

Market Commentary

First-Quarter 2019



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Synergy Global Corporate Class

Market Overview

- The global equity market rebounded sharply from the swoon in the fourth quarter of 2018, posting the best start to a year since the turn of the century. One by one, the worries that had driven the markets lower started to dissipate. First, the U.S. Federal Reserve (the “Fed”) reversed course by halting its interest rate hiking cycle, removing concerns about a policy mistake. Then, the stalled U.S.-China trade talks started to regain some traction. And lastly, the European Central Bank signalled it is on alert to prevent further weakness in the European economy.
- Most investors, both retail and institutional, were caught off guard by the swift change in monetary policy, and there continues to be some disbelief in the markets, as evident by the continuing outflows in the equities market. While general economic data continues to be on the weaker side, it appears to have at least stabilized, especially in Europe and China. However, business investment remains low and sentiment remains weak. For the market to re-rate further, we need a positive conclusion to the U.S.-China trade negotiations and a finalization of the Brexit talks.

Performance Summary

- Over the first quarter of 2019, Class F of Synergy Global Corporate Class (the “Fund”) returned 10.4%, slightly outperforming the 10.0% return (in Canadian-dollar terms) of its benchmark, the MSCI World Index, over the same period.

Contributors to and Detractors from Performance

- The Fund’s underweight position in the financials sector and overweight position in the real estate sector added to the Fund’s relative performance versus the benchmark. Top-performing Fund holdings were Chipotle Mexican Grill, Inc. and B&M European Value Retail S.A.
- 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 Plus500 Ltd. and Facebook, Inc.

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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 Global Corporate Class	10.4	3.1	8.7	8.4	11.2

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