

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

---

# GUARDIAN CANADIAN BOND ETF

JUNE 30, 2023

This interim management report of fund performance contains financial highlights, but does not contain either the interim financial report or interim financial statements of the investment fund. You can obtain a copy of the interim financial report or interim financial statements at your request, and at no cost, by calling 1-866-383-6546, by writing to us at Guardian Capital LP, Commerce Court West, 199 Bay Street, Suite 2700, P.O. Box 201, Toronto, Ontario, M5L 1E8, or by visiting our website at [www.guardiancapital.com/investmentsolutions](http://www.guardiancapital.com/investmentsolutions) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Guardian Canadian Bond ETF (the “Fund”) seeks to provide a high level of current interest income while at the same time preserving capital and seeking opportunities for capital appreciation by investing, directly or indirectly, primarily in Canadian bonds, debentures, notes or other evidence of indebtedness.

The Manager uses a pro-active, disciplined management approach while employing various analytical tools to identify investments that offer value on a relative basis with a view to maximizing current income while preserving the prospect for some capital growth. The Manager adheres to a risk management process that is designed to limit total exposure to individual issuers, diversify exposure to various term maturities and credit risks, and maintain portfolio liquidity. The Fund may be invested in foreign-pay Canadian issues and securities of foreign issuers. Under normal market conditions, a maximum of 30% of the Fund may be held in foreign denominated securities. The Fund does not invest in securities issued by a corporation in respect of which the majority of revenue is derived from the manufacture or distribution of tobacco-related products.

### Risk

The risks associated with investing in the Fund remain as discussed in the prospectus. The Fund may be suitable for investors with a low tolerance for risk, particularly those who seek interest income and potential capital gains through exposure to Canadian fixed income securities.

### Results of Operations

The Fund’s net asset value increased by 6% to \$65.2 million at June 30, 2023 from \$61.7 at December 31, 2022. Of this change, an increase of \$1.3 million was provided by investment performance and an increase of \$2.3 million was attributable to net subscriptions.

ETF units of the Fund posted a return of 2.1% for the period. The Fund’s benchmark, FTSE Canada Universe Bond Index, returned 2.5% for the same period. The Fund’s return is after the deduction of fees and expenses, unlike the benchmark’s return.

Canadian bonds bounced back, rising 2.51%, after two consecutive calendar years of negative returns. The FTSE Canada Short-, Mid- and Long-Term Indices returned 1.00%, 1.85%, and 5.39%, respectively. Provincial bonds (overall) returned 3.32% while corporate bonds (overall) returned 2.97%.

The Bank of Canada (BoC) implemented another rate increase at its January meeting, but announced it would pause to assess the effects of a cumulative 425bps of rate hikes since early 2022. Silicon Valley Bank’s failure in late March was assumed to be the proverbial thing that broke to signal the end of the hiking cycle but turned out to be another false positive. Following decisive actions by the US Federal Reserve and the US banking regulators to stem systemic risks from developing, yields experienced large upward moves after stronger-than-expected employment data, inflation, and GDP reports in April and May. This economic resilience persisted in Q2 and caused the BoC to surprise markets with a 25 basis point hike at its June meeting and suggested that more adjustments may be needed to better rebalance labour markets as well as wage and price pressures. Similarly in the US, the Federal Reserve also announced a 25 basis point hike at its May meeting, to an upper bound of 5.25%. While inflation remains above target in both Canada and the US, both countries now have the two lowest inflation figures amongst the G7 countries.

The unexpected increase by the BoC caused a repricing of the Canadian yield curve, with the front end flattening and approaching levels last seen in the first quarter before Silicon Valley Bank’s failure. The curve’s inversion deepened as a result, and the Bank’s message of needing to have a restrictive policy stance for an extended period of time aligns with our view that rates will remain higher for longer. Long-term bonds outperformed short- and mid-term bonds, with mid-term federals falling the most.

While credit spreads drifted wider in April and May, a strong risk-on rally in equity markets saw credit spreads finish the period narrower than they began, reflecting a general consensus that central banks are likely to manage to rebalance demand without engineering a significant economic slowdown. As a result, corporate bonds outperformed government bonds during the period.

The Fund underperformed its benchmark during the period, with an underweight allocation to federal bonds, while credit selection within the Financials sector and in provincial bonds adding value. Within Financials, mid-term insurance bonds added value while mid- and long-dated provincial bonds from Ontario also outperformed. Underweight allocations to the Energy and Infrastructure sectors detracted from relative returns given their strong performance during the period.

The Fund maintains a moderately short duration position relative to its benchmark. The Fund's portfolio remains overweight Financials and provincial bonds at the expense of federal bonds, both in terms of absolute weight and on a duration-adjusted basis. The Fund is overweight the middle of the yield curve, particularly the 5, 7, and 10 year nodes. The overweight of the 10 year node was increased during the period, in anticipation of the yield curve steepening and the middle of yield curve outperforming. During the period the Fund increased the quality of its bank holdings and extending the duration of positions in agency bonds.

