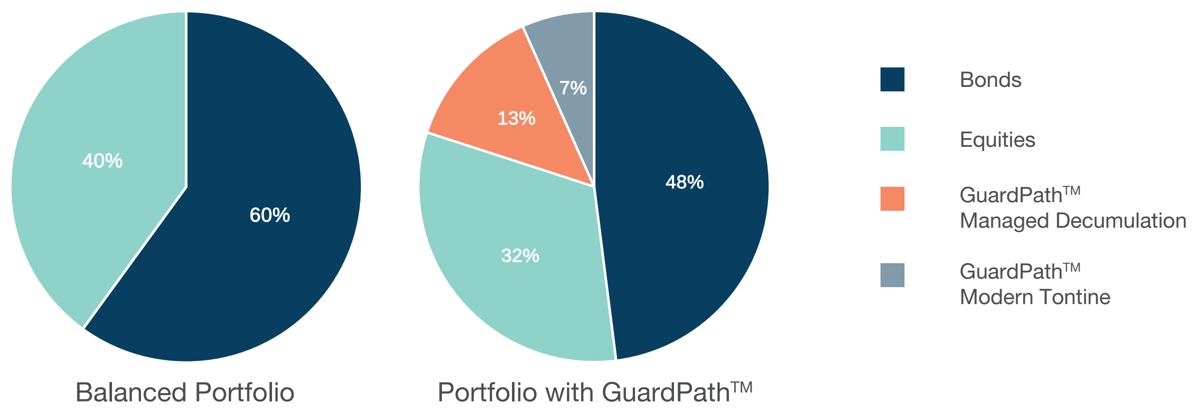
Augmenting a traditional balanced portfolio

Case Study: Option using Decumulation and Tontine

Tina is a 65-year-old woman who has a $1 million balanced portfolio currently consisting of 40% equities and 60% fixed income, a traditional balanced portfolio. Tina wants to withdraw approximately $60,000 per year from her portfolio to help fund her expenses in retirement while maximizing the likelihood that she doesn't outlive her nest egg.

Tina could re-allocate 20% of her portfolio to include an investment of $133,333 into GuardPath™ Managed Decumulation Fund and $66,667 into GuardPath™ Modern Tontine Trust, leaving 80% of her portfolio in her existing balanced portfolio investments. The Managed Decumulation Fund will aim to deliver steady cash flow each year over a 20-year timeframe while the allocation to the Modern Tontine will seek to provide significant payouts in 20 years. Tina's potential outcomes over time are estimated to improve dramatically by incorporating GuardPath™, without compromising the value of her estate if she passes away earlier than expected.

Assumed Portfolio Allocations



Adding GuardPath™ Longevity Solutions allows Tina the opportunity to potentially take lower levels of absolute risk, reduce sequence of returns risk and extend her potential portfolio longevity by an estimated 6 years from the original allocation in the balanced portfolio.[1]

[1] GuardPath™ Managed Decumulation seeks to minimize volatility and sequence of returns risk through the utilization of sophisticated portfolio management tools and techniques, including options strategies, in addition to dynamic asset allocation. GuardPath™ Modern Tontine, through its potential to deliver significant payouts in 20 years, aims to extend portfolio longevity and contributes to the additional 6 years of portfolio life relative to the Balanced Portfolio in the illustration shown.

