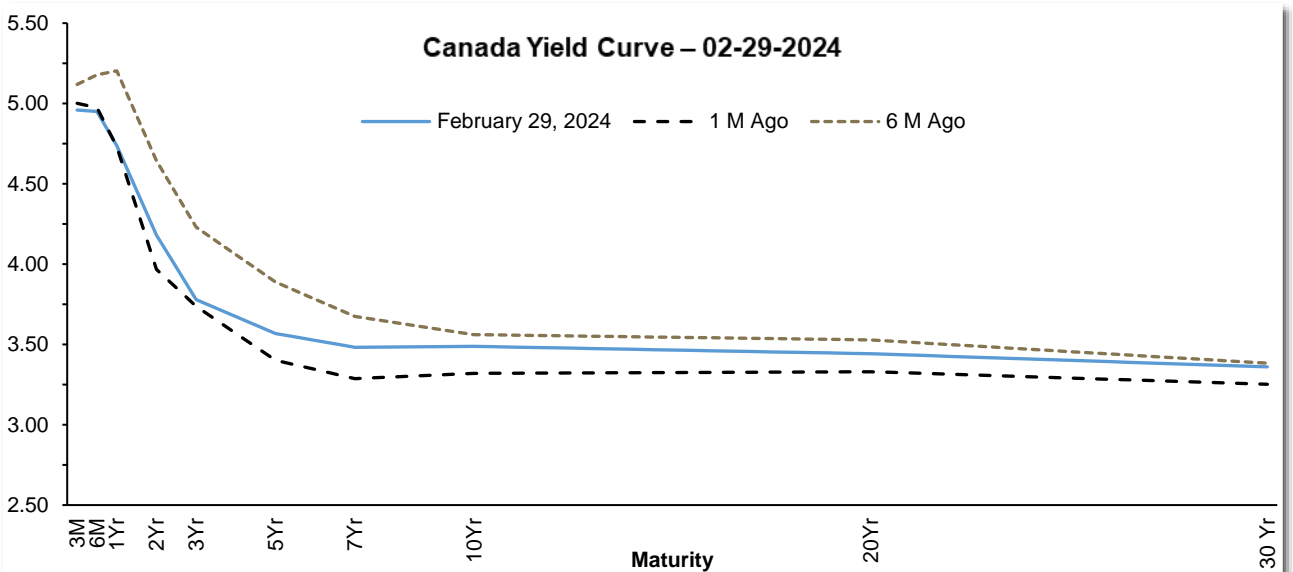


AHEAD OF THE CURVE

MONTHLY BOND MARKET RECAP AND OUTLOOK

RECAP

- The start of 2024 saw the Canadian fixed income markets trending in the opposite direction from how 2023 ended. The Bank of Canada's (BoC) overarching message in the closing month of 2023, signaling that it was too early to talk about rate cuts, continued into 2024. Earlier expectations for a near-term policy pivot were not unwarranted as most indicators of economic activity slowed sharply over the past year, as the economy moved from excess demand to excess supply.
- The FTSE Canada Universe Bond Index declined 0.34%, marking the second month of negative returns. In aggregate, Canadian corporate bonds, as measured by the FTSE Canada All Corporate Bond Index, had the best returns (0.21%) followed by federal bonds, as measured by the FTSE Canada Federal Bond Index (-0.47%). Both segments outperformed relative to provincial bonds, as measured by the FTSE Canada Provincial Bond Index (-0.60%).
- The see-saw in market sentiment, about how both the magnitude and timing of the start of an easing cycle, continued apace over the month. Early in the month, markets were surprised by the strength in both the jobs and inflation numbers in Canada and the US, propelling the 10-year yields sharply higher by about 30bps and re-pricing the probability of the start of an easing cycle into mid-year.
- Softer consumption numbers pared back about half of the yield rise, lending hope for a soft-landing (trend growth and inflation around target) scenario. Despite the Canadian economic data so far this year suggesting, in aggregate, that growth is likely to come in below trend in the first half of the year, we anticipate markets will be confined to trading in a narrow range until the BoC is confident that inflation is on a sustainable path towards the 2% target.
- This data dependency, coupled with the BoC's reluctance (as of yet) to begin contemplate easing, should serve to keep the yield curve from dis-inverting in a significant way. In this environment of wait and see, one trend persists from last year: investors continue to seek out higher returns from credit risk premia resulting in credit spreads tightening further through the month.



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at February 29, 2024

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MONTHLY BOND MARKET RECAP AND OUTLOOK

