SIGNATURE
GLOBAL ASSET MANAGEMENT™

Signature Core Bond Plus Fund
First Quarter 2019

Market Overview

- The U.S. Federal Reserve (the "Fed") pivoted abruptly on the direction of U.S. monetary policy in what became the defining action of the first quarter of 2019. In response to the financial market shocks in the fourth quarter of 2018, the Fed halted interest rate hikes indefinitely, averting a (potential) policy error. Furthermore, the Fed is ending earlier its balance sheet reduction, and has brought renewed focus on correcting for past inflation shortfalls. Markets responded with a risk rally that recaptured the highs of October 2018.

- In spite of the credit and equity rally, government bond yields made substantial new lows as anticipated hikes in interest rates were repriced into interest rate cuts and recession fears emerged in response to weak growth data primarily in Japan and Europe. The lack of room for policy support sparked concern as the European Central Bank postponed its plans to return rates to zero from negative territory.

- Prospects for interest rate cuts from the Bank of Canada took root in market pricing for the first time since 2016 amid lingering risks of renewed trade tensions and concerns of a global economic slowdown, to which Canada would not be immune.

- Chinese stimulus progressed in measured fashion at the meeting in March of the country's National People's Congress where tax cuts and fiscal spending were announced, while further Chinese tariffs were postponed by the Trump administration and meaningful negotiations appear to be progressing. Such outcomes helped ease concerns about a potential hard landing of the Chinese economy that would exacerbate a global economic downturn.

Performance Summary

- Over the first quarter of 2019, Class F of Signature Core Bond Plus Fund (the "Fund") returned 4.3%, outperforming its benchmark, the FTSE Canada Universe Bond Index, which returned 3.9% over the same period.

- The total return outcome of the Fund's portfolio was primarily driven by a significant decline in Canadian and U.S. interest rates, with further gains coming from a narrowing of corporate and government credit spreads.

- Relative to its benchmark, the Fund's exposures to the corporate credit and emerging market government bonds were the most significant contributors to its performance, while Canadian government credit and duration positioning were the main detractors.

- Overweight exposures to the high-yield and the investment-grade corporate credit sectors were accretive for the Fund's active return during this quarter. U.S.-dollar emerging market government bond holdings also added to active return as the spread on the J.P. Morgan Emerging Market Bond Index tightened by 62 basis points (bps) within the same time-frame.

- An underweight exposure to government credit reduced the Fund's active return as spreads narrowed in this sector by 10-14 bps across the curve over the quarter. Duration and yield curve positioning also decreased active return as the negative impact of our underweight positions in U.S. duration relative to Canadian duration outweighed the positive influence of our overweight duration position in Canadian bonds maturing over seven to 10 years relative to longer maturities. The Government of Canada 10-year bond yield fell about 35 bps over the quarter, outperforming its U.S. counterpart by 7 bps, while the 10-year to 30-year segment of the yield curve steepened by 6 bps in the same time-frame.

Portfolio Activity and Positioning

- The Fund portfolio's duration is slightly lower than its benchmark's, featuring an overweight position in the seven- to 10-year portion of the yield curve and an underweight position in the 20-year portion of the yield curve.

- In the spread product domain, the Fund's portfolio is overweight in preferred shares, U.S.-dollar emerging market government debt, high-yield and investment-grade corporate credit, and underweight in Canadian government credit.

- During the quarter, we added to our yield curve steepening exposure by selling duration-equivalent quantities of 30-year bonds in favour of 10-year bonds. Our concern was that evidence of economic slowdown domestically and abroad would accumulate and drive the market toward expectations of interest rate cuts from the Bank of Canada.

- In addition, we reduced our underweight position in government credit and increased overweight exposure to high-yield and investment-grade corporate credit as the idling of policy interest rates among major central banks provided a more supportive environment for

credit spreads in the absence of substantial further deterioration in the global economic outlook.

Outlook

- During the quarter, the powerful rally in global government bond prices briefly pushed U.S. long-term bond yields below short-term bond yields – a so-called inversion of the yield curve. 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. Over the near term, however, we believe lower yields should serve as a stabilizing force for growth rather than a precipitator of a deflationary contraction.

- Given the near-zero interest rate starting point, policy-makers and politicians are promoting fiscal tools to counter future downturns. We anticipate low interest rates and low growth to persist, resulting in lower returns across many asset classes.

- The rise of populism, far from fading away, is becoming the norm globally. Populist policies tend to be protectionist, rely on increased fiscal spending and lean on currency markets as an element of national competitiveness. This trend is disruptive to markets in the short term, but the long-term effects may defy historical norms. While populist policies have typically resulted in meaningfully higher inflation in the past, secular disinflationary forces currently in play – including demographic trends, technological change and record-high negative yielding debt – may challenge that narrative.

Class F returns (in %) as at March 31, 2019	Year-to-date	1 year	3 year	5 year	Since inception (12/21/2015)
Signature Core Bond Plus Fund	4.3	4.0	1.8	N/A	2.1

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