

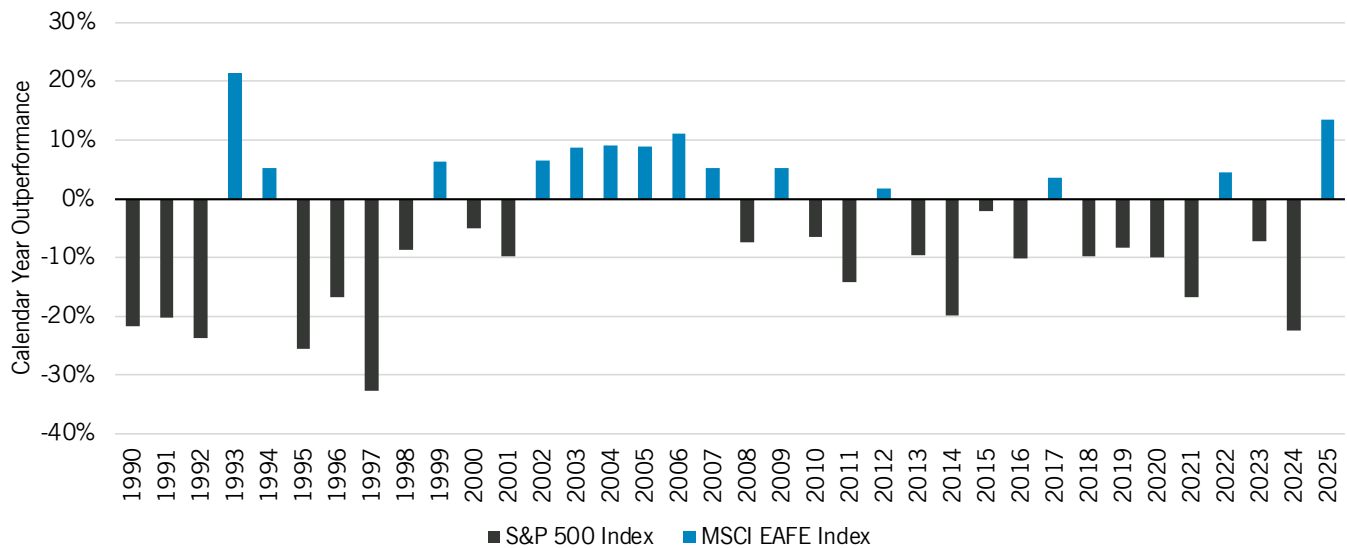
# All Aboard!

## International Equity Leadership Continues to Pull Ahead



International equities delivered a standout year in 2025, outperforming U.S. equities by the widest margin in more than three decades (see Figure 1). That strength wasn't limited to one region—Europe, Japan, and Emerging Markets all contributed to a shift that reflects a healthier, more balanced global earnings backdrop. And early 2026 suggests the trend is still intact (MSCI EAFE Index returned 3.94% in January, well ahead of the S&P 500 Index's 0.22% return).

**Figure 1: Relative Calendar Year Returns of International and U.S. Equities (1990 – 2025)**



Source: Guardian Capital LP, based on data from Bloomberg as of December 31, 2025.

Chart shows the relative difference in calendar year net total returns in Canadian dollars for the MSCI EAFE Index less the S&P 500 Index. Positive values indicate the MSCI EAFE Index outperformed, while negative values indicate the S&P 500 Index outperformed.

