

GUARDIAN STRATEGIC INCOME FUND

FINANCIAL STATEMENTS

JUNE 30, 2021



GUARDIAN CAPITAL LP

August 27, 2021

The Accompanying financial statements of the Guardian Strategic Income Fund (the “Fund”) have been prepared by Guardian Capital LP (the “Manager”), in its capacity as Manager of the Fund. The Manager is responsible for the information and representations contained in these financial statements, which have been approved by the Board of Directors of the general partner of the Manager, Guardian Capital Inc.

The Manager maintains appropriate procedures and controls to ensure that reliable financial information relating to the Fund is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards, and include certain amounts based upon estimates and judgments. The significant accounting policies which the Manager believes are appropriate for the Fund are described in the notes to the financial statements.

These financial statements have not been reviewed or audited by the independent auditors of the Funds.

(signed) “Donald Yi”,
Chief Financial Officer

Guardian Strategic Income Fund

Schedule of Investment Portfolio (Unaudited)

As at June 30, 2021

Number of Shares/ Units/ Par Value	Security	Average Cost	Fair Value	Number of Shares/ Units/ Par Value	Security	Average Cost	Fair Value	
CANADIAN CORPORATE BONDS - LONG - 40.7%				CANADIAN CORPORATE BONDS - LONG - continued				
\$ 1,000,000	USD AutoCanada Inc. 8.75%, February 11, 2025	\$ 1,066,250	\$ 1,082,500	\$ 700,000	Russel Metals Inc. 5.75%, October 27, 2025	\$ 700,000	\$ 744,625	
1,000,000	USD Bausch Health Cos Inc. 6.25%, February 15, 2029	1,358,972	1,226,287	750,000	Shaw Communications Inc.* 3.30%, December 10, 2029	746,453	784,197	
258,000	USD Bellatrix Exploration Ltd. 0.00%, September 11, 2023	342,716	-	762,000	Sherritt International Corp. 8.50%, November 30, 2026	762,000	487,680	
281,000	USD Bellatrix Exploration Ltd. 0.00%, December 15, 2023	373,268	-	1,261,280	Source Energy Services Ltd. 12.50%, March 15, 2025	1,261,281	321,626	
500,000	Brookfield Infrastructure Finance ULC 4.19%, September 11, 2028	502,760	555,563	500,000	Superior Plus LP 4.50%, March 15, 2029	632,847	638,535	
500,000	Cascades Inc. 5.13%, January 15, 2025	502,500	521,500	500,000	Tidewater Midstream and Infrastructure Ltd. 6.75%, December 19, 2022	497,395	502,917	
500,000	Cascades Inc. 5.38%, January 15, 2028	667,701	651,654	1,000,000	TransCanada PipeLines Ltd.* 3.00%, September 18, 2029	997,090	1,035,506	
1,000,000	Corus Entertainment Inc. 5.00%, May 11, 2028	1,000,000	1,010,000	500,000	Transcanada Trust 4.20%, March 4, 2081	500,000	492,402	
750,000	USD First Quantum Minerals Ltd. 7.25%, April 1, 2023	944,524	947,883	1,250,000	Vesta Energy Corp. 8.13%, July 24, 2023	1,218,750	1,000,000	
750,000	Ford Credit Canada Co.* 2.71%, February 23, 2022	738,750	755,122	400,000	Videotron Ltd. 4.50%, January 15, 2030	434,500	418,917	
1,500,000	GFL Environmental Inc. 5.13%, December 15, 2026	1,993,678	1,970,714	1,000,000	Videotron Ltd. 3.13%, January 15, 2031	987,500	949,757	
350,000	Gibson Energy Inc.* 3.60%, September 17, 2029	348,950	372,220	Total Canadian bonds - Long			30,208,451	27,912,374
500,000	Gibson Energy Inc. 5.25%, December 22, 2080	500,000	507,781	UNITED STATES BONDS - LONG - 33.2%				
600,000	IAMGOLD Corp. 5.75%, October 15, 2028	776,855	776,242	CORPORATE - 33.2%				
750,000	Manulife Financial Corp. 2.82%, May 13, 2035	750,000	766,619	1,500,000	USD CCO Holdings LLC* 4.25%, February 1, 2031	2,053,379	1,894,596	
550,000	USD Mattamy Group Corp.* 5.25%, December 15, 2027	731,276	713,500	750,000	USD Centene Corp. 4.63%, December 15, 2029	1,014,598	1,022,543	
750,000	Mattamy Group Corp.* 4.63%, March 1, 2028	721,875	766,188	750,000	USD DaVita Inc. 3.75%, February 15, 2031	975,693	892,736	
300,000	USD Methanex Corp. 5.13%, October 15, 2027	414,706	401,725	750,000	USD Fly Leasing Ltd. 5.25%, October 15, 2024	927,337	938,953	
500,000	National Bank of Canada* 4.30%, November 15, 2080	500,000	518,766	1,000,000	USD Iron Mountain Inc.* 4.88%, September 15, 2027	1,357,089	1,286,517	
1,250,000	USD New Red Finance Inc. 4.00%, October 15, 2030	1,652,778	1,499,502	1,000,000	USD JBS USA LUX SA 5.50%, January 15, 2030	1,350,744	1,386,522	
750,000	USD NOVA Chemicals Corp. 5.00%, May 1, 2025	995,645	994,942	750,000	USD Mercer International Inc. 5.13%, February 1, 2029	970,689	956,817	
597,000	USD Nutrien Ltd. 2.95%, May 13, 2030	836,714	781,562	500,000	USD Moss Creek Resources Holdings Inc. 7.50%, January 15, 2026	625,453	576,586	
500,000	NuVista Energy Ltd. 6.50%, March 2, 2023	500,000	498,542	1,000,000	USD Occidental Petroleum Corp.* 6.13%, January 1, 2031	1,280,344	1,455,000	
600,000	USD Open Text Corp. 3.88%, February 15, 2028	820,553	754,718	900,000	USD OneMain Finance Corp.* 4.00%, September 15, 2030	1,114,146	1,104,360	
220,000	USD Parkland Corp. 6.00%, June 23, 2028	237,050	236,573	1,000,000	USD Post Holdings Inc. 5.75%, March 1, 2027	1,307,255	1,297,117	
1,000,000	USD Parkland Corp. 4.38%, March 26, 2029	1,000,000	1,017,083	1,000,000	USD Radian Group Inc. 4.88%, March 15, 2027	1,332,356	1,350,339	
300,000	USD Parkland Corp. 4.50%, October 1, 2029	377,741	378,590	1,750,000	USD Spectrum Brands Inc.* 5.50%, July 15, 2030	2,405,608	2,343,310	
400,000	USD Precision Drilling Corp. 7.13%, January 15, 2026	516,086	511,187	1,000,000	USD Sprint Corp.* 7.13%, June 15, 2024	1,323,616	1,430,234	
250,000	USD Precision Drilling Corp. 6.88%, January 15, 2029	299,287	319,249	750,000	USD Targa Resources Partners LP 5.50%, March 1, 2030	993,338	1,022,543	
				750,000	USD Tenneco Inc. 5.13%, April 15, 2029	926,750	955,605	

*Denotes securities pledged as collateral

The accompanying notes and their supplementary schedules are an integral part of these financial statements and schedule of investment portfolio.

