

The Next Generation of Equity Income

Fusing AI Stock Predictions with Actively Managed Covered Call Writing



Investors who need to draw an income from their investments face a conundrum: do they chase returns from equity markets or transition to more income-focused strategies, which may offer more immediate income but less growth potential?

Covered call investment strategies offer investors the option of investing in stocks for their growth potential, while a covered call option strategy is applied to help generate an attractive income. In the hunt for yield, though, investors may end up trading away too much growth potential for unsustainable yield, or they may opt to buy higher-yielding securities with limited growth potential (for example, high-dividend-paying stocks or preferred shares).

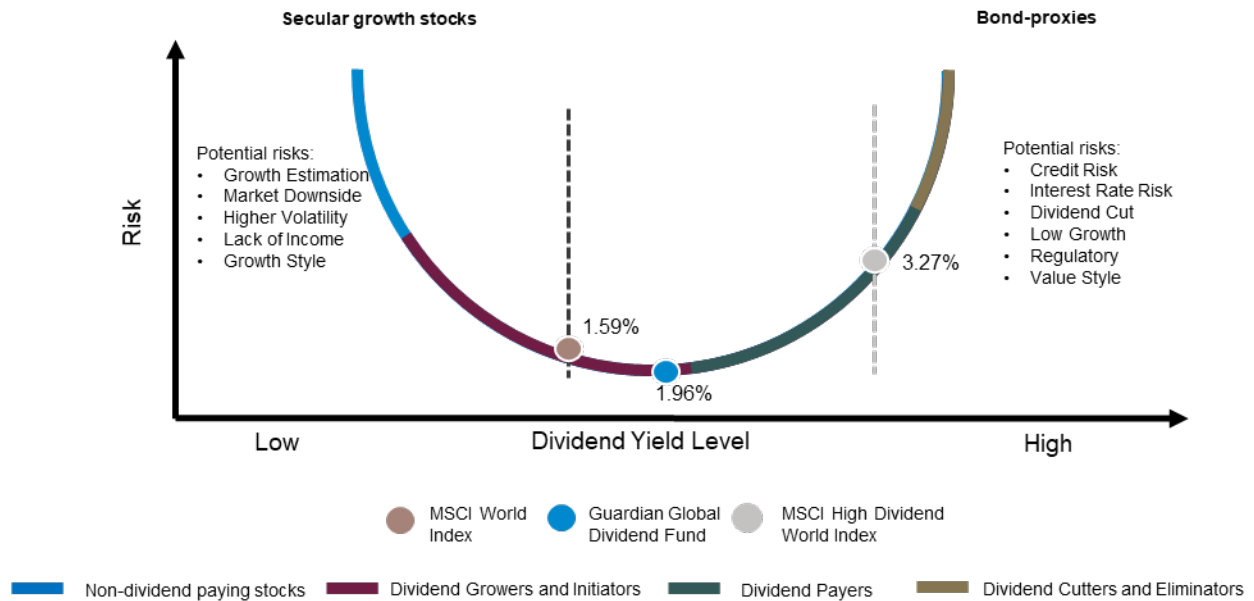
With our Guardian i³ Global Dividend Premium Yield Fund (Fund), we strive to provide a powerful balance between owning dividend-paying stocks that we believe have high growth potential, while employing a covered call strategy seeking to generate an attractive income, which is paid out monthly to investors as a distribution.

AI Enhanced Portfolio with Enhanced Income¹

The Guardian i³ Global Dividend Premium Yield Fund provides exposure to a portfolio of global dividend-paying equities selected by the i³ Investments™ Team² at Guardian Capital LP. This team of portfolio managers and data scientists utilize artificial intelligence (AI) in their proprietary securities analysis³, blending technology with human expertise to screen over 3,000 global large-cap stocks, seeking those that exhibit strong earnings and dividend growth, as well as cash flow sustainability.

The i³ Investments™ Team's proprietary AI model analyzes massive datasets, seeking to forecast earnings, dividend stability and volatility, and help the team identify optimal stocks in pursuit of sustainable yield over the long run. This can be seen on the yield-to-risk trade-off "U-curve" below. As illustrated, they seek securities near the mid-point of the curve, offering a balanced mix of yield potential and capital growth potential, as moving too far to the left (growth stocks) or the right (high dividend payers) could exponentially increase risks to the portfolio.