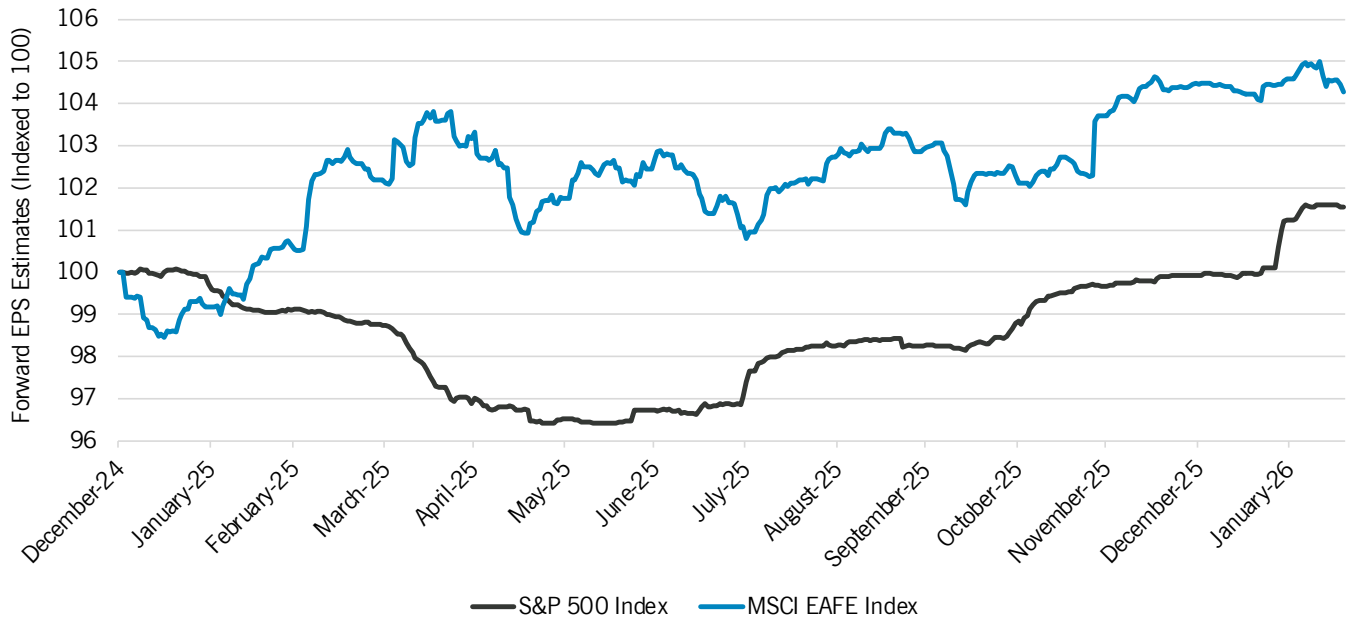
### Why International Equities Are Gaining Momentum

After years of narrow leadership from a small group of U.S. mega-cap technology companies, global markets are beginning to broaden. Earnings expectations across many international markets have improved as inflation has eased, policy paths have become clearer, and trade activity has stabilized. This broad-based strength stands in contrast to the U.S., where earnings leadership has become increasingly concentrated and tied to the capital-intensive buildout of Artificial Intelligence (AI) infrastructure.

For investors, that means investment opportunity is no longer predominantly a single sector or theme. International markets are benefiting from stronger fundamentals in industrials, consumer companies, financial services, and technology-linked businesses that sit outside the U.S. mega cap complex.