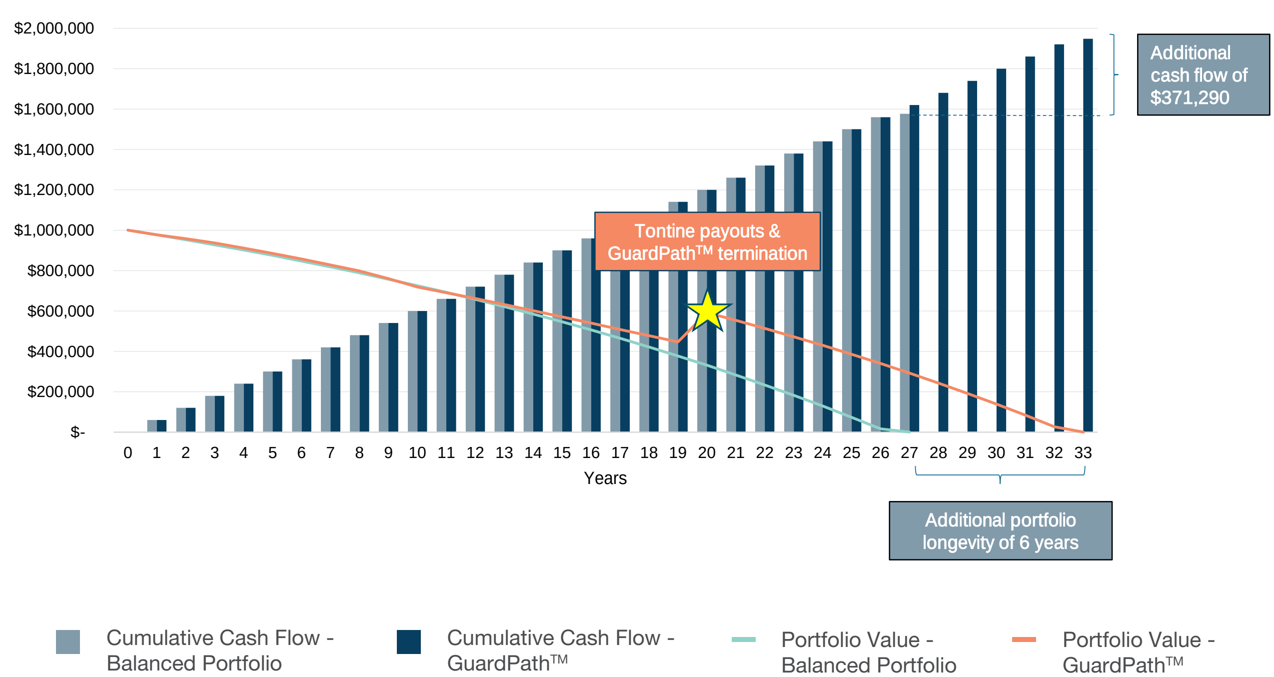
Comparing estimated redemption values and portfolio longevity

Year	Value of Balanced Portfolio	Value of Portfolio with GuardPath™	Difference
5	$874,971	$885,041	$10,070
10	$725,205	$718,661	$(6,544)
15	$545,806	$570,557	$24,751
20	$330,911	$591,382	$260,471
	GuardPath™ terminates and Tina's tontine payouts are assumed to be reinvested into her balanced portfolio		
25	$73,498	$385,506	$312,007
30	$0	$138,895	$138,895
Expected Portfolio Life*	**26 ½ Years**	**32 ½ Years**	**+6 Years**

** Number of years that the portfolio can be expected to provide $60,000 of cash flow annually before being fully depleted.*

Tina's experience in both scenarios is visualized below, highlighting the potential relative benefits of incorporating GuardPath™ Longevity Solutions into her overall portfolio:

Estimated improvements by using GuardPath™



Simulated Model Example – For Illustrative Purposes Only. The table and graph above shows the estimated potential redemption value up to and at the Termination Date of the GuardPath™ Managed Decumulation Fund and the GuardPath™ Modern Tontine Trust and further assumes that after the Termination Date the tontine payouts are invested into her Balanced Portfolio. ***This illustration is hypothetical and not representative of any particular investor's experience, please refer to the Assumptions and Risks detailed below.***

Assumptions and Risks

These forecast models have been prepared for illustrative purposes only, to help show the potential total amount of distributions and future cash flow for investors. These models are created based on various assumptions, and there is no guarantee that these same results will be achieved by investors. The use of hypothetical, simulated returns comes with inherent risks and limitations. Simulated returns are not the returns of any particular investor, account or portfolio; they are produced with the benefit of hindsight through the application of a model. No representation is being made that any investor will, or is likely, to achieve gains or losses similar to those illustrated. Please consider these and other factors carefully and do not place undue reliance on forward-looking information. This illustration is not intended to represent the distribution experience of any particular investor, and is based on the following assumptions:

- Both the Balanced Portfolio and the Portfolio with GuardPath™ assume an initial investment of $1,000,000, with an annual withdrawal of $60,000 being made for as long as possible.
- Illustrative examples shown are modelled based on Series F units, which do not pay a trailing commission, and assume an estimated Management Expense Ratio of 0.79% (management fee of 0.60%, administration fee of 0.10% and an HST rate of 13%), both for the Balanced Portfolio and the Portfolio with GuardPath™.
- The Balanced Portfolio, consisting of 40% equity and 60% fixed income, had its net asset value calculated based on assumptions of 7.5% annualized returns for global equities and 2.5% for fixed income, which equates to a net (after fees) continuously compounded return each year of 3.6%, applied consistently through the duration of the illustration.
- The same continuously compounded return assumption of 3.6% was applied to the tontine payout proceeds reinvested into the Balanced Portfolio after year 20.
- For the first 20 years of the illustration, the results of the GuardPath™ Longevity Solutions are based on the assumptions laid out below:
    - GuardPath™ Managed Decumulation had its net asset value calculated based on assumptions of 4.8% continuously compounded returns each year; and $0.80 cash distribution* per Unit per year, each year, until the Termination Date.

