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Signature Asian Opportunities Fund
First-quarter 2020 Commentary

Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-08-08)
Signature Asian Opportunities Fund	-10.3	-6.0	0.5	2.2	5.4	1.5

Source: Signature Global Asset Management, as at March 31, 2020.

Performance Summary

- Over the quarter ended March 31, 2020, Class F of Signature Asian Opportunities Fund (the Fund) declined 10.3%, outperforming its benchmark, the MSCI All Country Asia Pacific Total Return Index, which was down 11.4% over the same period.

- The Fund outperformed the benchmark during the quarter because of asset-class allocation and allocation of the Fund's assets in particular sectors and company stocks. The Fund's overweight position in the health care sector and underweight positions in the materials and industrials sectors added to the Fund's relative performance. This was partially offset by the Fund's underweight positions in the consumer staples and communication services sectors. Country allocations, specifically underweight positions in Japan and Australia, and an overweight position in China, also added to the Fund's relative performance. The Fund's level of cash and a put option on the A-shares market added to the Fund's relative performance as equities sold off during the quarter.

Contributors to Performance

- CSL Ltd. is the best-in-class producer of human plasma. Despite recent efforts by competitors to expand capacity and dramatically improve the fractionation process, the company continues to enjoy the highest gross profit per litre in the industry. This can be attributed to a cost advantage derived from its scale and more refined plasma separation process that has so far proven to be difficult to replicate. Through this, we believe CSL will maintain its leadership in what we view as a highly durable plasma market where demand is strong, pricing is stable and levels of reimbursement are high. CSL remains a core holding in the Fund.

- GDS Holdings Ltd. is the leading data centre developer in China, with several projects in the pipeline and with customers already committed for most of these projects. The company has a clear and well-articulated expansion strategy to secure new land reserves. Data centres and computing power demand are in a secular uptrend to fulfill the surging demand of data usage, which will likely receive a further demand boost due to the COVID-19 pandemic. Data centre business in China has a natural moat against foreign companies as it is a protective and sensitive industry. GDS Holdings is a good proxy for investment in Chinese data centres.

- Yonyou Network Technology Ltd. is a leading provider of enterprise services in China, offering cloud computing, software and financial services. With 70% of revenue from traditional enterprise resource planning software businesses in China, Yonyou Network Technology has a dominant market share of over 60% as it primarily focuses on state-owned enterprises and large enterprises. When migrating to a cloud-computing business, the company's customers have a better potential to convert into a software-as-a-service model because they have bigger budgets and higher financial capabilities with which to facilitate such a transition. Kingdee International Software Group Co. Ltd., as the number-two software company in China, is focusing more on small and medium-sized enterprises.

Detractors from Performance

- ICICI Bank Ltd., one of the largest private banks in India, has gone through a significant transformation the past few years, and we believe it is on the right path to improved profitability. In line with the sell-off of financials globally, the bank's share price fell sharply during the quarter. As was the case in other markets, the sell-off of ICICI Bank stock is pricing a dire outcome from the COVID-19 pandemic. Looking through the crisis brought on by the pandemic, however, we see the bank's valuation as attractive relative to its return potential.

- IOOF Holdings Ltd. is a wealth management company in Australia. The company provides direct exposure to the country's attractive pensions market and the company has enjoyed consistent asset flows. IOOF Holdings was hit hard by declines in the equity market during the quarter as the company's revenues are directly tied to assets under management. New client contributions will be muted if market volatility persists; however, IOOF Holdings will benefit disproportionally from an eventual market recovery.

- As one of the three megabanks in Japan, Sumitomo Mitsui Financial Group, Inc. is involved in all banking business lines in Japan. In light of dire returns in the Japanese market, the company was looking to grow its business outside Japan. The recent sharp drop in interest

rates globally has brought interest rates outside of Japan closer to Japanese levels, hence putting a damper on the diversification strategy of the company. Although we agree with the challenges facing the company, its 0.3 times price-to-book valuation seems to incorporate these challenges and more.

Portfolio Activity

- During the quarter, we eliminated the Fund's holding in NARI Technology Co., Ltd., the biggest beneficiary of the push by State Grid Corp. of China (SGCC) for electric internet of things. NARI Technology's share price came under pressure during the second half of 2019 due to the market's misjudgement of SGCC's announcement that it will slow down grid investments in the future. The decision on slowing down grid investments relates to investments on new transmission and distribution lines. Even though NARI Technology would be the biggest beneficiary of SGCC's new investment strategy, the recent COVID-19 pandemic's impact in China further weighed on the company's share price.

- Han's Laser Technology Industry Co., Ltd. is one of the top producers of laser-processing equipment globally and the largest laser equipment supplier in China, supplying 70% of Apple Inc.'s laser tools. The company's main products include laser markers, laser welders, laser cutters and laser engravers, and it also provides equipment for the production and processing of electronic components, LED display panels, printed circuit boards, consumer packages, auto parts and other consumer electronics products. During the quarter, we added to the Fund a position in Han's Laser Technology Industry after the sell-off in March.

- Siam Commercial Bank PCL is one of the biggest banks in Thailand, with significant exposures to retail lending. We added the bank to the Fund's holdings during the quarter as we believed the bank's valuation priced a significant permanent reduction in returns, which we expect is unlikely. A big issue for the bank was capital management as the bank is overcapitalized with tier-1 capital levels close to 16% of the bank's capital. Part of our thesis was that the bank will do a better job managing capital, but with the current COVID-19 pandemic this might take longer to play out. Nevertheless, we still believe the bank offers a significant upside from current valuation levels.

Outlook

- With markets having found a tentative bottom since March 23, 2020 and valuations looking compelling across many countries and sectors, some investors are starting to look at

opportunities to re-engage emerging markets. This is not surprising given the record outflows of emerging-market assets during the second half of the quarter. The pace of these outflows surpassed any period in history.

- The bottoming of equity markets seems justifiable given the wave of fiscal and monetary policy stimulus and hope that the COVID-19 pandemic might be peaking in Europe, with North America (Canada and the U.S.) hopefully to follow within a few weeks. Further support comes from the injection of U.S.-dollar liquidity into global markets at the end of March and early April, improved credit conditions and the consensus view that most developed-market economies will start recovering from the third quarter of 2020 onwards.

- Although the duration of the economic disruption due to the COVID-19 pandemic and the ability to recover from it will depend on many factors, it ultimately boils down to what extent permanent damage can be avoided. Key in determining the difference between temporary shocks and permanent damage will be the number of unemployed people returning to work and the number of businesses resuming operation after governments relax social-distancing restrictions.

- However, the case for a recovery in developed-market equities and economies in the second half of 2020 is much stronger than that for emerging-market equities and economies. Historically, emerging-market equities have tended to outperform in an upswing given their cyclical nature, but we would caution in reading too much into this historical correlation.

- Despite the tentative bottoming, uncertainties remain high: the spread and peaking of the COVID-19 disease by country, the full impact of social-distancing measures on economies, the efficacy of government stimulus, the timing and pace of the expected economic recovery, the probability of a second wave of the pandemic and social unrest.

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

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