GUARDIAN CANADIAN SHORT TERM INVESTMENT FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2009

PRICEWATERHOUSECOOPERS

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March 31, 2010

AUDITORS' REPORT

To the Unitholders of
Guardian Canadian Short Term Investment Fund (the "Fund")

We have audited the statement of investment portfolio of the Fund as at December 31, 2009, the statement of net assets as at December 31, 2009, the statements of operations and changes in net assets for the period commencing February 3, 2009 to December 31, 2009. These financial statements are the responsibility of the Fund's Investment Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009, and the results of its operations and the changes in its net assets for the period commencing February 3, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Guardian Canadian Short Term Investment Fund

Statement of Net Assets

As at December 31		**2009**
Assets		
Short term investments	$	168,307,824
Interest receivable		254,485
		168,562,309
Liabilities		
Bank overdraft		736,163
Accrued expenses		8,751
		744,914
Net assets representing participants' equity (Note 4)	$	167,817,395
Net assets per unit (Note 3)	$	10.00

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

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

Per: ______________________

Per: ______________________

Guardian Canadian Short Term Investment Fund

Statement of Operations

For the period from February 3 to December 31		**2009**
Income:		
Interest	$	213,208
Total income		213,208
Expenses (Note 5):		
Custody fees		6,164
Trustee fees		2,888
Audit fees		16,203
Other administration costs		79,669
Fees and expenses absorbed by the Investment Manager		(93,160)
Net administration costs		11,764
Interest charges		1,802
Net expenses		13,566
Net investment income		199,642
Increase in net assets from operations	$	199,642
Increase in net assets from operations per unit	$	0.08

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

Guardian Canadian Short Term Investment Fund

Statement of Changes in Net Assets

For the period from February 3 to December 31	**2009**
Net assets, beginning of period	$ -
Increase in net assets from operations	199,642
Distributions to participants from:	
Net investment income	(199,642)
Capital transactions:	
Proceeds from sale of units	411,231,609
Reinvested distributions	199,636
Redemption of units	(243,613,850)
	167,817,395
Net assets, end of period	$ 167,817,395

Change in Units	
Units issued and outstanding, beginning of period	-
Number of units issued	41,123,160
Number of units reinvested	19,964
	41,143,124
Number of units redeemed	(24,361,385)
Units issued and outstanding, end of period	16,781,739

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

Guardian Canadian Short Term Investment Fund

Statement of Investment Portfolio
As at December 31, 2009

Par Value	Security	Average Cost	Fair Value
	Canadian Short-Term Investments - 100.3%		
	Treasury Bills - 43.2%		
425,000	Government of Canada 0.162% due March 04, 2010	$ 424,851	$ 424,876
3,380,000	Government of Canada 0.190% due April 01, 2010	3,378,176	3,378,392
23,540,000	Government of Canada 0.199% due April 15, 2010	23,525,406	23,526,686
2,305,000	Government of Canada 0.316% due April 29, 2010	2,301,335	2,302,650
11,420,000	Government of Canada 0.240% due May 27, 2010	11,407,769	11,408,688
5,000,000	Province of New Brunswick 0.501% due June 15, 2010	4,984,750	4,988,716
1,360,000	Province of Ontario 0.390% due April 14, 2010	1,357,375	1,358,506
8,000,000	Province of Ontario 0.331% due June 09, 2010	7,987,840	7,988,491
5,000,000	Province of Ontario 0.490% due July 07, 2010	4,980,350	4,987,502
1,265,000	Province of Quebec 0.370% due January 15, 2010	1,262,772	1,264,824
10,530,000	Province of Quebec 0.207% due January 29, 2010	10,527,420	10,528,306
330,000	Royal Bank of Canada 0.230% due January 07, 2010	329,944	329,988
		72,467,988	72,487,625
	Bankers Acceptances - 24.2%		
11,240,000	Bank of Nova Scotia 0.256% due January 22, 2010	11,237,640	11,238,348
1,335,000	Bank of Nova Scotia 0.259% due January 07, 2010	1,334,743	1,334,943
4,765,000	Canadian Imperial Bank of Commerce 0.256% due January 14, 2010	4,763,999	4,764,566
5,000,000	Firstbank 0.256% due January 20, 2010	4,998,950	4,999,335
3,000,000	Province of Manitoba 0.241% due January 27, 2010	2,998,200	2,999,486
3,350,000	Royal Bank of Canada 0.235% due January 15, 2010	3,349,397	3,349,708
3,900,000	Royal Bank of Canada 0.236% due January 22, 2010	3,899,220	3,899,472
8,080,000	Toronto-Dominion Bank 0.252% due January 19, 2010	8,078,384	8,078,997
		40,660,533	40,664,855

