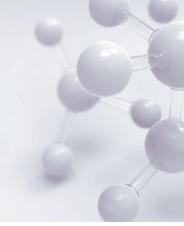


ASSET MIX COMMITTEE ANNOUNCEMENT



Decision by Committee (February 8, 2024)

This commentary is authored by the Guardian Capital LP Asset Mix Committee (AMC)¹

The economic backdrop has evolved roughly as expected by the AMC since the group last met in December.

The dataflow has continued to point to global growth maintaining positive momentum, though with regional variation that has seen continued strength in the US, while other regions show signs of comparative stagnation (Europe in particular). Inflation remains above central bank targets, but indicators point toward continued moderation of underlying pressures globally.

Against this, central banks have increasingly indicated that their tightening cycles are finished and the next move is likely to be a policy rate cut. That said, there has been pushback against market expectations for imminent policy easing, with continued economic resiliency allowing monetary policymakers to be patient and confirm that inflation is sustainably moving back toward target. Accordingly, interest rates have moved higher this year, retracing a portion of the sharp decline seen at the end of 2023.

There are ongoing concerns about China and the implications of the looming presidential election in the US — and geopolitics more broadly — but there is little expectation that much is going to change materially on these fronts in the coming months. Recent stresses at a small regional US bank were viewed as idiosyncratic rather than indicative of broader systematic problems.

Earnings forecasts have come down slightly over the last two months, however, they still arguably skew optimistic given that sales growth is likely to slow in tandem with economic growth; while margins are likely to face pressures as input costs (including wages) remain firm while pricing power ebbs. Margins and earnings, however, have continued to hold up and there is limited reason to anticipate that market expectations will shift in the near term, barring an unexpected shock. Credit fundamentals remain solid.

Valuations remain fairly reasonable, outside of a small subset of US stocks — these names continue to serve as main drivers of the market, as the broadening out of performance has not taken hold as of yet — which provides some cushion for potential earnings disappointment. Valuation multiples² in Europe, Australasia & Far East, Canada, and Emerging Markets are particularly compressed relative to their history and relative to the US, though this largely echoes the underlying economic momentum and there is nothing in the near term that is viewed as likely to trigger a close in that valuation gap.

The overall backdrop has proven constructive for Equity over the last two months, and the AMC decision to increase exposure to the US in December has been accretive — as has the long-held preference to tilt allocations toward global growth strategies that have outperformed.

¹ Guardian's Asset Mix Committee (AMC) consists of investment professionals and asset class specialists and is charged with overseeing the development and management of multi-asset investment portfolios, specifically addressing asset mix composition/allocation and areas for advice or communication to such clients as it relates to the makeup of their portfolio.

² Valuation multiples include such calculations as the price-to-earnings ratio, for example, which implies that price is a "multiple" of earnings.



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The rise in market interest rates has proven a headwind for bond markets since December, validating the AMC's decision not to add duration at the previous meeting as well as the continued tactical underweight in the asset class.

Looking forward, the AMC's expectations are unchanged and the balance of risks is viewed as fairly balanced. Growth is anticipated to remain low but positive, with US leadership. Inflation is expected to continue to fall closer to target, which will put central banks in a position to begin cutting rates toward the second half of this year. Rates will ultimately trend lower but are likely to remain rangebound near term.

Against these views, the AMC was comfortable with the risk exposures in the conservative allocation asset mix and opted to leave allocations to Equity, Fixed Income, and Cash unchanged at their current market weights.

Overall, the AMC's conservative and growth allocations both remain overweight Equity (underweight Fixed Income and Cash); with Equity allocations biased toward Global Quality Growth, while Fixed Income is skewed toward corporate credit and modestly below benchmark duration.

The AMC will continue to monitor economic and market developments closely in the coming weeks and stands ready to tactically exploit opportunities that may present themselves.



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Asset Mix Committee Summary Views³ Conservative Asset Allocation

	Benchmark*	New Target Allocation**	Change from pre-decision positioning**
Equity	30.0%	32.7%	_
Canadian Equity	17.5%	15.6%	_
Canadian Equity		6.6	_
Canadian Growth Equity		4.7	_
Canadian Focused Equity		4.2	_
Global Equity	12.5%	17.1%	_
Global Dividend Growth		5.6	-
Fundamental Global Equity		4.0	_
US All Cap Growth		4.0	_
Emerging Markets Equity		2.2	_
US Equity Select		0.9	_
International Equity Select		0.4	_
Fixed Income	65.0%	63.7%	_
Canadian Bond		49.1	<u> </u>
Investment Grade Corporate Bond		12.6	_
Short Duration Bond		2.0	
Cash	5.0%	3.6%	<u> </u>

^{*}Benchmark=portfolio strategic asset allocation **Figures may not add up due to rounding

Growth Asset Allocation

	Benchmark*	New Target Allocation**	Change from pre-decision positioning**
Equity	70.0%	74.9%	-
Canadian Equity	40.0%	35.3%	_
Canadian Equity		14.0	_
Canadian Growth Equity		13.0	_
Canadian Focused Equity		8.3	_
Global Equity	30.0%	39.6%	_
Global Dividend Growth		13.6	_
Fundamental Global Equity		10.0	_
US All Cap Growth		9.1	_
Emerging Markets Equity		4.0	_
US Equity Select		2.0	_
International Equity Select		1.0	_
Fixed Income	25.0%	22.0%	_
Canadian Bond		18.1	_
Investment Grade Corporate Bond		2.6	_
Strategic Income		1.3	_
Cash	5.0%	3.1%	<u> </u>

^{*}Benchmark=portfolio strategic asset allocation **Figures may not add up due to rounding

³ These Asset Allocations represent the Asset Mix Committee's tactical views given their assessment of market conditions and performance expectations.



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