# Market Commentary
# Fourth Quarter 2018

SIGNATURE GLOBAL ASSET MANAGEMENT™

## Signature Global Technology Corporate Class

While the first half of the year reflected optimism in the technology sector, incremental news flow turned negative in the third quarter. The tone of the fourth quarter worsened as problems surfaced in large areas of the market. On the semiconductor side, there appeared to be indigestion related to inventory, specifically on the memory side.

Weakening demand for crypto-based GPU chips also occurred as interest in Bitcoin waned as the price declined. Exacerbating this situation was Intel's alleged production problems with its next generation 10-nanometre chip and this led to PC production shortages.

We proactively reduced our positions late in the summer and raised cash as we had anticipated these problems. The negatives were confirmed when Micron reported in December and noted a weaker-than-expected forward outlook. China was the second culprit as demand slowed and Apple inferred that this factor attributed to its lower-than-expected unit outlook.

Offsetting the negatives was robust demand on the corporate side for technology that businesses are using to accelerate their digital transformation. The companies with exposure to this dynamic are very exciting and are early-stage beneficiaries of a shift to cloud computing. The challenge here is that many of these stocks have greatly appreciated already and they tend to subsequently sell-off with the general market.

Capital markets have been challenging and this was expected as global central banks removed emergency stimulus measures and raised interest rates. The economy in the United States is doing well and we believe that the rate structure mirrors the positives in these markets such as a robust job market with low unemployment. Dysfunction in the U.S. government, however, is overshadowing the positives and global investors are alarmed to be seeing political problems normally associated with developing economies.

This affects our sector by increasing risk and volatility that in turn reduces the growth premium investors are willing to pay. So while earnings growth has been solid, market declines have been attributed to lower multiples due to a higher risk premia. While earnings growth has been solid, investors have been demanding a higher risk premia and this has led to lower multiples and hence a decline in the markets. Unfortunately at this juncture, we are still in limbo in terms of resolution of many of these issues such as trade disputes and the market will continue to apply a discount given the uncertainty.

# Market Commentary
# Fourth Quarter 2018

| Class F Returns (in %) as at December 31, 2018 | Year-to-date | 1 year | 3 year | 5 year | 10 year |
|---|---|---|---|---|---|
| Signature Global Technology Corporate Class | 5.3 | 5.3 | 15.3 | 18.0 | 21.1 |




*Published January 2019.*