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

Guardian Canadian Short Term Investment Fund

Statement of Investment Portfolio
As at December 31, 2009

Par Value	Security	Average Cost	Fair Value
	Promissory Notes - 4.4%		
1,255,000	Alberta Capital Finance Authority 0.301% due January 20, 2010	1,253,544	1,254,804
3,945,000	Province of British Columbia 0.228% due January 06, 2010	3,943,259	3,944,876
2,230,000	Province of British Columbia 0.460% due June 16, 2010	2,221,994	2,225,353
		7,418,797	7,425,033
	Federal Bonds - 6.2%		
4,325,000	Canada Housing Trust No. 1 0.407% due March 15, 2010	4,325,532	4,325,532
6,000,000	Canada Housing Trust No. 1 0.397% due September 15, 2010	6,000,425	6,000,425
		10,325,957	10,325,957
	Provincial Bonds - 21.5%		
8,852,000	Financement-Quebec 0.450% due December 01, 2010	8,853,666	8,853,666
3,350,000	Hydro Quebec 0.434% due June 21, 2010	3,349,524	3,349,524
2,000,000	Hydro Quebec Interest Strip 0.000% due February 15, 2010	1,998,944	1,998,944
10,000,000	Province of British Columbia 6.375% due August 23, 2010	10,375,455	10,375,455
3,000,000	Province of Ontario 4.000% due May 19, 2010	3,040,106	3,040,106
4,900,000	Province of Ontario 0.271% due December 03, 2010	4,892,862	4,892,862
3,560,000	Province of Ontario Generic Coupon Strip 0.000% due June 02, 2010	3,551,830	3,551,830
		36,062,387	36,062,387
	Mortgage Backed - 0.8%		
1,332,011	Canadian Mortgage Pools 6.500% due March 01, 2010	1,341,969	1,341,967
	Total Investments - 100.3%	**168,277,631**	**168,307,824**
	Other net liabilities - (0.3%)		**(490,429)**
	Total net assets - 100.0%		**$ 167,817,395**

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

GUARDIAN CANADIAN SHORT TERM INVESTMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. Formation of the Fund:

Guardian Canadian Short Term Investment Fund (the "Fund") was formed on February 3, 2009 and Guardian Capital LP (the "Investment Manger") is the investment manager of the Fund. The investment objective of the Fund is the preservation of capital together with the earning of income, through investments in high quality, short term fixed income securities.

2. Significant accounting policies:

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 period. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Fund.

a) Valuation of investments:

Investments are deemed to be held for trading, in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"), and therefore are recorded at fair value, calculated as follows:

i) Short-term investments and treasury bills are valued at the average bid quotations from recognized investment dealers.

b) Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Interest income is accrued daily. Discounts arising on the purchase of short-term notes are recognized as income over the term to maturity.

c) Other assets and liabilities:

Accrued interest receivable on investments, amounts due from brokers and other net assets are designated as loans and receivables, and recorded at cost or amortized cost. Similarly, amounts due to brokers, 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.

d) 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 period.

e) Fair Value Disclosure:

In June 2009, the CICA issued amendments to Handbook section 3862, Financial Instruments – Disclosures. The amendments establish a fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of instruments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable

2. Significant accounting policies (continued):

inputs used in determining fair value (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1	Quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs for the asset or liability that are not based on observable market data.

Please refer to Note 9 – Fair value disclosure.

f) EIC-173 credit risk and the fair value of financial assets and financial liabilities:

On January 20, 2009, the Canadian Accounting Standards Board issued Emerging Issues Committee Abstract 173: Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC – 173"). EIC – 173 supplements CICA Handbook Section 3855 wherein it states that fair value takes into account the credit quality of a financial instrument. The EIC affirms that an entity's own credit risk (in the case of financial liabilities) and a counterparty's credit risk (in the case of financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The investment manager has reviewed its policies over valuation of assets and liabilities and believes that the fair values ascribed to the financial assets and liabilities in these financial statements incorporate appropriate levels of credit risk.

