GUARDIAN CANADIAN EQUITY FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2010

PRICEWATERHOUSECOOPERS

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March 11, 2011

Independent Auditor's Report

To the Unitholders of
Guardian Canadian Equity Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and 2009 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Guardian Canadian Equity Fund

Statements of Net Assets

As at December 31		**2010**		**2009**
Assets				
Investments, at fair value*	$	287,426,792	$	196,067,532
Cash and short-term securities		12,781,970		13,532,447
Subscription receivable		189,654		-
Interest and dividends receivable		519,313		438,976
		300,917,729		210,038,955
Liabilities				
Accrued expenses		58,181		150,590
		58,181		150,590
Net assets representing participants' equity (Note 4)	$	300,859,548	$	209,888,365
Net assets per unit (Note 3)	$	137.61	$	122.97
*Investments, at average cost	$	211,039,854	$	151,983,846

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Investment Manager,
Guardian Capital LP:

Per: "George Mavroudis"

Per: "C. Verner Christensen"

Guardian Canadian Equity Fund

Statements of Operations

For the years ended December 31		**2010**		**2009**
Income:				
Dividends	$	5,497,784	$	4,331,800
Interest		74,990		365,688
Security lending income (Note 11)		29,745		-
Withholding taxes		-		(2,895)
Total income		5,602,519		4,694,593
Expenses (Note 5):				
Custody fees		20,918		14,447
Trustee fees		3,270		3,150
Other administration costs		427,703		331,878
Interest charges		-		130
Total expenses		451,891		349,605
Net investment income		5,150,628		4,344,988
Realized (loss) gain on sale of investments		(733,665)		591,949
Realized gain on sale of foreign currency		273		-
Transaction costs (Note 7)		(153,381)		(75,353)
Change in unrealized appreciation in value of investments		32,303,104		38,996,246
Increase in net assets from operations	$	36,566,959	$	43,857,830
Increase in net assets from operations per unit	$	18.63	$	27.99

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Equity Fund

Statements of Changes in Net Assets

For the years ended December 31	**2010**	**2009**
Net assets, beginning of year	$ 209,888,365	$ 144,430,754
Increase in net assets from operations	36,566,959	43,857,830
Distributions to participants from:		
Net investment income	(4,988,483)	(4,396,032)
Capital transactions:		
Proceeds from sale of units	80,317,029	33,324,915
Reinvested distributions	4,988,483	4,396,032
Redemption of units	(25,912,805)	(11,725,134)
	59,392,707	25,995,813
Net assets, end of year	$ 300,859,548	$ 209,888,365

Change in Units		
Units issued and outstanding, beginning of year	1,706,847	1,480,120
Number of units issued	651,660	298,807
Number of units reinvested	36,200	35,665
	2,394,707	1,814,592
Number of units redeemed	(208,357)	(107,745)
Units issued and outstanding, end of year	2,186,350	1,706,847

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Equity Fund

Statement of Investment Portfolio
As at December 31, 2010

Number of Shares/Units	Security	Average Cost	Fair Value
	Consumer Discretionary - 6.5%		
113,700	Astral Media Inc., Class A, Non-Voting Shares	$ 3,495,170	$ 4,771,989
168,000	Gildan Activewear Inc.	4,503,902	4,761,120
161,550	Thomson Reuters Corp.	6,494,170	6,003,198
93,800	Tim Hortons Inc.	2,942,484	3,855,180
		17,435,726	19,391,487
	Consumer Staples - 7.1%		
228,400	Alimentation Couche-Tard Inc., Class B	4,428,418	6,175,936
59,400	George Weston Ltd.	4,473,695	4,986,630
135,000	Shoppers Drug Mart Corp.	4,842,588	5,332,500
527,800	Viterra Inc.	4,789,061	4,897,984
		18,533,762	21,393,050
	Energy - 22.7%		
175,152	Cameco Corp.	3,357,317	7,049,868
229,300	Canadian Natural Resources Ltd.	7,451,164	10,155,697
232,366	Cenovus Energy Inc.	5,875,539	7,702,933
216,500	Crescent Point Energy Corp.	6,274,749	9,567,135
83,276	Enbridge Inc.	2,725,779	4,682,609
188,566	EnCana Corp.	4,741,632	5,475,957
345,960	Suncor Energy Inc.	8,687,069	13,212,212
289,000	Talisman Energy Inc.	3,112,744	6,392,680
107,854	TransCanada Corp.	3,241,794	4,091,981
		45,467,787	68,331,072
	Financials - 20.7%		
89,000	Bank of Montreal	3,974,334	5,112,160
157,532	Bank of Nova Scotia	4,936,595	8,987,200
153,550	Brookfield Asset Management Inc., Class A	4,485,026	5,093,254
38,500	Canadian Imperial Bank of Commerce	2,174,460	3,011,855
100,700	Great-West LifeCo Inc.	2,949,797	2,656,466
99,300	Intact Financial Corp.	3,253,411	5,040,468
59,300	National Bank of Canada	2,759,360	4,057,306
127,800	Power Corp. of Canada	2,762,626	3,531,114
238,900	Royal Bank of Canada	10,125,654	12,475,357
178,800	Sun Life Financial Inc.	6,740,924	5,367,576
94,452	Toronto-Dominion Bank	4,663,746	6,998,893
		48,825,933	62,331,649
	Industrials - 9.2%		
82,600	Canadian National Railway Co.	4,039,704	5,474,728
65,700	Canadian Pacific Railway Ltd.	2,797,433	4,245,534
339,700	Finning International Inc.	6,429,624	9,185,488
146,419	SNC-Lavalin Group Inc.	2,862,430	8,704,610
		16,129,191	27,610,360
	Information Technology - 5.5%		
431,800	Celestica Inc.	3,840,118	4,166,870
102,400	MacDonald, Dettwiler & Associates Ltd.	2,893,324	5,177,344
124,250	Research In Motion Ltd.	7,139,895	7,205,258
		13,873,337	16,549,472

