

Market Commentary

Second Quarter 2019



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Synergy Global Corporate Class

Market Overview

- Monetary policies and U.S.-China trade negotiations were the two major, yet opposite, drivers of equity performance in the second quarter of 2019. In May, as the prospect of an imminent U.S.-China trade deal faded, so did equity markets. However, anxious investors were calmed by both the European Central Bank and U.S. Federal Reserve (the “Fed”) signalling a change to a more cautious stance on interest rates and toward a monetary-easing bias.
- The lower yield resulting from the central bank actions was an opportunity for the defensive and secure dividend-paying sectors, such as utilities, real estate and health care. Conversely, it was challenging for the financials sector, particularly banks that are negatively impacted by lower interest rates.
- China-related stocks were volatile over the quarter and remained generally down for the period. The Chinese government’s targeted stimulus program was not enough to lift investor sentiment or meaningfully impact general economic conditions.

Performance Summary

- For the second quarter of 2019, Class F of Synergy Global Corporate Class (the “Fund”) returned 2.4%, outperforming the 1.7% return (in Canadian-dollar terms) of its benchmark, the MSCI World Index, over the same period.
- Outperformance relative to the benchmark is primarily attributed to the Fund’s material underweight positions in the energy and consumer staples sectors.

Contributors to Performance

- Tableau Software, Inc. is a data visualization platform company that transforms large chunks of data into easy-to-digest graphics. On June 11, 2019, the company was acquired by Salesforce.com, Inc. in an all-stock transaction valued at US\$15.3 billion (a 42% premium), creating the No. 1 player in customer relationship management software with a leading analytics platform.

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- HEICO Corp. derives strong organic growth from aviation aftermarket parts and couples this with merger-and-acquisition to produce consistent double-digit top-line growth. The company is a leader in parts manufacturer approvals (PMAs), which are non-original equipment manufacturer (OEM) replacement parts for aircrafts and engines that are approved by the Federal Aviation Administration. HEICO is the global leader in PMAs, which are valued given their approximately 30% price discount relative to OEM replacement parts. With PMA penetration at approximately 4% of the maintenance, repair and overhaul industry, we expect many more solid quarters ahead. On May 29, the company reported solid results, including 17% organic growth, its best growth rate since 2011. Management noted that they were seeing the best industry conditions in their 29 years in the business.

Detractors from Performance

- The key individual detractors from Fund performance over the quarter were SailPoint Technologies Holdings, Inc. and Agilent Technologies, Inc.

Portfolio Activity

- During the quarter, we increased the Fund's weight in technology, especially secular growers that are less impacted by an economic slowdown.
- The Fund continues to be underweight in cyclical stocks given the uncertainty over U.S.-China trade.

Outlook

- Most macroeconomic data suggests a continuing slowdown in the global economy, as corporate investment and decisions, and consumer purchases are delayed given the uncertainty around trade.
- In Europe, investments are affected by other country-specific issues: Brexit has been pushed out with no certainty on timing or outcome, Italy continues to challenge the rigidity of European Union fiscal limits and Japan is rapidly approaching the October 2019 deadline for its consumption tax to increase.

Class F returns (in %) as at June 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (11/30/2000)
Synergy Global Corporate Class	13.0	3.2	10.0	8.6	10.8	4.5

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Sources: Bloomberg L.P. and Picton Mahoney Asset Management, as at June 30, 2019.

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