Guardian Strategic Income Fund

Schedule of Investment Portfolio (Unaudited) (continued)

As at June 30, 2021

Number of Shares/ Units/ Par Value	Security	Average Cost	Fair Value
UNITED STATES BONDS - LONG - continued			
\$ 1,500,000	USD United Rentals North America Inc. 3.88%, February 15, 2031	\$ 1,889,979	\$ 1,892,274
750,000	USD Yum! Brands Inc. 3.63%, March 15, 2031	904,352	925,241
	Total United States bonds - Long	<u>22,752,726</u>	<u>22,731,293</u>
EQUITY INVESTMENTS - LONG - 10.6%			
Communication Services - 1.0%			
10,800	BCE Inc.	611,643	660,204
		<u>611,643</u>	<u>660,204</u>
Financials - 3.4%			
4,400	Canadian Imperial Bank of Commerce	548,727	620,885
20,000	Manulife Financial Corp.	425,557	488,000
15,000	Power Corp of Canada	519,854	587,700
5,300	Royal Bank of Canada	577,090	665,627
		<u>2,071,228</u>	<u>2,362,212</u>
ENERGY - 2.4%			
39,789	USD Calfrac Well Services Ltd.	568,546	161,145
13,500	Enbridge Inc.	664,123	670,005
35,000	Inter Pipeline Ltd.	784,287	705,250
72,251	Source Energy Services Ltd.	188,647	128,607
1,004,465	Trident Exploration Corp.	1,506,822	10
		<u>3,712,425</u>	<u>1,665,017</u>
MATERIALS - 0.0%			
498	USD Hycroft Mining Holding Corp.	9,310	1,887
111,550	Sherritt International Corp.	-	-
		<u>9,310</u>	<u>1,887</u>
UTILITIES - 1.0%			
17,500	USD Algonquin Power & Utilities Corp.	328,925	323,225
5,500	Emera Inc.	310,901	309,320
		<u>639,826</u>	<u>632,545</u>
INVESTMENT FUNDS - 2.8%			
17,500	iShares iBoxx High Yield Corporate Bond ETF	1,907,658	1,907,846
		<u>1,907,658</u>	<u>1,907,846</u>
	Total Equity investments - Long	<u>8,952,090</u>	<u>7,229,711</u>
	Transaction costs	<u>(3,442)</u>	<u>-</u>
		<u>8,948,648</u>	<u>7,229,711</u>
	Total investments - Long - 84.5%	<u>61,909,825</u>	<u>57,873,378</u>
UNITED STATES BONDS - SHORT -(10.7%)			
\$ (4,000,000)	USD United States Treasury Bond 1.13%, February 15, 2031	(4,657,755)	(4,813,884)
\$ (2,000,000)	USD United States Treasury Bond 1.63%, May 15, 2031	(2,466,519)	(2,517,808)
	Total investments - Short -(10.7%)	<u>(7,124,274)</u>	<u>(7,331,692)</u>
	Net investments - 73.8%	<u>54,785,551</u>	<u>50,541,686</u>
	Forward currency contracts, net - (0.0%)		9,179
	Swap contracts, net - -(1.3%)		(893,049)
	Other net assets - 27.5%		18,880,674
	Net assets attributable to unitholders - 100.0%		<u>\$ 68,538,490</u>

*Denotes securities pledged as collateral

The accompanying notes and their supplementary schedules are an integral part of these financial statements and schedule of investment portfolio.

Guardian Strategic Income Fund

Schedule of Investment Portfolio - (continued) (Unaudited)

As at June 30, 2021

Swap Contracts

Buy/Sell Protection	Referenced Entity	Fixed Rate	Expiry Date	Effective Date	Counterparty	Counterparty Credit Rating	Notional Amount	Fair Value
Buy	Markit CDX North America High Yield Index	5.0%	20-Jun-26	10-May-21	Morgan Stanley	A-2	USD 5,000,000	\$ (637,892)
Buy	Markit CDX North America High Yield Index	5.0%	20-Jun-26	17-Jun-21	Morgan Stanley	A-2	USD 2,000,000	(255,157)
Total Swaps Contracts at Fair Value								\$ (893,049)

The accompanying notes and their supplementary schedules are an integral part of these financial statements and schedule of investment portfolio.

Guardian Strategic Income Fund

Statements of Net Assets (Unaudited)

As at	June 30, 2021	December 31, 2020
Assets		
Current assets		
Investments	\$ 45,184,326	\$ 27,430,072
Investments, pledged as collateral	12,689,052	13,253,824
Cash, net	10,940,410	1,377,253
Cash, pledged as collateral	8,331,116	-
Daily variation margin	1,448,866	-
Due from brokers	-	-
Short-term securities	-	-
Subscriptions receivable	120,921	25,000
Interest and dividends receivable	763,254	540,206
Unrealized appreciation on foreign currency contracts (Note 2l)	9,994	-
Swap contracts	-	-
	79,487,939	42,626,355
Liabilities		
Current liabilities		
Investments sold short	7,331,692	2,435,826
Bank overdraft	-	-
Bank overdraft, pledged as collateral	1,509,286	492,335
Due to brokers	1,166,523	636,999
Interest payable	25,752	9,767
Redemptions payable	8,270	-
Distributions payable	102	213
Accrued expenses due to Manager	13,960	9,086
Accrued performance fee due to Manager	-	-
Unrealized depreciation on foreign currency contracts (Note 2l)	815	-
Swap contracts	893,049	-
	10,949,449	3,584,226
Net assets attributable to unitholders ("NAV")	\$ 68,538,490	\$ 39,042,129
NAV per series		
Series A	\$ 471,123	\$ 521,739
Series F	822,287	1,010,753
Series X	67,238,077	37,502,958
Series I	7,003	6,679
NAV per unit, per series		
Series A	\$ 7.78	\$ 7.72
Series F	8.60	8.48
Series X	9.83	9.61
Series I	9.33	9.14

Statements of Operations (Unaudited)

For the six months ended June 30	2021	2020
Income		
Dividends	\$ -	\$ -
Interest for distribution purposes	1,294,818	1,220,928
Net realized gains (losses) on sale of investments	(554,598)	280,091
Change in unrealized appreciation (depreciation) in value of investments	1,937,907	(2,819,552)
Net gains (losses) on investments	2,678,127	(1,318,533)
Net realized gains (losses) on foreign currency contracts	161,800	(745,456)
Net realized gains (losses) on option contracts	6,203	123,741
Net realized gains (losses) on swap contracts	(1,436,216)	-
Net realized gains (losses) on future contracts	1,324,361	-
Change in unrealized appreciation (depreciation) on foreign currency contracts	9,179	(39,394)
Change in unrealized appreciation (depreciation) on swap contracts	32,463	-
Change in unrealized appreciation (depreciation) in value of investments sold short	(312,984)	39,601
Securities borrowing expense	(2,144)	(4,261)
Interest expense for securities sold short	(9,703)	(32,274)
Net gains (losses) on financial instruments at fair value	(227,041)	(658,043)
Securities lending income net taxes (note 10)	-	-
Foreign exchange gains (losses)	233,405	332,382
	2,684,491	(1,644,194)
Operating expenses (Note 4)		
Administration fee	63,412	45,116
Management fee	9,457	23,514
Independent review committee costs	437	241
Performance fee	-	-
Interest charges	19,142	23,197
Transaction costs	4,043	2,764
Foreign withholding taxes	5,671	-
	102,162	94,832
Increase (decrease) in NAV from operations	\$ 2,582,329	\$ (1,739,026)
Increase (decrease) in NAV from operations per series		
Series A	\$ 19,036	\$ (44,550)
Series F	41,937	(289,992)
Series X	2,521,032	(1,404,287)
Series I	324	(197)
Series A	\$ 0.28	\$ (0.33)
Series F	0.37	(0.90)
Series X	0.43	(0.36)
Series I	0.44	(0.29)

Approved on behalf of the Manager, Guardian Capital LP
(signed) "Donald Yi"

The accompanying notes and their supplementary schedules are an integral part of these financial statements and schedule of investment portfolio.

