

Market Commentary

Second Quarter 2020

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Synergy Canadian Corporate Class

David Picton, President and Portfolio Manager

Class F returns (in %) as at June 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-11-30)
Synergy Canadian Corporate Class	-4.6	1.6	4.4	4.1	7.7	6.2

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

Performance Summary

- Over the second quarter ended June 30, 2020, Class F of Synergy Canadian Corporate Class (the “Fund”) returned 17.5%, compared with 16.8% return for its benchmark, the S&P/TSX Composite Index Total Return Index.
- Our overweight exposure to the information technology sector and underweighting in financials made positive contributions to relative performance. Our positioning within materials was a detractor during the period as the portfolio was underweight in gold and precious-metals companies. Gold prices crept higher during the period as a safe haven due to uncertainty around COVID-19 and concerns around the secondary impact from massive global monetary stimulus.

Contributors to and Detractors from Performance

- Among individual securities, PayPal Holdings Inc. and Amazon.com, Inc. made the biggest contributions to relative performance, as these companies benefited from an acceleration in e-commerce sales as COVID-19 prompted consumers to shift their purchasing to the online channel.
- Kinaxis Inc., a supplier of supply chain management software, gained value during the period as it is anticipated demand for its software will accelerate to help customers deal with disruptions in their supply chain.
- The largest relative detractor was our underweight position in Shopify Inc., causing us to not benefit fully from the company’s significant gains made due to the substantial acceleration of e-commerce.



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Portfolio Activity

- During the quarter, the Fund initiated a position in Brookfield Renewables Partners LP, a global leader in renewable energy and benefits from the secular themes of decarbonization and ESG.
- We exited our position in Bank of Nova Scotia as we expect an extended credit cycle and an elongated path to recover to pre-COVID-19 earnings levels.
- The Fund had overweight exposure to the information technology and consumer discretionary sectors and was underweight in financials and energy. We remain steadfastly committed to our core momentum-based investment discipline.

Outlook

- While we continue to monitor the COVID-19 situation, our current belief is that economic growth will quickly rebound given the amount of fiscal and monetary stimulus.
- 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.

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