Market Commentary
Fourth Quarter 2017

SIGNATURE GLOBAL ASSET MANAGEMENT™

Signature Select Canadian Fund

The S&P/TSX Composite Index underperformed most international stock markets in the fourth quarter, although many public companies benefited from global economic acceleration. The Canadian banking sector was the largest contributor to quarterly and annual performance for the index. Metals and mining stocks, as well as railroads were also strong performers into year end. The financials sector (of which banks represent the largest component) was responsible for almost half of the index's performance in both the quarter and the year.

The Canadian dollar fell in October, stabilized and proceeded to rise again into year end. Canada's key economic data continued to impress by their surprising strength. Unemployment is at the lowest level since the 1970s.

Signature Select Canadian Fund performed well in the quarter. Financials and consumer discretionary were the largest contributors to the fund. In financials, our long-term holding in Synchrony, formerly part of GE Capital, was the biggest contributor as was Wells Fargo. In Canada, both TD and Royal Bank contributed strongly. In Consumer discretionary, contributors included Canada Goose, the apparel maker of winter jackets, and Sony.

Outlook

The outlook for Canada is positive – consistent with the global outlook. As Canada's economy powers ahead, it's increasingly likely that interest rates and the Canadian dollar may rise. Markets expect the Bank of Canada to raise rates twice in 2018. Oil prices are also recovering, which is positive for the loonie. Despite the positive backdrop in the short term, some major headwinds may develop as we move into the tail end of this economic cycle.

Higher interest rates represent one of the risks to Canada's economy given the high level of consumer debt. Higher rates will eventually slow the economy and may impact asset prices, including property (particularly the housing bubble in Toronto and Vancouver). In addition, the government is implementing stress tests for new mortgage loans which will limit the availability of new loans, thus lowering demand. Meanwhile, minimum wages have been raised in many provinces, notably Ontario, with unknown consequences for small and large businesses. Some businesses may limit future hiring and others might be forced to lay off employees. It is also possible that higher wages will be passed along to consumers via higher prices which would contribute to higher inflation and place additional pressure on the Bank of Canada to raise rates.

Volatility is expected to return to markets in 2018 as monetary policy globally moves towards normalization (higher interest rates). Currently, economies and markets can absorb these increases

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– as Canada did in 2017 when the Bank of Canada raised rates twice. But as time passes and rates continue to rise, the desired impact will eventually kick in and slow economic activity. We continue to monitor the situation closely.

We remain generally bullish on risky assets and equities in particular. For the first time since the financial crisis, we have a larger exposure (versus the benchmark) to Canadian life insurers than to Canadian banks.

Class F Returns (in %) as at December 31, 2017	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**
Signature Select Canadian Fund	17.1	17.1	9.8	12.5	7.0