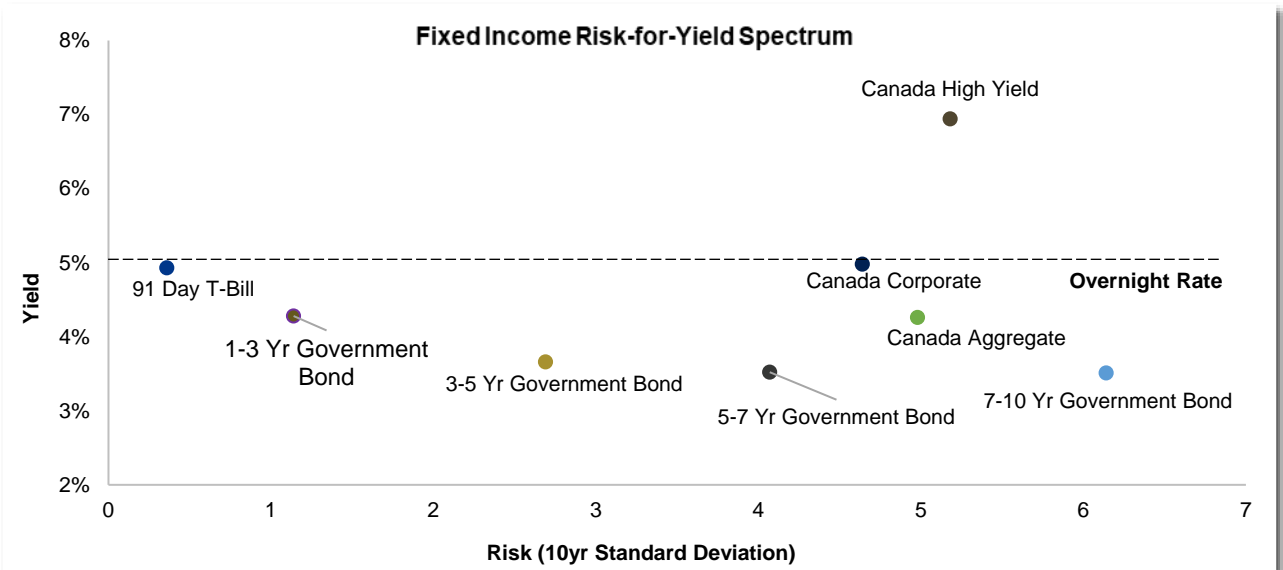
THE LOOK AHEAD

- South of the border, the sticky consumer prices, combined with the continued signals of general resilience of overall economic activity, suggests the US Federal Reserve (Fed) could be in even less of a hurry to ease. At the start of the year, the first policy interest rate cut was fully priced for March but has now been pushed back to June and the magnitude of cuts expected by year-end has now been cut in half.
- It is the view of the Guardian Capital LP Fixed Income team that the rates have peaked in Canada, which bodes well for the market going forward. At month end, Bloomberg market pricing was indicating about 125 basis points of rate cuts for the year in Canada.

POSITIONING OPPORTUNITIES

Assuming, as we do, that rates have peaked for the cycle, we believe the mid-part of the yield curve (5yr to 10yr maturities) is likely to provide the best risk-adjusted returns as the yield curve dis-inverts through an easing cycle. The combination of relatively high yields coupled with the potential for capital gains offer an attractive risk-reward into an easing cycle.

For investors in the cash-alternative space concerned about recent volatility and reinvestment risk they might incur with short-term investments maturing within their high-interest savings accounts (HISA), as well as those looking to generate an attractive yield using relatively low-risk securities, strategies that can offer some degree of yield certainty at these higher rates are likely more attractive – GuardBonds™ Investment Grade Bond Funds offer an alternative value proposition. Investors seeking a more conservative risk-return profile may be interested in the Guardian Ultra-Short T-Bill Funds. For instance, investors can currently earn yields on the short-end of the curve, such as (3-month) T-Bills, in excess of 5%, whereas the Canada 5-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 HISA allocation may consider a tactical allocation to corporate credit, such as the holdings in the Guardian Investment Grade Corporate Bond Fund. Investors may also 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*. More information on these Guardian Funds can be found in their respective prospectus and Fund or ETF Facts.



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at February 29, 2024
**Details of the Indexes used in the chart can be found on page 5.

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MONTHLY BOND MARKET RECAP AND OUTLOOK

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 help optimize yield
- Excellent cash equivalent option providing attractive yield and liquidity

GuardBonds™ Investment Grade Bond Funds

- A suite of actively managed, defined maturity bond funds, that can be used to efficiently construct customized bond ladders.
- Mostly invested in Investment Grade bonds purchased at a discount, to take advantage of potential capital gains
- Excellent GICs alternative, more liquid¹ and tax efficient²

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

¹ Each GuardBonds™ fund, despite having a specified maturity date, is fully liquid (intra-day liquidity on the ETF versions, daily liquidity on the mutual fund versions). GICs – even those of the redeemable variety – do not offer the same option for liquidity should it be needed.

² Each GuardBonds™ fund prioritizes holding bonds trading at a discount with the intention of holding them until maturity. When a discount bond matures at par value, the price appreciation is treated as a capital gain. Total return on a GuardBonds™ fund is expected to consist of bond interest income and capital gains. GICs, on the other hand, are always fully taxed as interest income.

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MONTHLY BOND MARKET RECAP AND OUTLOOK

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	5.06	N/A	99.17	R-1(H)
	Guardian Ultra-Short U.S. T-Bill Fund (USD)	GUTB.U	N/A	0.17	5.30	N/A	99.09	A-1+
	FTSE Canada 91-Day T-Bill Index		N/A	N/A	4.98	N/A		
SHORT DURATION	Guardian Short Duration Bond Fund	GCG603	3.55	2.54	5.08	3.45	90.83	A
	Guardian Strategic Income Fund*	GCG602	7.22	2.70	8.16	5.29	98.19	BB
	FTSE Canada Short Term Overall Bond Index		3.12	2.54	4.41	3.07	97.15	AA
UNIVERSE	Guardian Fixed Income Select Fund	GCG601	3.41	4.34	4.64	3.25	92.85	A
	Guardian Investment Grade Corporate Bond Fund	GCG694	4.15	5.67	5.01	3.96	90.89	BBB
	Guardian Canadian Bond Fund	GCG654	3.40	7.14	4.24	3.24	92.70	AA
	FTSE Canada Mid Term Corporate Bond Index		4.51	5.87	4.38	4.56	98.01	A
	FTSE Canada Universe Bond Index		3.40	7.09	4.26	3.28	94.51	AA

Source: Guardian Capital based on data from PC Bond, Bloomberg as at February 29, 2024

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 actual net income of the Fund 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/>

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*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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Date published: March 15, 2024