

Market Commentary

Third Quarter 2018



Signature Global Technology Corporate Class

The technology sector had an outstanding performance in the first six months of 2018 as innovation continued at an unprecedented pace. Artificial intelligence (AI) passed a milestone when Google demonstrated a conversation initiated by a machine that was indistinguishable from a human. We continue to witness the ongoing digital transformation of all global industries and thus we continue to be enthusiastic on our long-term thesis.

The tone of the market, however, changed after June. This was due to two factors: one was trade war concerns with China. The second factor was a slowdown in the demand for semiconductors. Higher inventory levels, reduced cloud spending, and ramifications of fewer chips from Intel because of yield issues have all been cited as potential causes for an industry slowdown.

Accordingly, we grew increasingly concerned on sector fundamentals for the back half of the year and reduced exposures to certain sectors, raising the fund's cash level. We also reduced our weight in some smaller Chinese Internet companies when the stocks appreciated past our target price levels.

Volatility has resurfaced for high-growth investments due to these negatives such as higher relative valuations and macroeconomic concerns related to a rising rate environment. This is problematic for some of our investments. We will need to manage market volatility and adjust our exposures accordingly in the coming quarters.

On a positive note, we continue to believe that corporate spending on IT solutions will remain high for this year and will largely continue into next year as companies spend on the digital transformation of their businesses.

The question is the duration of this market turbulence: will volatility subside with the passing of U.S. mid-term elections or will it persist longer and require the resolution of existing trade disputes?

| Class F Returns (in %) as at September 30, 2018 | Year-to-date | 1 year | 3 year | 5 year | 10 year |
|--|---------------------|---------------|---------------|---------------|----------------|
| Signature Global Technology Corporate Class | 22.2 | 29.1 | 25.0 | 23.8 | 21.2 |

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GLOBAL ASSET MANAGEMENT™

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