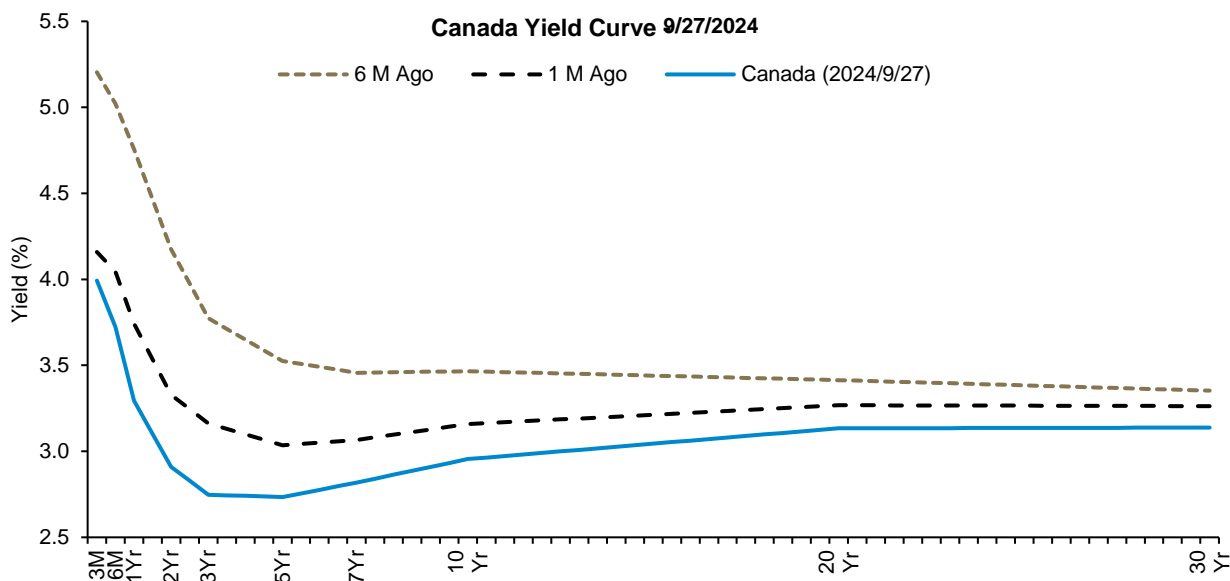


AHEAD OF THE CURVE

SEPTEMBER 2024 BOND MARKET RECAP AND OUTLOOK

RECAP

- Bond markets experienced strong gains for the month of September, with the FTSE Canada Universe Bond Index posting a 1.90% total return, as both the Bank of Canada (BoC) and the US Federal Reserve (Fed) reduced their policy rate by 25 bps and 50 bps, respectively.
- In Canada, GDP growth bounced back for the month of July (0.2% actual vs. 0% expected vs. 0% previous), but preliminary estimates expect growth to be flat in August. Inflation came in lower than expected (2% actual vs. 2.1% expected vs. 2.5% previous), reaching the midpoint of the BoC's inflation target. The unemployment rate was higher than expected (6.6% actual vs. 6.5% expected vs. 6.4% previous). Implied futures market pricing suggests that the policy rate will reach 3.50% by year-end which indicates the possibility of at least one 50 bps rate cut.
- In the U.S., the Fed cut rates by 50 bps, citing progress on inflation and the softer than expected July employment report as the key reasons. However, Fed Chairman Powell indicated that investors should not continue to expect more sized-up rate cuts.
- Yield levels across all tenors along the government yield curve drifted lower with the short-end declining more than the belly and long-end. The long-end of the curve (FTSE Canada Long Term Overall Bond Index +2.70%) outperformed the belly (FTSE Canada Mid Term Overall Bond Index +1.97%) and the short-end (FTSE Canada Short Term Overall Bond Index +1.31%).
- Corporate bonds (FTSE Canada All Corporate Bond Index +2.12%) outperformed government bonds (FTSE Canada All Government Bond Index +1.83%) as credit spreads on BBB and A-rated corporate bonds tightened 10bps and 6bps respectively, while spreads on AA and AAA-rated bonds were flat.
- The longer-duration bonds within the Infrastructure, Energy, and Communication sectors outperformed the shorter-duration bonds within the Industrial, Real Estate, and Financial sectors.



