GUARDIAN CAPITAL

GUARDIAN DIRECTED EQUITY PATH PORTFOLIO Q3 2026 COMMENTARY

Market Overview

The third quarter of 2026 saw global equities deliver more modest gains as investors navigated changing market dynamics, evolving expectations for monetary policy, and ongoing geopolitical developments. The MSCI World Index returned 1.95% in CAD terms, building on the strong gains achieved in the previous quarter.

Investor sentiment was influenced by a combination of corporate earnings, interest rate expectations, and developments in the Middle East. Early in the quarter, renewed tensions between the United States and Iran supported energy prices, while some profit-taking emerged across artificial intelligence (AI) and semiconductor-related stocks following their substantial gains earlier in the year. Attention later shifted toward inflation trends and the outlook for interest rates, with market participants closely monitoring commentary from the Jackson Hole symposium. Toward quarter-end, easing tensions in the Middle East helped support broader market confidence.

Corporate earnings remained an important driver of returns. While market leadership broadened beyond the large U.S. technology companies that had led gains for much of the year, strong results across the Energy, Financials, and Communication Services sectors provided support for global equities. At the same time, companies benefiting from continued investment in AI remained a key source of investor interest, helping to underpin market performance despite periodic volatility within the sector.

With the S&P 500 Index ending the quarter up 2.38% (in CAD terms), U.S. equities were again the largest contributor to global equity returns, supported by resilient earnings growth and continued strength across several growth-oriented industries. Japanese equities were among the strongest-performing markets during the quarter, benefiting from improving domestic conditions and solid corporate fundamentals. The United Kingdom also contributed positively, while Switzerland, France, and Denmark detracted from returns. At the sector level, gains were led by technology and energy-related companies, reflecting ongoing digital investment trends and firmer commodity prices while Industrials and Consumer Discretionary were the largest detractors.

Performance Attribution

The Guardian Directed Equity Path Portfolio (the “Fund”) outperformed in the third quarter of 2026 versus its benchmark, the MSCI World Index (C$, net). The stocks within the Fund’s portfolio delivered a positive total return because of security selection in various sectors. Option premiums earned from the covered calls amounted to 2.05% and the upside forfeited was -2% adding 0.05% over the quarter and the put options detracted -2.95% as a result of time value decay and mark to market of the put options value due to the strong stock performance during the quarter.

We continue to cautiously balance the premium collected with selling further out of the money call options to protect against a sharp reversal to the upside while still collecting a moderate level of option premium. The protective put options detracted value this quarter, but will provide downside protection if market conditions deteriorate.

Below is a summary of the key contributors to the stock performance within the Fund:

The largest positive contributor to the returns of the Fund's portfolio during Q3 2026 with shares rising 55.8% was **Illumina**. Illumina, the world's leading provider of gene sequencing equipment and consumables, remains a strong contributor year to date. Second-quarter results highlighted continued momentum in the transition to the NovaSeq X platform, with sequencing instrument sales increasing 30% and clinical testing demand remaining particularly robust. Management continues to express confidence in meeting its 2027 goal of high-single digit revenue growth. Shares of **Microsoft** rose 37.9% in Q3. Microsoft is a technology company that develops and supports software, services, devices, and solutions. Shares rose during the quarter following better-than-expected results, with revenue increasing 17% at constant exchange rates and adjusted EPS rising 23%. Azure growth accelerated to 43%, supported by improved infrastructure deployment and utilization, while management guided to further acceleration. Despite continued pressure on gross margins and free cash flow from heavy AI investment, operating margins remained resilient, and strong demand for Azure and Copilot provided encouraging evidence that AI spending is beginning to translate into growth. **CME Group's** stocks ended 19.3% higher in Q3. CME Group is a global derivatives exchange and clearing house. The company reported resilient second-quarter results despite a demanding prior-year comparison, with revenue rising 1% and adjusted EPS broadly unchanged. Market data revenue increased 20%, while open interest rose 8% year-on-year and July trading volumes started strongly. The company also continued to broaden its growth opportunities through cryptocurrency, single-stock and compute futures. Shares of **MarketAxess** ended the quarter 45.2% higher. MarketAxess is a leading electronic trading platform for fixed income securities. Client-initiated block trading ADV reached a record $6.6bn, up 35%, while portfolio trading ADV rose 51% to a record $1.9bn and U.S. credit portfolio trading market share increased by 100bps to 19.8%. Automation trading volume also reached a record $144bn, up 12%, and dealer-initiated ADV rose 3% to $1.9bn. On July 30th, it was announced that Intercontinental Exchange (ICE) has agreed to acquire MarketAxess for $167 per share in cash - a 33% premium to the prior close. The deal isn't expected to close until the first half of 2027, subject to shareholder and regulatory approval. **Accenture**, a leading global consulting and managed services business, announced resilient third-quarter operating performance, ended the quarter with shares rising 49.2% with revenue growing 3% in local currency, adjusted EPS increasing 9% and operating margin expanding by 20 basis points. AI-related demand also continued to build, with 100 additional clients initiating advanced AI projects during the quarter and bookings from key emerging AI and data partners on track to more than double compared with FY2025.

The largest detractor to returns over the quarter was **Rollins**, with shares falling -32.6%. Rollins is a US-based pest control services company, best known for its flagship Orkin brand, providing residential and commercial pest and termite control across North America and internationally. Shares declined during the quarter after weaker residential demand prompted management to reduce its 2026 guidance. Second-quarter organic revenue grew 5.7%, but residential organic growth slowed to 3.6% as fewer consumers sought reactive, one-time pest treatments. Commercial and termite growth remained resilient, and pricing and customer retention stayed healthy. Shares of **UnitedHealth Group** ended -11.1% lower in Q3. UnitedHealth Group is the largest health insurer in the US. The shares detracted from performance during the quarter despite strong second-quarter results, raised full-year earnings guidance and encouraging progress in Medicare Advantage and Optum. These positives were outweighed by concerns about commercial medical cost trends, which remained above 11%, and the resulting delay to the recovery in commercial margins. Shares of **EssilorLuxottica** fell -11.8% in Q3. EssilorLuxottica is a global leader in the design, manufacture, and distribution of eyewear and ophthalmic lenses. Shares remained under pressure during the quarter as investors continued to debate the durability of growth in smart glasses and the increasing competitive interest from major technology companies. However, first-half results provided reassurance, with revenue growing 9.7% at constant currency and operating profit rising 15%, supported by broad-based geographic strength and resilient demand across the core eyewear business. The company also reinforced its long-term vision of evolving from an eyewear leader into a broader healthcare technology platform, supported by its partnerships with Meta and Applied Materials, continued momentum in myopia management and a strong innovation pipeline for the second half of the year. Shares of **Nestlé** ended the quarter -11.5% lower. Nestlé is one of the largest food and beverage companies in the world, with iconic brands such as Nescafé, Nespresso, San Pellegrino, Maggi, KitKat and Purina. Shares were broadly flat during the quarter as investors weighed encouraging signs of an operational recovery against continued concerns around growth. First-half organic growth reached 3.6%, with Real Internal Growth accelerating to 1.8% in Q2 and all major categories returning to positive volume growth. Coffee remained the standout performer, driven by strong Nescafé momentum, while management highlighted improving trends in pet care and infant nutrition. Management maintained its full-year guidance and believes ongoing cost savings,

stronger execution and innovation should support further improvement. **Colgate-Palmolive**, a global consumer products company focused on oral care, personal care, home care, and pet nutrition products, ended the quarter with shares falling -6.3%. The stock underperformed despite reporting solid Q2 results and hosting an earnings call on July 31st 2026, as investors remained concerned about softer demand trends in the U.S. business and the potential impact of ongoing cost inflation on future margins. Management highlighted stronger growth in emerging markets and Hill's Pet Nutrition, but a cautious outlook for North America and a market rotation toward higher-growth sectors weighed on sentiment during the quarter.

Portfolio Transactions

During the quarter, the Manager exited positions in Booking Holdings and initiated new positions in Intuitive Surgical and Rollins. With the proceeds, the Manager added to existing holdings in RELX, Adyen and Verisk Analytics.

Booking Holdings is one of the world's biggest online travel companies that connects consumers with providers of travel services including accommodation, car rental, airline tickets, holiday packages and cruises. The company benefits from the shift to online booking and experiential travel. The Manager sold the position due to increased risk of AI disintermediation on a relative basis. Combined with below-portfolio average forecast returns, we saw better opportunities on the bench and among other portfolio holdings.

