Market Commentary
Second Quarter 2019

PICTON MAHONEY Asset Management

Synergy Canadian Corporate Class

Performance Summary

- For the second quarter of 2019, Class F of Synergy Canadian Corporate Class (the "Fund") returned 2.7%, slightly outperforming the 2.6% return (in Canadian-dollar terms) of its benchmark, the S&P/TSX Composite Total Return Index, over the same period.

- Outperformance relative to the benchmark is primarily attributed to the Fund's material overweight position in the information technology sector and being underweight in the energy sector.

Contributors to Performance

- Air Canada reported strong quarterly results as the company continues to execute on its strategy. Over the past few years, Air Canada's fleet restructuring plan and reconfiguration has reduced per-unit costs. The internalization of its loyalty program has led to margin expansion. In addition, two announced merger-and-acquisition transactions within the Canadian airline industry should lead to improved industry dynamics, including more disciplined pricing and capacity rationalization.

- Champion Iron Ltd. is a Canada-based iron ore company operating the Bloom Lake mine in northern Quebec. Champion Iron's management team has created significant shareholder value by acquiring the Bloom Lake mine at the bottom of the iron ore price cycle and with key infrastructure and installations intact. Champion Iron generates significant free cash flow at spot prices, allowing it to internally fund an expansion project at the mine.

Detractors from Performance

- First Quantum Minerals Ltd. is a global mining company that focuses on copper. The company is ramping up production on a new greenfield project in Panama and announced the project's first concentrate was shipped in June. During the quarter, the company's shares were pressured due to global growth concerns that weighed on commodity prices.

Portfolio Activity

- CCL Industries Inc. is a global specialty packing company. We added CCL Industries to the Fund during the period as we expect the company's earnings growth to build, driven by improved margins due to

lower resin costs and solid organic growth trends. In addition, the company has a solid balance sheet that provides capacity for accretive acquisitions.

- Nutrien Ltd. is the world's largest provider of crop nutrients, inputs and services. We exited the Fund's position in Nutrien as the positive changes we expected within the company have peaked since its merger with Potash Corporation of Saskatchewan Inc. Nutrien has sold assets, delivered synergies and bought back shares. Looking forward, the outlook for fertilizer pricing and volumes is less constructive given shorter-term issues with wet weather impacting planting season. Over the longer term, there are concerns about potash pricing given excess supply.

Outlook

- During the second quarter of 2019, equity markets shifted expectations from a U.S. Federal Reserve (the "Fed") that would hold interest rates steady to possibly three rate cuts this year.

- The Fed has not countered these extremely dovish expectations; thus, risk assets continued to rally as U.S. Treasury yields fell, while the U.S. dollar retreated.

- Over the next several months, our probability-weighted base case expects the following: 1) macroeconomic and earnings data will continue to disappoint; 2) cyclical sectors and themes will remain under pressure and drag equity markets lower; and 3) market declines will be limited to low double-digits, setting the stage for a rally into the 2020 U.S. presidential election.

- Since the 1980s, the Fed has not cut interest rates while corporate credit spreads remain relatively behaved, equity markets are close to highs and economic data is not deteriorating dramatically. A pre-emptive cut would be unprecedented. So, too, would the decision not to cut interest rates, as it would disregard market expectations, which have been firmly priced-in of late.

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 Canadian Corporate Class	14.1	1.8	8.4	4.7	8.6	6.4

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

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