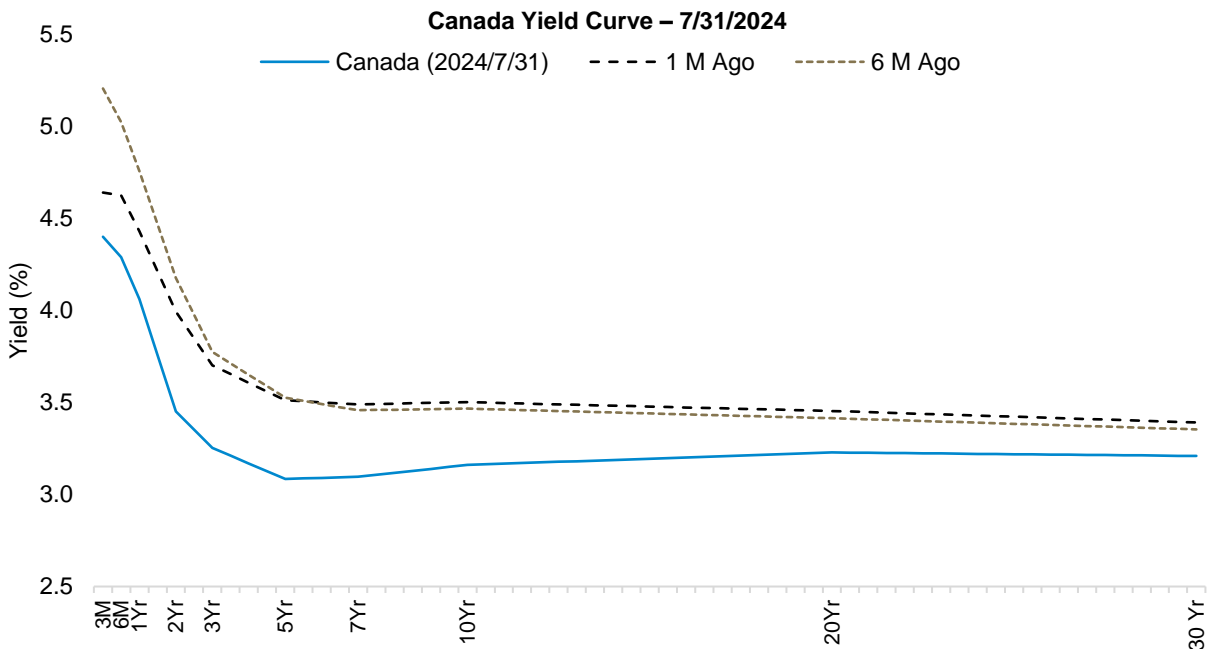


AHEAD OF THE CURVE

JULY 2024 BOND MARKET RECAP AND OUTLOOK

RECAP

- Bond markets had their best month yet this year, with the FTSE Canada Universe Bond Index posting a 2.37% return in July, as the Bank of Canada (BoC) continued on its path of easing monetary policy and lowered its policy rate 25bps from 4.75% to 4.50%. As well, the BoC adopted a notably more dovish tone that opens the door to a more rapid pace of rate cuts than previously assumed.
- Bond yields moved lower across all maturity terms along the yield curve in a steepening fashion, with yields on the short-end of the curve decreasing more than yields on the long-end.
- South of the border, the US Federal Reserve's policy-setting Federal Open Market Committee left rates unchanged at its July meeting but indicated that a cut could come as soon as its next meeting in September as its focus has shifted to the growth part of its mandate; cuing signs of a softening labour market.
- Bonds in the long-end of the yield curve (FTSE Canada Long Term Overall Bond Index, +3.10%) outperformed both bonds in the belly (FTSE Canada Mid-Term Overall Bond Index, +2.84%) and the short-end (FTSE Canada Short-Term Overall Bond Index, +1.54%) of the curve.
- Government bonds (FTSE Canada All Government Bond Index, +2.42%) outperformed corporate bonds (FTSE Canada All Corporate Bond Index, +2.23%), driven by provincial bonds carrying a higher duration.
- In corporate bonds, credit spreads on BBB-rated bonds were flat, while higher quality (A and AA) bonds slightly widened during the month. Bonds within the Infrastructure, Energy, and Communication sectors outperformed.



