

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

---

# GUARDIAN I<sup>3</sup> US QUALITY GROWTH ETF

DECEMBER 31, 2023

This annual management report of fund performance contains financial highlights, but does not contain either the annual financial report or annual financial statements of the investment fund. You can obtain a copy of the annual financial report or annual 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 i<sup>3</sup> US Quality Growth ETF (the “Fund”) seeks to achieve long-term capital appreciation by investing in a portfolio of equity or equity-related securities of issuers based in the U.S., with business operations potentially located throughout the world.

The Manager employs a system-driven bottom-up research approach to assess relative value and capital growth potential within a broad stock-selection universe. The Manager uses a quantitative approach, including in particular machine learning techniques, to analyze multiple fundamental factors and incorporate financial and alternative data and other information sources relevant to the issuer, including rates of change of fundamental factors. The Fund maintains a mid-large capitalization bias and is broadly diversified by issuer, sector and geographic region, seeking to isolate stock selection as the primary source of alpha. The Fund's investments within each GICS sector will normally be within a range of +/- 30% of the corresponding sector weight of the S&P 500 Index (Net, C\$). The Fund's portfolio is broadly diversified, normally holding securities of 30 to 60 issuers.

### Risk

The risks associated with investing in the Fund remain as discussed in the prospectus. The Fund may be suitable for investors with a medium tolerance for risk, particularly those who seek exposure to equity securities of issuers with business primarily in the United States.

### Results of Operations

The Fund's net asset value increased by 58% to \$7.4 million at December 31, 2023 from \$4.7 at December 31, 2022. Of this change, an increase of \$1.3 million was provided by investment performance and an increase of \$1.4 million was attributable to net subscriptions.

Hedged and Unhedged units of the Fund posted a return of 32.9% and 30.3%, respectively, for the year. The Fund's benchmark, the S&P 500 Index (Net C\$), returned 22.9% for the same period. The Fund's return is after the deduction of fees and expenses, unlike the benchmark's return.

Global equity markets came under pressure during the year, as persistently high inflation rates prompted global central banks' continued tightening cycle, which pushed interest rates higher. Risk appetites reversed earlier in the year, as companies reported better-than-expected first-quarter earnings results. However, the impact of their tightening campaign became increasingly apparent as the more rate-sensitive areas of the economy felt greater pressure. In particular, the failure of two US regional banks and concerns about Credit Suisse triggered a sharp reversal in investor sentiment from the optimism that had built up at the year's onset. Adding to that, was the surge in oil prices in September, as OPEC members deepened their supply cuts over global demand concerns.

Developed equity markets rallied against this backdrop, as volatility was muted and valuations moved higher. Strong employment data and stronger balance sheets continued to raise investor optimism that developed economies could navigate the tightening monetary conditions. By year end, the CBOE Volatility Index (VIX) plummeted, reaching equilibrium at pre-pandemic levels around 12. Credit spreads contracted, triggering a rally towards higher-yielding asset classes. Growth stocks outperformed their Value stock counterparts. A rally in a handful of large and mega-cap technology stocks, fueled by Artificial Intelligence (AI) euphoria contributed to overall gains this year. The NASDAQ Composite Index reached record highs, and both the MSCI World Index and S&P 500 Index rebounded strongly, finishing with double-digit gains and recovering from negative returns in 2022.

In China, a pivotal decision to abandon the Zero-COVID policy early this year was expected to bring relief, however, softness in domestic demand and challenges in the real estate market took hold, raising concerns over the impact on the global economy.

Despite all these headwinds, global equity market demonstrated resilience, supported by favorable economic indicators, renewed hopes surrounding a potential soft landing and anticipated rate cuts, which contributed to a positive outlook for 2024. Earnings and growth forecasts, which faced downgrades earlier in the year adjusted upward, and concerns about a significant near-term economic downturn were muted.

The United States (US) led global performance, with the S&P 500 Index finishing with a total return of about 26%, previously down 18% in 2022. US gains were spearheaded by the Information Technology sector, with the NASDAQ Composite Index reaching record highs, up by about 40% over the year.

In 2023, the Fund outperformed its benchmark, the S&P 500 Index driven by effective sector allocation and positive stock selection. The top three performing sectors were Information Technology, Consumer Staples, and Industrials. The Fund benefited from its overweight allocation in semiconductors and Software as a Service (SaaS) industry, boosted by increasing interest in artificial intelligence throughout the year. Positive performance from stock selection came from positions in Broadcom, MongoDB and ServiceNow, while Keysight Technologies and EPAM Systems lagged the rally. Consumer Staples sector thrived, propelled by strong demand for bulk consumer goods, and this led to stellar performance from Costco. The Fund's holdings in the Industrials sector contributed positive stock selection, buoyed by W.W. Grainger's outperformance, and Fund's underweight in the sector extended those gains.

