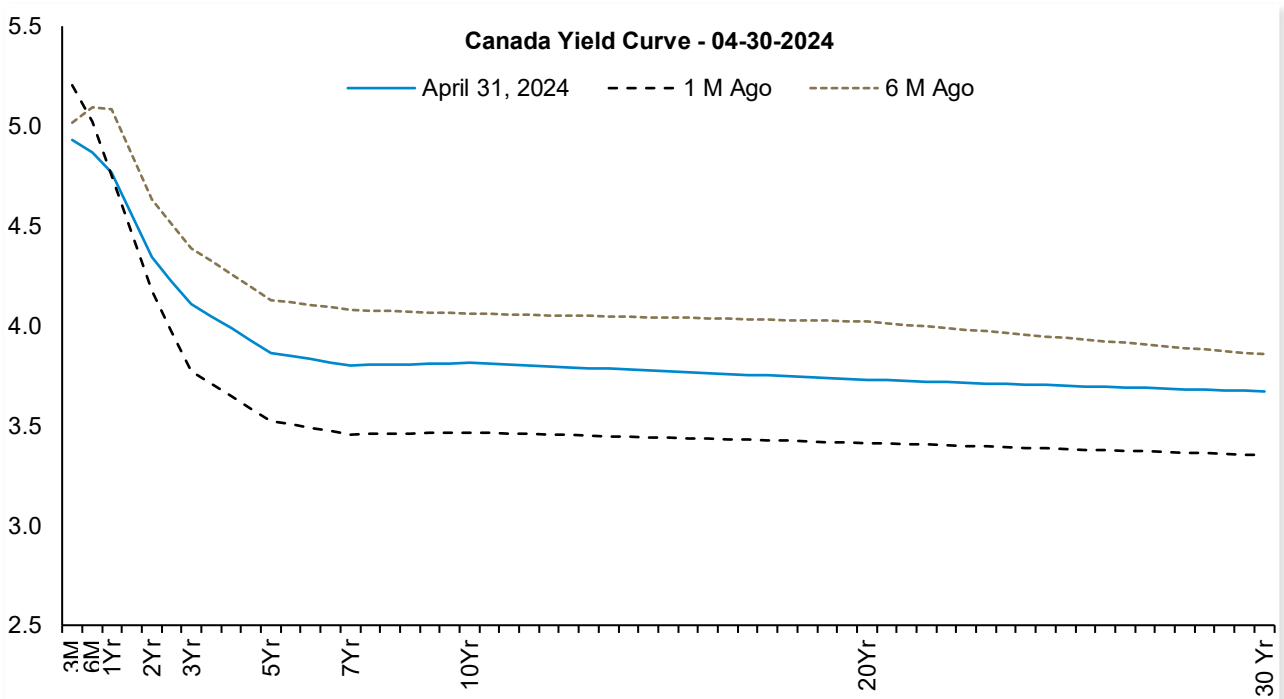


AHEAD OF THE CURVE

APRIL 2024 BOND MARKET RECAP AND OUTLOOK

RECAP

- Global fixed income markets were roiled again in April as another round of firmer than anticipated inflation data in the US, combined with broader signs of improving economic momentum, caused a material rethink of the path for policy rates stateside. The expectation of a later start to the easing cycle, and a less aggressive pace of cuts, saw Treasury yields move sharply higher in the month.
- The FTSE Canada Universe Bond Index fell 2.0% in April, its third monthly decline so far in 2024 (extending the year-to-date decline from the Canadian fixed income benchmark to 3.2%) and largest drop since September. More interest rate-sensitive Government bonds and longer-term bonds underperformed against the rise in yields, while corporate credit outperformed in part due to its shorter average duration but also reflecting a modest further tightening in credit spreads in the month as the improving economic outlook added downward pressure on the implied credit risk premium.
- While the Canadian economic dataflow in April showed greater progress with respect to getting inflation back toward target and leaves policymakers in Canada better positioned to begin moving toward a less restrictive stance sooner than later, domestic markets were not spared from the carnage.
- Domestic government bond yields rose to their highest levels since October, though the moves were larger further out the curve (resulting in the yield curve, while still deeply inverted, steepening) as shorter-maturity securities were supported by the Bank of Canada setting the table for a near-term rate cut at its early April policy meeting (where policy was unchanged).