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at September 27, 2024

AHEAD OF THE CURVE

SEPTEMBER 2024 BOND MARKET RECAP AND OUTLOOK

THE LOOK AHEAD

- Escalating geopolitical risks (i.e., Middle East) and the uncertainty around the U.S. election may increase near-term volatility put pressure on risk-assets.
- Indications of rising slack in the Canadian economy, as is evident by the slowing pace of discretionary consumer spending, indicate that the BoC is likely to continue easing rates in October.
- From an interest rate term structure perspective, the market consensus is that the yield curve will continue to steepen as the BoC normalizes policy towards its neutral rate.
- From a credit perspective, while credit spreads remain relatively tight on a historical basis, catalysts for additional spread compression may be limited.

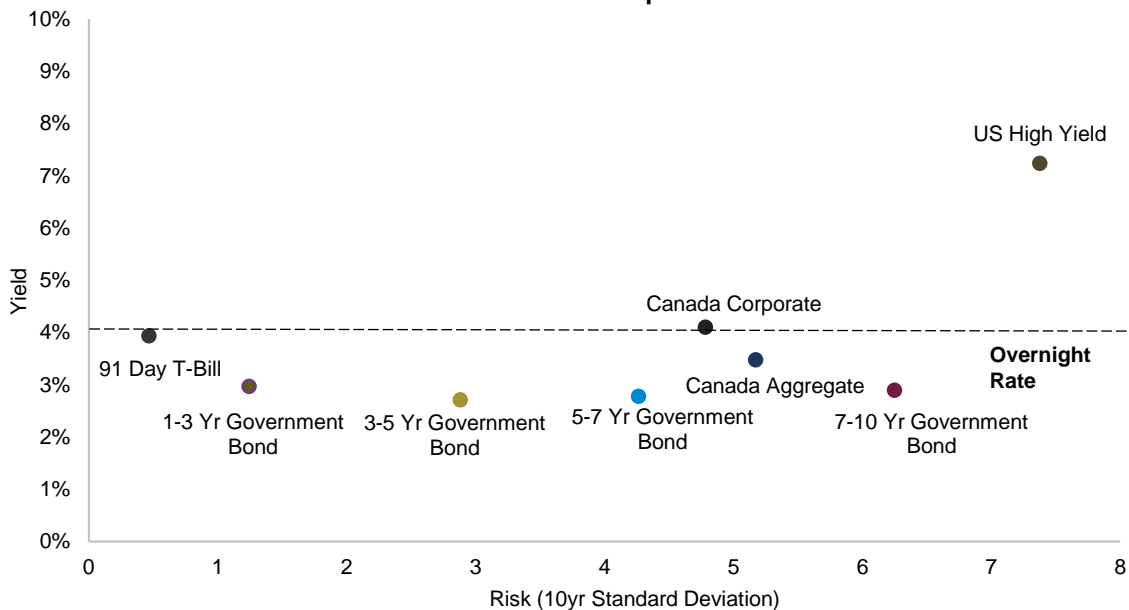
POSITIONING OPPORTUNITIES

With bond prices largely reflecting a steepening yield curve, we are reducing our overweight key rate duration exposures from the belly of the curve to the short and long end of the curve. We have also trimmed down the corporate credit exposure in favor of Provincial bonds (Guardian Canada Bond Fund).

For investors seeking to reduce the reinvestment risk associated with Guaranteed Investment Certificates (GICs) and high-interest savings accounts (HISAs) due to yields moving lower, GuardBonds™, our suite of target maturity funds, provide attractive yields and offer the potential for greater tax efficiency because of the capital gains potential embedded in purchasing of discount bonds. Additionally, GuardBonds™ are able to provide daily liquidity to investors unlike non-redeemable GICs, which may penalize investors for early redemption.

With risks being asymmetrically skewed to credit spreads widening, we have implemented portfolio credit hedges within the Guardian Strategic Income Fund.

Risk-for-Yield Spectrum



Source: Guardian Capital based on data for the FTSE Canada Universe Bond Index from PC Bond, Bloomberg as at September 27, 2024

**Details of the Indexes used in the chart can be found on page 5.

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SEPTEMBER 2024 BOND MARKET RECAP AND OUTLOOK

GUARDIAN FIXED INCOME FUNDS | Current Positioning

GuardBonds™ Investment Grade Bond Funds

- A suite of actively managed, defined maturity bond funds, that can be used to efficiently construct customized bond ladders.
- Mostly invested in Investment Grade bonds purchased at a discount, to take advantage of potential capital gains.²
- Excellent GICs alternative, more liquid¹ and tax efficient.²

Guardian Canadian Bond Fund

- Longer duration profile relative to its benchmark, the FTSE Canada Universe Bond Index (7.16 vs. 7.35 years, respectively, as at September 30).
- Higher concentration in the 7-year and 10-year rates and lower concentration in 20-year and 30-year rates, relative to the benchmark.
- Overweight corporate bonds (Financials) and underweight government bonds (primarily Federal bonds).

