SYNERGY GLOBAL CORPORATE CLASS

Q1-2021 Commentary

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I*
Synergy Global Corporate Class, Series F	40.6%	11.0%	11.3%	11.4%	5.4%
Benchmark: MSCI World Total Return Index (C$)	36.7%	12.5%	13.3%	13.4%	5.5%

* Inception date of Synergy Global Corporate Class: November 30, 2000.
Source: Picton Mahoney Asset Management research based on raw data from Morningstar Research Inc., and Bloomberg Finance L.P., as at March 31, 2021.

PERFORMANCE SUMMARY

- Over the first quarter of 2021, Synergy Global Corporate Class, Series F (the Fund) returned 4.0% compared with the MSCI World Total Return Index (C$), which returned 3.6%.

- The Fund outperformed its benchmark during the period, largely as a result of holdings in Europe and Asia. Positions in European banks benefited from rising interest rates, a steeper yield curve and improved confidence in Europe's economic recovery despite the ongoing lockdown. We also added to holdings of companies that we are seeing the benefits of increasing global trade. These stocks had been priced for further deterioration in their businesses, so there was ample room for rising investor sentiment as company fundamentals improved.

CONTRIBUTORS TO PERFORMANCE

Royal Mail PLC contributed to the Fund's performance after it delivered strong results. The company demonstrated new strength in parcels (both in the United Kingdom and continental Europe), increased letter volume in the United Kingdom and better cost control. We almost doubled the Fund's weighting in Alphabet Inc. (parent company of Google) during the quarter. The company benefited from the economic re-opening, delivering strong results. Specifically, YouTube's growth re-accelerated and appeared to be unlocking the advertising revenues currently earmarked for television. The company is re-allocating funding to longer-term, sustainable-growth vectors, such as cloud computing. The holding was the quarter's top contributor to the Fund's performance.

DETRACTORS FROM PERFORMANCE

Apple Inc. detracted from performance following a strong performance in the fourth quarter of 2020. The stock declined during the period amid reports that it was cutting build orders on some iPhone models by up to 20% as a sign of waning demand. With comparisons likely to be difficult as we progress through the year and with the stock already having re-rated, we reduced the position size while still keeping the stock in the Fund. Despite an outstanding Q4 2020 report, investors lumped Amazon.com Inc. with COVID-19 beneficiaries that have struggled to generate returns in Q1 2021. Given investor concerns about a year of difficult comparisons, stocks that benefited from the pandemic in 2020 are being sold, and that cash is being used to buy more cyclical companies that are likely to benefit as the economy re-opens. Furthermore, a rise in interest rates rattled many growth companies as their valuations may become harder to justify.

PORTFOLIO ACTIVITY

Robert Half International Inc. was added to the Fund. Much like other staffing companies, each of its earnings peak has been greater than the last cycle, which we expect to continue. Most of the growth seems to be organic. The company benefited from product expansion, building from its base of finance and accounting, into information technology professionals, consulting and executive search. The company has also expanded geographically over time. We eliminated a holding in Zoetis Inc., which was negatively impacted by investors' shift into more cyclical stocks that are expected to benefit from economic re-opening. We sold the position in favour of another animal health company that is following the same strategy Zoetis executed in its early days as a public company. We feel that the new position has margin potential as new products are rolled out to market, costs are likely to rationalize and it trades at a cheaper valuation.

MARKET OVERVIEW

The global equity market may diverge somewhat in the near term. In the United States, the re-opening trade is more advanced than in other markets and now some segments of growth stocks are beginning to look attractive again. On the other hand, in Europe, where the majority of companies are considered value stocks, stocks that should benefit from economic re-openings still have significant room to grow given that many parts of the continent remain in some form of lockdown. In this context, we believe with the exception of China, information technology stocks should do well in all regions. It is generally a growth sector, especially in the United States, but most of the sector in the rest of the world is tied to businesses that are more cyclical in nature. We expect these companies to benefit from the economic recovery that we see strengthening into the second half of the year. One interesting development over the past few months is in the electric vehicles market. Investors seem to now gain confidence that some of the original equipment manufacturers have evolved enough to compete in this market. One example is Volkswagen AG, a stock we have held in the Fund for some time, but have added to in recent months. It has accelerated its commitment to pure electronic vehicles, rather than the hybrid investments that some of its peers are pursuing, and is continuing to expand its facility capacities, vehicle lineup and partnerships in this area.

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

For more information, please visit ci.com.

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