

GUARDIAN i³ INTERNATIONAL QUALITY GROWTH FUND MANAGER COMMENTARY Q4 2025

Market Review

International developed markets, as represented by the MSCI EAFE Index, slightly cooled off to close out the year, posting a gain of a little over 3% in the fourth quarter (in CAD terms). Overtaking U.S. and global market indices, this marked the continuation of a stellar year, with the Index closing out 2025 up more than 25%. Returns were driven by a combination of easing recession fears, improving trade dynamics, and a weakening U.S. dollar.

International markets benefited from early signs of cooling inflation pressures. Energy prices, which had been volatile through mid-2025, softened into year-end, helping relieve cost pressures on households and corporations. Manufacturing-heavy economies, particularly Germany, South Korea, and Japan saw modest recoveries in export orders as global supply chains normalized further. Meanwhile, trade frictions that had weighed on sentiment earlier in the year appeared to stabilize, with fewer disruptions and clearer forward guidance from major trading blocs. While uncertainty around U.S.-China relations remained, it did not materially worsen during the quarter, allowing international markets some breathing room.

Several major central banks, including the European Central Bank and the Bank of England, signaled that the inflation trajectory was improving enough to consider holding rates steady. This shift in tone helped ease financial conditions and supported favourable equity valuations across developed markets. In Japan, the Bank of Japan maintained its gradual and cautious stance toward policy normalization, which kept borrowing costs low and aided major exporters amid a relatively competitive yen.

Overall, international markets delivered a strong quarter, supported by improving fundamentals and a more stable macroeconomic backdrop. For investors, the region provides valuable diversification benefits and meaningful exposure to sectors such as industrials, financials, and consumer discretionary, which stand to benefit from a broadening global economic upturn.

Performance Attribution

The Guardian i³ International Quality Growth Fund (the “Fund”) underperformed its benchmark, the MSCI EAFE Index (net, CAD), in the fourth quarter of 2025 due to a negative stock selection, slightly offset by positive allocation.

The Information Technology sector was the largest contributor to relative performance this quarter, thanks to positive stock selection from ASML and Tokyo Electron, which was slightly offset by the Fund’s overweight allocation to the sector. The Fund’s underweight exposure in the Communication Services sector also contributed to performance. On the other hand, the Industrials sector was the largest detractor due to a negative stock selection in Wolters Kluwer. Negative stock selection in the Financials sector also detracted from relative performance this quarter.

Top 5 stocks that contributed to relative performance:

- **ASML Holding** contributed meaningfully to relative performance during the quarter as investors increasingly rewarded its unique position as the sole supplier of EUV (Extreme Ultraviolet Lithography)

and High-NA (Numerical Aperture) lithography systems, which are indispensable for advanced AI and leading-edge semiconductor manufacturing. Strong net bookings signaled a clear re-acceleration in customer demand and semiconductor capital spending and management's guidance for sales growth and gross margins reinforced confidence that earnings were durable, supporting multiple expansion. Strong AI-driven demand improved long-term visibility, robust cash generation, and ongoing dividends and buybacks further strengthened the investment case and propelled the share price higher.