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Equity Fund

Statement of Investment Portfolio
As at December 31, 2010

Number of Shares/Units	Security	Average Cost	Fair Value
	Materials - 17.5%		
90,200	Agrium Inc.	5,482,191	8,253,300
254,710	Barrick Gold Corp.	8,725,328	13,512,366
279,200	Goldcorp Inc.	9,955,031	12,790,152
63,900	Potash Corp. of Saskatchewan	4,837,927	9,860,409
121,800	Sino-Forest Corp.	2,057,251	2,835,504
88,400	Teck Resources Ltd., Class B	3,791,469	5,449,860
		34,849,197	52,701,591
	Telecommunication Services - 5.3%		
87,667	BCE Inc.	3,034,797	3,098,152
142,400	Rogers Communications Inc., Class B	3,377,692	4,914,224
184,200	Shaw Communications Inc.	3,607,102	3,923,460
95,500	TELUS Corp., Non-Voting Shares	3,821,953	4,130,375
		13,841,544	16,066,211
	Utilities - 1.0%		
90,000	Fortis Inc.	2,247,981	3,051,900
		211,204,458	287,426,792
	Transaction costs	**(164,604)**	**-**
	Total Investments - 95.5%	**211,039,854**	**287,426,792**
	Short-term securities - Guardian Canadian Short-Term Investment Fund - 4.1%	**12,400,318**	**12,400,318**
	Other net assets - 0.4%		**1,032,438**
	Total net assets - 100.0%		**$ 300,859,548**

The accompanying notes are an integral part of these financial statements.

GUARDIAN CANADIAN EQUITY FUND

NOTES TO FINANCIAL STATEMENTS

1. Formation of Fund:

Guardian Canadian Equity Fund (the "Fund") was formed on December 1, 1985 and Guardian Capital LP (the "Investment Manager") is the investment manager of the Fund. The primary objective of the Fund is the achievement of long-term growth of capital while maintaining steady current dividend income, primarily through the investment in common shares or other equity-related investments issued by Canadian companies.

2. Significant accounting policies:

a) Basis of preparation:

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions made by the Investment Manager that may affect the reported amounts of assets, liabilities, income and expenses during the reporting year. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Fund.

b) Valuation of investments:

In accordance with Accounting Guideline 18 – Investment Companies, investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined in Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"). The fair values of investments as at the financial reporting date are determined as follows:

i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at the closing sale prices.
ii) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner as may be established by the Investment Manager.
iii) Short-term notes, treasury bills and bonds are fair valued at the average bid quotations from recognized investment dealers.
iv) Investment funds are valued at the closing net asset value per unit reported by the administrator of such funds.

c) Cash and short-term securities:

Cash includes cash on deposit with the custodian. The short-term securities include highly liquid short-term investments with time to maturities of less than 90 days.

d) Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Discounts arising on the purchase of short-term notes are recognized as income over the term to maturity. Security lending income is accrued daily over the year the securities are loaned. Distributions received from investment trust units are recorded as income, capital gains or a return of capital, based on the best information available to the Investment Manager. Due to the nature of those investments, actual allocations could vary from this information. Amounts recorded as a return of capital reduce the cost of investment in the trust unit. Realized gains (losses) from investment transactions and unrealized appreciation (depreciation) in value of investments are determined on an average cost basis. Brokerage commissions and other transaction costs are expensed in the year incurred, and are reported as "Transaction costs" in the Statements of Operations.