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at July 31, 2024

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JULY 2024 BOND MARKET RECAP AND OUTLOOK

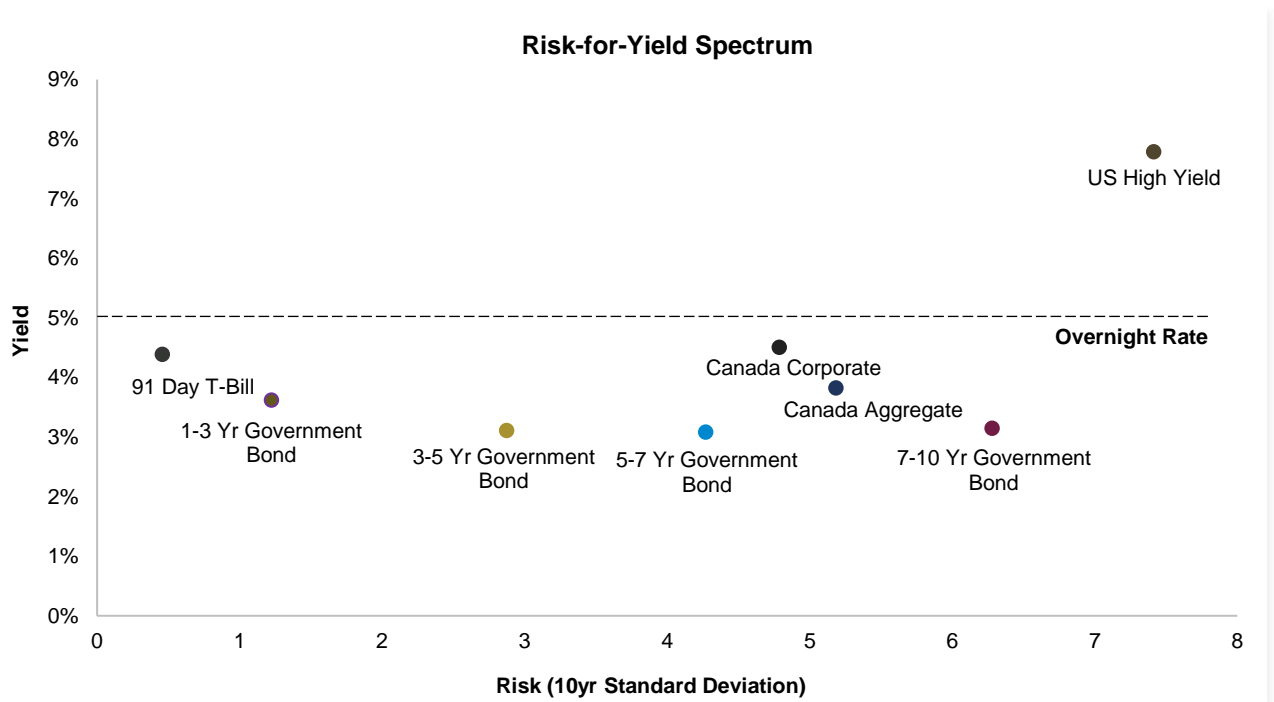
THE LOOK AHEAD

- The policy guidance in Canada suggests further interest rate accommodation is on the horizon as the balance of risks have shifted from inflation to employment, given the recent increase in the unemployment rate suggests the economy is running well below its capacity (i.e., actual growth is less than trend growth). Based on futures market pricing, the market is expecting three more rate cuts by the end of the year.
- From an interest rate term structure perspective, the market consensus is that the yield curve will continue to steepen as the BoC normalizes policy towards the neutral rate.
- From a credit perspective, while credit spreads remain relatively tight on a historical basis, catalysts for additional spread compression may be limited.
- In the short-term, fixed income returns generally, are likely to be driven by duration.

POSITIONING OPPORTUNITIES

For investors with a shorter-term investment horizon that may be concerned about money market rates drifting lower, GuardBonds™, our suite of Target Maturity Funds, provide attractive yields and offer the potential for greater tax efficiency because of the capital gains potential embedded in purchasing of discount bonds. Additionally, GuardBonds™ are able to provide daily liquidity to investors while keeping the gains they've earned to date, unlike non-redeemable GICs, which may penalize investors for early redemption.

For investors seeking absolute returns, higher cash flows, and less fluctuations to equity and bond markets, the Guardian Strategic Income Fund*, seeks to generate stable income while preserving capital with lower volatility by investing in a diverse portfolio that aims to provide a superior risk adjusted return profile across all market environments.