**Figure 2: Relative Earnings Growth Expectations Since December 31, 2024**



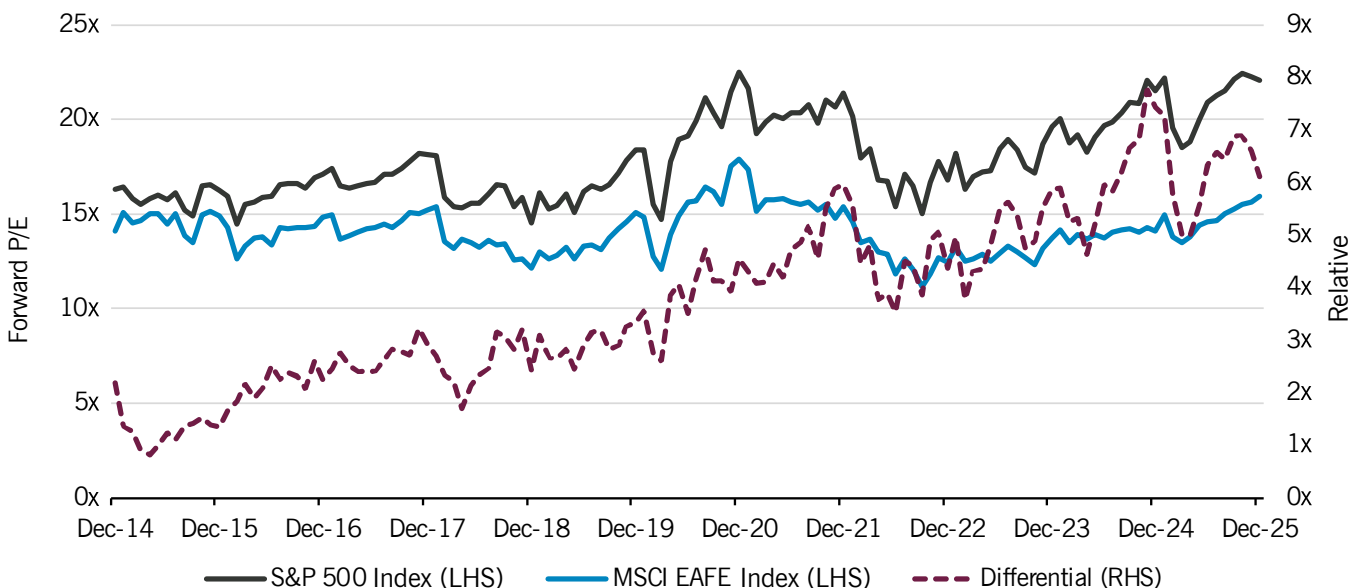
Source: Guardian Capital LP, based on data from Bloomberg as of January 31, 2026. Aggregate analyst consensus of Forward EPS Estimates indexed to 100 on December 31, 2024. Forward EPS estimates are based on analyst forecasts of a company's earnings per share 12 months in the future.

### Valuations Remain Attractive

Despite strong performance in 2025, international equities continue to trade at meaningful discounts to U.S. markets. The valuation gap remains near historically wide levels, offering a potentially more attractive starting point for future returns.

Meanwhile, the narrowness of recent U.S. market leadership in AI-related stocks—and the heavy spending required to sustain it—has introduced new questions around how long it can be sustained. For investors looking to rebalance portfolios or diversify sources of return, international equities offer both breadth and value.

**Figure 3: International Equities Remain Significantly Cheaper than U.S. Equities**



Source: Guardian Capital LP, based on data from Bloomberg as of December 31, 2025. The differential series represents aggregate analyst consensus of forward P/E ratio of the S&P 500 Index less forward P/E ratio of the MSCI EAFE Index. Forward price to earnings represents the ratio of current stock price to forward EPS (as defined in Figure 2).



## Long-Term Tailwinds are Strengthening the Case

Several structural forces are supporting international markets:



**A softer U.S. dollar**, which generally improves global liquidity and boosts demand across emerging markets.



**Europe's multi-year infrastructure and defence investment cycle**, with EU government spending expected to support industrial and capital goods companies.



**Japan's move away from decades-long ultra-loose monetary policy** which provides fresh support for banks, consumer companies, and automation leaders.



**The next phase of AI**, which is shifting from the infrastructure buildout—largely benefiting U.S. mega caps—to productivity enhancements that can support a much broader set of global companies.

For Canadian investors, currency effects may vary, but the fundamental backdrop behind these trends remains supportive of strong return potential.

## How the Guardian International Equity Select Fund Invests

The Guardian International Equity Select Fund (the Fund) uses a **quadrant-based approach** when investing in international companies, focused on three key pillars:

### Earnings growth

that is sustainable and supported by competitive advantages

### Valuation discipline

to avoid overpaying for popular themes or short-term narratives

### Quality of franchise

including balance sheet strength and capital allocation discipline

With a concentrated portfolio of 15–30 global companies, the Fund focuses on select businesses that the Manager believes can compound value over time, rather than relying on broad and passive index exposures.

## Next Stop: Opportunity

International leadership has returned. Earnings are broadening more globally. Valuations remain appealing. And long-term trends—from infrastructure to AI—are reshaping global markets in ways that favour companies beyond the U.S. mega cap landscape.



# Learn how the **Guardian International Equity Select Fund** can fit into your portfolio.

Speak with your financial advisor or explore the Fund's series by clicking the links below:

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Series F

GIES ETF



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Returns are presented in CAD, unless otherwise indicated.

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Published: February 2026