Signature Select Canadian 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 Select Canadian Fund	12.9	-4.3	6.9	5.6	7.5	8.6

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 Select Canadian Fund (the "Fund") returned 0.9% while its blended benchmark (50% MSCI All Country World Total Return Index and 50% S&P/TSX Composite Total Return Index) was up 1.9% over the same period.

- The Fund slightly underperformed its bench due to weakness in certain information technology and mining holdings. This was partially offset by strong performance from a continued rebound in the financials sector, holdings in the gold sector and certain holdings in the consumer staples sector.

Contributors to Performance

- Agnico Eagle Mines Ltd. continued adding to the Fund's performance during the quarter. The company continued to benefit from the ongoing rally in gold prices. In addition, the company held a tour with investors of its Nunavut mines in August 2019. The tour highlighted the company's two main growth projects (Amaruq underground and Meliadine Phase 2) that are on track and ramping up well.

- The Bank of Nova Scotia – the Fund's second-largest holding – contributed to Fund performance as its financial results for the quarter came in ahead of market expectations. The bank's share price had lagged those of other domestic banks, but rallied strongly during the quarter as the market recognized its undemanding valuation. We continue to view the bank favourably on valuation and relative medium-term growth prospects.

Detractors from Performance

- BlackBerry Ltd. detracted from the Fund's performance during the quarter. Despite some high-quality software assets, such as QNX and the recently acquired Cylance Inc., BlackBerry's stock fell sharply during the quarter due to a miss on revenue expectations as well as the unexpected departure of certain Cylance executives.

- Teck Resources Ltd. also detracted from Fund performance during the quarter. The company's share price declined during the quarter mainly due to weakness in the company's underlying commodity prices, with copper prices having dropped 5% during the quarter and metallurgical coal (which makes up about half of the company's earnings) prices declining 29%. The company's fundamental outlook remains strong, and we see the declines in commodity prices as largely driven by broader global economic weakness.

Portfolio Activity

- During the quarter, we implemented another approximately 200-basis-point reduction in the Fund's exposure to the energy sector through sales of Cenovus Energy Inc., Chevron Corp. and Encana Corp., and a further reduction in the Fund's position in Canadian Natural Resources Ltd.

- We sold the Fund's position in The Home Depot, Inc. The company's fundamentals remain solid, but we are aligning certain sector positions with our cautious macroeconomic outlook.

- We added Budweiser Brewing Co. APAC Ltd. (also known as Budweiser Asia) to the Fund's portfolio through the company's initial public offering (IPO). This is a highly profitable and fast-growing part of the Anheuser-Busch InBev SA/NV portfolio that is being sold to investors as the parent company looks to raise funds and reduce debt.

- We also added 60 Lightspeed POS Inc. to the Fund's portfolio through its IPO. The company has a strong point-of-sale technology offering for small businesses and the restaurant sector. We expect the company to grow through a broader offering (inventory management, analytics, payment solutions, etc.) and also by expanding its number of retail partners.

Outlook

- As has been the case for most of the year, we remain cautious in our outlook for equity markets. A prolonged U.S.-China trade dispute, along with weakness in other parts of the world and a domestic credit squeeze within China have all combined into what has now become a very clear slowdown in global economic activity. Within specific sectors, autos continue to face major challenges on multiple fronts and this is specifically impacting global manufacturing activity. The technology sector, until recently the major driver of global equity markets, has recently failed to make new highs as investors become more discerning around a demand for profitability as opposed to a singular focus on growth, along with a rising focus on data privacy and antitrust concerns for these companies. Governments and central banks globally have started to respond to the global economic slowdown through a combination of tax cuts and interest-rate reductions, but we do not see it as enough to move the global economy out of its current funk. In light of these challenges, we have reduced the cyclical exposure of the Fund's sector weights over the course of the year, and we maintain a relatively defensive stance with a high cash position and a healthy gold weight for the Fund. We will look to deploy cash and alter the equity mix as expected market volatility opens up attractive buying opportunities.

Published October 18, 2019.