Guardian Strategic Income Fund

Statements of Changes in Net Assets Attributable to Unitholders (Unaudited)

For the six months ended June 30	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Series A	Series A	Series F	Series F	Series X	Series X	Series I	Series I	Total	Total
NAV, beginning of period	\$ 521,739	\$ 1,119,472	\$ 1,010,753	\$ 4,615,609	\$ 37,502,958	\$ 39,173,782	\$ 6,679	\$ 6,499	\$ 39,042,129	\$ 44,915,362
Increase (decrease) in NAV from operations	19,036	(44,550)	41,937	(289,992)	2,521,032	(1,404,287)	324	(197)	2,582,329	(1,739,026)
Distributions to unitholders from:										
Income	(16,062)	(45,074)	(26,616)	(96,323)	(1,443,997)	(1,285,209)	(177)	(228)	(1,486,852)	(1,426,834)
Capital gains	-	-	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	-	-	-	-
	(16,062)	(45,074)	(26,616)	(96,323)	(1,443,997)	(1,285,209)	(177)	(228)	(1,486,852)	(1,426,834)
Redeemable unit transactions:										
Proceeds from issuance of units	-	-	-	-	32,523,351	3,703,297	-	-	32,523,351	3,703,297
Reinvested distributions	16,062	45,074	11,002	59,035	1,436,915	1,275,258	177	228	1,464,156	1,379,595
Redemption of units	(69,652)	-	(214,789)	(2,999,444)	(5,302,182)	(4,961,866)	-	-	(5,586,623)	(7,961,310)
	(53,590)	45,074	(203,787)	(2,940,409)	28,658,084	16,689	177	228	28,400,884	(2,878,418)
Net increase (decrease) in NAV	(50,616)	(44,550)	(188,466)	(3,326,724)	29,735,119	(2,672,807)	324	(197)	29,496,361	(6,044,278)
NAV, end of period	\$ 471,123	\$ 1,074,922	\$ 822,287	\$ 1,288,885	\$ 67,238,077	\$ 36,500,975	\$ 7,003	\$ 6,302	\$ 68,538,490	\$ 38,871,084

Change in units (Note 3)	2021	2020	2021	2020	2021	2020	2021	2020
	Series A	Series A	Series F	Series F	Series X	Series X	Series I	Series I
Units issued and outstanding, beginning of period	67,556	134,242	119,248	513,144	3,903,254	3,911,033	731	680
Number of units issued	-	-	-	-	3,334,598	371,981	-	-
Number of units reinvested	2,076	5,806	1,290	6,768	147,937	135,281	19	26
	69,632	140,048	120,538	519,912	7,385,789	4,418,295	750	706
Number of units redeemed	(9,048)	-	(24,967)	(365,542)	(545,695)	(526,550)	-	-
Units issued and outstanding, end of period	60,584	140,048	95,571	154,370	6,840,094	3,891,745	750	706

The accompanying notes and their supplementary schedules are an integral part of these financial statements and schedule of investment portfolio.

Guardian Strategic Income Fund

Statements of Cash Flows (Unaudited)

For the six months ended June 30	2021	2020
Cash flows from operating activities		
Increase (decrease) in NAV from operations	\$ 2,582,329	\$ (1,739,026)
Adjustments for:		
Unrealized foreign exchange (gains) losses on cash	(91,576)	49,066
Net realized (gains) losses on sale of investments	554,598	(280,091)
Net realized gains (losses) on sale of investments sold short	1,436,216	-
Change in unrealized (appreciation)		
depreciation in value of investments	(1,937,907)	2,819,552
Change in unrealized (appreciation)		
depreciation in foreign currency contracts	(9,179)	39,394
Change in unrealized (appreciation)		
depreciation in swap contracts	(32,463)	-
Change in unrealized (appreciation)		
depreciation in value of investments sold short	312,984	(39,601)
Purchases of investments	(38,914,337)	(28,289,246)
Proceeds from sale of investments	22,368,126	31,758,401
Proceeds from sale of investments sold short	8,984,831	2,737,720
Repurchase of investments sold short	(4,135,426)	(5,314,572)
(Increase) decrease in short-term securities, net	-	-
(Increase) decrease in daily variation margin	(1,448,866)	-
(Increase) decrease in interest and dividends receivable	(223,048)	(126,624)
Increase (decrease) in interest payable	15,985	(20,476)
Increase (decrease) in accrued expenses due to Manager	4,874	(5,576)
Increase (decrease) in accrued performance fees due to Manager	-	-
Net cash from (used in) operating activities	(10,532,859)	1,588,921
Cash flows from (used in) financing activities		
Distributions paid, net of reinvested distributions	(22,807)	(48,965)
Proceeds from issuance of units	32,427,430	3,694,080
Redemption of units	(5,578,353)	(7,882,829)
Net cash from (used in) financing activities	26,826,270	(4,237,714)
Foreign exchange		
Net effect of unrealized foreign exchange gains (losses) on cash	91,576	(49,066)
Net increase (decrease) in cash	16,384,987	(2,697,859)
Cash, net (bank overdraft), beginning of period	1,377,253	1,655,353
Cash, net (bank overdraft), end of period	\$ 17,762,240	\$ (1,042,506)
Cash activity included in operating activities:		
Interest received	\$ 1,066,099	\$ 1,094,304
Interest paid	12,860	75,947
Dividends received, net of withholding taxes	-	-

Supplementary Schedules to the Notes to the Financial Statements (Unaudited)

June 30, 2021

Note 1 (a): Formation of the Fund:

Guardian Strategic Income Fund (the "Fund") was formed on May 31, 2013 and commenced operations on June 2, 2013. The primary objectives of the Fund were: (i) to pay a sustained monthly distribution; (ii) to generate capital gains and preserve capital through strategies that profit, when appropriate, from rising or falling interest rates and widening or tightening credit spreads; and (iii) to maintain low volatility and low correlation with traditional equity and fixed income markets. Until December 13, 2019, the NAV per Unit for each Series of Fund Units was calculated on a weekly basis, and all Series of Fund Units were available for purchase only on a private placement basis to accredited investors.

Note 1 (b): Conversion of the Fund to an "Alternative Mutual Fund":

On December 13, 2019, the Manager filed a Simplified Prospectus for the Fund, offering for sale the Fund's Series F, A and I Units. The Series X Units continue to be offered by private placement. In conjunction with the Prospectus, the following additional changes were made to the Fund's operations:

- The Fund's investment objectives were changed to the following: "The primary objectives of the Fund are to generate capital gains, preserve capital and make monthly distributions by investing primarily in securities that can benefit from changes to interest rates and credit spreads. The Fund aims to maintain low volatility and low correlation with traditional equity and fixed income markets";
- The Fund is now governed under the Master Declaration of Trust, which governs all of the Manager's public mutual funds;
- The Fund qualifies as a new form of mutual fund referred to as an "alternative mutual fund", under which the Fund is permitted to continue using certain investment strategies which are prohibited for other types of public mutual funds, including strategies relating to the amounts invested in individual issuers, the use of borrowing, short selling and other forms of leverage;
- The Fund's NAV per Unit for all Series was changed to be calculated on a daily basis;
- The management fee payable by the Fund relating to certain Series of Units, and the administration fee payable relating to all Series of Units were reduced, as detailed in Note 4 a); and
- Effective January 1, 2020, the calculation of the Fund's performance fee was changed to the fee described in Note 4 b).

