

Market Commentary

Second Quarter 2020

PICTON
MAHONEY
Asset Management

Synergy American Corporate Class

David Picton, President and Portfolio Manager

Michael Kimmel, CFA, Portfolio Manager

Class F returns (in %) as at June 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-08-08)
Synergy American Corporate Class	3.3	9.4	12.1	10.1	14.2	4.0

Source: Picton Mahoney Asset Management, as at June 30, 2020.

Market Overview

- The second quarter of 2020 produced the best quarterly returns since the fourth quarter of 1998. Markets were fuelled by a sense that they are backstopped by central-bank liquidity programs as well as low interest rates into perpetuity. Federal Reserve Chairman Jerome Powell's comments that he "isn't even thinking about thinking about raising interest rates" only reinforces this notion. Investors have written off near-term earnings, focusing instead on earnings power in 2021, if not 2022. Re-opening of the economy led to a stealth move into cyclicals -- and hence value -- but secular growth continues to shine. An outbreak of COVID-19 cases at the end of the quarter has put many market participants on high alert, but, for now, this concern has been tempered by a declining death rate.

Performance Summary

- Over the second quarter ended June 30, 2020, Class F of Synergy American Corporate Class (the "Fund") returned 16.7%, compared with 15.4% for its benchmark, the S&P 500 Index.
- The Fund outperformed primarily due to strong stock selection in the information technology and financials sectors. Having no exposure to energy, the second-best performing sector during the quarter, detracted from performance. Among individual securities, the Fund's top-contributors to relative performance included Paypal Holdings Inc. and S&P Global Inc., while Abbott Laboratories Co. and PepsiCo, Inc. detracted.

Market Commentary

Second Quarter 2020



PICTON
MAHONEY
Asset Management

Contributors to Performance

- We are highly constructive on PayPal's growth drivers as e-commerce and mobile commerce growth continues to dwarf overall retail trends in a COVID-19 world. As demand continues to increase for digital banking and electronic payments among millennials and Gen-Z consumers, PayPal is uniquely positioned to continue to capture significant market share. Additionally, the company's very strong balance sheet and free-cash-flow generation continues to enable it to expand its network and acquire attractive ancillary products (such as PayPal Honey) to further increase customer engagement. During the quarter, PayPal saw a positive inflection in both net new accounts and user engagement, which we believe can continue to drive accelerated growth in total payment volume. We expect the stock's multiple and company earnings estimates to continue to grind higher.
- S&P Global has benefited from an extremely healthy debt-issue calendar. Volumes during the quarter remained robust as U.S. corporate issues (both investment grade and high yield) continued to be printed at a record pace, taking advantage of U.S. Federal Reserve (Fed)-supported bond markets. Global investment-grade issuance is running at 75% year-over-year, while high yield is 7% and government 22%. Longer term, we believe that the pandemic-driven recession has the potential to accelerate the secular shift from bank loans to bonds as global banks pull back lending capacity to protect their balance sheets through the downturn. During the last three recessions (in 1990, 2000 and 2007) U.S. bond penetration increased an average of 860 basis points. S&P Global is favourably positioned to benefit from this secular shift.

Detractors from Performance

- While Abbott had a fantastic quarter, unfortunately we poorly timed our purchase of the stock as the market moved away from defensive-oriented names to a more pro-cyclical stance. We continue to very much like this stock, given the depth and breadth of its product lines. The nutrition business has remained steady, diagnostics should benefit amidst a surge in COVID-19 testing, and medical devices should get an uplift from the recently approved Libre 2 continuous glucose monitoring device.
- Much like Abbott, a defensive oriented name like PepsiCo was left behind amid the quarter's strong performance. Nonetheless, there will always be room in our portfolios for some defensive names to offset some of our more aggressive positions. Pepsi offers a strong position in the attractive snack category and is well positioned internationally. Within snacks, the company has outperformed its peers in the salty-snack category by more than 300 basis points in each of the past nine years. Growth in this category has been strong because more people are sitting down to eat fewer traditional meals together, resulting in more snacking. With a focus on salt as opposed to sugar, the category has not

Market Commentary

Second Quarter 2020



PICTON
MAHONEY
Asset Management

been as hindered by health-and-wellness trends. Pepsi has a 60% market share in salty snacks, with 10 times the volume of its next biggest competitor. We continue to like the stock.

Portfolio Activity

- During the quarter, we added more cyclical and smaller-cap positions to the Fund. Our premise is that the economy had been in recession for some time entering 2020, as demonstrated in many parts of the market (large cap versus small cap, growth versus value, and lagging cyclicals). One never knows what will tip the economy into recession; it just so happens this time it was the pandemic outbreak. While this situation may seem unique, enacting the oft-used playbook coming out of a recession to buy small caps and cyclicals seems the prudent course of action for outperformance as the economy recovers. We will use pullbacks in the economy to continue to add to these positions.

Outlook

- As the global economy slowly reopens, we continue to see leading indicators not only moving higher (from admittedly very depressed levels) but also broadening in scope. We understand there may be setbacks along the way, but have identified a number of opportunities for relative performance, based on themes and outcomes with respect to COVID-19 and its ongoing impact on economic activity. We believe this will benefit equity investors, particularly against the backdrop of a pro-cyclical impulse in the broader global economy. Where many investors tend to focus on large benchmark weights, we believe a willingness to dig deeper will provide ample opportunities to drive alpha from security selection.

Source: Morningstar Research Inc., Bloomberg Finance L.P. and Picton Mahoney Asset Management.

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or an offer or a solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

Market Commentary

Second Quarter 2020



PICTON
MAHONEY
Asset Management

Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

The comparison presented is intended to illustrate the mutual fund's historical performance as compared with the historical performance of widely quoted market indices or a weighted blend of widely quoted market indices or another investment fund. There are various important differences that may exist between the mutual fund and the stated indices or investment fund, that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices or investment fund. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices.

The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Investments Inc.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

© 2020 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Picton Mahoney Asset Management is portfolio sub-advisor to certain funds offered and managed by CI Investments Inc. CI Investments® and the CI Investments design are registered trademarks of CI Investments Inc. © CI Investments Inc. 2020. All rights reserved.

Published July 27, 2020.