

Market Commentary

Third Quarter 2019

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Synergy Canadian Corporate Class

David Picton, President and Portfolio Manager

Class F returns (in %) as at September 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (11/30/2000)
Synergy Canadian Corporate Class	16.2	2.7	7.0	5.2	7.7	6.4

Source: Morningstar Direct as at September 30, 2019.

Performance Summary

- Over the third quarter of 2019, Class F of Synergy Canadian Corporate Class (the “Fund”) returned 1.8%, underperforming its benchmark, the S&P/TSX Composite Index, which was up 2.5% over the same period.
- Our overweight position in the information technology sector and underweighting in energy made positive contributions to our performance during the period. Strong stock selection in health care and industrials also added value.

Contributors to Performance

- Among individual securities, Empire Co. Ltd. was a positive contributor. The grocery retailer posted strong results during the period, driven by higher food price inflation and the success of its Project Sunrise cost-cutting program, which has delivered higher profit margins and reignited same-store sales growth.
- Boyd Group Income Fund, which operates collision-repair shops in Canada and the United States, also added value. Boyd Group continues to acquire collision repair shops, leveraging its large scale to drive synergies and stimulate same-store sales growth through relationships with insurance companies.

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Detractors from Performance

- A key detractor during the period was our underweight exposure to Canadian banks. We retain a cautious outlook for this sector, given a slowing Canadian housing market and trough in credit losses.

Portfolio Activity

- During the period, we added Descartes Systems Group Inc. to the portfolio. The provider of supply-chain management software has enjoyed an acceleration in organic growth, the key drivers being software for e-commerce, global security and compliance, as well as content data.
- We also took a new position in AltaGas Ltd. After a challenging 2018, the company has made financial progress through the sale of non-core assets, which has materially reduced debt leverage. AltaGas's remaining core assets should be revalued higher over time, due to a secured growth backlog within its U.S. utilities.

Outlook

- An anticipated global growth slowdown is increasingly being factored into bond markets and, as a result, equity investors are anticipating immediate, sizeable monetary stimulus from central banks. Macro risks such as trade tensions, Brexit and upcoming key elections are exacerbating the late-cycle dynamics of more frequent and extreme bouts of volatility. While we have been keenly attuned to indicators of a recession, further market gains may still be in the offing – but this is unlikely to occur unless central banks take decisive action to arrest an economic slowdown.

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

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