

# Market Commentary

## Third Quarter 2020

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### Synergy Canadian Corporate Class

David Picton, President and Portfolio Manager

Class F returns (in %) as at September 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2000-11-30)
Synergy Canadian Corporate Class	2.1	6.7	5.9	6.6	7.4	6.4

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

#### Performance Summary

- Over the third quarter ended September 30, 2020, Class F of Synergy Canadian Corporate Class (the Fund) returned 7.0%, compared with 4.7% for its benchmark, the S&P/TSX Composite Index Total Return Index.
- Our underweight positioning in the energy and overweighting in consumer discretionary added to relative performance.

#### Contributors to Performance

- Among our top-performing holdings during the quarter was Apple Inc., as its shares rallied on strong quarterly results and anticipation of new product launches later this year, including a new 5G iPhone.
- Our underweight exposure to oil companies, including Suncor Energy Inc., also made a positive contribution, as concerns on future oil demand and operational issues weighed on this sector's performance.

#### Detractors from Performance

- The largest detractor was an underweight position in Canadian National Railway Co.. Within North American railroads, our preference has been Canadian Pacific Railway Ltd., due to its better operating performance.



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- In materials, not holding fertilizer-manufacturer Nutrien Ltd was also a detriment to our performance, as its shares rallied during the quarter. We favour copper producers within this sector due to a more favourable outlook for this metal.

### Portfolio Activity

- During the quarter, we initiated a position in CCL Industries Inc., a global leader in label and packaging solutions. We believe the cadence of recovery of this company's business is outpacing expectations and its strong balance sheet provides upside potential through mergers and acquisitions.
- We sold our position in Canadian Apartment Properties REIT, as we expect potential headwinds including provincial rent freezes to weigh on its shares.

### Outlook

- The economy and equity markets rapidly rebounded from the March lows, fueled by extraordinary levels of monetary easing, a record level of fiscal transfers to households, and pent-up consumer demand. Looking ahead, with consumer income support fading and parts of the economy remaining at reduced operating capacity due to social distancing, the economic recovery is expected to lose steam. We anticipate heightened market volatility amid a moderating economic backdrop and the upside appeal of equities due to extremely low interest rates and accommodative central banks.
- As we entered the fourth quarter, our portfolio had overweight exposures to diversified financials, information technology and base metals, and was underweight in banks and telecommunication services. We remain steadfastly committed to our core fundamental momentum-based investment discipline.

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

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