Signature Select Canadian Fund
Second Quarter 2019

Performance Summary

- Over the second quarter of 2019, Class F of Signature Select Canadian Fund (the "Fund") returned 1.2 % while its benchmark, a 50/50 blend of the MSCI All Country World Total Return Index and the S&P/TSX Composite Total Return Index, was up 2.0%.

- The Fund underperformed its benchmark due to an overweight position in the energy sector and material Canadian-dollar strength over the quarter. This was partially offset by an overweight position in the financials sector and strong security selection within the information technology sector.

Contributors to Performance

- Agnico Eagle Mines Ltd., one of Canada's top gold producers, has an excellent track record of operational excellence and capital discipline. The company benefited from the strong rally in gold prices during the quarter. We also expect the company to see production gains in coming quarters with the startup of two mines, which will shift the company's financial profile from one of heavy capital expenditures to one of significant free-cash-flow generation.

- Nestlé S.A. contributed to Fund performance as its financial results came in above market expectations. Recent efficiency initiatives and acquisitions are showing up in the company's results. Higher prices for some of its main products and solid sales momentum in the key markets of China and the U.S. are driving the company's recent performance. We expect to see continued benefits from the company's self-help initiatives over the coming quarters.

Detractors from Performance

- Despite delivering on its growth and operational performance, Encana Corp. detracted from the Fund's performance during the quarter. The company's stock was pressured by weak natural gas liquid pricing along with concerns around a lack of free cash flow if oil prices stay near or below US$50 per barrel.

- Saputo Inc. detracted from performance during the quarter. A number of issues in the global milk market (volatile economic conditions in Argentina, lower raw milk supply due to drought conditions in Australia and competitive pressures in Canada) caused the company to miss its recent earnings forecast. We expect some of these issues to persist, but others have already begun to turn around and in our view the company's stock price now more accurately reflects these concerns. Moreover, we see upside in the company's results from recent acquisitions in the U.K. and Australia.

Portfolio Activity

- During the quarter, we reduced the Fund's exposure to Canadian energy exploration and production companies by approximately 200 basis points (bps) through sales of Canadian Natural Resources Ltd. and Encana. We took advantage of the narrowing spread between Western Canadian Select and West Texas Intermediate oil prices and a tightening of global crude markets due to production cuts by the Organization of the Petroleum Exporting Countries, Russia and other oil producers, and crude oil export restrictions imposed on Iran and Venezuela.

- We added 100 bps to the Fund's holding in Pfizer Inc., a strong cash-generative business with an underappreciated product pipeline. The company's defensive nature aligns well with our cautious global macroeconomic outlook.

- We also added 50 bps to the Fund's holding in Enbridge Inc. as we de-risked the Fund's energy portfolio with a quality midstream oil and gas company that has an attractive dividend yield at a reasonable valuation. We believe recent weakness in the company's stock presents a good buying opportunity.

- We reduced the Fund's exposure to the energy and financials sectors to lower the economic sensitivity of the portfolio, consistent with our relatively cautious economic and geopolitical outlook.

Outlook

- We have a broadly cautious view of equity markets over the coming quarters. Clearly slowing global industrial activity and ongoing trade disputes do not appear to be fully reflected into stocks, with several major equity indexes at or approaching their all-time highs. And while corporate profits are increasing, the rate of growth remains subdued compared with recent years. One positive is an easing of financial conditions globally, largely driven by a fall in interest rates. While positive, we do not think it is enough to propel the global economy significantly forward in light of its other challenges. We have chosen to take a relatively defensive stance in the Fund's sector positioning during this period of uncertainty, and we will look for opportunities to deploy cash and alter the equity mix as conditions become more favourable.

Class F returns (in %) as at June 30, 2019	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**	**Since inception (08/08/2000)**
Signature Select Canadian Fund	11.9	-4.9	8.9	5.8	8.6	8.7

Sources: Bloomberg L.P. and Signature Global Asset Management, as at June 30, 2019.

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The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes or another investment fund. There are various important differences that may exist between the mutual fund and the stated indexes or investment fund, that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes or investment fund. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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