Market Commentary
Third Quarter 2017

Signature Select Canadian Fund

The S&P/TSX Composite Index remained relatively weak in global terms during the third quarter, despite some minor improvement. Overall, energy performed best thanks to a recovery in oil prices. However this improvement was somewhat muted, suggesting investors have less confidence in the sustainability of oil prices. Consumer discretionary, meanwhile, performed well. Financials, dominated by the banking sector, recovered strongly in September after a weak showing over the previous two quarters. The lull in the rise of the Canadian dollar, followed by a small decline, helped these sectors.

The fund rose 5.0% in the third quarter, boosted by the performance of information technology and energy. Information technology was once again led by Alibaba, the largest e-commerce platform in China that climbed to new all-time highs. Shopify, the cloud-based e-commerce platform headquartered in Ottawa, also performed well. Energy contributed to the portfolio thanks to several strong stock picks such as Cenovus Energy and Canadian Natural Resources. Consumer discretionary detracted from performance with companies like Sony weighing on the sector.

A number of sectors, such as industrials, materials and energy, remain well positioned for the continued global economic recovery. However, these sectors are heavily influenced by the Canadian dollar: a higher loonie depresses Canadian dollar returns globally and makes sectors such as energy, already undermined by low oil prices, less competitive versus U.S. shale plays. While the Bank of Canada is on hold awaiting further economic data, we are mindful that should the Canadian economy continue to power ahead, the likelihood of higher interest rates and therefore a higher Canadian dollar increases.

We are less bullish than in past cycles on energy and materials. Energy is more challenged in a low oil price world where we believe a barrel may have difficulty rising above US$60. Materials and metals in particular are of interest despite less demand from China, historically a vast consumer of raw materials and commodities. That doesn’t preclude emerging markets taking up some of the demand as their economies improve.

We generally remain bullish on risky assets and equities in particular. We added to materials and energy, which now have a neutral weighting in the portfolio. Both sectors could be expanded within the portfolio in the event of a market pull back.

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Class A Returns (in %) as at September 30, 2017	Year-to-date	1 year	3 year	5 year	10 year
Signature Select Canadian Fund	9.2	15.8	6.9	10.3	5.0