Yield/Risk Trade-offs



For Illustrative Purposes Only. Data is as at June 30, 2025. Source: Refinitiv, Guardian Capital.

Portfolio: Guardian i³ Global Dividend Growth Fund. Dividend Yield for the portfolio & for the Indices: This is the weighted average trailing twelve-month yield of the underlying securities held in the portfolio (indicating how much they pay out in dividends in the past year relative to their share price). It is only intended to provide an idea of one particular characteristic of the underlying securities held in the portfolio. There are no guarantees that dividend-paying securities will continue to pay dividends, and the sustainability of cash flow may be affected.

A Smarter Way to Generate Yield?

How can we reliably generate sustainable income over time, while still providing the potential for meaningful capital appreciation?

Guardian Capital LP's Directed Outcomes Team⁴, led by portfolio manager Dino Bourdos, applies a dynamic covered call strategy focused on taking advantage of market volatility and options pricing. The goal is to generate cash flow (premiums) from writing call options on the stocks held in the Fund's portfolio (these are referred to as "covered calls"). In so doing, Dino and the team aim to enhance the level of distributions to unitholders over-and-above the dividend yield already provided by the underlying dividend-paying stock holdings.

This covered call options overlay is managed with the goal of generating a similar total return (that is, the combination of capital gains and income) to our existing Guardian i³ Global Dividend Growth Fund, while aiming to provide a higher proportion of that return from income generated by the covered call premiums rather than capital appreciation.

Together, these layers aim to deliver a balanced approach to income generation and capital growth.



AI + Covered Calls: A Powerful Two-Layer Approach to Generating Income

There are notable practical benefits to investors from this active two-layer approach of artificial intelligence + human intelligence. By combining AI-powered analytics and disciplined manager stock selection with a dynamic covered call options overlay, the Fund seeks to reduce the risk of over-distribution and capital erosion by aligning distribution levels with total return expectations, while also aiming to maximize tax-efficient income through optimized option premiums. This approach aims to allow the Fund the ability to capture upside while seeking to generate persistent cash flow and provide dynamic risk management that adapts to market conditions. The latter is achieved by actively adjusting option strike prices, maturities, and coverage levels in response to changing market volatility and technical signals, helping balance income generation with downside protection.

In a market where many income strategies either sacrifice growth or rely on unsustainable yield generation, the Guardian i³ Global Dividend Premium Yield Fund offers a thoughtfully constructed alternative. By combining forward-looking analytics with active portfolio and options management, the Fund is designed to help investors meet their income needs without losing sight of long-term capital growth.



End Notes

¹ Enhanced Income: The premiums earned from the covered call option strategy, which are taxed as capital gains, are utilized to help generate the Fund's distribution yields. Distributions from the Fund are expected to be primarily capital gains generated from option premiums and securities transactions, or return of capital, which are taxed more favourably than income.

² The i³ Investments™ Team is a portfolio management team with Guardian Capital LP, a registered portfolio manager.

³ The i³ Investments™ Team combines quantitative and fundamental analysis in managing investment portfolios. The quantitative component of the team's investment process has evolved as new tools and datasets have become available and, over time, new quantitative models which incorporate aspects of artificial intelligence have been incorporated. The i³ Investments™ Team provides a modern approach to portfolio construction, combining the advantages of quantitative analysis, big data, and artificial intelligence with the experience, perspective, and decision-making of our investment team. The application of quantitative investment analysis that incorporates artificial intelligence and machine learning in a forecast model is forward-looking, and the simulated results are subject to inherent limitations. Investment strategies which rely on predictive artificial intelligence and quantitative models may perform differently than expected, as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends and the limitations of technology in the construction and implementation of the models. There is no guarantee that the use of the quantitative model and artificial intelligence will result in effective investment decisions. There are no guarantees that dividend-paying stocks will continue to pay dividends. All investments are subject to risk, including loss. There is no assurance that any investment strategy will be successful.

⁴ The Directed Outcomes team is a portfolio management team with Guardian Capital LP, a registered portfolio manager

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