2. **Significant accounting policies (continued):**

e) Translation of foreign currency transactions and balances:

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

f) Other assets and liabilities:

For the purposes of categorization in accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosures", accrued interest and dividends receivable on investments, amounts due from brokers and others and other net assets are designated as loans and receivables, and recorded at cost or amortized cost. Similarly, amounts due to brokers and others, accounts payable for securities redeemed, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

g) Increase (decrease) in net assets from operations per unit:

Increase (decrease) in net assets from operations per unit is calculated as the increase (decrease) in net assets from operations divided by the average number of units outstanding during the year.

3. **Comparison of net asset value:**

The value of the Fund's net assets per unit for financial statement presentation purposes ("Net Assets per Unit") is calculated by dividing the net assets of the Fund, calculated in accordance with GAAP, by the total number of units of the Fund outstanding. For the net asset value per unit for the purpose of the issuance and redemption of Fund units ("Net Asset Value per Unit"), the Fund's net assets are valued using the closing ask prices for investments, rather than bid prices, which are used for Net Assets per Unit. This difference in the valuation of the Fund's investments accounts for the difference between Net Assets per Unit and Net Asset Value per Unit.

A comparison of the Net Asset Value per Unit and the Net Assets per Unit is as follows:

	Net Asset Value per Unit	Net Assets per Unit
As at December 31, 2010	$137.80	$137.61
As at December 31, 2009	$123.26	$122.97

4. **Participants' equity:**

Participants' equity includes the amounts representing the Fund's units, any undistributed net income and realized gain (loss) on sale of investments, and unrealized appreciation (depreciation) in value of investments. An unlimited number of the Fund's units may be issued, which are redeemable at Net Asset Value per Unit at the participants' option in accordance with the provisions of the Trust Agreement. There are no restrictions or specific capital requirements on subscriptions and redemptions of units. The changes in the number of issued units are disclosed in the Statement of Changes in Net Assets. In accordance with the Fund's investment objectives and the risk management policies stated in Note 9, the Fund invests the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions.

5. **Operating expenses:**

Operating expenses include custody fees, trustee fees, other administration costs and interest charges. Other administration costs include audit fees, transfer agency, fund accounting, filing fees, securityholder reporting, legal fees, GST and other related expenses. Except for interest charges, which are paid or payable directly by the Fund, the Investment Manager incurs such expenses on behalf of the Fund and is then reimbursed by the Fund for such expenses. Other administration costs include both direct and indirect expenses of the Fund which are allocated on a reasonable basis as determined by the Investment Manager. During the year ended December 31, 2010, the Investment Manager has borne all of the day-to-day operating costs of the Fund, and has allocated $451,891 (2009 - $349,475) in operating expenses to the Fund.

Effective January 1, 2011, with the approval of the unitholders, the method of charging operating expenses to the Fund was changed. The Investment Manager will charge to the Fund a fixed administration fee of 0.16% of the average daily net assets of the Fund (the “Administration Fee”), in return for the payment by the Investment Manager of all of the variable operating expenses of the Fund, including audit, custody, transfer agency, fund accounting, filing, securityholder reporting, legal, HST on these expenses and other related expenses. The Fund’s expenses will consist of the Administration Fee, interest costs, fees and expenses of the Independent Review Committee, 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.

6. **Income taxes:**

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and, as such, is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income (less any applicable losses carried forward) to participants. The taxable income of the Fund is allocated and distributed annually to participants so as to eliminate any income taxes otherwise payable by the Fund. The distributions are automatically reinvested in additional units of the fund. As at December 31, 2010, capital losses in the amount of $2,085,848 were available to be carried forward indefinitely and applied against future capital gains. There were no non-capital losses for the year ended December 31, 2010.

7. **Brokerage commissions:**

Total brokerage commissions paid to dealers in connection with the portfolio transactions of the Fund for the year ended December 31, 2010 amounted to $153,381 (2009 - $75,353). There were no soft dollar transactions for the years ended December 31, 2010 and 2009.

8. **Concentration of participants:**

Certain participants of the Fund hold a total of 37% (2009 – nil) of the outstanding units. The investment activities of these participants could have a material impact on the Fund.