The Manager integrates ESG considerations into its investment analysis and stewardship activities with the objective of enhancing long-term investment performance. Active engagement and proxy voting are a core part of the Manager's stewardship approach, and the Fund's investment team participates in these activities in a manner suitable to the asset class and Fund. Our investment teams focus on ESG and other factors which they believe could be financially material and/or impact the long-term sustainability of the company. The consideration of ESG issues is one of a number of elements in the portfolio construction process and, may or may not have a material influence

on portfolio composition at any given time. For more information, the Manager posts its annual proxy voting reports, along with an annual Responsible Investing Report and its Responsible Investing Policies on its website:

<https://www.guardiancapital.com/investmentsolutions/>

## Recent Developments

On or about November 3, 2023, the Fund is expected to be merged into the Guardian Canadian Bond Fund, on a 1-for-1, tax-deferred basis. No action is required on the part of a Unitholder, and Units may be sold or redeemed at any time. Please refer to the Notice to Unitholders or press release dated August 3, 2023 for further details.

Aggressive interest rate hiking cycles, on both sides of the border, to tame inflation is now bearing fruit, although we have yet to feel the full effects of the initial increases (rate hikes typically take about 18 months to fully filter through the economy) and inflation still remains above long-term targets. Looking ahead, both the BoC and the US Federal Open Market Committee (FOMC) have suggested that they are closer to a prolonged pause at these elevated rates and future adjustments, if needed, are likely to be modest. The Canadian yield curve is more deeply inverted now than it was at the beginning of the year, with yields at the short end of the curve rising and the long end remaining relatively unchanged. The Fund remains modestly short duration and has overweighted its key rate exposures, relative to the benchmark, in the belly of the yield curve. While this position has not borne fruit as expected, the Manager anticipates that the lagged effects of the significant rate increases to date are yet to be reflected fully and also anticipates that the current economic resilience will give way to much slower growth into the latter half of this year. If so, the yield curve will begin to re-steepen and the belly of the curve is expected to outperform.

Credit spreads, on the other hand, remain wider than the multi-year lows seen post-pandemic, as financial conditions have tightened. The Manager believes credit offers the best risk-adjusted return potential at this point in the cycle, given the spread "cushion", and that

higher quality credit, in particular, is more attractive, as the effect of higher interest rates begins to show in corporate profitability. The Fund remains overweight corporate bonds at the expense of federal and provincial bonds, with a concentration in the Financials sector. The Manager expects spreads to remain volatile in the near term, but believes it will be compensated with spread carry. Additional spread widening is likely to present an opportunity to selectively add to the Fund's corporate bond positioning.

### **Related Party Transactions**

Guardian Capital LP, the Manager of the Fund, is considered to be a "related party" of the Fund. The Manager is responsible for the day-to-day operations of the Fund and also acts as the portfolio manager, managing the investment portfolio of the Fund. These services are in the normal course of operations and the Fund pays a management fee to the Manager for these services, based on the average Net Asset Value of the Fund, as detailed in the Management Fees section below. The Manager is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.

### **Management Fees**

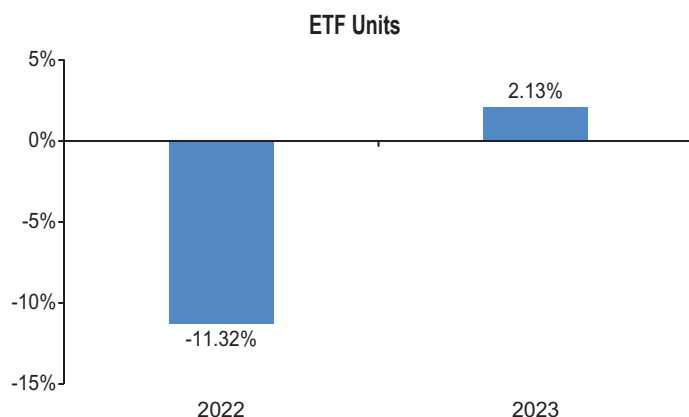
ETF units are subject to a management fee which is based on a percentage of the average NAV during each month, calculated and accrued daily, and payable monthly. The ETF Units management fee is 0.30% per annum. The services received in consideration of the management fee include investment management and other general administration services.

## Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. This performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance of the Fund does not necessarily indicate how the Fund will perform in the future.

## Year-by-Year Returns

The bar charts show the Fund's performance for the period from January 1, 2023 to June 30, 2023, and illustrates how the Fund's performance has changed from year to year. The chart shows in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of that financial year.



## Annual Compound Returns

The tables below shows the historical compound returns of the Fund's Units for the periods indicated, as at June 30, 2023. The returns of a broad based market index are also shown.

