Signature Global Infrastructure Fund
First Quarter 2020

Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2009-06-22)
Signature Global Infrastructure Fund*	-15.6	-6.3	3.2	3.1	9.3	10.8

*Formerly Sentry Global Infrastructure Fund
Sources: Bloomberg Finance L.P., Signature Global Asset Management, as at March 31, 2020.

Performance Summary

- In the first quarter of 2020, Class F of Signature Global Infrastructure Fund (the Fund) returned -15.6% compared with a -22.3% return for its benchmark, the S&P Global Infrastructure Total Return Index, over the same period.

- The month of March was extremely negative due to the onset of the COVID-19 pandemic and its consequences on energy consumption and transportation movements. In particular, the Fund has suffered from the underperformance of energy and utilities exposed to Alberta, airports, and heavy impact from currency factors given the Fund's overweight position in Canada (in general, the Canadian dollar fell against other currencies, which mitigated security price declines from those countries).

- By sector, telecommunications and towers performed well in March as a defensive option, as well as optimism for data centre growth from increased work-from-home demands. Our valuation-based underweight hurt performance as this sector held up despite its higher multiples. Utilities were relatively resilient, but a Canadian (including Alberta) overweight to the sector dragged on relative performance. The two cyclical sectors within infrastructure, energy and transportation, were particularly challenged.

Contributors to Performance

- **Tokyo Gas Co. Ltd. –** Tokyo Gas outperformed the Nikkei 225 Index by over 16% and outperformed the MSCI World Utilities Index by around 11% in the first quarter, thanks to relatively resilient gas demand in Japan. Unlike electricity load, noticeable effects from COVID-19 have yet to emerge on Japan's domestic gas consumption in the quarter. As a result, Tokyo Gas also outperformed its Japanese peers by 2%. Moreover, lower crude oil prices are pushing down long-term liquefied natural gas contract prices, which have not been fully reflected on city gas prices yet. Therefore, the market expects Tokyo Gas to temporarily benefit from this price difference.

- **SBA Communications Corp.** – The company outperformed due to its resilient business model, its strong contractual counterparties (large American telecommunication companies principally), and expectations that data growth would continue to drive earnings and cash flow growth. The decline in interest rates also increased the valuation of future cash flows from this long-term business.

- Other contributors: Equinix Inc., American Tower Corp., Royal Vopak, Nextera Energy Inc.

Detractors from Performance

- **Plains GP Holdings LP** – The company's performance dragged as investors grew concerned about energy markets in general and growth in the U.S. in particular. We see Plains as having a resilient business model, including a defensive oil storage terminal business (it holds the largest storage position at the Cushing hub) that provides defensive cash flows as the need for oil storage grows.

- **Cheniere Energy Inc.** – Cheniere trailed as the market grew concerned that low global prices for liquified natural gas would reduce earnings from its marketing business, limit growth, and perhaps induce existing contracted customers to seek to renegotiate their contracts. We believe Cheniere is trading well below the level of its contracted cash flows, let alone potential growth projects and marketing.

- Other detractors: Keyera Corp., Atlas Arteria Ltd., Transurban Group, The Williams Co. Inc., Aena S.A.

Portfolio Activity

- During the quarter, the main additions to the Fund were Emera Inc., Energia de Portugal SA, TransAlta Corp. and Pembina Pipeline Corp.

- The main subtractions were Union Pacific Corp., Enbridge Inc., Fortis Inc. and Fraport AG Frankfurt Airport Services Worldwide.

Outlook

- Our expectations for the remainder of 2020 are heavily influenced by the shape of the recovery from COVID-19.
- We believe that the measures to contain the virus are imposing an unprecedented economic shock. Economic and financial stresses will persist and rating downgrades will accelerate, but an initial bridge over the health crisis has been constructed. We expect that the fiscal bridge and related safety nets will be extended for as long as the epidemic runs. Looking ahead, we expect the toll of the virus to peak in April in developed markets but continue to mount in developing countries. The situation is uncertain but gradual and intermittent normalization of activity should resume in the summer aided by expanded testing and a suppression of the viral spread.
- Infrastructure will play a crucial role in the recovery and will be the cornerstone of the economic stimulus that we expect to be launched sometime in the next few quarters to revive global economies.
- We believe that highways will recover faster than airports, while railways will shadow the gross domestic product recovery. Air traffic is expected to have a slower recovery as airlines slowly bring back capacity and national borders may inhibit long-haul travel.
- Utilities will confirm their defensive role and are already discussing accelerating capital deployment to help economic recovery (e.g. Iberdrola). Multiples have temporarily de-rated but growth, resilience and stability will command a better valuation going forward.
- The energy sector has reached extremely low valuations and we believe that the companies on the infrastructure side of the sector are the best placed to benefit from the recovery with their strategic value posed for a comeback.
- Finally, telecommunications will continue to be a strong performer but with lower upside than the other sectors in our universe.

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