Energy was the top underperforming sector, as the Fund's overweight position led to a negative allocation effect. The Fund's position in oil companies, APA and Ovintiv, lagged the benchmark and led to negative selection effect. Another notable detractor to performance was the underweight allocation to Health Care, coupled with negative selection stemming from positions in Eli Lilly and Centene. Finally, underperformance in Consumer Discretionary was driven by negative allocation and stock selection with McDonalds contributing significantly to negative selection effect.

The Fund adjusted its portfolio strategically, capitalizing on growth prospects in Information Technology by acquiring MongoDB for cloud database growth and selling EPAM due to performance decline. Purchases in Adobe, Motorola Solutions, and ServiceNow were made based on upward-trending earnings, while Keysight Technologies was replaced by ARM Holdings, Adobe, Motorola Solutions, and ServiceNow for their promising earnings growth forecasts.

Energy holdings were exited due to a persistently depressed earnings outlook, and EOG was purchased for potential reversion in Energy earnings. In Health Care, a like-risk swap involved selling Centene and acquiring larger-cap United Health, and buying Vertex Pharmaceuticals for greater forward earnings upside.

The Fund's Consumer Staples' overweight position was trimmed to fund opportunities in Information Technology and Industrials. Coca-Cola was sold, and investments in Parker-Hannfin, Paccar, and Caterpillar were made for exposure to onshoring and a manufacturing comeback.

These adjustments reflect the Manager's commitment to optimizing the Fund's portfolio by aligning it with positive growth outlooks, diversifying across sectors, and capitalizing on emerging opportunities. The overall adjustments reflect a focus on strong forecasted earnings growth across various sectors.

On a sector level, the Fund remains overweight in the Information Technology sector and market weight in the Industrials sector, both of which make up the bulk of the Fund's quality growth and inflation protection positions. The Fund is underweight the Financials (primarily banks) and Energy sectors.

Environmental, Social, and Governance (ESG) data are fully integrated into the Manager's proprietary quantitative model used to evaluate stocks for inclusion in the Fund's portfolio. Portfolio activity is influenced by a multitude of criteria, with ESG being just one aspect among several others.

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

The Fund's Manager has a core belief that successful asset management should be focused on three core pillars, which are Growth, Payout and Sustainability (GPS).

**Growth** — After a cycle of earnings-per-share (EPS) recovery supported by a strong rally at year end, the Manager is seeing EPS growth moderate. In this scenario, quality and visibility of cash flow is even more important. In Europe, there is greater dispersion between sectors with EPS moderating at a much lower levels than the U.S. Early in the fourth quarter of 2023 saw an initial recovery in projected Energy earnings, but that quickly reversed in December with continued uncertainty related to geopolitics in Gaza and Ukraine. The Manager believes forecasted earnings growth for European Energy is now negative. Also, in Europe, growth in Information Technology companies has fallen from a high of 18% at the start of the fourth quarter to now 4%, just above the current rate of European inflation. The recovery in European cyclical commodity stocks has halted to a forecast earnings growth of 5% going forward. The Manager believes there is less support now for late cycle growth, which

would emphasize that quality earnings growth would be in favor for any further price appreciation.

In the US, revenue and cash flow growth is highest from other cyclical stocks such as hotel chains and high-end clothing retailers. This growth is most stable from secular companies that are thematically driven, especially in the area of technology and industrial automation. The Information Technology sector is exhibiting not the strongest but the most stable forecasted earnings growth. AI demand is certainly a tailwind, as well as the implementation of AI into Software as a Service (SaaS) in multiple industries. The Fund is positioned to focus on companies with positive and stable earnings in an environment that has seen declining or flat earnings.

**Payout** — Global central banks are less hawkish and while rate cuts are not currently being discussed outside of the US, the European Central Banks remains united on later rate cuts. Sectors considered to be bond proxies, including Utilities and telecommunications companies, are stabilizing as rate risk continues to be priced in. As such, any further upside is unclear and the Fund does not hold any positions in these segments. The Manager believes that continued higher price appreciation potential comes from thematically driven "quality growth" companies in the Information Technology and Industrials sectors, as it appears their earnings forecasts have stabilized to 2-year averages. The Manager believes that in this current macro environment, profitability, stability and safety offers potential and will focus on earnings and cash flow growth.