Note 2 (l): Foreign currency forward contracts:

The following table is a summary of the currency derivatives of the Fund:

As at June 30, 2021	USD	CAD equivalent of contracts	Maturity Date	Unrealized gain (loss)
Amounts sold	\$ 7,750,000	\$ 9,606,939	23-Jul-21	\$ 9,994
Unrealized Appreciation				9,994
Amounts purchased	1,000,000	1,239,130	23-Jul-21	(815)
Unrealized Depreciation				(815)
Net foreign currency contracts				\$ 9,179

As at December 31, 2020	USD	CAD equivalent of contracts	Maturity Date	Unrealized gain (loss)
Amounts sold	\$ -	\$ -	-	\$ -
Unrealized Appreciation				-
Amounts purchased	-	-	-	-
Unrealized Depreciation				-
Net foreign currency contracts				\$ -

Scotia Capital Markets is the counterparty for the forward contracts.

The credit rating of the counterparty to the agreements was AA throughout all periods.

Guardian Strategic Income Fund

Supplementary Schedules to the Notes to the Financial Statements (Unaudited)

June 30, 2021

Note 2 (m): Offsetting of financial instruments:

In the normal course of business, the Fund enters into various master netting arrangements or other similar arrangements that do not meet the criteria for offsetting in the Statements of Net Assets but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy. The following table presents the recognized financial assets and financial liabilities that are offset, or those that are subject to enforceable master netting arrangements or other similar arrangements but have not been offset, as at June 30, 2021 and December 31, 2020. The "Net" column shows what the impact on the Fund's Statements of Net Assets would be if all set-off rights were exercised.

Financial assets and liabilities	Gross position	Amounts not offset	Net position for financial statements	Financial instruments with offset rights	Cash collateral received / pledged	Net position after exercise of offset rights
As at June 30, 2021						
Derivative assets - foreign currency contracts	\$ 9,994	\$ (815)	\$ 9,179	\$ -	\$ -	\$ 9,179
Derivative assets - swap contracts	-	-	-	-	-	-
Non-derivative assets	12,689,052	-	-	-	12,689,052	12,689,052
Derivative liabilities - foreign currency contracts	815	815	1,630	-	-	1,630
Derivative liabilities - swap contracts	(893,049)	-	(893,049)	-	-	(893,049)
Non-derivative liabilities	(1,509,286)	-	(1,509,286)	-	(1,509,286)	(3,018,572)
As at December 31, 2020						
Derivative assets - foreign currency contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Derivative assets - option contracts	-	-	-	-	-	-
Non-derivative assets	13,253,824	-	13,253,824	-	13,253,824	13,253,824
Derivative liabilities - foreign currency contracts	-	-	-	-	-	-
Derivative liabilities - option contracts	-	-	-	-	-	-
Non-derivative liabilities	(492,335)	-	(492,335)	-	(492,335)	(984,670)

The Fund is subject to enforceable master netting arrangements in the form of ISDA arrangements with the counterparties to its derivative contracts. Under the terms of certain of these arrangements, offsetting of derivative contracts is permitted for same day settlements when contracts with the same counterparty mature simultaneously, and in other cases only in the event of bankruptcy or default of either party to the agreement. The Fund's arrangements with its brokers also permit offsetting of amounts receivable and payable in respect of securities purchased or sold in the normal course of business.

Note 3: Increase (decrease) in NAV from operations per unit per series:

The weighted average number of units outstanding during the period used to calculate the increase (decrease) in NAV from operations per unit per series is as follows:

For the six months ended June 30	2021	2020
Series A	67,583	136,574
Series F	113,609	322,394
Series X	5,831,209	3,928,322
Series I	739	690

As at June 30, 2021, one unitholder held approximately 10% of the Fund's NAV (As at December 31, 2020, two unitholders, approximately 30%).

Note 4 (a): Operating expenses:

The Manager currently charges to the Fund management fees and administration fees, based on the NAV and the annual rates of these fees are as follows:

As at	June 30, 2021	December 31, 2020
Annual management fee rate		
Series A	1.85%	1.85%
Series F	0.85%	0.85%
Series X	0.00%	0.00%
Series I	0.00%	0.00%
Annual administration fee rate		
Series A	0.20%	0.20%
Series F	0.20%	0.20%
Series X	0.20%	0.20%
Series I	0.20%	0.20%

Note 4 (b): Performance fees:

The Manager charges the Fund a performance fee which is calculated and accrued daily, based on and payable from the NAV of the Series A, Series F and Series I Units. The performance fees are payable on the last business day of each year, when the investment performance of a Series, since the last time a performance fee was paid, is in excess of a hurdle rate, which is equal to the Chartered Banks 5-Year GIC Interest Rates, as provided by the Bank of Canada, on the last business day of the preceding calendar year, plus 1.00%. The performance fee is equal to 15% of performance in excess of the hurdle rate.

Prior to January 1, 2020, performance fees were based on a performance in excess of 5.75% and, when effective, were payable quarterly in arrears.

Note 5: Income taxes:

The Fund has the following tax losses available to be carried forward and applied against capital gains or income in the current and future years:

As at December 31	2020	2019
Capital losses	\$ 324,050	\$ -
Non-capital losses	-	-
Capital losses may be carried forward indefinitely. The non-capital losses expire on the following dates:		
	Amount expiring	Date of expiry
Non-capital losses	\$ -	-

Guardian Strategic Income Fund

Supplementary Schedules to the Notes to the Financial Statements (Unaudited)

June 30, 2021

Note 8: Financial Risk Management:

The Fund may use various forms of leverage that increases the effect of any investment value changes on capital. These include the use of margin borrowings and derivatives. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well.

If the gains on financial assets made with borrowed funds are less than the costs of the leverage or, under certain circumstances, if the borrowing is terminated by the applicable lenders or counterparties in advance of its stated term, the value of the Fund's net assets attributable to holders of redeemable units will decrease. Therefore, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

The Fund's financial instruments consist of investments, cash pledged as collateral, cash, due from brokers, short-term securities, subscriptions receivable, interest and dividends receivable, investments sold short, bank overdraft, due to brokers, interest payable, redemptions payable, accrued expenses due to Manager, and unrealized depreciation on foreign currency contracts. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Manager maintains a risk management practice that includes daily monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

Note 8 (a) (i): Currency risk:

The tables below summarize the Fund's direct and indirect net exposure to currency risk from monetary items:

As at June 30, 2021	Financial Instruments excluding derivatives	Derivatives	Total	% of NAV
USD	\$ 49,867,104	\$ (7,802,708)	\$ 42,064,396	61.4%
GBP	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
Net currency exposure	\$ 49,867,104	\$ (7,802,708)	\$ 42,064,396	61.4%

As at December 31, 2020	Financial Instruments excluding derivatives	Derivatives	Total	% of NAV
USD	\$ 27,944,200	\$ -	\$ 27,944,200	71.6%
GBP	-	-	-	-
Euro	-	-	-	-
Other currencies	-	-	-	-
Net currency exposure	\$ 27,944,200	\$ -	\$ 27,944,200	71.6%

If the foreign currencies increased or decreased by 5% in relation to the Canadian dollar, with all other variables held constant, the approximate increase or decrease in the Fund's NAV are as follows:

As at	June 30, 2021	December 31, 2020
Change in NAV	\$ 2,103,000	\$ 1,397,000
% of NAV	3.1%	3.6%

In practice, the actual trading results could differ, and the difference could be material.

