SIGNATURE
GLOBAL ASSET MANAGEMENT™

Harbour Global Growth & Income Corporate Class
Third-quarter 2019 Commentary

Signature Global Asset Management became the portfolio advisor of Harbour Global Growth & Income Corporate Class effective February 11, 2019.

Class F returns (in %) as at September 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (01/06/2003)
Harbour Global Growth & Income Corporate Class	6.5	-4.4	2.8	4.8	8.5	5.5

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

Performance Summary

- Over the quarter ended September 30, 2019, Class F of Harbour Global Growth & Income Corporate Class (the "Fund") returned 0.9% while its blended benchmark (60% MSCI World Total Return Index and 40% J.P. Morgan Global Government Bond Total Return Index) was up 2.2% over the same period.

- Although absolute returns were strong, the Fund underperformed the benchmark through the quarter as investments in gold and fixed income were unable to offset weak equity performance. The Fund's positioning within the financials and industrials sectors, particularly idiosyncratic events surrounding Burford Capital Ltd., detracted from the Fund's performance. Real income assets, most notably real estate, materially contributed to equity performance through the quarter, with Brookfield Asset Management Inc. and Americold Realty Trust rallying as interest rates globally fell. In addition to the rally in interest rates, the U.S. yield curve continued to flatten, to the benefit of the Fund's long-duration position in fixed income.

Portfolio Activity

- Marginal portfolio activity occurred through the quarter as defensive positioning, which included a reduction of equities to 55% of Fund assets, increased gold exposure to 5.7% and increased fixed-income exposure and duration to 27.5% and 7.5 years, respectively, had just occurred in late June 2019. However, through the summer of 2019 the equity market began

to reward more risk-averse, stable, cash-flow-positive companies. As this sentiment shift began, we trimmed the Fund's exposure to the consumer discretionary, energy and financials sectors and increased its exposure to the real estate, consumer staples and utilities sectors. This included the sale of The Home Depot, Inc.; Ping An Insurance (Group) Co. of China Ltd.; and Wells Fargo & Co. and new positions in Exelon Corp. and The Proctor & Gamble Co.

- Furthermore, we reduced the Fund's U.S.-dollar hedge ratio by 50% as the Bank of Canada has been less dovish (i.e., cautious) as other central banks globally, thereby supporting the Canadian dollar. Over the longer term, we expect that as global economic growth continues to slow, the Bank of Canada will have to pivot to easier monetary policy, which would in turn weaken the Canadian dollar.

Outlook

- Prolonged U.S.-China trade tensions have destabilized expectations for global economic growth as companies adjust supply chains and defer capital investments. Developed- and emerging-market central banks are now reacting to this risk. The U.S. Federal Reserve has cut interest rates twice, the European Central Bank has also cut rates and introduced an open-ended asset purchase program, and the Bank of Japan is "re-examining" economic developments. The longer this uncertainty persists, the greater the impact to expectations for global economic growth and an economic contraction becomes likely.

- Furthermore, China is facing its own domestic credit challenges as it unwinds excessive shadow bank lending, forcing weak banks to recapitalize. This is reducing global demand for materials as fixed asset investment slows with credit availability tightening.

- These factors, in addition to the recurrent and secular challenges facing the global auto industry, have materially impacted global manufacturing, leading to a slowdown in Europe and signs of manufacturing weakness in the U.S. The consumer appears to be the last bright spot, and we're closely watching related data points for any signs of deterioration.

- Fiscal initiatives and political developments are responding to this weakness: India cut corporate taxes, Germany is discussing fiscal responses and, in September 2019, concerns around Brexit and Italy diminished.

- Tech companies has been unable to make new highs as U.S. data privacy/antitrust concerns arise. Furthermore, public markets brought discipline to excessively high private valuations

as Uber Technologies Inc.; Lyft, Inc.; and Slack Technologies, Inc. trade well below their initial public offering (IPO) prices. The We Companies (more popularly known as WeWork) was unable to list publicly at its desired valuation and withdrew its IPO. This has led to a sector rotation toward companies with healthy, stable and predictable cash flows, adding to the breadth of recent market strength.

- We are vigilant of near-term risks on the horizon as estimates of U.S. corporate earnings per share trended down through the summer of 2019, Middle East energy supply risks continue, emerging markets continue to be stressed by China's economic slowdown and a strong U.S. dollar, and anti-capitalist policies continue to entrench themselves in mainstream culture across the developed and developing worlds.

- With the risks outlined above, and risk and risk-free asset markets trading at rich valuations, a defensively positioned Fund portfolio is prudent. The Fund continues to be underweight in equities and have a near-neutral duration in the fixed-income sleeve, and we are comfortable with the Fund having a material weight in gold. Furthermore, the Fund's high cash weight will allow us the flexibility to deploy such cash to take advantage of inevitable market stress.

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