**Sustainability (of cashflows)** — The Manager leverages their AI model\* supported GPS approach aiming to provide a total return strategy, prioritizing companies capable of sustained growth in earnings, revenue and buybacks. The Fund is strategically positioned to capture leadership in "quality growth" companies, emphasizing innovation, new product launches, and those which have the ability to sustain and grow their earnings. The Manager is consistently monitoring Fund's exposures, considering expected earnings growth, potential disappointments, and avoiding high variability in cash flow and revenue

growth. Investments prioritize companies with a low cost of borrowing, enhancing resilience to interest rate fluctuations. The Fund holds secular growth stocks providing thematic exposure to disruptive drivers like Big Data, AI, Robotics, 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 Fund's Manager combines artificial intelligence and human intelligence to provide a modern approach to portfolio construction, incorporating the advantages of big data with the experience and perspective of the investment team. The application of artificial intelligence in a model is hypothetical and the simulated results are subject to inherent limitations. Investment strategies using such 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 technical issues in the construction and implementation of the models. There is no guarantee that the use of the quantitative model will result in effective investment decisions.

## **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**

Hedged ETF and Unhedged ETF units are subject to management fees which are based on a percentage of the average Series NAV during each month, calculated and accrued daily, and payable monthly. The

management fee is 0.55% per annum. The services received in consideration of the management fee include investment management and other general administration services.

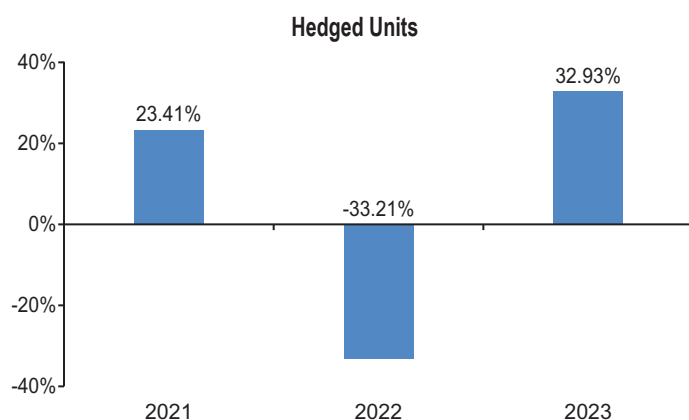


## Past Performance

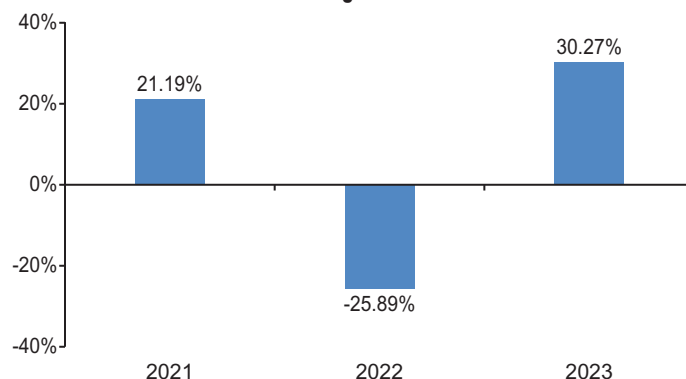
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. This performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or 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 annual period from January 1, 2023 to December 31, 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.



## Unhedged Units



## Annual Compound Returns

The tables below show the historical compound returns of the Fund's Units for the periods indicated, as at December 31, 2023. The returns of a broad based market index are also shown.

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception *
--	------	-------	-------	--------	-------------------

Hedged ETF (%)	32.93	3.09	n/a	n/a	5.90
----------------	-------	------	-----	-----	------

\* Inception date - August 11, 2020.

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception *
--	------	-------	-------	--------	-------------------

Unhedged ETF (%)	30.27	5.37	n/a	n/a	6.75
------------------	-------	------	-----	-----	------

S&P 500 Total Return (C\$) (%)	22.90	11.27	n/a	n/a	12.25
--------------------------------	-------	-------	-----	-----	-------

\* Inception date - August 11, 2020.

The S&P 500 Index(Net, C\$) is a broad measure of U.S. large-cap equities.

## 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.

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

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Net Assets per Unit, Beginning of Year <sup>[1]</sup>	\$19.15	\$25.85	\$21.33	\$20.00
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>				
Total revenue	0.26	0.18	0.12	0.05
Total expenses	(0.19)	(0.18)	(0.18)	(0.08)
Realized gains (losses)	0.64	(2.35)	0.40	(0.03)
Unrealized gains (losses)	5.45	(4.34)	4.40	1.69
Total increase (decrease) from operations per Unit	6.16	(6.69)	4.74	1.63
Distributions per Unit from: <sup>[1] [2]</sup>				
Foreign dividends	(0.05)	0.01	–	–
Capital gains	–	–	–	–
Return of capital	(0.03)	–	–	–
Total Distributions per Unit	(0.08)	0.01	–	–
Net Assets per Unit, End of Year <sup>[1]</sup>	\$24.91	\$19.15	\$25.85	\$21.33

[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 (Unhedged Units)

