

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# GUARDPATH™ MODERN TONTINE 2042 TRUST

DECEMBER 31, 2022

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.sedar.com](http://www.sedar.com).

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 investment objective for the GuardPath™ Modern Tontine 2042 Trust (the “Fund”) is to provide long term capital appreciation by investing the Fund’s assets in equities and fixed income securities. The Fund will, for the final four quarters of its operation, commencing with the quarter ending March 31, 2042 and ending with the quarter ending December 31, 2042, redeem one-quarter (25%) of each Unitholder’s Units outstanding as of the applicable quarter end at NAV per Unit.

The Fund will seek to achieve the investment objective by following a “glidepath” approach to asset allocation, investing in a portfolio of securities, either directly or indirectly, that provides diversified exposure to different asset classes, geographies and strategies, providing different sources of returns, while mitigating risk measured by overall volatility of portfolio returns. As the scheduled Termination Date approaches, the Fund will seek to reduce volatility of returns by gradually shifting its asset mix to increase the percentage of its assets allocated to fixed income securities and/or money market investments, and add derivative strategies designed to preserve asset value.

### 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 long term capital appreciation and plan to hold their investment for the long term period. Payments from the Fund are tied to the life of the unitholder and the amount that a unitholder will receive upon redemption (either voluntary or upon death) prior to the lump-sum payout in year 20, will be lower than the then current NAV per unit, as detailed in the prospectus. The long-term total return of the Fund will be impacted by actual redemption rates, and may increase or decline as mortality rates or voluntary redemptions increase or decline.

## Results of Operations

*(This Fund’s first prospectus was dated August 30, 2022. In accordance with regulatory requirements, investment performance for a fund that has been in existence for less than one year cannot be shown. Please note that this Fund may invest up to 100% of its assets in securities of related or third-party mutual funds and ETFs [the “Underlying Funds”]. Individual securities referenced in this commentary may refer to the securities held in one of the Underlying Funds and may not be a direct holding of this Fund.)*

The Fund’s net asset value was \$1.03 million at December 31, 2022, of which an increase of \$0.02 million was due to investment performance and an increase of \$1.01 was attributable to net subscriptions.

The ETF Units of the Fund underperformed the Fund’s blended benchmark, 70% MSCI World Index (Net, C\$) and 30% S&P/TSX Composite Index, from the Fund’s inception to the end of the year. The Fund’s return is after the deduction of fees and expenses, unlike the benchmark’s return.

Overall, risk assets suffered largely from the rise in interest rates, which had a material impact on asset valuations and more rate sensitive areas of the economy, such as housing. Dispersion was wide however as commodities, especially Energy related, and defensive sectors performed relatively well. Global equity markets experienced a rebound in the second half of 2022, as the outlook for inflation moderated reducing the risk of incremental interest rate hikes.

The Fund slightly underperformed its benchmark during the period due to its overweight to Growth oriented equities, which suffered from the valuation impact due to continued interest rate increases. The Fund’s investments in higher quality global equities, as well as Emerging Markets securities, helped to mitigate some of the underperformance during the period. The Fund’s exposure to growth oriented equities was the main drag on performance during the period as interest rate rises and reduced liquidity pressured valuations. The Fund’s Real Estate investments also underperformed, as rapid interest rate hikes lead to a significant rise in borrowing costs and structural headwinds in the office and consumer segments created by

COVID proved to be longer lasting.

The Fund's position in the Guardian Fundamental Global Equity Fund rallied strongly during the period, as defensive and higher quality equities relatively outperformed the benchmark as recessions risks rose. The Fund's position in the Guardian i3 Global Quality Growth ETF materially underperformed the benchmark due to its heavy exposure to the Information Technology sector, which lagged as a result of its exposure to rate sensitive growth stocks. The Fund's position in the Guardian i3 Global REIT ETF also detracted from performance as the Real Estate sector underperformed due to the increase in interest rates, as well as continued demand headwinds in the office and consumer segments.

There were no portfolio changes made by the Fund during the period. The Fund currently leans more defensively, with overweight allocations in Health Care and Consumer Staples and underweights in more cyclical areas, such as Financials and resources.

## Recent Developments

As a result of the significant tightening of monetary policy, coupled with the rolling over of inflation, especially in the goods sector, the Manager expects corporate profit momentum to be weak over the near-term and, as a result, favours exposure to higher quality and more defensive areas of the equity market.

## 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, as detailed in the Management Fees section below. The Manager also receives an Administration Fee from the Fund, amounting to and 0.10% of the average daily net asset value of the Fund, in return for the payment by the Manager of all the variable operating expenses of the Fund. The Independent Review Committee ("IRC") has approved the Manager's

Policy for this item, and the Manager relies on this approval as a standing instruction from the IRC. The Manager received the Administration Fee and paid Fund expenses in accordance with this Policy during the period. The Manager is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.

The Fund invests all, or substantially all, of its assets in other Guardian Capital Funds (the "Underlying Funds"), which are related issuers. With respect to investments in related issuers, the Manager has relied on the approval that it has received from the Independent Review Committee ("IRC"). The approval requires the Manager to comply with its current policy and procedures regarding investments in related issuers and to report periodically to the IRC. The Manager will not duplicate management fees paid to the Underlying Funds and will not pay any performance fee in respect of any investment in the Guardian Strategic Income Fund.

## Management Fees

Series A and Series F, 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 Series A management fee is 1.60% per annum. The Series F management fee is 0.60% per annum. The table below provides a breakdown of services received in consideration of the management fees, as a percentage of the management fees, for the period.