Note 8 (a) (ii): Interest rate risk:

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those available in the past.

The table below summarizes the Fund's direct and indirect exposure to interest rate sensitive investments:

As at	June 30, 2021	% of NAV	December 31, 2020	% of NAV
Term to maturity:				
Less than one month	\$ -	-	\$ -	-
One to three months	-	-	-	-
Three months to one year	755,122	1.1%	-	-
One to five years	10,071,495	14.7%	13,489,173	34.6%
Over five years ⁽¹⁾	32,485,358	47.4%	22,522,447	57.6%
Investment funds	-	-	-	-
Net interest rate sensitive investments	\$ 43,311,975	63.2%	\$ 36,011,620	92.2%

⁽¹⁾ Investments sold short of \$7,331,692 have been netted against the investments held as at June 30, 2021 (December 31, 2020 - \$2,435,826).

Note 8 (a) (ii): Interest sensitivity:

If interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and with all other variables held constant, the decrease or increase in the Fund's NAV would amount to approximately:

As at	June 30, 2021	December 31, 2020
Change in NAV	\$ 972,000	\$ 387,000
% of NAV	1.4%	1.0%

In practice, the actual trading results could differ, and the difference could be material.

Note 8 (a) (iii): Other price risk:

The table below summarizes the Fund's exposure to other price risk through its holding of investments:

As at	June 30, 2021	December 31, 2020
Other price risk	\$ 7,229,711	\$ 2,236,450
% of NAV	10.5%	5.8%

If the prices for the equity investments held by the Fund increased or decreased by 5%, with all other variables held constant, the approximate increase or decrease in the Fund's NAV are as follows:

As at	June 30, 2021	December 31, 2020
Change in NAV	\$ 361,000	\$ 112,000
% of NAV	0.5%	0.3%

In practice, the actual trading results could differ, and the difference could be material.

Note 8 (b): Concentration risk:

The tables below summarize the Fund's exposure, as a percentage of NAV, to countries and investment sectors:

Countries, as at	June 30, 2021	December 31, 2020
Canada	51.3%	62.0%
United States of America	22.5%	36.0%
Other countries	-	-
Net foreign currency contracts	0.0%	-
Net swap contracts	(1.3%)	-
Other net assets (liabilities)	1.6%	2.0%
Total	74.1%	100.0%

Investment sectors, as at	June 30, 2021	December 31, 2020
Long positions:		
Canadian corporate bonds	40.7%	56.1%
United States Federal bonds	-	-
United States corporate bonds	33.2%	42.3%
Equity Investments	7.8%	5.8%
Investment Funds	2.8%	-
Cash and cash equivalents	28.1%	3.5%
Short positions:		
United States corporate bonds	(10.7%)	(6.2%)
Cash and cash equivalents	(2.2%)	(1.3%)
Net foreign currency contracts	0.0%	-
Net swap contracts	(1.3%)	-
Other net assets (liabilities)	1.6%	(0.3%)
Total	100.0%	100.0%

Guardian Strategic Income Fund

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Note 8 (c): Liquidity Risk:

Liquidity risk is the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units, and borrowings at the daily valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed of. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the credit worthiness of any particular issuer. The Fund is subject to securities regulations which limit the amount of illiquid investments it may hold. In addition, the Fund may borrow from the Custodian on a short-term basis at the Canadian or United States bank prime rate plus 2%. All liabilities of the Fund are short-term in nature and are due within 60 days. In addition, the Fund retains sufficient cash to maintain liquidity.

There is no guarantee that existing borrowing facilities or arrangements for obtaining leverage, will remain in place for the life of the Fund. The Fund's borrowing facilities are subject to a security interest in favour of the relevant creditors. Following an event of default under such facilities, the creditors could direct sales of the collateral assets. The prices obtained in any such liquidation or foreclosure sales may not be sufficient to repay the Fund's obligations under the facilities, in which case the Fund would not have any remaining funds to distribute.

Further, most leveraged transactions require the posting of collateral. A decrease in fair value of such financial assets may result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the Fund's best interest to do so. A failure of the Fund to continue to post the required collateral could result in a disposition of Fund's assets at times and prices, which could be disadvantageous to the Fund and could result in substantial losses having a material adverse effect on the Fund. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the redeemable participating unitholders.

Expiration or withdrawal of available financing for leverage positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures, can rapidly result in adverse effects to the Fund's access to liquidity and its ability to maintain leveraged positions, and may cause the Fund to incur material losses.

The tables below analyze the Fund's financial liabilities as at June 30, 2021 and December 31, 2020 into relevant groupings based on contractual maturity dates. The amounts are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. The net assets attributable to holders of redeemable units are redeemable on demand. However, the Manager does not expect that the contractual maturity disclosed below will be representative of the actual cash outflows as holders of the redeemable units typically retain them for longer than a year.

Note 8 (d): Credit risk:

The table below summarizes the Fund's credit risk exposure, as a percentage of fixed-income securities, grouped by credit ratings:

Rating, as at December 31	June 30, 2021	December 31, 2020
Bonds:		
AAA	-	-
AA	-	-
A	1.6%	2.0%
BBB	10.0%	14.8%
BB	56.5%	51.2%
B	27.4%	24.4%
CCC	2.9%	5.1%
CC	-	-
C	-	-
D	-	-
Unrated	1.6%	2.5%
Short-term securities:		
R-1 High	-	-
R-1 Mid	-	-
Total	100.0%	100.0%

The investments of the Fund are held by a Prime Broker which has a credit rating of BBB. Certain of these investments are pledged as collateral for the investments sold short.

Guardian Strategic Income Fund

Supplementary Schedules to the Notes to the Financial Statements (Unaudited)

June 30, 2021

Note 9: Classification of financial instruments for fair value measurements:

The summary of the Fund's investments, classified based upon a fair value hierarchy, is as follows:

As at June 30, 2021	Level 1	Level 2	Level 3	Total
Equity investments	\$ 7,229,701	\$ -	\$ 10	\$ 7,229,711
Exchange traded funds	-	-	-	-
Fixed-income investments ⁽¹⁾	-	42,502,669	809,306	43,311,975
Short-term securities	-	-	-	-
Investment funds	-	-	-	-
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-	-	-
Total	\$ 7,229,701	\$ 42,502,669	\$ 809,316	\$ 50,541,686
Percentage of total investments	14.3%	84.1%	1.6%	100.0%

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Equity investments	\$ 2,236,441	\$ -	\$ 11	\$ 2,236,452
Exchange traded funds	-	-	-	-
Fixed-income investments ⁽¹⁾	-	35,330,273	681,345	36,011,618
Short-term securities	-	-	-	-
Investment funds	-	-	-	-
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-	-	-
Total	\$ 2,236,441	\$ 35,330,273	\$ 681,356	\$ 38,248,070
Percentage of total investments	5.8%	92.4%	1.8%	100.0%

(1) Investments sold short of \$7,331,692 have been netted against the Level 2 investments held as at June 30, 2021 (December 31, 2020 - \$2,435,826).

