SIGNATURE
GLOBAL ASSET MANAGEMENT™

Signature Asian Opportunities Fund
Third-quarter 2020 Commentary

Class F returns (in %) as at September 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-08-08)
Signature Asian Opportunities Fund	13.6	23.5	7.7	8.9	7.8	2.7

Source: Signature Global Asset Management, as at September 30, 2020.

Performance Summary

- Over the quarter ended September 30, 2020, Class F of Signature Asian Opportunities Fund (the Fund) returned 11.0%, outperforming its benchmark, the MSCI ACWI Asia Pacific Total Return Index, which was up 6.5% over the same period.

- The Fund outperformed the benchmark during the quarter largely because of stock and sector selection for the Fund, with country selection also making a positive but minor contribution. (See below for more details on stock selection.) The Fund's overweight position in the consumer discretionary and information technology sectors and underweight positions in the communication services and energy sectors added meaningfully to performance. An overweight position in the financials sector was the biggest detractor from performance. From a country perspective, an overweight position in China and overweight positions in Australia and Japan during the quarter worked well for the Fund, although they were partially offset by an overweight position in Indonesia and underweight positions in Taiwan and South Korea. The defensive strategy of holding cash in the Fund weighed on performance in the quarter.

Contributors to Performance

- Meituan Dianping, China's largest service e-commerce platform and dominant food-delivery and leads generation for restaurants and hotel bookings, is a beneficiary of the COVID-19 quarantine as more people in mainland China have migrated to online services. The company saw resilient advertising demand for in-store segments, while dining and hotel segments continue their pace of recovery. Meituan Dianping also invested in new initiatives such as

online grocery services, which will enhance transaction frequency and maintain user stickiness, and the company's progress in this area has been faster than the market expected.

- Sany Heavy Industry Co., Ltd. is one of the world's largest heavy equipment manufacturers. It is a major manufacturer of cranes and wheel loaders, and it is the largest excavator manufacturer in China (with a 25% market share). Product quality and superior after-sales services continue to drive the company's market share gains in China at the cost of global competitors such as Caterpillar Inc. and Komatsu Ltd. Sany Heavy Industry's market share gain and the strong growth of the excavator market in China helped the company achieve more than 20% earnings growth in the first half of 2020 despite the adverse impacts from the COVID-19 pandemic.

- BYD Co. Ltd. is the largest new energy vehicle brand in China in terms of sales. It is also a leading player in batteries, ranking second in terms of capacity. The company's stock gained momentum in the quarter, driven by four factors: 1) the launch of the eye-catching electric vehicle (EV) model, Han; 2) the potential spinoff of its battery division; 3) the breakthrough in the company's cell-to-pack battery technology; and 4) the sentiment boost from the initial public offerings (IPOs) of two new Chinese EV companies, Li Auto Inc. and Xpeng Motors. BYD has demonstrated its leadership in lithium iron phosphate batteries, the company has agreements with Volkswagen AG, Daimler AG and Toyota Motor Corp. to develop EVs.

Detractors from Performance

- China Overseas Property Holdings Ltd., as one of the leading property management companies in China, is expected to continue to take market share from sub-scale managers. The company delivered strong earnings growth in 2019, a trend that we believe will continue into the foreseeable future. Earning growth was meaningfully affected by disruptions to economic activity brought on by the COVID-19 pandemic, which resulted in profit-taking during the quarter. Based on our latest conversations with the company's management, we believe the 25–30% compound annual earnings growth target for the company over the next three years is still intact.

- Sunac China Holdings Ltd. is one of China's top five property developers. The company's weak performance of the company's stock during the quarter was driven by negative sales growth in the first half of 2020 because of the COVID-19 pandemic and negative sentiment towards the property sector caused by the concern about China Evergrande Group's financial distress. Monthly sales starts for Sunac China Holdings are expected to catch up in the second half of

2020, and we believe the company will deliver a sale growth higher than its initial guidance of 10%. In addition, we expect two potential catalysts in the near future that could boost the company's share price: the IPO of the company's property management service company and a special dividend.

