US Equity Fund (Guardian)
Guardian Capital LP

Lead manager(s): Sri Iyer

Performance review date: June 30, 2014

Investment objective: To achieve long-term capital appreciation through investment in equity and equity-related securities of issuers whose principal business operations are located in the United States.

Investment style: GARP

Annual fund performance (%)

	2010	2011	2012	2013	2014	YTD	5 yrs
US Equity Fund (Guardian)	5.48	24.00	2.55	20.79	27.30	8.97	15.58
S&P 500 Index (Can$)	4.79	18.40	11.31	24.59	26.41	7.48	16.81
Value added (+) / lost (-)	0.69	5.60	-8.76	-3.80	0.89	1.49	-1.23
Quartile ranking [1]	2nd	1st	4th	4th	2nd	1st	3rd

Annualized performance – relative rankings [1] (ending June 30, 2014)

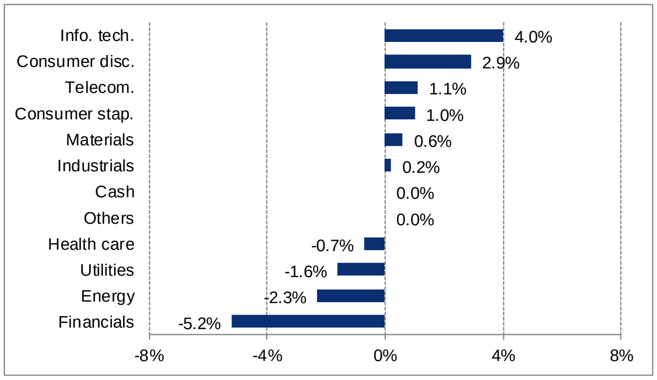
3 years	4th	quartile
5 years	3rd	quartile
7 years	3rd	quartile
10 years	3rd	quartile

Risk characteristics (5 years ending June 30, 2014)

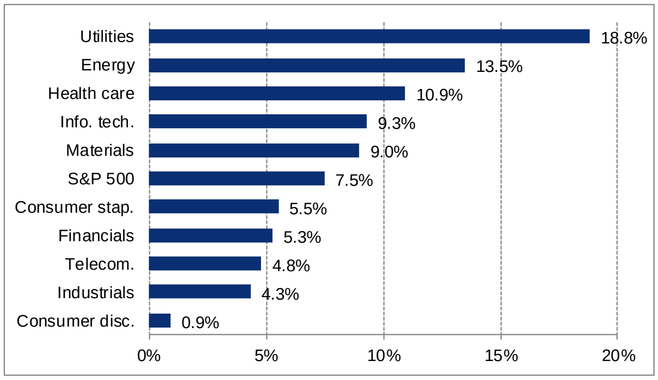
Downside volatility	2.22%	2nd	quartile
Standard deviation	10.26%	2nd	quartile
Tracking error	4.58%	2nd	quartile
Information ratio	-0.14	3rd	quartile
Beta	1.08	2nd	quartile

Portfolio positioning

Fund sector deviations



Year-to-date index sector performance



Short-term performance analysis

- Year-to-date, the fund outperformed its benchmark and ranks in the first quartile relative to its peers.
- Security selection was the main driver of added value, particularly within the Consumer Staples and Industrials sectors.
- Sector allocation produced neutral results.
- Based on the S&P 500 style indices, value stocks outperformed on average. Given the fund's growth-tilted GARP investment bias, its style had a negative impact on short-term performance.

Long-term style analysis

	2010	2011	2012	2013	2014	YTD	5 years
Outperforming investment style	value	growth	growth	value	growth	value	value

Long-term performance analysis

- The fund outperformed its benchmark in three of the past five years but failed to add value on a five-year annualized basis. This long-term performance ranks it in the third quartile when compared to its peers.
- Security selection was negative more often than not and was the main detractor of relative value on a five-year annualized basis.
- Sector allocation also produced negative results over the long term.
- Based on the S&P 500 style indices, value stocks outperformed on average. Given the fund's growth-tilted GARP investment bias, its style had a negative impact on long-term performance.

Significant corporate events

Corporate

- There were no significant corporate events over the last five years.

Fund specific

- There were no significant fund specific events over the last five years.

Quality & Choice commentary

- The US Equity Fund (Guardian) is a bottom-up, GARP US equity mandate that focuses on investing in quality companies with stable earnings growth. The team managing this product employs a quantitative model to identify stocks that fit these criteria. The fund will tend to outperform in steadily rising and falling markets, and underperform in more speculative, momentum driven markets with important volatility spikes.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The fund has failed to add relative value over the long term and ranks in the lower quartiles. This can be partly attributed to its particular quantitative investment process, which tends to underperform in very volatile equity markets (with multiple inflection points), such as the ones we have seen over the past few years.
- However, we believe that underperformance cannot solely be attributed to process and style, but also to poor portfolio implementation, as confirmed by the Manager during our most recent due diligence meeting.
- Moreover, we have come to the conclusion that the quantitative model used to manage the portfolio is more suited for non-US strategies, as there is an important regional allocation element to it that does not benefit this fund.

Conclusion: Despite the fact the fund's underperformance over the long term can be partly attributed to its particular quantitative investment process, we now rate it as NO LONGER PROMOTED, as we believe that the market inefficiencies the model is trying to capture are more suited for non-US strategies.

Manager outlook

- In spite of a sizeable weather-related US GDP decrease in the first few months of 2014, growth in the developing world seems to be accelerating, albeit slowly and unevenly. The major developed economies all continue to experience some level of growth, while emerging economies are facing deceleration although China appears to be stabilizing. A recent rise in geopolitical risk could also bring unwanted developments. Markets have nevertheless welcomed the economic improvements even if they are humble and fragile. We continue to witness positive equity returns so far this year.

(1) Quartile rankings are based on the underlying fund's returns.

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* Sources may include, but are not limited to, Mercer MPA, Morningstar, Principia and Thomson Baseline