Guardian Investment Grade Corporate Bond Fund

- Similar duration profile relative to its benchmark, the FTSE Canada Mid Term Corporate Bond Index (6.10 vs. 5.85 years, respectively, as at September 30).
- Higher concentration in the 10-year rate and lower concentration in the 5-year and 7-year rates, relative to the benchmark.
- Overweight bonds within the Real Estate, Financial, and Energy sectors and underweight bonds within the Infrastructure, Industrial, and Communication sectors.

Guardian Strategic Income Fund (Alternative Fund)*

- Profit taking in select holdings within the Utilities sector (i.e., Vistra Operations), while opportunistically adding new positions in the Basic Materials (i.e., Avient Corp) and REIT (i.e., Allied Properties) sectors. The portfolio is focused on reducing its risk exposure, by adding hedges and increasing overall portfolio quality.
- Although defaults on high yield bond issues have ticked up year-to-date, their proportion in the market is well within expectations for this year and is concentrated in a couple of highly levered industries (e.g. Technology, Media, and Telecom). The risk-reward trade-off for high-yield more broadly and corporate hybrid bonds remains intact (albeit a bit less than earlier this year) given generally healthy fundamentals, a relatively measured amount of primary supply and easing financial conditions. We continue to look for opportunities to add incremental high-quality exposure at wider spreads during risk-off periods. The Manager continues to maintain this focus for companies held in the Fund's portfolio.

¹ Each GuardBonds™ fund, despite having a specified maturity date, is fully liquid (intra-day liquidity on the ETF versions, daily liquidity on the mutual fund versions). GICs – even those of the redeemable variety – do not offer the same option for liquidity should it be needed.

² Each GuardBonds™ fund prioritizes holding bonds trading at a discount with the intention of holding them until maturity. When a discount bond matures at par value, the price appreciation is treated as a capital gain. Total return on a GuardBonds™ fund is expected to consist of bond interest income and capital gains. GICs, on the other hand, are always fully taxed as interest income.

AHEAD OF THE CURVE

SEPTEMBER 2024 BOND MARKET RECAP AND OUTLOOK

FUND DETAILS

	FUND NAME	FUND CODE/ TICKER	CURRENT YIELD	CHARACTERISTICS OF PORTFOLIO HOLDINGS				
				DURATION (YRS)	YTM†	COUPON	AVERAGE PRICE	AVG QUALITY
MONEY MARKET	Guardian Ultra-Short Canadian T-Bill Fund	GCTB	4.29	0.16	4.29	-	98.67	R-1(H)
	Guardian Ultra-Short U.S. T-Bill Fund (USD)	GUTB.U	5.09	0.15	5.09	-	98.39	A-1+
	FTSE Canada 30-Day T-Bill Index		-	-	3.94	-		
TARGET MATURITY	GuardBonds™ 2024 Investment Grade Bond Fund	GBFA	3.58	0.12	4.30	3.55	99.94	A
	GuardBonds™ 2025 Investment Grade Bond Fund	GBFB	2.01	0.84	3.73	2.00	98.59	A
	GuardBonds™ 2026 Investment Grade Bond Fund	GBFC	2.01	1.79	3.55	1.96	97.22	A
	GuardBonds™ 2027 Investment Grade Bond Fund	GBFD	2.22	2.65	3.36	2.14	96.75	A
	GuardBonds 1-3 Year Laddered Investment Grade Bond Fund	GBLF	2.03	0.92	3.86	2.50	98.57	A
SHORT DURATION	Guardian Short Duration Bond Fund	GCG603	3.42	2.89	3.50	3.48	100.69	A
	Guardian Strategic Income Fund*	GCG602	6.55 ^{^^}	3.27	6.79 [^]	6.03	102.12	BB
	FTSE Canada Short Term Overall Bond Index		3.33	2.72	3.21	3.40	100.97	AA
UNIVERSE	Guardian Fixed Income Select Fund	GCG601	3.99	5.03	4.38	4.00	99.06	A
	Guardian Investment Grade Corporate Bond Fund	GCG694	4.78	6.10	4.73	4.90	102.84	BBB
	Guardian Canadian Bond Fund	GCG654	3.55	7.16	3.46	3.59	99.23	AA
	FTSE Canada Mid Term Corporate Bond Index		4.43	5.85	4.22	4.70	103.22	BBB
	FTSE Canada Universe Bond Index		3.43	7.35	3.48	3.45	98.76	AA

Source: Guardian Capital based on data from PC Bond, Bloomberg as at September 30, 2024

The Duration, Yield to Maturity, Coupon, Average Price and Average Quality shown are based on the weighted average of the securities held in the respective Funds' portfolio, and for the comparative benchmarks they are based on the weighted average of the Index constituents.