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at July 31, 2024

**Details of the Indexes used in the chart can be found on page 5.

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JULY 2024 BOND MARKET RECAP AND OUTLOOK

GUARDIAN FIXED INCOME FUNDS | Current Positioning

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.²
- Excellent GICs alternative, more liquid¹ and tax efficient.²

Guardian Canadian Bond Fund

- Shorter duration profile relative to its benchmark, the FTSE Canada Universe Bond Index (6.72 vs. 7.22 years, respectively, as at July 31).
- Higher concentration in the 7-year rate and lower concentration in the 10-year and 20-year rates, relative to the benchmark.
- Overweight corporate bonds (Financials) and underweight government bonds (primarily Federal bonds).

Guardian Investment Grade Corporate Bond Fund

- Slightly longer duration profile relative to its benchmark, the FTSE Canada Mid Term Corporate Bond Index (5.86 vs. 5.73 years, respectively, as at July 31).
- Higher concentration in the 10-year rate and lower concentration in the 5-year and 7-year rates, relative to the benchmark.
- Overweight bonds within the Real Estate sector and underweight bonds within the Infrastructure sector.

Guardian Strategic Income Fund (Alternative Fund)*

- Profit taking in select holdings within the Industrial and Financial sectors (i.e., GrafTech Global Enterprises Inc. and Freedom Mortgage Corp.) while opportunistically adding to existing positions within the Energy sector. The portfolio is focused on reducing its risk exposure, by adding hedges and increasing overall portfolio quality.
- Although defaults on high yield bond issues have ticked up year-to-date, their proportion in the market is well within expectations for this year and is concentrated in a couple of highly levered sectors (e.g. Technology, Media, and Telecom). The risk-reward trade-off for high-yield more broadly and corporate hybrid bonds remains intact (albeit a bit less than earlier this year) given generally healthy fundamentals, in addition to the relatively elevated levels of absolute yields. The Manager continues to maintain this focus for companies held in the Fund's portfolio.

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.

AHEAD OF THE CURVE

JULY 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	4.74	0.16	4.74	-	98.61	R-1(H)
	Guardian Ultra-Short U.S. T-Bill Fund (USD)	GUTB.U	5.32	0.17	5.32	-	98.26	A-1+
	FTSE Canada 30-Day T-Bill Index		-	-	4.39	-	V	
TARGET MATURITY	GuardBonds™ 2024 Investment Grade Bond Fund	GBFA	2.89	0.20	4.73	2.89	99.63	A
	GuardBonds™ 2025 Investment Grade Bond Fund	GBFB	1.99	1.00	4.44	1.97	97.57	A
	GuardBonds™ 2026 Investment Grade Bond Fund	GBFC	2.06	1.95	4.29	1.98	95.58	A
	GuardBonds™ 2027 Investment Grade Bond Fund	GBFD	2.32	2.83	4.06	2.31	95.12	A
	GuardBonds 1-3 Year Laddered Investment Grade Bond Fund	GBLF	2.07	1.05	4.49	2.28	97.59	A
SHORT DURATION	Guardian Short Duration Bond Fund	GCG603	3.46	2.72	4.24	3.44	98.52	A
	Guardian Strategic Income Fund*	GCG602	6.55 ^{^^}	3.27	6.23 [^]	5.88	100.91	BB
	FTSE Canada Short Term Overall Bond Index		3.29	2.62	3.75	3.32	99.58	AA
UNIVERSE	Guardian Fixed Income Select Fund	GCG601	3.81	4.90	4.52	3.74	97.88	A
	Guardian Investment Grade Corporate Bond Fund	GCG694	4.63	5.93	4.92	4.64	99.37	BBB
	Guardian Canadian Bond Fund	GCG654	3.54	7.42	3.83	3.50	96.64	AA
	FTSE Canada Mid Term Corporate Bond Index		4.50	5.81	4.56	4.68	101.16	BBB
	FTSE Canada Universe Bond Index		3.44	7.26	3.83	3.40	97.02	AA

Source: Guardian Capital based on data from PC Bond, Bloomberg as at July 31, 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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JULY 2024 BOND MARKET RECAP AND OUTLOOK

*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. Statistics only reflect bond segment.

**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.

US High Yield: ICE BofA US High Yield Index, which tracks high-yield bonds within the US.

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