- IOOF Holdings Ltd. is a wealth management company in Australia. It provides a direct exposure to the country's attractive pension market, and the company has enjoyed consistent asset flows. The weak performance of the company's stock in the quarter is mainly attributed to the deal announced by the company (and the subsequent capital raise) to acquire National Australia Bank's wealth management business. Although synergies might take some time to materialize, we view the deal as transformative for IOOF Holdings and puts it in a very strong position to compete in the industry going forward.

Portfolio Activity

- During the quarter, we added Huazhu Hotels Group Ltd., one of the largest hotel operators in China, to the Fund's portfolio. The company is well-positioned to benefit from the hospitality industry's near- and long-term challenges. In the near-term, a domestic travel recovery seems to be taking hold, which could spill over into decent growth in 2021. Over the medium term, we expect an acceleration in market consolidation in the industry, which would benefit national chains. Over the long term, Huazhu Hotels Group will likely evolve towards an ecosystem of brands, franchisees and customers to support portfolio growth and high utilization.

- We also added Chindata Group Holdings Ltd., an emerging data centre company with operations in China and South East Asia, to the Fund. The company is building next-generation data centres for leading hyperscale companies. The company's experienced and credible management team has a global and disruptive mindset with its modular data centre turnkey approach. This strategy has allowed Chindata Group Holdings to become the number one data centre partner for ByteDance Ltd., a China-based multinational internet company.

- Xpeng Motors is one of the leading original equipment manufacturers (OEMs) of smart EVs in China. The company has a clear leadership in autonomous driving technology among Chinese OEMs. We believe Xpeng Motors is one of the winners in the world's largest EV market as the company has the best quality control, cash flow control, software and autonomous driving system, hardware architect and probably the best founder out of the EV makers in China. For all the reasons above, we added it to the Fund's portfolio.

- We took profits from the sale of the Fund's holding in Haidilao International Holding Ltd., one of the largest restaurant chains in China, after the company's strong equity price performance. Haidilao International Holding has continued to see a sequential sales recovery, with the July-August 2020 period benefiting from summer holidays with table-turn rates similar to the same period last year. We expect traffic to improve further in the upcoming quarters, but the company's valuation was the main reason for selling the stock.

- Han's Laser Technology Industry Group Co., Ltd. is one of the top producers of laser processing equipment globally and the largest laser equipment supplier in China. The company supplies 70% of Apple Inc.'s laser tools. The company's main products include laser markers, laser welders, laser cutters and laser engravers. We took profits from the sale of the Fund's holding in the company as we believed the market had factored in an overly rosy outlook for the company ahead of Apple's new product launch in the quarter.

Outlook

- Emerging Asian equities continue to surprise on the upside and recorded another strong quarter, with an increase of almost close to 10% in U.S.-dollar terms. Japanese equities were up a mere 1% while Australian equities struggled, dragged down by the underperforming utilities and energy sectors. For emerging Asia, the challenges of a U.S. election, monetary easing running out of steam and uncertain fiscal stimulus policies did nothing to dent the interest in holding emerging Asian equities. The weaker U.S. dollar, a continuation of the post-March 2020 economic recovery, a commitment to keep U.S. interest rates low for several years and a more entrenched recovery in China assisted in the improvement of sentiment towards emerging Asian markets.

- Although the risks of a disorderly U.S. election and a further delay in fiscal stimulus cannot be ruled out, these risks should dissipate in the next month or two, opening the way for investors to focus on 2021. Slowing of monetary stimulus, fiscal support being cut back and, eventually, fiscal austerity (rising taxes, cutting spending) will complicate the economic recovery, but they might only come into play during the latter half of 2021.

- In our view, 2021 would see a continuation of the economic recovery in Asia, with an economic recovery in India the biggest question mark given the limited fiscal room to stimulate that country's economy. Labour reforms passed in both India and Indonesia are encouraging signposts as governments are once again starting to focus on much-needed

structural reforms. Consumer confidence, workers becoming permanent unemployed (as opposed to temporary unemployed due to forced social distancing), the number of business not returning in a post-COVID-19 environment and loan defaults will be critical to the pace and duration of the economic recovery in the region.

- Overall, we are constructive on emerging Asian equities as 2020 is coming to an end and 2021 is becoming the focus for investors.

Sources: Bloomberg Finance L.P. and Signature Global Asset Management.

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