YTM: The Yield to Maturity (YTM) shown is the current yield-to-maturity, gross of fees, based on underlying portfolio holdings as at the date indicated. These yields will fluctuate regularly. YTM represents the expected annual rate of return earned on a bond under the assumption that the debt security is held until maturity.

Note: †For the T-Bill Funds, the YTM shown is the Yield to Maturity at Cost or **YTM (at Cost)**, which is the weighted average YTM (at Cost) of each of the underlying T-Bill securities in the portfolio, net of cash. YTM (at Cost) means the percentage rate of return paid if the T-Bill security is held to its maturity date from the original time of purchase. The calculation is based on the coupon rate, length of time to maturity, and original price of the underlying T-Bill securities. This is not the yield, distribution rate or performance return of the Fund and is not intended to represent the distribution or return experience of any unitholder. It is only intended to give investors an idea a particular portfolio characteristic of the underlying securities held in the Fund's portfolio.

[^]YTM reported for the Guardian Strategic Income Fund is **Yield to Worst (YTW)**, given the Fund mostly holds high yield securities. YTW represents the expected annual rate of return earned on a bond under the assumption that the debt security is repaid in full ahead of schedule by the issuer. YTW is lower than YTM given the bond would be held over a shorter period, and is more commonly used for high yield securities like the majority of securities in the Guardian Strategic Income Fund's portfolio.

Current Yield: The Current Yield is an annualized historical yield based on actual net income of the Fund for the seven-day period ended on the date specified and does not represent an actual one-year return.

Note: ^{^^}Current Yield reported for the Guardian Strategic Income Fund is its Distribution Yield. **Distribution Yield** is based on Series F distributions per unit over the trailing 12 month period, divided by the end of period unit price. This is a more appropriate measure of the rate of income an investor may expect from the Fund than Current Yield because the Fund may invest in non-coupon paying securities (i.e., futures, option spreads, forwards, etc.) compared to traditional fixed income funds.

AHEAD OF THE CURVE

SEPTEMBER 2024 BOND MARKET RECAP AND OUTLOOK

*The Guardian Strategic Income Fund is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. The specific strategies that differentiate this Fund from other types of mutual funds include borrowing cash, engaging in short selling and investing in specified derivatives. While these strategies will be used in accordance with the Fund's objectives and strategies, during certain market conditions they may accelerate the pace at which your investment changes in value. This Fund also pays the Manager a Performance Fee equal to 15% of the amount by which the Investment Performance of the applicable series of Units exceeds the aggregate of the High Water Mark and the cumulative Hurdle Amount during the Performance Period. Please refer to the Fund's prospectus for additional details. Statistics only reflect bond segment.

For more information on the financial terms used in this document, please refer to the **Glossary of Financial Terms** on our website at: <https://www.guardiancapital.com/investmentsolutions/glossary-of-terms/>

**Fixed Income Risk-for-Yield Spectrum chart

91 Day T-Bill: FTSE Canada 91 Day T-Bill Index, which tracks Canadian Treasury Bills with maturities of 91 days.

1-3yr Government Bond: FTSE Canada 1-3 Government Bond Index, which tracks Government of Canada Bonds with maturities of 1-3 years.

3-5yr Government Bond: FTSE Canada 3-5 Government Bond Index, which tracks Government of Canada Bonds with maturities of 3-5 years.

5-7yr Government Bond: FTSE Canada 5-7 Government Bond Index, which tracks Government of Canada Bonds with maturities of 5-7 years.

7-10yr Government Bond: FTSE Canada 7-10 Government Bond Index, tracks Government of Canada Bonds with maturities of 7-10 years.

Canada Aggregate: FTSE Canada Universe Bond Index, which tracks all Canadian Bonds.

Canada Corporate: FTSE Canada All Corporate Bond Index, which tracks corporate bonds within Canada.

US High Yield: ICE BofA US High Yield Index, which tracks high-yield bonds within the US.

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