to see markings in place for a policy pivot early Q3 2024.

POSITIONING OPPORTUNITIES

Despite bond yields falling in the short- and middle-end of the curve over the past month, the yield curve remains in deep inversion territory. In these conditions, investors are not being compensated in the belly of the curve. However, with a regime of rate rises coming closer to an end, there are likely decent capital appreciation opportunities in the 5-10-year segment of the curve. There could still be volatility here, but investors are now being compensated with higher yields to wait for a normalization of the curve which would benefit this segment of bonds.

For investors who want a conservative risk return profile, the proposition in ultra-short-term bonds is still very attractive. For example, currently, investors can earn yields on the short-end of the curve in excess of 5%, whereas the Canada five-year bond rate is less than 4%. Investors seeking to dampen fixed income volatility may consider a tactical allocation to T-Bills, such as those held in the Guardian Ultra-Short Canadian T-Bill Fund and Guardian Ultra-Short U.S. T-Bill Fund (USD). Those seeking to add risk to an ultra-short or high-interest savings accounts (HISA) allocation may consider a tactical allocation to corporate credit, such as the holdings in the Guardian Investment Grade Corporate Bond Fund. Likewise, investors may consider an alternative fixed income solution that looks to provide monthly distributions and the opportunity for capital gains, while seeking low correlation to other asset classes, such as offered by the Guardian Strategic Income Fund*.

Fixed Income Risk-for-Yield Spectrum



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at November 30, 2023.
**Details of the Indexes used in the chart can be found on page 3.

GUARDIAN FIXED INCOME FUNDS | Current Positioning

Guardian Ultra-Short Canadian T-Bill Fund

- Largely invested in Provincial T-Bills given their attractive yield premium (10-20bps)
- Slightly added to the overall duration this month to optimize yield
- Excellent cash equivalent option providing attractive yield and liquidity

Guardian Canadian Bond Fund

- Lengthened duration profile of the Fund's holdings, now slightly longer positioning relative to its benchmark, the FTSE Canada Universe Bond Index (7.51 vs. 7.26 years)
- Added long-term federal bonds, but still underweight its benchmark.
- Remains overweight corporate bonds to collect higher coupon income

Guardian Strategic Income Fund*

- The Manager took profits and exited some Canadian investment grade holdings in the Communication Services, Energy and Financials sectors, which have performed well recently
- Although high yield defaults have ticked up slightly, we believe the risk-reward trade-off remains compelling given healthy corporate balance sheets and the high level of absolute yield in companies held in the portfolio
- US high yield in the Energy sector has become more attractive as oil prices rise, and we remain constructive on this sector's prospects

FUND DETAILS

	FUND NAME	FUND CODE/ TICKER	CURRENT YIELD	CHARACTERISTICS OF PORTFOLIO HOLDINGS				
				DURATION (YRS)	YTM†	COUPON	AVERAGE PRICE	AVG QUALITY
MONEY MARKET	Guardian Ultra-Short Canadian T-Bill Fund	GCTB	N/A	0.17	5.07	N/A	99.14	R-1(H)
MONEY MARKET	Guardian Ultra-Short U.S. T-Bill Fund (USD)	GUTB.U	N/A	0.17	5.22	N/A	99.13	A-1+
MONEY MARKET	FTSE Canada 91-Day T-Bill Index		N/A	N/A	5.04	N/A		
SHORT DURATION	Guardian Short Duration Bond Fund	GCG603	3.78	2.85	5.58	3.59	95.28	A
SHORT DURATION	Guardian Strategic Income Fund*	GCG602	6.60	3.03	7.32	5.06	94.00	BB
SHORT DURATION	FTSE Canada Short Term Overall Bond Index		3.02	2.65	4.53	2.95	97.22	AA
UNIVERSE	Guardian Fixed Income Select Fund	GCG601	3.58	4.28	5.27	3.29	90.76	A
UNIVERSE	Guardian Investment Grade Corporate Bond Fund	GCG694	4.55	5.86	5.76	4.16	93.13	BBB
UNIVERSE	Guardian Canadian Bond Fund	GCG654	3.46	7.51	4.43	3.11	93.33	AA
UNIVERSE	FTSE Canada Mid Term Corporate Bond Index		4.56	5.99	5.31	4.43	96.37	A
UNIVERSE	FTSE Canada Universe Bond Index		3.38	7.26	4.38	3.21	94.63	AA

Source: Guardian Capital based on data from PC Bond, Bloomberg as at November 30, 2023.

The Duration, Yield to Maturity, Coupon, Average Price and Average Quality shown are based on the weighted average of the securities held in the respective Funds' portfolio, and for the comparative benchmarks they are based on the weighted average of the Index constituents.

YTM: The Yield to Maturity (YTM) shown is the current yield-to-maturity, gross of fees, based on underlying portfolio holdings as at the date indicated. These yields will fluctuate regularly. YTM represents the expected annual rate of return earned on a bond under the assumption that the debt security is held until maturity.

†Note: For the T-Bill Funds, the YTM shown is the Yield to Maturity at Cost or **YTM (at Cost),** which is the weighted average YTM (at Cost) of each of the underlying T-Bill securities in the portfolio, net of cash. YTM (at Cost) means the percentage rate of return paid if the T-Bill security is held to its maturity date from the original time of purchase. The calculation is based on the coupon rate, length of time to maturity, and original price of the underlying T-Bill securities. This is not the yield, distribution rate or performance return of the Fund and is not intended to represent the distribution or return experience of any unitholder. It is only intended to give investors an idea a particular portfolio characteristic of the underlying securities held in the Fund's portfolio.

Current Yield: The Current Yield is an annualized historical yield based on net income for the seven-day period ended on the date specified and does not represent an actual one-year return.

For more information on the financial terms used in this document, please refer to the **Glossary of Financial Terms** on our website at: https://www.guardiancapital.com/investmentsolutions/glossary-of-terms.

*The Guardian Strategic Income Fund is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. The specific strategies that differentiate this Fund from other types of mutual funds include borrowing cash, engaging in short selling and investing in specified derivatives. While these strategies will be used in accordance with the Fund's objectives and strategies, during certain market conditions they may accelerate the pace at which your investment changes in value. This Fund also pays the Manager a Performance Fee equal to 15% of the amount by which the Investment Performance of the applicable series of Units exceeds the aggregate of the High Water Mark and the cumulative Hurdle Amount during the Performance Period. Please refer to the Fund's prospectus for additional details.

**Fixed Income Risk-for-Yield Spectrum chart
91 Day T-Bill: FTSE Canada 91 Day T-Bill Index, which tracks Canadian Treasury Bills with maturities of 91 days.
1-3yr Government Bond: FTSE Canada 1-3 Government Bond Index, which tracks Government of Canada Bonds with maturities of 1-3 years.
3-5yr Government Bond: FTSE Canada 3-5 Government Bond Index, which tracks Government of Canada Bonds with maturities of 3-5 years.
5-7yr Government Bond: FTSE Canada 5-7 Government Bond Index, which tracks Government of Canada Bonds with maturities of 5-7 years.
7-10yr Government Bond: FTSE Canada 7-10 Government Bond Index, tracks Government of Canada Bonds with maturities of 7-10 years.
Canada Aggregate: FTSE Canada Universe Bond Index:, which tracks all Canadian Bonds.
Canada Corporate: FTSE Canada All Corporate Bond Index, which tracks corporate bonds within Canada.
Canada High Yield: FTSE Canada High Yield Overall Index, which tracks high-yield bonds within Canada.

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