The summary of significant transfers between levels during the periods are as follows:

For the six months ended June 30, 2021	Level 1 to Level 2	Level 2 to Level 1	Level 2 to Level 3	Level 3 to Level 2
Equity investments	\$ -	\$ -	\$ -	\$ -
Fixed-income investments	-	-	-	-
Short-term securities	-	-	-	-
Investment funds	-	-	-	-
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

For the six months ended June 30, 2020	Level 1 to Level 2	Level 2 to Level 1	Level 2 to Level 3	Level 3 to Level 2
Equity investments	\$ -	\$ -	\$ -	\$ -
Fixed-income investments	-	-	-	-
Short-term securities	-	-	-	-
Investment funds	-	-	-	-
Derivatives - assets	-	-	-	-
Derivatives - liabilities	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

The following tables are reconciliations of the opening balances to the closing balances for instruments at level 3:

Fixed-income investments	For the six months ended June 30	
	2021	2020
Balance, beginning of period	\$ 681,345	\$ 1,059,003
Purchases	1,268,446	991,035
Sales	(1,387,380)	(6,713)
Net transfer in/(out)	-	-
Amounts recognized in the Statement of Operations:		
Realized (gains) losses	(96,840)	(8,108)
Unrealized gains (losses)	343,735	(1,353,872)
Balance, end of period	\$ 809,306	\$ 681,345
Change in unrealized gains (losses) during the period for investments held at end of period	\$ (832,975)	\$ (1,353,872)

The fixed income investments classified as level 3 were valued using unadjusted quotations from dealers active in pricing these securities. The manager believes that these quotes and the recorded fair value will vary based on changes in the expected future cash flows from the investment and the assumed interest rates which incorporate an assumed credit risk premium, and several other factors. If the interest rate assumption (the significant input) was increased or decreased by 0.25%, assuming a parallel shift in the yield curve and with all other variables held constant, the decrease or increase in the fair value of these fixed income securities would amount to approximately \$5,000 (2020 - \$4,000). The actual trading results may differ and the difference could be material.

Equity investments that transferred into and out of Level 3 during the period were the result of changing financial conditions of the issuing company such as entrance or exit from receivership during the period.

Equity investments	For the six months ended June 30	
	2021	2020
Balance, beginning of period	\$ 10	\$ 4,355
Purchases	-	-
Sales	-	(9,326)
Net transfer in/(out)	-	-
Amounts recognized in the Statement of Operations:		
Realized (gains) losses	-	(8,167)
Unrealized gains (losses)	-	13,148
Balance, end of period	\$ 10	\$ 10
Change in unrealized gains (losses) during the period for investments held at end of period	\$ -	\$ 13,148

As at June 30, 2021 and December 31, 2020, the fair value of level 3 equity investments is primarily related to warrants to purchase common shares of a publicly traded company. The key factor in determining the value of the warrants are the prices of the common shares of the underlying company. If the price of these shares were to increase or decrease by 5%, all other factors behind held constant, the value of the warrants would have no change. (2020 - no change).

Note 10: Related party unitholders:

Units of the Fund held by the Manager, its affiliates and their officers are as follows:

As at	June 30, 2021	December 31, 2020
Series A - number of units	-	-
Series A - percentage of issued units	0.0%	0.0%
Series F - number of units	-	-
Series F - percentage of issued units	0.0%	0.0%
Series X - number of units	773,446	753,471
Series X - percentage of issued units	11.3%	19.3%
Series I - number of units	750	731
Series I - percentage of issued units	100.0%	100.0%

GUARDIAN STRATEGIC INCOME FUND

NOTES TO FINANCIAL STATEMENTS

1. The Fund:

These notes accompany and form part of the attached financial statements of Guardian Strategic Income Fund (the "Fund"). The Fund was initially formed as a non-public mutual fund under a trust agreement dated May 27, 2013. On December 13, 2019, certain of the Fund's units were qualified for sale under a simplified prospectus, and the Manager became the Trustee of the Fund. In conjunction with the simplified prospectus, certain other changes were made in the Fund's operations. Information regarding the Fund's formation, the other changes that were made to the Fund's operations, and certain other supplementary information pertaining to the Fund, is contained in the Supplementary Schedules to the Notes to the Financial Statements ("the Supplementary Schedules") which accompany and form part of the Fund's financial statements.

The Schedule of Investment Portfolio is as at June 30, 2021. The Statements of Net Assets are as at June 30, 2021, and December 31, 2020. The Statements of Operations, Changes in Net Assets Attributable to Unitholders and Cash Flows are for the six months ended June 30, 2021, and June 30, 2020.

2. Significant accounting policies:

a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as applicable to the preparation of interim financial statements including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The financial statements are presented in Canadian dollars, which is the Fund's functional currency.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for financial instruments at Fair Value Through Profit and Loss ("FVTPL"), which are measured at fair value.

The financial statements have been authorized for issuance by the Manager on August 27, 2021.

b) Critical accounting estimates and judgements

The preparation of financial statements requires the Manager to use judgement in establishing and applying the Fund's accounting policies, and to make estimates and assumptions which affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The most significant areas where the Manager has used estimates and applied judgement are as follows:

(i) Estimates

Determination of the fair value of investments which do not have quoted market prices:

Information about how the Fund determines fair value is described in Note 2 (e). Information about assumptions and estimates associated with the determination of fair value of financial instruments with significant unobservable inputs that have significant risks of actual values being materially different are included in Note 9.

(ii) Judgements

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgement in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business models and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Fund's financial instruments. In reaching this conclusion, the Manager considered the manner in which all financial assets and financial liabilities are managed, and how performance is evaluated.

c) Subsidiaries

The Fund is considered to be an investment entity and, as such, if it has subsidiaries or joint ventures it will account for them at FVTPL. The Fund currently does not have any subsidiaries or joint ventures.

d) Financial instruments

The Fund classifies and measures its financial instruments in accordance with IFRS 9. The Fund's investments and derivative assets and liabilities are measured at FVTPL.

e) Fair value measurement

Fair value is the price that would be received on the sale of an asset, including securities sold short, or paid to retire a liability in an orderly transaction between market participants at the measurement date. When available, the Fund determines the fair value of financial instruments, such as securities listed upon a recognized public stock exchange, whether held long or short, at the last

GUARDIAN STRATEGIC INCOME FUND
NOTES TO FINANCIAL STATEMENTS

2. Significant accounting policies (continued):

traded market price, where the last traded price falls within the bid-ask spread. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length and orderly basis. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value, based on the specific facts and circumstances.

Over the counter securities, including securities sold short, such as fixed-income securities, forwards, or foreign currency contracts are valued at the mean of the bid and ask prices received from recognized investment dealers.

Investments in other investment funds ("Underlying Funds"), are valued at the closing net asset value per unit reported by the administrators of such funds.

If a security is not listed upon a recognized stock exchange or a market for a financial instrument is not active, the Fund establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other models. The selected technique makes maximum use of market inputs, relies as little as possible on estimates provided by the Manager, incorporates all factors that market participants would consider in setting a price and is consistent with accepted methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of risk-return factors inherent in the financial instruments.

The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, and accrued liabilities substantially equal their fair values due to their short-term nature.

f) Leverage:

Leverage occurs when the Fund's notional exposure to underlying assets is greater than the amount invested, and may not exceed the following limits:

- i) The aggregate amount of cash borrowing and the market value of the securities sold short will not exceed 50% of the Fund's NAV; and
- ii) The aggregate amount of cash borrowing, the market value of the securities sold short and the notional amount of derivatives used for non-hedging purposes will not exceed 300% of the Fund's NAV.