      **Reflects initial target distribution rate of Series F units and may be subject to change over time. Series A units of the Managed Decumulation Fund are also available, but have different management fees and distribution rates due to the trailing commission, and performance may be different as a result.*
    - GuardPath™ Modern Tontine had its net asset value calculated based on assumptions of 6.9% continuously compounded net asset returns*; mortality related early redemptions as set out within the CPM-14B Mortality Table**; an investor with an average initial age of 64; as well as 2% of Unitholders voluntarily redeeming early per annum.

      ** Series A units of GuardPath™ Modern Tontine are also available, but have different management fees due to the trailer fee commission, and performance may be different as a result.*

      *** A mortality table is a table prepared by actuaries that shows the rate of deaths occurring in a defined population over a particular time period. Based on a mortality table, it is possible to calculate the probability of a person's death based on their age. CPM-14B Mortality Table is a mortality table issued in 2014 by the Canadian Society of Actuaries based on Canadian pensioner mortality experience. The CPM-14B table is widely used by pension plans in Canada to estimate the financial exposure that is associated with their obligations or assumed under the products they market and sell. As it relies on the experience of pensioners, who tend to outlive non-pensioners, the CPM-14B table is generally viewed as a more conservative presentation of life expectancies than the standard Canadian mortality table. References: 2014 Canadian Pensioners' Mortality tables. Canadian Institute of Actuaries. Retrieved April 29, 2022, from https://www.cia-ica.ca/docs/default-source/2014/214013e.pdf*
- The capital market assumptions used for equity and fixed income return assumptions herein are based on long-term projections from internal models. References to future expected returns are not promises of actual returns that may be realized, and should not be relied upon in that regard. Actual returns may vary significantly.

In addition to standard investment risks, the long-term total return and the sustainability of the rate of distributions of the GuardPath™ Managed Decumulation are impacted by sequence of returns risk and the volatility experienced within the sequence of returns. Sequence of returns risk is the risk that comes from the order in which investment returns occur. Market declines in the early years of operation of the GuardPath™ Managed Decumulation paired with high levels of distribution increases the risks to the durability of the portfolio of the GuardPath™ Managed Decumulation. Significant declines in asset value in the early years of the GuardPath™ Managed Decumulation increase the likelihood that the initial distribution rate is unsustainable, while significant increases in asset value in the early years of the GuardPath™ Managed Decumulation increase the likelihood that the initial distribution rate can be sustained. Unitholders who redeem early or pass away prior to year 20 will only receive a percentage of their NAV, as described in the prospectus, as of the date of redemption or death.

In addition to investment risks, the long-term total return of the GuardPath™ Modern Tontine is impacted by actual redemption rates (either voluntary or upon death) by Unitholders of the GuardPath™ Modern Tontine. Total returns may decline if mortality rates or voluntary redemptions decline and may increase if mortality rates or voluntary redemptions increase. To the extent Unitholders live longer than predicted by the mortality table, the rate of growth of a series' NAV per Unit and the amount of distributions that would otherwise have been paid on the Units will be reduced. No assurance can be given that the mortality experience of the GuardPath™ Modern Tontine will conform to that reflected in the CPM-14B mortality table underlying the modelled return information.

Disclaimer

Unlike traditional mutual funds or exchange traded funds ("ETFs"), the GuardPath™ Longevity Solutions are unique investment fund structures and investors should carefully consider whether his or her financial condition and investment objectives are aligned with these retirement-focused investments. The Units may be suitable for an investor primarily concerned about having sufficient income in retirement, especially in the later years of their life. The Units may not be suitable for an investor whose primary objective is to leave capital behind for their estate. The GuardPath™ Longevity Solutions are not insurance companies, the units are not insurance or annuity contracts and unitholders will not have the protections of insurance laws. Distributions provided by the GuardPath™ Longevity Solutions are not guaranteed or backed by an insurance company or any third party. The long-term total return and the sustainability of the rate of distributions of the Managed Decumulation Fund may be impacted by volatility and sequence of returns risk. Payments from the Modern Tontine Trust are tied to the life of the unitholder and, accordingly, people with serious or life-threatening health issues should not invest in the Modern Tontine Trust, as 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 Modern Tontine Trust will be impacted by actual redemption rates, and may increase or decline as mortality rates or voluntary redemptions increase or decline. This is not a complete list of the risks associated with an investment in these GuardPath™ Longevity Solutions.

Please read the prospectus before investing. Important information about these Guardian Capital mutual funds and ETFs is contained in their respective prospectus. Commissions, trailing commissions, management fees and expenses all may be associated with investments in mutual funds and ETFs. You will usually pay brokerage fees to your dealer if you purchase or sell units of an ETF on the Toronto Stock Exchange ("TSX"). If the units are purchased or sold on the TSX, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated.