

# SYNERGY AMERICAN CORPORATE CLASS

## Q4-2020 Commentary



FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Synergy American Corporate Class, Series F	19.09%	14.50%	11.49%	14.09%	4.63%
Benchmark: S&P 500 Total Return Index	16.32%	14.81%	13.24%	16.75%	N/A

\* Inception date of Synergy American Corporate Class: August 8, 2000

Source: Picton Mahoney Asset Management research based on raw data from Morningstar Research Inc., and Bloomberg Finance L.P., as at December 31, 2020

### PERFORMANCE SUMMARY

- Over the fourth quarter of 2020, Synergy American Corporate Class, Series F (the Fund) returned 6.09% compared with the S&P 500 Total Return Index, which returned 6.96%.
- The Fund underperformed its benchmark primarily due to an overweight in the industrials sector and underweight in the consumer staples sector detracted from Fund performance over the period.

### CONTRIBUTORS TO PERFORMANCE

Apple Inc. was the largest contributor to Fund performance as a result of the Fund's weighting in the company and the expectation of strong sales for 5G smartphones. JPMorgan Chase & Co. also contributed to the Fund's performance as the prospect of re-opening the economy grew more realistic amid positive vaccine news in November. JPMorgan Chase & Co. also benefited when the U.S. Federal Reserve surprisingly agreed to allow banks to restart share buyback programs in the first quarter of 2021.

### DETRACTORS FROM PERFORMANCE

DraftKings Inc. detracted after a period of strong gains. The company's management team used the share price strength to raise capital. Vertex Pharmaceuticals Inc. detracted from the Fund's performance following the announcement that it would discontinue an early/mid-stage drug it was developing for alpha-1 antitrypsin deficiency due to toxicities observed.

### PORTFOLIO ACTIVITY

Hilton Grand Vacations Inc. was added to the Fund as we believe 2021 will mark a shift away from the consumption of goods towards the consumption of services as the economy reopens. We believe pent up demand for travel should be at the forefront of the recovery in services. As a time share operator, Hilton Grand Vacations Inc. is well positioned for the return of leisure travellers, whom we believe will return with greater speed than corporate travellers. Air Products and Chemicals, Inc., was eliminated from the Fund during the quarter following disappointing news relating to two large projects – Lu'an and Jazan. These issues could reduce the company's near-term growth prospects. These developments create near-term uncertainty at a time when other stocks have much brighter recovery prospects and thus we exited the position.

### MARKET OVERVIEW

We believe a new economic cycle is underway where economic data will quickly normalize. After a pause related to COVID-19, GDP growth is likely to materially accelerate in 2021 at rates not witnessed in decades. This might occur against the backdrop of dramatic monetary policy stimulus and potentially more fiscal stimulus.

We believe equities can make further gains. While absolute valuations are higher than normal, they are somewhat distorted by valuations in the technology space. Stocks remain attractive relative to other asset classes and have yet to benefit from aggressive systematic positioning or outflows from still-elevated cash balances and can benefit from both private equity and special purpose acquisition companies.

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