Market Commentary
Third 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 September 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-08-08)
Synergy American Corporate Class	12.3	17.3	14.8	11.9	14.4	4.4

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

Market Overview

- Six months ago, after the pandemic hit and countries went into lockdown, equity markets responded rapidly by pricing in a sharp and short recession. The S&P 500 Index bottomed at 2,200. Despite the horror of one million deaths at the hands of the virus, the collapse of the global gross domestic product, and a 50-million increase in unemployment in the United States, we witnessed one of the market's all-time great rallies driven by apocalyptic positioning and unprecedented policy response – both fiscal and monetary. A weeding out of the strong versus weak companies that has taken place over the past 10 years, went into overdrive.

Performance Summary

- Over the third quarter ended September 30, 2020, Class F of Synergy American Corporate Class (the Fund) returned 8.8%, compared with 6.8% for its benchmark, the S&P 500 Total Return Index.

- The Fund outperformed primarily due to our strong stock selection in the information technology and health-care sectors. Having no exposure to the quarter's worst performing sector (energy) also contributed to our relative performance. Our financials holdings was the biggest detractor during the quarter.

Market Commentary
Third Quarter 2020

Contributors to Performance

- Among individual securities, the top contributors to our relative performance included Zoetis Inc. and DraftKings Inc.

- We have long had a positive outlook towards Zoetis Inc., an animal-health medicine and vaccination company focused on both livestock and companion animals. Animal health is one of our favourite areas of the market. Unlike human pharmaceuticals, there is little generic risk and no government focus on regulating drug pricing. The long-term theme related to the humanization of pets is real. Gone are the days of the dog sleeping out in the backyard. Not only did they migrate inside, they now share our beds. COVID-19 accelerated the trend towards pet adoption and enhances the eventual market size. Zoetis has become more efficient and is seeing margins rise. On top of this we are seeing impressive innovation with the launch of Simparica trio, a 3-in-1 flea, tick and heartworm drug that is likely a multi-hundred-million-dollar product. We also believe the company has attractive prospects in parasiticides and biologics for both dog and cat pain. Zoetis also plans to make a long-term foray into the diagnostics area with its recent acquisition of Abaxis, Inc.

- We were early to recognize the DraftKings Inc. story, partaking just prior to its conversion from a special purpose acquisition company (SPAC). We were attracted by the large market opportunity in the United States for sports betting, which is becoming legal in various states. We believe this trend should continue as more states face deficits amid the fiscal devastation of the pandemic and look to sports betting to shore up government coffers. We felt the timing to invest was ideal, given the unique sports calendar that was developing over the summer months with the return to play for major league sports, and playing to a captive (and bored) work-from-home audience.

Detractors from Performance

- The Blackstone Group Inc., Apollo Global Management Inc. were the biggest detractors from performance during the quarter, followed by Abbott Laboratories and PepsiCo, Inc.

- Blackstone and Apollo are alternative-investment managers, a sector of the wealth-management industry that was among the strongest subgroups in financials during the second quarter before falling back in the third quarter. The recent weakness was due to the increased odds of a Biden presidency and thus the potential for unfavourable tax policy. Additionally, Blackstone's relatively heavy real-estate portfolio has created some relative underperformance. We exited the position and focused on Apollo within this subgroup. We now are seeing some positive signs for Apollo and an acceleration in growth in their insurance fee-bearing assets under management. An associated company, Athene Holding Ltd., recently purchased a block of business from Jackson National Life Insurance Co., and is currently in discussions to buy a block of fixed annuities from American Equity Investment Life Holding Co. We continue to have a favourable longer-term structural view on the sub-sector, as lower interest rates help drive increased allocation to alternative managers and large, diverse managers are seeing an increasing amount of flow as institutional investors are consolidating their assets with fewer managers.

Portfolio Activity

- Against the COVID-19 backdrop, we slightly adapted our typical framework for tackling stock selection (positive change, good value, high quality). We saw four possible types of outcomes for various companies. The first included those that would have their business pulled forward, with our holding in Amazon.com Inc. being an obvious beneficiary. The second category of stocks we liked were V-shaped-recovery candidates -- companies that, upon the economy's re-start, would see a big inflection in their operations. Examples within our portfolio included Lululemon Athletica Inc., D.R. Horton, Inc. and Chipotle Mexican Grill, Inc. Then there were the U-shaped-recovery candidates, that would take longer than normal to recover. The banks fall into this category, as they have been being used for social financing during this crisis. As such, we have reduced our weightings in financials. Finally, there are companies that saw COVID-19 end their prospects for future viability. Obviously, we have steered clear of these unfortunate structural losers.

Outlook

- We believe we are on the cusp of a new economic cycle. New COVID-19 rapid-testing protocols and the production of a vaccine should soon help normalize the economy. The pandemic hangover will require us to keep our current portfolio positioning in place for some time, but markets should gradually transition toward a more cyclical cycle with the potential for commodities to lead the markets. The previously unthinkable prospect of rising inflation became more plausible with the U.S. Federal Reserve now expressly targeting this, as well as providing ample fiscal and monetary stimulus and an elevation of savings rates.

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

Market Commentary
Third Quarter 2020

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. 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.

Market Commentary
Third Quarter 2020

Published October 19, 2020.