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at April 30, 2024

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APRIL 2024 BOND MARKET RECAP AND OUTLOOK

THE LOOK AHEAD

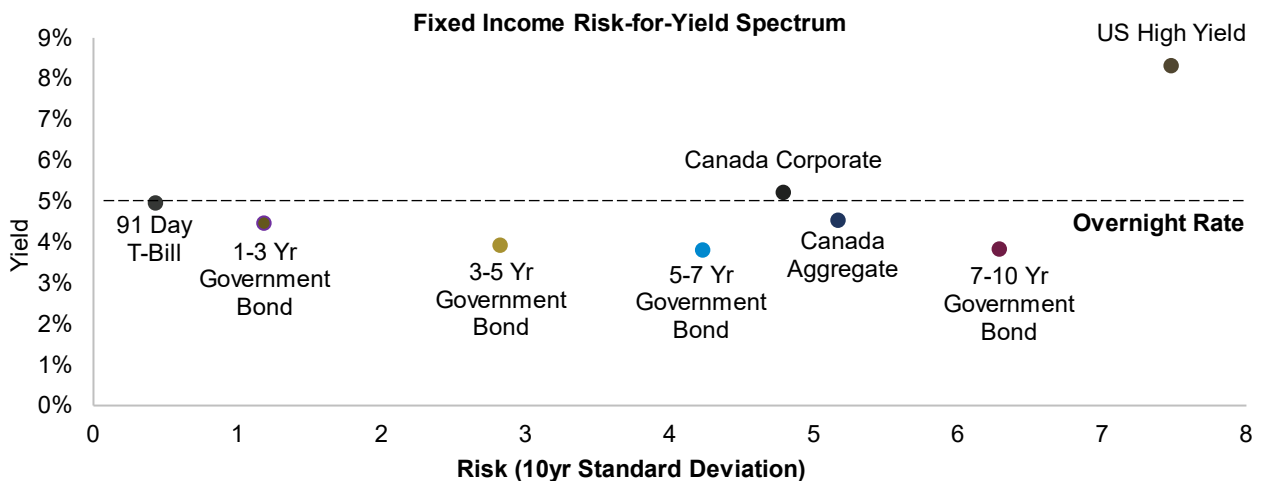
- The prospect of further moderation in inflation and lower rates — with the Bank of Canada likely to move sooner (with a mid-year cut still on the table) than its neighbour to the south — would seem to represent a tailwind for performance.
- The outlook suggests the bond market could see improved performance, although near-term volatility is expected until there is clearer guidance on policy rates. Recent yield adjustments have balanced the risks better, while further upward pressure on rates remains, significant increases are unlikely unless unexpected inflation prompts further policy actions.
- Guardian Capital LP Fixed Income team believes that the peak in rates has likely passed and anticipates a gradual decrease in policy rates over the medium term. At the end of April, Bloomberg market pricing was indicating about 50 basis points of expected rate cuts for the year in Canada.

POSITIONING OPPORTUNITIES

For investors seeking to capitalize on high short-term yields, the Guardian Ultra-Short T-Bill Funds remain very attractive, with yields to maturity (at cost) of 5.0% in Canada and 5.3% in the US. If, however, you are concerned with reinvestment risk (i.e. the risk of diminished cash flows as and when interest rates decline), an allocation to our GuardBonds™ lineup of defined maturity bond funds may be of interest. These solutions allow you to capitalize on current elevated corporate bond yields over 1, 2, 3 or 4 years depending on your fund selection, while also providing attractive tax efficiency through holding discount bonds.

