

GUARDIAN RISK MANAGED CONSERVATIVE PORTFOLIO Q2 2026 COMMENTARY

Market Overview

The early setback in global financial markets in 2026 proved short-lived with major European, Asian and North American stock benchmarks posting strong rebounds through the second quarter against strong corporate earnings (particularly within Technology-related areas) and welcome de-escalation of tensions in the Middle East.

In equities, the MSCI World Index rallied 15.7% (Canadian dollar terms) over the three months ended June, more than retracing Q1's decline and marking the best quarterly performance since Q4 2020. Sector leadership essentially flipped from the first quarter. Energy was the biggest laggard in Q2, retracing its earlier strength as crude oil prices plunged in response to an agreement between the U.S. and Iran that saw the Strait of Hormuz reopen and tanker traffic resume — this also put downward pressure on other commodity prices and, combined with central bank hawkishness weighing on gold, saw Materials underperform. At the other end of the spectrum, Information Technology led the way, helped by renewed appetite for AI infrastructure and a strong recovery in semiconductor shares (memory pricing especially). Growth materially outperformed Value in Q2 globally.

Regionally, the U.S. was a top Developed Market (S&P 500 Index +17.1% in CAD) due to the strength in the Information Technology sector. Stocks in Europe, Australasia & the Far East posted solid, though comparatively softer, gains (MSCI EAFE Index +12.7% in CAD) while the resource-heavy Canadian market turned out a softer quarter on the retracement of earlier strength in commodities (S&P/TSX Composite Index +7.0%). Emerging Market equities rallied sharply (MSCI Emerging Markets Index returned 26.1% in CAD, best quarter since Q2 2009) on strength in the heavily weighted semiconductor and Tech hardware stocks.

Fixed income markets also improved upon their earlier performance in Q2 despite continued volatility, with the benchmark FTSE Canada Universe Bond Index up 2.0%. The impact of higher energy prices saw generally more hawkish tones on inflation from central bankers in the quarter, though the signs of softening economic momentum in Canada tempered expectations of policy tightening and put some downward pressure on yields in the quarter. The positive earnings backdrop saw credit spreads tighten and led corporate credit to modestly outperform government bonds. Longer duration securities outperformed those with shorter maturities.

Performance Attribution

The Guardian Risk Managed Conservative Portfolio (the "Fund") outperformed over the second quarter of 2026 versus its blended benchmark, the 75% FTSE Canada Universe Bond Index and 25% MSCI World Index. The strategic decision to hedge some of the US currency risk had a negative impact during the quarter given the positive performance of the USD versus the Canadian dollar during the quarter. Overall, the strategy benefitted from the stronger foreign currencies vs. the Canadian Dollar.

Below is a summary of the key contributors to the Portfolio performance during the quarter:

The Fund holdings in two Directed Outcomes™ portfolios, Guardian Directed Equity Path Portfolio and Guardian Directed Premium Yield Portfolio, continue to represent most of the non-Fixed Income exposure in the portfolio during the second quarter of 2026. The Directed Premium Yield strategy (which represents 14% of the portfolio) outperformed the FTSE Canada Universe Bond Index, but underperformed the MSCI World Index return over the quarter. The Directed Equity Path strategy (representing 54% of the portfolio) also lagged both the MSCI World

Index and roughly matched the FTSE Canada Universe Bond Index. The stock performance for both strategies underperformed because of security selection in various sectors.

The Fund's exposures to the Guardian Strategic Income Fund, Guardian Investment Grade Corporate Bond Fund and Guardian Canadian Bond Fund, collectively, matched or contributed to performance relative to the FTSE Canada Universe Bond Index. The current mix of the Fund's fixed income portfolio is 14% - Guardian Canadian Bond Fund, 8% - Guardian Investment Grade Corporate Bond Fund, and 4% - Guardian Strategic Income Fund.

All strategies in the Global Equity portion of the Fund's portfolio made a positive contribution to returns, represented by the 2% - Guardian i³ Global Dividend Growth Fund, 3% - Guardian Fundamental Global Equity Fund and 1% in the Guardian Emerging Markets Equity Fund.

The U.S. dollar change relative to the Canadian dollar was up 2% in the first quarter and the strategic decision to hedge the U.S. dollar currency risk back into Canadian dollars had a negative impact on performance.

The Fund's high-quality bias and balance between secular growth and lower economic sensitivity led to a lag in performance versus the high beta, momentum driven market this quarter for much of the equity exposure.

The defensive equity holdings over bonds resulted in significant added value over the last few years, and matched the bond return this quarter because of the portfolio's high-quality bias and balance between secular growth and lower economic sensitivity led to a lag in performance versus the high beta, momentum driven market this quarter for much of the equity exposure. The Manager continues to favour equities over bonds and given the conservative nature of the equity strategies within the Fund's portfolio, and the Manager continues to see the Fund as a conservative balanced fund alternative and/or a complement to the fixed income component of a portfolio.

Portfolio Transactions

There were no changes in the Fund's portfolio during the quarter.

Portfolio Outlook & Positioning

Despite the ongoing challenges clouding the outlook, the dataflow remains generally positive and continues to provide indications of generally sustained economic momentum supported by ongoing resiliency in consumer spending and an upswing in business investments in information technology. Corporate earnings have been particularly strong, with the recent earnings season representing one of the best overall in recent history and providing a lift to risk assets in the face of persistent uncertainties.

Headline inflation has moved higher in response to the sharp increase in energy prices, but measures of underlying price pressures are showing limited instances of broader second-round impacts.

While geopolitical tensions are coming off the boil amid a tentative agreement between the U.S. and Iran and the Strait of Hormuz has reopened, the likelihood is that supply-side pressures on commodities will have some staying power and create growing risks of inflation pressures rising throughout the supply chain.

There are limited indications of spillovers to this point, however, any broadening out of price pressures is likely to result in some demand destruction due to deteriorating purchasing power. Combined with the potential transitory nature of the price shock (oil prices have plunged in response to efforts to de-escalation tensions), this creates a dilemma for policymakers as efforts to tighten policy to combat inflation would exacerbate headwinds to growth.

With that said, policymakers are increasingly shifting focus toward upside risks to inflation, and markets are pricing in the prospect of rate hikes for major central banks. The Manager views that markets are being over-aggressive in their expectations for hiking, as there is generally limited appetite to tighten given the nature of this shock and the potential negative implications for growth (and resulting deflationary forces).

The expectation is that market rates will remain range-bound for the near-term, but there are upside risks given growing inflation concerns, which argues for keeping duration in fixed income allocations below benchmark.

For equities, while policy uncertainty and geopolitical risk are likely to remain elevated for the coming months and keep markets vulnerable to bouts of volatility, as long as the underlying drivers of economic and earnings growth

remain broadly intact — the dataflow suggests they have so far — the most likely scenario appears to be one in which markets that remain reasonably valued outside some richly valued pockets continue to climb the wall of worry. The return of narrow leadership in the market represents a cause for concern, as does the sustainability of profits tied to information technology investments — though there does not appear to be a clear near-term catalyst for the trends to shift.

Accordingly, the Manager remains comfortable with the overall risk exposures. The Fund remains overweight Equity with a continued bias toward Global quality-focused strategies within the risk controlled protective option strategy. Fixed Income allocations maintain a tilt to high-quality credits and a below benchmark duration.

The Manager will continue to monitor economic and market developments closely and stands ready to tactically exploit opportunities that may present themselves.

Returns are presented in CAD, unless otherwise stated.

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