	Series A	Series F
Investment management and other general administration	37.5%	100%
Trailer Commission	62.5%	n/a

## Past Performance

In accordance with regulatory requirements, investment performance for a fund that has been in existence for less than one year, cannot be shown.

## 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 Fund's Net Assets per Unit (Series A)

	Period from Sep. 7, 2022 to Dec. 31, 2022
Net Assets per unit, Beginning of Period <sup>[1]</sup>	\$10.00
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>	
Total revenue	0.03
Total expenses	(0.06)
Realized gains (losses)	0.01
Unrealized gains (losses)	0.24
Total increase (decrease) from operations per unit	0.22
Distributions per unit from: <sup>[1]</sup>	
Income (excluding dividends)	-
Canadian dividends	-
Foreign dividends	-
Capital gains	-
Return of capital	-
Total Distributions per unit	-
Net Assets per unit, End of Period <sup>[1]</sup>	\$10.22

<sup>[1]</sup> 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.

### Ratios and Supplemental Data (Series A)

	Period from Sep. 7, 2022 to Dec. 31, 2022
Total net asset value (000's) <sup>[1]</sup>	\$511
Number of units outstanding <sup>[1]</sup>	50,001
Management expense ratio <sup>[2]</sup>	1.94%
Management expense ratio before waivers and absorptions	2.03%
Trading expense ratio <sup>[3]</sup>	0.12%
Portfolio turnover rate <sup>[4]</sup>	1.95%
Net asset value per unit <sup>[1]</sup>	\$10.22

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

<sup>[2]</sup> The management expense ratio is based on total expenses (excluding commissions, other portfolio transaction costs and withholding taxes) of the Fund 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. For this new series, the MER is annualized from its Inception Date. The Manager absorbed some of the Fund's expenses, if it had not done so the MER would have been higher.

<sup>[3]</sup> The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund 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.

<sup>[4]</sup> The Fund's portfolio turnover rate indicates how actively its portfolio advisor trades portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in the portfolio once in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund 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 a fund.

## 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 Fund's Net Assets per Unit (Series F)

	Period from Sep. 7, 2022 to Dec. 31, 2022
Net Assets per unit, Beginning of Period <sup>[1]</sup>	\$10.00
<b>Increase (decrease) from operations per unit: <sup>[1]</sup></b>	
Total revenue	0.03
Total expenses	(0.02)
Realized gains (losses)	0.01
Unrealized gains (losses)	0.24
Total increase (decrease) from operations per unit	0.26
Distributions per unit from: <sup>[1]</sup>	
Income (excluding dividends)	-
Canadian dividends	-
Foreign dividends	-
Capital gains	-
Return of capital	-
Total Distributions per unit	-
Net Assets per unit, End of Period <sup>[1]</sup>	\$10.25

<sup>[1]</sup> 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.

### Ratios and Supplemental Data (Series F)

	Period from Sep. 7, 2022 to Dec. 31, 2022
Total net asset value (000's) <sup>[1]</sup>	\$523
Number of units outstanding <sup>[1]</sup>	51,009
Management expense ratio <sup>[2]</sup>	0.81%
Management expense ratio before waivers and absorptions	0.90%
Trading expense ratio <sup>[3]</sup>	0.12%
Portfolio turnover rate <sup>[4]</sup>	1.95%
Net asset value per unit <sup>[1]</sup>	\$10.25

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

<sup>[2]</sup> The management expense ratio is based on total expenses (excluding commissions, other portfolio transaction costs and withholding taxes) of the Fund 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. For this new series, the MER is annualized from its Inception Date. The Manager absorbed some of the Fund's expenses, if it had not done so the MER would have been higher.

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## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2022

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Communication services	1.5%	Guardian i3 Global Quality Growth ETF	21.1%
Consumer discretionary	10.6%	Guardian Canadian Sector Controlled Equity Fund, ETF series	9.9%
Consumer staples	4.0%	Guardian Fundamental Emerging Markets ETF	6.2%
Energy	3.0%	Guardian i3 Global REIT ETF	4.6%
Financials	8.7%	Novo Nordisk A/S, ADR	2.9%
Health care	5.8%	Essilor International SA, ADR	2.4%
Industrials	4.9%	CME Group Inc., Class 'A'	2.1%
Information technology	7.4%	Booking Holdings Inc.	1.8%
Materials	4.2%	Mastercard Inc., Class 'A'	1.8%
Real estate	0.4%	UnitedHealth Group Inc.	1.8%
Utilities	1.3%	MarketAxess Holdings Inc.	1.7%
Canadian Equity Funds	9.9%	Colgate-Palmolive Company	1.7%
Global equity funds	31.9%	Yum China Holdings Inc.	1.6%
Other net assets	6.4%	Alphabet Inc., Class 'A'	1.5%
		NIKE Inc., Class 'B'	1.3%
		Nestle SA, ADR	1.3%
		Royal Bank of Canada	1.3%
		L'Oreal SA, ADR	1.3%
		Automatic Data Processing Inc.	1.3%
		Accenture PLC, Class 'A'	1.3%
		The Toronto-Dominion Bank	1.2%
		Canadian Pacific Railway Limited	1.2%
		Reckitt Benckiser Group PLC, ADR	1.0%
		Novozymes A/S, ADR	1.0%
		FANUC Corporation, ADR	1.0%
		<b>Top 25 Holdings as a percentage of net asset value</b>	<b>74.3%</b>
		<b>Total Net Asset Value</b>	<b>\$1,033,847</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available. If the Fund has invested in other investment funds, the prospectus and other information about the underlying investment funds are available on the internet via [www.sedar.com](http://www.sedar.com).



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