9. **Financial risk management:**

The Fund’s financial instruments consist of cash, short term securities and investments. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and the markets in which it invests. The most significant risks include market risk, liquidity risk and currency risk. These risks and related risk management practices employed by the Fund are discussed below:

a) **Market risk**

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to market fluctuations and the risks inherent in financial markets. The Investment Manager moderates this risk through a careful selection of securities within specified limits, and through diversification of the

9. Financial risk management (continued):

investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis, and positions are maintained within established ranges. At December 31, 2010 and 2009, the overall equity market exposure was as follows:

As at December 31, 2010		**Fair value**	**% of net assets**
Equities	$	287,426,792	95.5%

As at December 31, 2009		**Fair value**	**% of net assets**
Equities	$	196,067,532	93.5%

At December 31, 2010, if the prices on the stock exchanges for the equities held by the Fund increased or decreased by 5%, with all other variables held constant, this would have increased or decreased the net assets of the Fund by approximately $14,400,000 (2009 - $9,800,000). In practice, the actual trading results could differ, and the difference could be material.

b) 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 the daily operations of the Fund. The ability to meet these needs is managed by retaining sufficient cash and short-term securities within the Fund, and by investing in securities which are considered readily realizable and highly liquid. All liabilities of the Fund are short-term in nature and are due within 60 days.

c) Currency risk

The Fund may from time to time hold assets valued in currencies other than the Canadian dollar, which is the Fund's functional currency. When it does so, it is exposed to currency risk, as the value of the assets valued in other currencies will fluctuate due to changes in exchange rates. As the Fund generally does not have significant investments in assets valued in foreign currencies, foreign currency risk is not considered to be material to the Fund. As at December 31, 2010 and 2009, the Fund's exposure to foreign currencies was minimal.

d) Credit risk

The Fund is exposed to credit risk through its investments in short-term securities. The most significant of these investments is the investment in the Guardian Canadian Short-Term Investment Fund. The Guardian Canadian Short-Term Investment Fund held securities which had credit rating of R-1 High and R-1 Mid as of December 31, 2010 and 2009.

e) Interest risk

The Fund is exposed to interest rate risk through its investments in short-term securities. This risk is not considered to be significant to this Fund.

10. Fair Value Disclosure:

Classification for fair value measurements

The Fund's financial instruments recorded at fair value have been categorized based upon a fair value hierarchy. Fair values, based on quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3), are provided in the following table, as at December 31,

10. Fair Value Disclosure (continued):

2010 and 2009. During the years 2010 and 2009, there were no securities classified as Level 2 or 3.

	Financial Assets at fair value as at December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities	$ 287,426,792	$ -	$ -	$ 287,426,792
Short-term securities	12,400,318	-	-	12,400,318
Total Investments & Short-term securities	**$ 299,827,110**	**$ -**	**$ -**	**$ 299,827,110**

	Financial Assets at fair value as at December 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities	$ 196,067,532	$ -	$ -	$ 196,067,532
Short-term securities	13,976,664	-	-	13,976,664
Total Investments & Short-term securities	**$ 210,044,196**	**$ -**	**$ -**	**$ 210,044,196**

Significant transfers between Levels 1 and 2

There were no transfers between Levels 1 and 2 for the years 2010 and 2009.

11. Securities lending:

The Fund has entered into a securities lending agreement with its custodian, RBC Dexia. The Fund will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally comprise obligations guaranteed by the Government of Canada or a province thereof, or other governments with appropriate credit ratings. In the event that any of the loaned securities are not returned to RBC Dexia, RBC Dexia at its option, may either restore to the Fund securities identical to the loaned securities or it will pay to the Fund the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned ("Valuation date") to RBC Dexia. If the collateral is not sufficient to allow RBC Dexia to pay such market value to the Fund, RBC Dexia shall indemnify the Fund for the difference between the fair value of the securities and the value of such collateral on the Valuation date.

At December 31, 2010, the Fund has loaned approximately $51,242,299 (2009 - nil) in securities, received approximately $53,804,448 (2009 - nil) in collateral, and recognized $29,745 (2009 - nil) in securities lending income. Securities loaned in the program earn income at market securities lending rates. The securities lending agreements are revolving and can be terminated at any time by the borrower, the agent or the Fund.

12. Related party participants:

As at December 31, 2010 other funds managed by the Investment Manager held 84,017units (2009 – 113,248 units).

13. Future changes in accounting standards:

The CICA recently announced that investment companies, which include the Fund, have an option to defer the adoption of International Financial Reporting Standards ("IFRS") until January 1, 2013. The Investment Manager elected to defer such adoption for the Fund.

The Investment Manager commenced the assessment of the impact of conversion to IFRS in 2009. Based on the Investment Manager's current evaluation of the differences between Canadian GAAP and IFRS, it is not expected that the net assets or the net assets per unit will be impacted by the changeover to IFRS. It is expected, however, that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially changes in presentation.

14. Subsequent event:

The Fund filed its initial simplified prospectus on November 29, 2010, and is expected to file its final simplified prospectus on or about March 4, 2011. Upon issuance of a receipt for such simplified prospectus by the Canadian regulatory authorities, the Fund will become a reporting issuer and will be subject to National Instrument 81-106.