The extent to which leverage is being used by the Fund will be disclosed in the Supplementary Schedules.

g) Margin Borrowings:

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; and any difference is recognized in the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

h) Collateral

Cash collateral provided by the Fund, if any, is identified in the Statement of Financial Position as 'Cash, pledged as collateral'. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies those assets in its Statement of Financial Position separately from other assets and identifies the assets as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements. Cash pledged by the Fund as collateral is not included as a component of Cash.

i) Net assets attributable to unitholders ("NAV")

NAV represents the Fund's assets minus the Fund's liabilities, and is equal to the various series of redeemable units issued by the Fund ("Units").

The Units are presented at their redemption amount, and are considered to be a liability of the Fund, as they impose an obligation on the Fund to pay distribution on the Units in cash if requested by the unitholder.

GUARDIAN STRATEGIC INCOME FUND
NOTES TO FINANCIAL STATEMENTS

2. Significant accounting policies (continued):

j) Income recognition

Total income (loss) includes dividends, interest for distribution purposes, net realized gains (losses) on sale of investments, changes in unrealized appreciation (depreciation) in value of investments, net realized gains (losses) on foreign currency contracts, change in unrealized appreciation (depreciation) on foreign currency contracts, net gains (losses) on derivatives, foreign exchange gains (losses), and securities lending income.

Dividend income is recognized on the ex-dividend date. The interest for distribution purposes represents the coupon interest received by the Fund, accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon fixed income securities which are amortized on a straight line basis over the term to maturity. Net realized gains (losses) on sale of investments and change in unrealized appreciation (depreciation) in investments are determined on an average cost basis. Net realized gains (losses) on foreign currency contracts represent the amount realized on closing out such derivative contracts. Changes in unrealized appreciation (depreciation) in foreign currency contracts represents the gains (losses) which would result if such contracts were closed out on the valuation date. Securities lending income is accrued daily over the period the securities are loaned.

Distributions received from Underlying Funds and other flow through entities are recorded as dividends, interest for distribution purposes, net realized gains (losses) on sale of investments or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information. Amounts recorded as a return of capital reduce the tax cost of those investments to the Fund.

k) Expenses

All expenses are recognized in the Statements of Operations on an accrual basis. Brokerage commissions and other transaction costs are expensed in the period incurred, and are reported as "Transaction costs" in the Statements of Operations.

l) Foreign currency balances and transactions

The fair values of investments and other assets and liabilities denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on each valuation date. Purchases and sales of investments, income and expenses are converted at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in net realized gains (losses) on sale of investments and unrealized gains (losses) are included in change in unrealized appreciation (depreciation) in value of investments.

The Manager may from time to time enter into foreign currency forward contracts on behalf of the Fund, to hedge the Fund's exposure to foreign currencies, or to gain exposure to foreign currency for investment purposes. The foreign currency forward contracts in effect will be disclosed in the Fund's Supplementary Schedules.

m) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statements of Net Assets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Fund may also enter into various master netting agreements or other similar agreements that do not meet the criteria for offsetting in the Statements of Net Assets but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

n) Non-consolidated structured entities

From time to time, the Fund may invest in another mutual fund, investment funds, mortgage-related and other asset-backed securities, and other investments which are considered to be non-consolidated structured entities. The Fund's risk from structured entities is limited to the amounts invested by the Fund. Details of investments in structured entities will be provided in the Fund's Schedule of Investment Portfolio and Supplementary Schedules.

o) Related party unitholders

Units of the Fund which are held by the Manager, its affiliates and officers are disclosed in the Fund's Supplementary Schedules.

p) Future changes in accounting policies

The Manager has determined that there are no IFRS standards which have been issued but not yet effective which could materially impact the Fund's financial statements.

GUARDIAN STRATEGIC INCOME FUND NOTES TO FINANCIAL STATEMENTS

3. Units:

The Fund is authorized to issue an unlimited number of Series A, F, I and X Units (each a "Series"). The Units are redeemable at NAV per unit for the Series on demand, except for redemptions that exceed 10% of the outstanding units of the Series, which may be delayed up to ten business days, in accordance with the provisions of the Declaration of Trust. There are certain minimum purchase amounts for each Series of Units. Series X Units have limited distribution and may only be purchased by specified parties. The changes in the number of issued Units of each Series are disclosed in the Statements of Changes in Net Assets Attributable to Unitholders.

The capital of the Fund consists of the NAV of all Series. The Fund invests in capital in accordance with the Fund's investment objectives and the risk management policies stated in Note 8.

The increase (decrease) in NAV from operations per Unit of a Series for the Fund is calculated by dividing the increase (decrease) in NAV from operations of the Series by the weighted average number of units of the Series outstanding during the period. The weighted average number of Units outstanding for each Series of the Fund is disclosed in the Fund's Supplementary Schedules. Any concentration of holdings of the Fund, where one unitholder holds greater than 20% of the Fund's NAV, will also be disclosed in the Supplementary Schedules.

4. Operating expenses:

The Fund's operating expenses consist of the management fee and administration fee paid to the Manager as described below, interest charges, securities borrowing expense, transaction costs, foreign withholding taxes when applicable, any new costs related to regulatory or legal requirements imposed upon the Fund, the HST on all of these expenses, and any income taxes to which the Fund may be subject. Management and administration fees, as reported in the Statements of Operations, are due to the Manager, and are considered to be related party transactions.

The Manager charges the Fund an administration fee at a fixed annual rate. In return for the administration fee, the Manager provides key management personnel to the Fund, and pays certain variable operating expenses of the Fund, including audit, custody, transfer agency, fund accounting, filing, unitholder reporting, legal, other related expenses, and HST on these expenses. The administration fee rates paid by the Fund are disclosed in the Supplementary Schedules.

The NAV attributable to Series A and Series F Units is subject to a management fee charged to the Series and payable to the Manager. The management fee rates paid by the Series of the Fund are disclosed in the Supplementary Schedules. The Series I and Series X Units are not subject to a management fee. Management fees in respect of Series I and Series X Units are agreed upon directly by the unitholders and the Manager and are paid by the unitholders to the Manager outside the Fund.

The management and administration fees are calculated and accrued, based on the average NAV of each Series of the Fund, and are payable monthly in arrears. Effective December 13, 2019, the fees are accrued daily.

In addition, the Manager charges the Fund a performance fee calculated on each valuation date, payable quarterly in arrears. Effective December 13, 2019, the performance fee is accrued daily. Details of the calculation of the performance fee, and the changes made in the calculation of the fee, are disclosed in the Supplementary Schedules.

5. Income taxes:

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, as such, the Fund is not subject to income taxes on its net taxable capital gains and its net income for the year, if it distributes such gains and income (less any applicable losses carried forward) to its unitholders. As required by the Trust Agreement, the annual taxable income of the Fund is allocated and distributed to its unitholders so as to eliminate any income taxes otherwise payable by the Fund. As a result, the Fund does not record a provision for Canadian income taxes. In addition, the Fund does not record the benefit of any income tax losses carried forward. The amounts of any tax losses available to be carried forward and applied against future capital gains or income by the Fund are disclosed in the Fund's Supplementary Schedules.

The Fund may incur foreign withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are disclosed separately as an expense in the Statement of Operations.

GUARDIAN STRATEGIC INCOME FUND NOTES TO FINANCIAL STATEMENTS

6. Soft dollar transactions:

Soft dollar transactions represent formal pre-arranged commitments whereby a portion of the brokerage commissions paid by a Fund are allocated according to a pre-determined formula as payment for certain products or services other than order execution.

There were no soft dollar transactions in the Fund in 2021 or 2020.

7. Distributions:

Distributions to unitholders by the Fund are made on a periodic basis, and are reported in the Statements of Changes in Net Assets Attributable to Unitholders. Unitholders have the option to receive distributions in cash or reinvest the distributions into additional Units of that Series.

8. Financial risk management:

The Fund's financial instruments consist principally of cash, short-term securities, derivative instruments and investments. As a result, the Fund is exposed to various types of financial risks that are associated with its financial instruments. The most significant financial risks include market risk (which includes currency risk, interest rate risk and other price risk), concentration risk, liquidity risk and credit risk.

When a Fund invests in an Underlying Fund, for risk management purposes the Manager looks through to the risks of the investments held by such Underlying Fund.

These risks and related risk management practices employed by the Fund, and where applicable the Underlying Funds, are discussed below:

a) Market risk

Market risk consists of currency risk, interest rate risk and other price risk. The Manager monitors the Fund's overall market positions on a daily basis, and positions are maintained within established ranges as outlined in the Fund's investment policies. The market risk of the Fund is discussed below and further disclosed in the Fund's Supplementary Schedules.

(i) Currency risk

The Fund may hold monetary assets and liabilities that are denominated in currencies other than the functional currency of the Fund. The Fund may therefore be exposed to currency risk, as the value of the net assets denominated in other currencies will fluctuate with changes in exchange rates. The risk of price fluctuations of non-fixed income securities resulting from the fluctuations of foreign currency exchange rates are discussed in other price risk. The currency risk of the Fund is disclosed in the Fund's Supplementary Schedules.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate in value with movements in future expected, or actual interest rates. The Manager moderates this risk through diversification of securities across various industry sectors and duration within specified limits as outlined in the investment policies of the Fund.

(iii) Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The non-fixed income securities of the Fund are subject to price fluctuations and the risks inherent in financial markets. The Manager moderates this risk through a careful selection of securities within specified limits as outlined in the investment policies of the Fund, and through diversification of the investment portfolios.

b) Concentration risk

The Fund is exposed to the possible risks inherent in the concentration of the investment portfolios in a small number of industries, countries and other investment sectors. The Manager moderates this risk through diversification of investment sectors in which it invests, and a careful selection of securities in each investment sector within established ranges, as outlined in the investment policies of the Fund. The concentration risk of the Fund is disclosed in the Fund's Supplementary Schedules.

c) Liquidity risk

The Fund is exposed to daily cash needs related to the redemption of Units, and to the discharge of financial obligations related to their daily operations. The ability to meet these needs is managed, directly or indirectly through its Underlying Funds, by retaining sufficient cash within the Fund, and investing mainly in securities which are considered readily realizable and highly liquid. The Fund is subject to securities regulations which limit the amount of illiquid investments it may hold. In addition, the Fund may borrow from the Custodian on a short-term basis at the Canadian or United States bank prime rate plus 2.0%. All liabilities of the Fund are short-term in nature and are due within 60 days.

GUARDIAN STRATEGIC INCOME FUND
NOTES TO FINANCIAL STATEMENTS

8. Financial risk management (continued):

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Fund may be exposed to credit risk through their holding of debt securities and Underlying Funds which hold debt securities, and their dealings with counterparties to the over-the-counter derivative instruments held by the Fund. On a daily basis, the Manager reviews the credit risk of all counterparties with which the Fund transact, and the credit rating of all investments, and ensures that they remain within established ranges of exposure as outlined in the Fund's investment policies.

9. Classification of financial instruments for fair value measurements:

The Fund's financial instruments which are recorded at fair value are categorized based upon a fair value hierarchy, which is as follows: Level 1 – quoted market prices; Level 2 – internal models using observable market information as inputs; and, Level 3 – internal models without observable market information inputs. The fair values of the Fund's financial instruments as categorized within the fair value hierarchy have been disclosed in the Fund's Supplementary Schedules, accompanied by a schedule of significant transfers between these levels.

a) Underlying Funds

The Fund's investments in Underlying Funds are classified as Level 1, as the Underlying Funds are actively traded and reliable prices are observable.

b) Equity investments and options

The Fund's equity and option investments are classified as Level 1 when the investment is actively traded and a reliable quoted market price is observable. Certain of the Fund's investments do not trade frequently and, therefore, observable prices may not be available. In such cases, fair value is determined using observable market data, and the fair value is classified as Level 2, unless the determination of fair values requires significant unobservable data, in which case the measurement is classified as Level 3.

c) Bonds and short-term securities

Bonds include government and corporate bonds and mortgage-backed securities. These instruments do not have quoted market prices, but are valued using market bid and ask prices where available. Since the inputs that are significant to valuation are generally observable, the Fund's bonds and short-term securities are classified as Level 2.

d) Foreign currency contracts

Foreign currency contracts do not have quoted market prices, but are valued using foreign currency bid and ask quotations. Since the inputs that are significant to valuation are generally observable, they are classified as Level 2.

10. Related party unitholders:

Units of the Fund which are held by the Manager, its affiliates and officers are disclosed in the Fund's Supplementary Schedules.

11. Investments in non-consolidated structured entities:

The Fund, from time to time, in accordance with its investment policies, may invest in Underlying Funds, exchange-traded funds, mortgage-related and other asset-backed securities, and other investments which are considered to be non-consolidated structured entities. In addition, these investments may include other Guardian Funds which are managed by the Manager. The Fund's risk from structured entities is limited to the amounts invested by the Fund. Details of any investments in a structured entity are provided in the Fund's Schedule of Investment Portfolio and supplementary schedules.

GUARDIAN STRATEGIC INCOME FUND
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12. Margin borrowings:

If the Fund sells a security short, it borrows the security from Scotia to complete the sale, under a Prime Broker Agreement (“PB Agreement”). The Fund will incur a loss as a result of the short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes its short position by buying the security. There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will be required to maintain adequate margin with Scotia, in the form of cash or liquid securities, valued at an amount which is greater than the value of the security sold short, calculated in accordance with the provisions of the PB Agreement.

The Fund has a margin borrowing facility for investment purposes under which it can borrow up to 50% of its most recently calculated NAV, under a RB agreement with Scotia Capital Inc. (“Scotia”). Borrowing under the PB Agreement has no maturity and bears interest at a “Base Rate” plus a “Debit Spread”, as defined in the PB Agreement and agreed upon from time to time with Scotia. This borrowing can be settled by the Fund at its discretion without any penalty, and is secured by the deposit with Scotia of cash or securities owned by the Fund.

13. COVID-19:

The Manager continues to monitor the constantly evolving COVID-19 pandemic, including signs of resurgence of infection cases in certain pockets of the world and the improving vaccination rates and gradual easing of restrictions in other parts of the world. Improving vaccination rates and the easing of restrictions are good signs that some form of normalcy may be near. However, another wave of increased infection rates could negatively impact the global economic recovery and increase volatility in the global financial markets. The future developments of these and other variables are highly uncertain and could materially impact the ongoing financial performance of the Fund’s investments.

14. Financial statement review:

These financial statements have not been reviewed by the Fund’s auditors.