Market Commentary
Fourth Quarter 2017

Signature Emerging Markets Fund

Emerging market equities rallied by 37.5% in 2017 in U.S. dollar terms, easily outperforming developed market equities (+23%) for a second consecutive year. Even though performance was led by the technology sector (up 59% during 2017), an improving global macro backdrop provided the necessary setting to convince investors to deploy more money into cyclical assets, including emerging market bonds and equities. As a result, 2017 saw a record inflow into emerging market bonds and for emerging market equities, 2017 became the second-strongest year of inflows ever recorded (only 2010 attracted more equity flows). Taken together, emerging market assets not only recorded stellar returns, they also saw the strongest annual inflows on record.

The rally in emerging market equities was supported by the Russian and Brazilian economies coming out of recession, China's economy surprising on the upside of growth expectations, and firm commodity prices. Despite increased geopolitical tension on the Korean peninsula, uncertainty about the future of South Africa's ruling party, a surprisingly aggressive reform agenda in Saudi Arabia, an ongoing investigation into Russia's meddling in the U.S. presidential election and Venezuela defaulting, political risks couldn't derail the positive sentiment toward emerging markets. Even the gradual tightening of monetary policy in the U.S. didn't dent the attractiveness of emerging market assets. Positive momentum in economic growth, earnings and investment sentiment far outweighed the downside risks in 2017.

The positive backdrop of 2017 is expected to continue in 2018, although emerging market equities will most likely underperform 2017. For 2018, equity returns of 8%-12% are expected given the overall economic growth and earnings outlook.

The technology and banking sectors should do well, although rising valuations may present a key risk for the former. The banking sector will benefit from normalization in the global rates structure as moderate inflation returns to the U.S. and many emerging markets.

We continue to prefer Asia over other emerging market regions given still-strong overall growth, muted inflation, a growing middle class and significant savings. Despite obvious political and geopolitical risks in Asia, the probability of these risks materializing is significantly lower compared with the risks in the Middle East, Eastern Europe (Turkey), Africa (South Africa) and Latin America (Mexico, Peru and Brazil). Globally, U.S. interest rate policy under the new Fed chair, a stronger U.S. dollar, declining commodity prices (the latter most likely driven by an unexpected slowdown in the Chinese economy) and trade protection pose some of the bigger global risks to an otherwise

constructive outlook for 2018. We enter the year positioned for another encouraging year in emerging market equities.

Class F Returns (in %) as at December 31, 2017	Year-to-date	1 year	3 year	5 year	10 year
Signature Emerging Markets Fund	30.1	30.1	10.1	7.9	3.0

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