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GLOBAL ASSET MANAGEMENT™

Harbour Growth & Income Fund
First Quarter 2019

Signature Global Asset Management became the portfolio advisor for Harbour Growth & Income Fund effective February 11, 2019.

Performance Summary

- Over the first quarter of 2019, Class F of Harbour Growth & Income Fund (the "Fund") returned 5.4% while its blended benchmark (60% S&P/TSX Composite Index and 40% FTSE Canada Universe Bond Index) was up 9.5%.

- The Fund was up during the quarter but underperformed versus its benchmark as the Fund's portfolio was initially positioned for a less constructive economic environment and little exposure to foreign assets. Upon change in portfolio management, the Signature Global Asset Management team began transitioning the portfolio toward the team's more constructive global view. However, the transition took time and domestic equity markets moved higher during the quarter, with the West Texas Intermediate crude oil quote increasing over 40%.

- A legacy Fund position in Neo Performance Materials Inc. weighed on the portfolio during the quarter as the company announced its acquisition by Luxfer Holdings PLC had fallen through at the time we were attempting to liquidate the holding. Furthermore, Sony Corp., a newly initiated position in the Fund, detracted from performance as Google LLC announced in March it will launch Stadia, a new cloud-based game platform that is expected to compete directly with Sony's PlayStation brand. Unfortunately, these issues overshadowed strong performance from newly initiated Fund positions such as industrial real estate investment trust Prologis, Inc.; Chinese e-commerce and financial services provider Alibaba Group Holding Ltd. and health care equipment supplier Danaher Corp.

- Equity markets staged a significant rebound during the quarter, with the S&P/TSX Composite Index rising 13.3% and the FTSE Canada Universe Bond Index up 3.9%. The Fund's 60% allocation to equities during the quarter participated positively in this rally and provided the majority of the Fund's returns. Within equities, stock selection was particularly strong in the financials sector as stocks rebounded from a difficult fourth quarter of 2018 and fears of credit weakness for the U.S. consumer subsided. The Fund was underweight in fixed-income investments and held an average 8% cash position during the quarter. This allocation weighed

on performance as bonds rallied during the quarter on the back of a more dovish stance by the U.S. Federal Reserve (the "Fed") on interest rates.

Contributors to Performance

- Manulife Financial Corp.'s share price recovered this quarter after declining in 2018. A lawsuit against the company, which claimed that certain life policy contracts guaranteeing a relatively high fixed rate of return have unlimited deposit levels, was struck down by a Saskatchewan court. This was an important win for Manulife Financial that should put the saga to rest. The company is still facing pressure on its long-term care reserve levels, but we believe the current market valuations of the company more than account for that. With strong potential growth in Asia, a solid balance sheet position that is still being optimized and improving operational efficiencies through cost reductions, we believe Manulife Financial's stock is offering good value at these levels.

- The Fund's position in Government of Canada 1.5% bonds due June 1, 2026 added to the Fund's performance as fixed-income markets rallied during the quarter. The rally was driven by the Fed, in particular, along with several other central banks globally signalling they would be slowing down their anticipated interest rate increases or prepared to soften their stance on hiking interest rates. Canadian interest rates followed suit, and indeed rallied even further on the back of some signs early this year of slowing growth in the Canadian economy.

Detractors from Performance

- Sony is one of the world's largest consumer, electronics, gaming and entertainment companies. The company's stock fell during the quarter as it became apparent that benefits from the company's restructuring program had largely occurred. In addition, the strong momentum of Sony's gaming division experienced in 2018, with the sale of games such as Fortnite, will be a challenge to sustain in 2019. Thematic gaming investors are concerned the recently announced cloud-based game-streaming service from Google LLC will disrupt Sony's business. We expect some relief in the back half of 2019, but in the near term, the company's challenges are likely to persist.

Portfolio Activity

As noted above, we have been repositioning the Fund's portfolio to have holdings that are also held by Signature Canadian Balanced Fund. In this regard, a number of significant trades were transacted during the quarter, a few of which are noted below.

- We added a Fund position in Canadian Natural Resources Ltd., which we believe is Canada's premier exploration and production energy company, with significant free cash flow, a world-class management team and an inexpensive share price.

- We added a Fund position in shares of Manulife Financial, which we believe has been undervalued for some time. Recent positive developments on a litigation case have helped to improve sentiment on the company, and Manulife Financial stock was up strongly during the quarter.

- We also added Fund positions in Alimentation Couche-Tard Inc.; Samsung Electronics Co., Ltd.; and Synchrony Financial. These were purchases designed to bring the Fund more in line with the portfolio composition of Signature Canadian Balanced Fund and offer what we believe are the potential for strong risk-adjusted returns.

- Fund positions sold during the quarter include Fairfax India Holdings Corp., Fairfax Africa Holdings Corp., The Toronto-Dominion Bank, Telefonaktiebolegat LM Ericsson, Fortis Inc., Alphabet Inc. (the parent company of Google) and Newmont Mining Corp.

- We added Fund positions in Bank of America Corp. and Industrial Alliance Insurance and Financial Services Inc., which we believe offer better upside potential compared with some other financial holdings that we sold down during the quarter. The Fund's overall weight in financial equities was slightly reduced during the quarter.

- We added a Fund position in Total S.A., one of the world's largest integrated oil companies. We expect Total to generate production growth in the mid-teens over the next two years. The company's stock trades near the bottom end of its historical valuation on several important metrics and pays a very healthy 5% dividend. We are also constructive on oil prices due to members of the Organization of the Petroleum Exporting Countries (better known by its acronym, OPEC) maintaining their supply discipline and an expectation of more modest production growth of shale oil from the Permian Basin in southwestern U.S.

- We lowered our position in Sony during the quarter, which is explained in the *Detractors from Performance* section above.

Outlook

- The powerful rally in global government bond prices in March pushed long-term bonds yields below short-term bond yields – a so-called inversion of the term structure (or curve) of bond yields. This development was attributable to Fed policy changes and soft economic data. This extreme circumstance has prompted comparisons of global bond markets to Japan where structurally low interest rates have been unable to stimulate inflation. Signature Global Asset Management's view is that lower yields will serve as a stabilizing force to growth rather than a precipitator of a deflationary contraction, which is the prevailing view in the bond market. Barring an external shock, our view is a recession is unlikely in the short term.

- Lyft, Inc.'s initial public offering (IPO) at the end of March began what we expect to be a flurry of global technology IPOs being brought to the market in the second quarter of 2019, including from Uber Technologies Inc., Palantir Technologies Inc. and Slack Technologies, Inc. Many of these "unicorn" deals will test the market's appetite to sponsor extremely fast-growing, but as yet unprofitable, business models. The overall technological wave is sweeping across a broad set of sectors and is having a hugely disruptive impact on traditional businesses. Large sectors such as automotive and finance, to name a few, will need to adapt quickly or otherwise be swept aside by the speed and ferocity of these changes.

- After the significant rally this quarter, we believe valuations in both equity and credit markets are at fair levels. We believe low interest rates and low growth are set to extend well into the future, resulting in modest returns from this point forward.

Class F returns (in %) as at March 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
Harbour Growth & Income Fund	5.4	-6.1	0.8	1.6	5.2

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Published May 2019.