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Total net asset value (000's) <sup>[1]</sup>	\$4,983	\$2,394	\$3,231	\$2,133
Number of units outstanding <sup>[1]</sup>	200,000	125,000	125,000	100,000
Management expense ratio <sup>[2]</sup>	0.71%	0.71%	0.72%	0.90%
Management expense ratio before waivers and absorptions	3.14%	3.15%	2.51%	4.73%
Trading expense ratio <sup>[3]</sup>	0.01%	0.01%	0.01%	–
Portfolio turnover rate <sup>[4]</sup>	53.29%	80.98%	74.81%	18.29%
Net asset value per Unit <sup>[1]</sup>	\$24.91	\$19.15	\$25.85	\$21.33
Closing market price	\$25.01	\$19.11	\$25.89	\$21.18

[1] This information is provided as at the end of each year 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, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager absorbed some of the Fund's expenses, if it had not done so the MER would have been higher.

[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 of daily average net asset value for the period.

[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. The higher a ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

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

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Net Assets per Unit, Beginning of Year <sup>[1]</sup>	\$18.27	\$27.36	\$22.17	\$20.00
<b>Increase (decrease) from operations per Unit:<sup>[1]</sup></b>				
Total revenue	0.22	0.18	0.13	0.06
Total expenses	(0.18)	(0.18)	(0.20)	(0.08)
Realized gains (losses)	1.09	(4.25)	0.49	0.73
Unrealized gains (losses)	4.65	(5.28)	5.10	1.59
Total increase (decrease) from operations per Unit	5.78	(9.53)	5.52	2.30
Distributions per Unit from: <sup>[1] [2]</sup>				
Foreign dividends	(0.05)	0.01	–	–
Capital gains	–	–	–	0.53
Return of capital	(0.03)	–	–	–
Total Distributions per Unit	(0.08)	0.01	–	0.53
Net Assets per Unit, End of Year <sup>[1]</sup>	\$24.25	\$18.27	\$27.36	\$22.17

[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 (Hedged Units)

	For the year ended December 31, 2023	For the year ended December 31, 2022	For the year ended December 31, 2021	For the period from inception, Aug. 7, 2020, to Dec. 31, 2020
Total net asset value (000's) <sup>[1]</sup>	\$2,425	\$2,284	\$4,104	\$2,217
Number of units outstanding <sup>[1]</sup>	100,000	125,000	150,000	100,000
Management expense ratio <sup>[2]</sup>	0.71%	0.71%	0.72%	0.90%
Management expense ratio before waivers and absorptions	3.14%	3.15%	2.51%	4.73%
Trading expense ratio <sup>[3]</sup>	0.01%	0.01%	0.01%	–
Portfolio turnover rate <sup>[4]</sup>	53.29%	80.98%	74.81%	18.29%
Net asset value per Unit <sup>[1]</sup>	\$24.25	\$18.27	\$27.36	\$22.17
Closing market price	\$24.25	\$18.25	\$27.38	\$21.99

[1] This information is provided as at the end of each year 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, for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager absorbed some of the Fund's expenses, if it had not done so the MER would have been higher.

[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 of daily average net asset value for the period.

[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. The higher a ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.



## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2023

Portfolio Allocation	% of Net Asset Value
Communication services	6.3%
Consumer discretionary	8.7%
Consumer staples	5.2%
Energy	0.6%
Financials	3.0%
Health care	10.7%
Industrials	8.6%
Information technology	51.7%
Materials	1.5%
Other net assets (liabilities)	3.7%
Total	100.0%

Geographic Allocation	% of Net Asset Value
Ireland	2.0%
Netherlands	2.0%
United Kingdom	0.7%
United States of America	91.6%
Other net assets (liabilities)	3.7%
Total	100.0%

Top 25 Holdings	% of Net Asset Value
Alphabet Inc., Class 'C'	6.3%
Microsoft Corporation	6.1%
NVIDIA Corporation	5.5%
Apple Inc.	5.5%
Amazon.com Inc.	5.5%
Costco Wholesale Corporation	5.2%
Broadcom Inc.	5.0%
Cadence Design Systems Inc.	4.9%
ServiceNow Inc.	3.1%
Autodesk Inc.	2.9%
UnitedHealth Group Inc.	2.6%
Adobe Inc.	2.6%
W.W. Grainger Inc.	2.5%
Synopsys Inc.	2.3%
Monolithic Power Systems Inc.	2.3%
AMETEK Inc.	2.0%
Accenture PLC, Class 'A'	2.0%
AbbVie Inc.	2.0%
Motorola Solutions Inc.	2.0%
Roper Technologies Inc.	2.0%
Rockwell Automation Inc.	2.0%
MongoDB Inc.	1.8%
FactSet Research Systems Inc.	1.7%
Eli Lilly & Company	1.7%
Amgen Inc.	1.5%

**Top 25 Holdings (as a percentage of NAV) 81.0%**  
**Total Net Asset Value: \$7,407,065**



**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.