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 sale 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, 2009	$10.00	$10.00

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 Statements of Changes in Net Assets. In accordance with the Fund's investment objectives and the risk management policies stated in Note 8, the Fund invests the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions.

5. Operating expenses:

Operating expenses include custody costs, trustee fees, audit fees, other administration costs and interest charges. Other administration costs include transfer agency, fund accounting, filing fees, securityholder reporting, legal fees, GST 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. Expenses incurred by the Fund are allocated on a reasonable basis as determined by the Investment Manager. During the period ended December 31, 2009, the Investment Manager has borne all of the day-to-day operating costs of the Fund, other than interest, and has allocated $11,764 in operating expenses to the Fund.

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 period if it allocates such gains and income (less any applicable loss carry forwards) to participants. The taxable income of the Fund is allocated annually to participants so as to eliminate any income taxes otherwise payable by the Fund. There were no non-capital losses for the periods ended December 31, 2009 and 2008.

7. Concentration of participants:

Certain participants of the Fund hold a total of 24% of the outstanding units. The investment activities of these participants could have a material impact on the Fund.

8. Financial risk management:

The Fund's financial instruments consist of cash 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, interest rate risk and credit 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 or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The Manager moderates this risk through a careful selection of securities within specified limits, and through diversification of the investment portfolio.
The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

As at December 31, 2009, the Fund's primary market risks are interest rate risk and credit risk.

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 cash equivalents 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.

8. Financial risk management (continued):

c) Interest rate risk

The Fund, which holds mainly interest-bearing financial assets, is subject to interest rate risk. This is due to the fact that fluctuations in the prevailing level of market interest rates could impact the value of the Fund's net assets.

The table below summarizes the Fund's exposure to interest rate risk associated with its investments in short-term securities, by remaining term to maturity.

	Less than 1 month	1 - 3 months	3 months - 1 year	More than 5 years	Total
As at December 31, 2009					
Short-term securities	57,978,385	8,091,318	102,238,121	-	168,307,824
Total Investments	**$ 57,978,385**	**$ 8,091,318**	**$ 102,238,121**	**$ -**	**168,307,824**

At December 31, 2009, 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 net assets would amount to approximately $105,166 .The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the short-term notes. The actual trading results may differ, and the difference could be material.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Fund is exposed to credit risk associated with the ability of debt issuers to discharge their obligations. The Investment Manger limits the Fund's exposure to credit loss through ongoing credit evaluations of the issuers of the securities in which it invests.

The Fund invests in financial assets, which have an investment grade as rated primarily by *Standard & Poor's and DBRS.* Ratings for the securities that subject the Fund to credit risk at December 31, 2009 are as follows:

Rating category (or equivalent)	% of fixed income securities by rating category
R-1 (High)	66.6%
R-1 (Mid)	33.4%
Total	**100.0%**

All investment transactions are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is made by the Fund's custodian coincident with the receipt of payment. On a purchase, payment is made by the Fund's custodian coincident with the receipt of the securities.

9. **Fair Value Disclosure:**

Classification for fair value measurements

The Fund's investments recorded at fair value have been categorised based upon a fair value hierarchy in accordance with the amendment to CICA 3862 as described in note 2 (e). The following fair value hierarchy table presents information about the Fund's assets measured at fair value as of December 31, 2009. During the year there were no securities classified as Level 1 and 3.

	Level 1	Level 2	Level 3	Total
Short-term securities	-	168,307,824	-	168,307,824
Total Investments	$ -	$ **168,307,824**	$ -	$ **168,307,824**

Significant transfers between Levels 1 and 2

There were no transfers between Levels 1 and 2 from January 1, 2009 to December 31, 2009.

10. **Related party participants:**

As at December 31, 2009, other funds managed by the Investment Manager held 2,566,451 units of the Fund.

11. **Future changes in accounting standards:**

The CICA has announced that Canadian Generally Accepted Principles (GAAP) for publicly accountable enterprises, which includes investment funds, will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011.

As at December 31, 2009, the Manager has commenced the development of a changeover plan to meet the timetable published by the CICA. Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that the net assets or the net assets per unit will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially changes in presentation.

12. **Exemption for filing of financial statements:**

In accordance with applicable securities regulations, the Fund is relying upon certain available exemptions, which provide that the Fund is not required to file these financial statements with securities regulatory authorities.

13. **Reclassification:**

Certain 2008 comparative figures have been reclassified to conform to the current year's presentation.