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Signature Global Equity Fund
Third-quarter 2019 Commentary

Class F returns (in %) as at September 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (08/08/2000)
Signature Global Equity Fund	11.8	-2.3	8.9	8.3	9.3	2.3

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 Signature Global Equity Fund (the "Fund") declined 0.6% while its benchmark, the MSCI All Country World Total Return Index, was up 1.3% over the same period.

- Global trade concerns captured the markets attention during the quarter as the benchmark index was relatively flat and with noticeable volatility. With a view that geopolitical risks would impact growth, we decided it was prudent to raise the Fund's level of cash. However, expectations of interest-rate cuts fuelled stock markets in the quarter, and this cash position held back the Fund's performance. Within equities, interest-rate-sensitive and technology sectors drove returns, with investments in Americold Realty Trust, Embassy Office Parks REIT, Entergy Corp., Sony Corp. and Snap Inc. materially contributing to performance. Furthermore, an under-allocation to oil exploration and production companies helped buffer against weak oil prices as crude oil slipped approximately 10% over the quarter.

Portfolio Activity

- Through the summer of 2019, equity markets focused on increased trade tensions between the U.S. and China, which have destabilized expectations for global economic growth as companies adjust supply chains and defer capital expenditures. This has led companies with stable, predictable cash flows to outperform as risk aversion and volatility set in. As this sentiment shift began, we trimmed the Fund's holdings in the consumer discretionary, energy and financials sectors and increased its exposure to the real estate, consumer staples and utilities sectors. This included sales of Concho Resources Inc.; 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 not been as dovish (i.e., cautious) as other global central banks, 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 will 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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