Moving forward, our view is that a greater proportion of returns in fixed income are likely to come from coupon income rather than duration (i.e. benefitting from potential rate cuts). As such, we have a bias towards corporate credit exposure, but, because we are likely in the later stages of the current market cycle, we are overweighting higher quality and shorter-term credits. Now, in our view, is not the time to allocate to passive credit strategies, be they investment grade or certainly not high yield. The Guardian Investment Grade Corporate Bond Fund is an attractive option for investors seeking medium-term credit exposure with deep fundamental credit analysis the Manager believes helps enhance risk-adjusted returns and cash flows relative to government bonds.

For investors looking to add further alpha within their fixed income portfolios, increase cash flows and/or benefit from exposure less correlated to traditional equity or bond positions, Guardian Strategic Income Fund*, a liquid alternative, could be an excellent option. This Alt Fund has significant flexibility and tools at the Managers' disposal to navigate through volatility and uncover underappreciated opportunities primarily within high yield bonds.



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at April 30, 2024
**Details of the Indexes used in the chart can be found on page 5.

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GUARDIAN FIXED INCOME FUNDS | Current Positioning

Guardian Ultra-Short Canadian T-Bill Fund

- Largely invested in Provincial T-Bills, given their current attractive yield premium (5-10bps)
- Slightly added to the overall duration of the Fund's T-bill holdings 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 gains²
- Excellent GICs alternative, more liquid¹ and tax efficient²

Guardian Canadian Bond Fund

- Lengthened duration profile of the Fund's bond holdings, now slightly longer positioning relative to its benchmark, the FTSE Canada Universe Bond Index (6.96 vs. 6.89 years)
- Added long-term federal bonds, but still underweight its benchmark
- Remains overweight corporate bonds to collect higher coupon income

Guardian Strategic Income Fund (Alternative Fund)*

- The Manager took profits in select short positions, and opportunistically added to some existing positions on market weakness. The portfolio has decreased risk exposure, adding hedges and increasing quality.
- 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 bonds in the Energy sector have become more attractive as oil prices rise, and we remain constructive on this sector's prospects

¹Each 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.

²Each 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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APRIL 2024 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	-	0.15	5.00	-	98.13	R-1(H)
	Guardian Ultra-Short U.S. T-Bill Fund (USD)	GUTB.U	-	0.18	5.30	-	98.31	A-1+
	FTSE Canada 91-Day T-Bill Index		-	-	4.94	-		
TARGET MATURITY	GuardBonds™ 2024 Investment Grade Bond Fund	GBFA	2.87	0.41	5.10	2.84	99.07	A
	GuardBonds™ 2025 Investment Grade Bond Fund	GBFB	2.18	1.23	4.87	2.11	96.65	A
	GuardBonds™ 2026 Investment Grade Bond Fund	GBFC	2.12	2.16	4.80	1.99	94.10	A
	GuardBonds™ 2027 Investment Grade Bond Fund	GBFD	2.62	3.08	4.56	2.50	93.79	A
SHORT DURATION	Guardian Short Duration Bond Fund	GCG603	3.64	2.82	5.08	3.51	95.87	A
	Guardian Strategic Income Fund*	GCG602	7.32	3.24	7.34	5.83	98.97	BB
	FTSE Canada Short Term Overall Bond Index		3.24	2.54	4.60	3.19	96.79	AAA
UNIVERSE	Guardian Fixed Income Select Fund	GCG601	3.55	4.34	4.97	3.36	92.32	A
	Guardian Investment Grade Corporate Bond Fund	GCG694	4.32	5.59	5.18	4.12	89.38	BBB
	Guardian Canadian Bond Fund	GCG654	3.49	6.96	4.48	3.27	90.72	AA
	FTSE Canada Mid Term Corporate Bond Index		4.60	5.82	5.25	4.60	96.65	BBB
	FTSE Canada Universe Bond Index		3.51	6.89	4.53	3.32	92.78	AA

Source: Guardian Capital based on data from PC Bond, Bloomberg as at April 30, 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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