SIGNATURE
GLOBAL ASSET MANAGEMENT™

Signature High Income Fund
Second Quarter 2019

Performance Summary

- Over the second quarter of 2019, Class F of Signature High Income Fund (the "Fund") returned 2.4% while its blended benchmark (40% ICE BofAML US High Yield Total Return Index, 20% MSCI World Core Infrastructure Total Return Index, 20% MSCI World Real Estate Total Return Index and 20% S&P/TSX Composite High Dividend Total Return Index) was up 0.3% over the same period.

- The Fund's outperformance relative to its benchmark was primarily the result of security selection. The 60% hedge on 62% of the Fund that is in U.S.-dollar positions partially offset the 2.6% appreciation of the Canadian dollar over the quarter.

Contributors to Performance

- Transurban Group, an Australian toll-road operator, was a top contributor to Fund performance over the quarter due to solid first-quarter 2019 road-traffic results. The company was also supported by the macroeconomic environment in Australia, where there was some stabilizing of underlying economic factors and where the 10-year bond fell by approximately 90 basis points (bps), providing a bid for the high-quality and long-duration cash flows that Transurban Group offers.

- Prologis, Inc., an industrial real estate investment trust (REIT) focused on global logistics real estate across 19 countries, has continued to benefit from strong demand/supply dynamics. In the first quarter of 2019, Prologis revised its 2019 earnings guidance higher. Revisions included a 50-bp increase to year-end occupancy, a 40-bp increase to cash same-store net-operating-income growth expectations to 4.6% at the midpoint and a US$400-million increase to expected net investment volume. This was funded by modest leverage and free cash flow – all of which served to buoy the company's unit-price performance.

- American Homes 4 Rent, LLC, a single-family rental REIT concentrated in the Sun Belt and Midwest U.S. markets, delivered clean and healthy first-quarter 2019 operating and financial results with no negative surprises. Higher occupancy and rental rates buoyed top-line growth in the quarter, while declines in repairs and maintenance, and turnover costs eased expense growth. Higher portfolio occupancy rates position the company well for continued rental-rate growth momentum going into the peak leasing season.

Detractors from Performance

- Kinder Morgan Canada Ltd., an energy infrastructure company that owns and operates pipelines and terminals in Canada, detracted from Fund performance due to the fall in its share price over the quarter. The decline followed its strategic review, which many market participants expected to end in a sale of the company at a premium price. We exited the Fund's position in Kinder Morgan Canada as we believe the company's valuation does not reflect its significant challenges and subscale business footprint on its own.

- Tricon Capital Group Inc., an asset management company focused on North American residential real estate, announced in April 2019 its acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, which consists of 23 primarily garden-style apartment complexes located in suburban U.S. Sun Belt neighbourhoods. The acquisition was funded by issuing Tricon Capital Group shares to Starlight unitholders and assuming Starlight's existing debt. While the acquisition aligns with Tricon Capital Group's U.S. middle-market rental focus, it falls outside of the company's single-family rental vertical, results in modestly higher leverage and the potential for shareholder rotation as lock-up periods expire. All these factors detracted from the company's share-price performance despite healthy first-quarter 2019 operating and financial results.

- The Williams Companies, Inc., a U.S. midstream natural gas company, detracted from Fund performance due to larger questions about energy markets and a weakening U.S. natural gas price. There are also concerns that low prices could impact the credit quality of the company's counterparties or the growth trajectory in the company's key northeast U.S. footprint.

Portfolio Activity

- We added a Fund position in Keyera Corp. bonds (6.875% fixed-floating hybrid bonds due 2079), which are rated BB+ by the Standard & Poor's credit rating agency. Keyera is an integrated Canadian midstream energy services company with 70% of its revenues generated on a fee-for-service basis. The company's new bond issue along with internally generated cash flow will fund growth projects already underway.

- We exited from the Fund's position in long-time holding Vail Resorts Inc. as we believe the traditional skier is tapped out on further price increases at ski resorts, and thus the outsized margin improvements of the past should slow.

Outlook

- We believe the pivot by central banks globally to a more accommodative policy on interest rates supports credit creation and, by extension, economic growth, so long as the credit impulse remains positive (i.e., the willingness to borrow to invest has not been neutralized by deteriorating economic fundamentals). While continued trade tensions warrant caution, we remain confident the carry trade lives globally and in massive size, as savings rates remain high and demand surpasses supply in credit and bond proxies, such as real estate and infrastructure. "Coupon-clipping" returns from here are our base case.

Class F returns (in %) as at June 30, 2019	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**	**Since inception (12/18/2001)**
Signature High Income Fund	12.2	7.8	5.8	4.0	8.6	8.6

Sources: Bloomberg L.P., Morningstar Direct and Signature Global Asset Management as at June 30, 2019.

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