- **AstraZeneca's** strong returns were primarily driven by robust financial performance, with strong revenue and net profit gains supported by broad-based growth across its therapeutic portfolio, particularly oncology and other high-growth segments. Core operating profit expanded significantly as revenue growth outpaced expenses, reinforcing operating leverage and cash flow strength. Continued execution on key pipeline assets and strategic milestones underpin our confidence in future growth.
- **Tokyo Electron** contributed, as global semiconductor demand continued to recover and investors responded positively to better-than-expected quarterly results. Its most recent earnings beat, including revenue of US\$4.27B vs. US\$4.06B expected and strong margins, reinforced confidence in the company's execution during a period of rising AI-related chip equipment spending. Tokyo Electron's share price hit a new 12-month high and increased investor optimism around semiconductor equipment makers, benefiting from the next wave of AI-driven capacity expansion. Looking ahead, the long-term outlook remains positive thanks to its leadership in advanced wafer-fab tools, rising global capital expenditures on chip manufacturing, strong return on equity, and broad exposure across fast-growing AI, data-center, and chip-design ecosystems.
- **Banco Santander's** performance was driven by record financial results and robust customer growth. In its latest quarterly update, the bank reported a record €3.5 billion Q3 2025 profit, marking its sixth consecutive record quarter, alongside stable revenue, improved efficiency, and strengthened capital ratios. Shares have also benefited from management's commitment to returning over €10 billion to shareholders through buybacks and dividends, reinforcing investor confidence in the bank's strategic progress. Looking ahead, the long-term outlook remains positive, supported by strong capital generation, disciplined cost control, rising customer activity, and a well-positioned global retail footprint that provides resilience even as European monetary policy gradually eases.
- **Atlas Copco's** strong returns were supported by resilient earnings and rising investor confidence, with the stock up roughly 8% over the last quarter as strong financials continued to attract market attention. Recent earnings report showed mixed but stable demand, with modest organic declines in orders and revenues offset by solid margins, healthy cash flow, and strong performance in service-related segment. Atlas Copco's consistently high return on equity (26%) and above-industry earnings growth has been a key driver behind its resilient stock performance. The company's long-term outlook remains positive thanks to its leadership in industrial automation and energy-efficient equipment, strong balance-sheet flexibility, and exposure to structural growth areas such as semiconductors and advanced manufacturing

Top 5 stocks detractors to relative performance:

- **Wolters Kluwer** detracted from relative performance as the shares de-rated following a strong multi-year run, with investors increasingly focused on valuation and near-term growth visibility despite solid earnings execution, reiterated guidance, and an accelerated buyback. Market sentiment was further pressured by concerns over emerging competition - particularly in Health Care from newer AI-enabled entrants - which heightened skepticism around paying a premium multiple for mid-single-digit organic growth. There are rising concerns that AI could incrementally disrupt elements of its core information services model.

- **Air Liquide** has had some struggles as of late, as foreign-exchange headwinds and weaker demand in certain segments, especially electronics muted its overall revenue momentum, leading the stock price to lag broader industrial peers. Despite posting recent revenue broadly in line with expectations, comparable growth was modest and weighed down by a negative currency impact, while electronics revenue fell amid a softer semiconductor cycle. These factors contributed to recent underperformance relative to more cyclical industrial names benefiting from stronger end-market rebounds. Looking ahead, Air Liquide's diversified portfolio, strong balance sheet, expanding investment pipeline, and exposure to structural growth themes from hydrogen to semiconductors support a positive long-term outlook despite short-term volatility.
- **Compass Group** detracted this quarter as investors rotated away from defensive service companies toward higher-growth sectors. While the company reported robust Q3 2025 organic revenue growth of 8.6% and maintained exceptionally high client retention above 96%, share price still struggled amid inflation pressures and concerns about food and labor cost trends, particularly in Europe and North America. Despite short-term volatility, management continues to deliver consistent new business wins within its 4–5% target range, strong free-cash-flow generation, and healthy margin expansion, underscoring the company's operational resilience. Over the long term, Compass Group's leadership in outsourced food and support services, combined with structural demand for first-time outsourcing and its highly diversified global footprint, supports a positive growth trajectory even if near-term market conditions have weighed on performance.
- **BAE Systems** detracted this quarter as investors have questioned whether the recent contract momentum may have already been priced in, despite strong fundamentals. The company missing a quarterly revenue estimate despite beating on Earnings-Per-Share (EPS) and this contributed to mixed market sentiment. Over the long term, the outlook remains highly positive, supported by a record order backlog, rising global defense budgets, and analyst forecasts projecting steady earnings and revenue growth making BAE Systems a durable compounder in the defense sector.
- **SAP** struggled as investors reassessed valuations across large enterprise-software names amid mixed global economic signals. Although the company continues to benefit from long-term cloud momentum, the near-term pullback reflects concerns around elevated tech valuations and slower growth expectations. Over the long term, SAP's dominant enterprise resource planning (ERP) footprint, rising cloud subscription mix, and deep integration into global enterprises support a positive multi-year growth outlook as digital transformation and business-AI adoption continue to accelerate

Portfolio Transactions

This quarter, the Manager exited **Siemens**, on declining earnings and dividend growth predictions. Siemens has faced notable struggles in recent months, with its share price pressured by a combination of weaker-than-expected earnings and a softer outlook.

