Market Commentary
First-Quarter 2019

Synergy American Corporate Class

Market Overview

- Our late cycle roadmap continues to play out. Data continues to decelerate in the U.S. and is negative in parts of the rest of the world. Global industrial production has decelerated and global trade volumes have fallen to levels usually seen only during recessions. The global Purchasing Managers' Index numbers are decelerating and approaching the key level of 50, which would represent a contraction of an economy. The post-U.S. election surge in optimism is waning. Despite all of this, markets have recovered significantly in the first quarter of 2019 from the previous quarter.

- Much of the market lift is attributable to the complete reversal in U.S. Federal Reserve (the "Fed") monetary policy where the Fed has paused on its path to tighten money supply. We are now faced with a much more dovish central bank than anticipated. The typical reaction seen following a Fed pause has played itself out, though admittedly, this has been a more defensive rally than typically witnessed, with investment vehicles that are interest rate sensitive, lower volatility and secular growers still showing high valuations.

- Sources of fuel left for the economy seem limited. Margins have peaked for the cycle, credit conditions are tightening and earnings outlooks appear optimistic. The negative implications of past interest rate hikes are likely to still filter their way through the economy, causing the slowdown that we anticipate.

- In the months ahead, debate will intensify about the potential for the economy to dip into recession.

Performance Summary

- For the first quarter of 2019, Class F of Synergy American Corporate Class (the "Fund") returned 12.0%, outperforming the 11.2% return (in Canadian-dollar terms) of its benchmark, the S&P 500 Index, over the same period.

Contributors to and Detractors from Performance

- The Fund's underweight position in the consumer staples sector and overweight position in the industrials sector added to the Fund's relative performance versus its benchmark. Top-performing Fund holdings were Chipotle Mexican Grill, Inc. and The Progressive Corp.

- The Fund's underweight position in the information technology sector and overweight position in the health care sector detracted from the Fund's relative performance versus the benchmark. The largest individual detractors from Fund performance were Fund holdings in Facebook, Inc. and Exxon Mobil Corp.

Outlook

- The recent observation of an inverted yield curve for bonds has put investors on alert that the risk of a recession risk is heightened. From our perspective, there is nuance around the pace at which interest rates are declining. While there are similarities to the 2001 and 2007 experiences for the yield curve, the next three to six months should provide further evidence as to whether a recession is imminent. In the interim, tactical opportunities for Fund investment on more cyclical themes should present themselves.

Class F returns (in %) as at March 31, 2019	Year-to-date	1 year	3 year	5 year	10 year
Synergy American Corporate Class	12.0	11.8	12.3	11.2	12.9

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