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception *
ETF Units (%)	2.85	n/a	n/a	n/a	-3.41
FTSE Canada Universe Bond Index (%)	3.15	n/a	n/a	n/a	-3.23

\* Inception date - March 31, 2021.

The FTSE Canada Universe Bond Index is a broad measure of the Canadian investment grade fixed income market.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated. The information is derived from the Fund's audited annual financial statements and unaudited interim financial statements.

### The Fund's Net Assets per Unit (ETF Units)

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	For the period from inception, Mar. 26, 2021, to Dec. 31, 2021
Net Assets per Unit, Beginning of Period <sup>[1]</sup>	\$17.40	\$20.16	\$20.00
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>			
Total revenue	0.29	0.54	0.40
Total expenses	(0.04)	(0.07)	(0.06)
Realized gains (losses)	(0.21)	(0.82)	0.04
Unrealized gains (losses)	0.30	(1.66)	(0.09)
Total increase (decrease) from operations per Unit	0.34	(2.01)	0.29
Distributions per Unit from: <sup>[1] [2]</sup>			
Income (excluding dividends)	(0.24)	0.36	0.25
Canadian dividends	—	—	—
Foreign dividends	—	—	—
Capital gains	—	—	0.04
Return of capital	—	0.12	—
Total Distributions per Unit	(0.24)	0.48	0.29
Net Assets per Unit, End of Period <sup>[1]</sup>	\$17.53	\$17.40	\$20.16

[1] Net assets per Unit and distributions per Unit are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations per Unit is based on the weighted average number of units outstanding over the financial period.

[2] Substantially all distributions were reinvested in additional units of the ETF.

### Ratios and Supplemental Data (ETF Units)

	For the six months ended June 30, 2023	12 months ended Dec. 31, 2022	For the period from inception, Mar. 26, 2021, to Dec. 31, 2021
Total net asset value (000's) <sup>[1]</sup>	\$65,216	\$61,680	\$3,024
Number of units outstanding <sup>[1]</sup>	3,719,371	3,544,371	150,000
Management expense ratio <sup>[2]</sup>	0.41%	0.40%	0.40%
Management expense ratio before waivers and absorptions	0.65%	0.71%	7.17%
Trading expense ratio <sup>[3]</sup>	—	—	—
Portfolio turnover rate <sup>[4]</sup>	26.07%	77.12%	57.08%
Net asset value per Unit <sup>[1]</sup>	\$17.53	\$17.40	\$20.16
Closing market price	\$17.54	\$17.43	\$20.16

[1] This information is provided as at the end of each period indicated.

[2] The management expense ratio is based on total expenses (excluding commissions, other portfolio transaction costs and withholding taxes) of the ETF and its proportionate share of the total expenses of the Underlying Funds, where applicable.

[3] The trading expense ratio represents total commissions and other portfolio transaction costs of the ETF and its proportionate share of the Underlying Funds' portfolio transaction costs, where applicable, expressed as an annualized percentage.

[4] The ETF's portfolio turnover rate indicates how actively its portfolio advisor trades portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in the portfolio once in the course of a year.

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2023

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Canadian Bonds		Province of Ontario	26.8%
Federal and guaranteed	21.9%	Canada Housing Trust No. 1	13.3%
Provincial and guaranteed	40.6%	Sun Life Financial Inc.	9.6%
Corporate	36.0%	Province of British Columbia	8.8%
Other net assets	1.5%	Government of Canada	8.6%
Total	100.0%	Bank of Montreal	6.8%
		Province of Alberta	4.9%
		Canadian Imperial Bank of Commerce	4.3%
		Bell Canada Inc.	3.9%
		Royal Bank of Canada	2.8%
		TransCanada PipeLines Limited	2.7%
		Great-West Lifeco Inc.	2.5%
		The Toronto-Dominion Bank	1.6%
		407 International Inc.	0.7%
		National Bank of Canada	0.5%
		Brookfield Finance II Inc.	0.4%
		Rogers Communications Inc.	0.2%
Top 25 Holdings as a percentage of net asset value			98.4%
Total Net Asset Value:			\$65,215,516



**GUARDIAN CAPITAL**

# GUARDIAN CAPITAL LP

199 Bay Street, Suite 2700  
Commerce Court West, P.O. Box 201  
Toronto, Ontario  
M5L 1E8

[www.guardiancapital.com/investmentsolutions](http://www.guardiancapital.com/investmentsolutions)



This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts, but rather represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements, as a number of factors could cause actual future results, conditions, actions or events to differ materially from the expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments and the effects of competition in the geographic and business areas in which the Fund may invest. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, Guardian Capital LP does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Guardian, Guardian Capital and the Guardian griffin design are trademarks of Guardian Capital Group Limited, registered in Canada and used under licence.