With the proceeds from the sale, the Manager initiated a position in **CyberAgent Incorporated** on strong earnings and dividend growth predictions.

Portfolio Outlook & Positioning

The i³ Investments™ Team* has a core belief that successful asset management is focused on three pillars of investment: **Growth**, **Payout** and **Sustainability** of earnings and cash flows (or GPS). For outlook and positioning, the i³ Investments™ Team will address each of these core beliefs.

Growth — In positioning the Fund’s portfolio to secular drivers of dividend growth, the Manager believes consistent earnings growth is critical for predictable and sustained dividend growth.

According to the Manager’s proprietary AI model* forecast for EPS growth rates, Europe is showing considerable strength, with the two strongest sector forecasts coming from the Energy and Materials sectors. The Fund has an overweight allocation to Energy, with European positions in Shell and TotalEnergies. This is followed by solid EPS growth expectations in the Communication Services and Industrials sectors. In recent months, Europe has begun to catch up to the strong EPS growth outlook seen in the U.S., albeit with greater dispersion between the top-performing sectors and those at the lower end of the forecast range.

Within Europe, dividend growth also shows greater dispersion across sectors, with most sectors trending higher, although generally at lower levels than in the U.S. The Industrials and Financials sectors exhibit the highest dividend growth rates, supported by the strong earnings growth forecasts in those sectors. The Manager continues to focus on companies that demonstrate positive earnings growth alongside strong and sustainable dividend growth. We believe the Fund’s portfolio is well positioned to benefit from secular dividend growth.

Payout – The market rally continued this quarter, as capital flowed into higher-beta stocks. Companies with strong balance sheets, stable earnings, and reliable income generation were less favoured, resulting in continued underperformance among income-oriented names. With major central banks remaining on a rate-cutting path, credit conditions do not appear to be a constraint.

The Manager believes that a diversified portfolio incorporating quality dividend-growth stocks with lower economic sensitivity can provide stability over a long-term investment horizon. The mandate emphasizes profitability and resilience, with a focus on companies that demonstrate strong earnings and cash-flow growth to support sustainable dividend growth.

Sustainability (of cashflows) — continues to forecast strong dividend sustainability across the globe. This outlook is supported by solid earnings growth and improving credit conditions, as central banks have either eased or signaled plans to continue easing monetary policy. Regionally, the probability of dividend cuts in the U.S. is forecast to remain low. In Canada, the overall probability of dividend cuts also appears to remain low, consistent with easier credit conditions. In Europe and Asia, the overall probability of dividend cuts is forecast to be higher than in the U.S. and Canada but is on a modest downward trend.

The Fund is overweight the Information Technology, Financials, Materials, and Real Estate sectors, while underweight the Consumer Discretionary, Consumer Staples, Health Care, and Communication Services sectors.

The Fund also holds secular growth stocks that provide thematic exposure to disruptive growth drivers and converging exponential technology, which the Manager believes offer long-term upside, meaning they should not be viewed through the short-term lens of market cycles. This includes companies the Manager sees as leaders in innovation in Big Data and AI, Robots, Biotechnology, and Smart Cities. The Manager believes these forward-thinking companies that innovate and influence our lives daily in multiple areas are positioned to prove their resilience over multiple economic cycles.

The Manager believes that leadership can still be captured in “quality growth” stocks by focusing on companies that can innovate and launch new products and that can sustain and grow their revenue and earnings. The Manager is consistently monitoring the Fund’s exposures with respect to expected earnings



growth and the probability of earnings disappointments, as well as aiming to avoid companies with high variability of cash flow and revenue growth.

The i³ Investments™ team believes our AI-powered GPS style offers a total return approach through owning companies that it identifies as being able to continue to reward shareholders through capital appreciation, buybacks and debt reduction, ultimately combined with careful discretionary consideration of stock and sector allocations by the i³ Investments™ team's portfolio managers.

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

Returns are presented in CAD unless otherwise stated.

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