Intuitive Surgical is the leading developer and seller of surgical robots for soft tissue surgery. The company benefits from a secular growth tailwind in the ongoing digitization of surgery. Intuitive's competitive advantage is built on over 25 years of market leadership, its innovation pipeline, a constantly growing body of validated clinical, economic, and analytical evidence, and its commercial team. Deep relationships with hospitals reinforce the durability of its position. The Manager believes, given the strong growth and quality profile, that the recent de-rating the stock has experienced provided an attractive entry point.

Rollins is a U.S.-based pest control services company, best known for its flagship Orkin brand, providing residential and commercial pest and termite control across North America and internationally. Its business model is built on recurring, non-discretionary revenue – approximately 80% of sales come from repeat services – with pricing power, high customer retention, and a decentralized multi-brand structure supplemented by a steady tuck-in acquisition strategy. The result is a capital-light, high-margin, highly cash-generative compounder with demand that's largely resilient to economic cycles, since pest problems don't go away in a recession. The company benefits from several secular growth tailwinds including expanding pest populations due to milder winters and longer warm seasons, U.S. population shifts towards warmer, more pest-intensive states, denser living, a trend of increasingly outsourcing pest control and rising hygiene standards and commercial regulation. Rollins' sustainable competitive advantages stem from its dense service routes, trusted multi-brand portfolio, sticky recurring contracts, scale in procurement, marketing and acquisitions, and the credentials and national coverage needed to serve large commercial customers. The share price has been pressured due one-off factors, offering an attractive entry point.

Portfolio Outlook & Positioning

Guardian Directed Outcomes™ offer investment choices designed to address different priorities of investor objectives for either growth with enhanced downside protection[1] through Guardian Directed Equity Path Portfolio or for tax-efficient cash flow[2] generation through the Guardian Directed Premium Yield Portfolio.

The guiding principles underlying the investment philosophy of the Guardian Directed Outcome Strategies rests on the following key tenets:

[1] Downside protection is derived from the use of put options to help preserve capital in a declining market environment.
[2] Tax efficient cash flow is derived from the additional income earned from writing (selling) call options, known as "premium", which is taxed as capital gains and is more tax-efficient relative to dividend or interest income.

1. Employing the security analysis and selection process of the high-conviction, concentrated equity portfolios within Guardian's UK, US and Canadian businesses
2. Identifying short- to intermediate-term catalyst and stock price behavior aligned with long-term quality growth intrinsic value estimates
3. Implementing varying option overlay strategies to tailor the return behaviour of the underlying positions to target the portfolio outcomes desired, as follows:

The premise of Guardian Capital LP's approach to managing the Directed Outcomes™ strategies is to apply the bottom-up fundamental research from our concentrated equity teams in the United Kingdom, the United States and Canada. In effect, the Directed Outcomes portfolios will hold a concentrated portfolio of global high-quality growth securities (20 to 30 stocks) with a managed options overlay, taking into account intrinsic value estimates and catalysts derived from the research. This information will be complemented with a short- to intermediate-term technical and fundamental review to assess prevailing trend strength and stock price behavior to exploit shorter horizon trading opportunities.

The **Guardian Directed Equity Path Portfolio** is engineered with the aim to manage volatility and provide downside protection[2], so that it is never exposed to the entire downside of any security position held. As a result, returns are expected to lag in a rising market environment (the sharper the rise, the larger the lag) and to help preserve capital in a declining market environment (the more severe the drawdown, the better the protection).

The portfolio continues to be positioned defensively with a high level of option protection implying that the portfolio will be well insulated on the downside if market conditions deteriorate in the near-term. The options strategy is expected to continue to collect attractive option premiums and participate in the upside in a more gradual manner.

Returns are presented in CAD, unless otherwise stated.

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There can be no assurance that the Fund's portfolio will continue to hold the same position in companies referenced here, and the portfolio may change any position at any time. The securities discussed may not represent the Fund's entire portfolio and in the aggregate may represent only a small percentage of portfolio holdings. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable, or will equal the investment performance of the securities discussed.

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