SIGNATURE
GLOBAL ASSET MANAGEMENT™

Signature Diversified Yield II Fund
Second Quarter 2019

Performance Summary

- Over the second quarter of 2019, Class F of Signature Diversified Yield II Fund (the "Fund") returned 2.6% while its blended benchmark (40% ICE BofAML US High Yield Total Return Index, 20% MSCI ACWI Global High Dividend Yield Total Return Index, 20% MSCI ACWI Infrastructure total Return Index and 20% MSCI World Real Estate Total Return Index) was up 0.2% over the same period.

- The 60% hedge on the 63% of the Fund in U.S.-dollar positions partially offset the 2.6% appreciation of the Canadian dollar over the quarter.

Contributors to Performance

- Aena SME, S.A., a Spain-based airports company, was a top contributor to Fund performance over the quarter due to a variety of factors, including a resolution of the Spanish election with a new government providing policy and regulatory stability for the airports sector. Additionally, the company reported solid first-quarter 2019 results and increased its forecast for passenger growth in 2019. We believe falling bond yields – particularly in Spain – produced a macroeconomic opportunity for the valuation of this dividend-paying company.

- American Homes 4 Rent, LLC, a single-family rental REIT concentrated in the Sun Belt and Midwest U.S. markets, delivered clean and healthy first-quarter 2019 operating and financial results with no negative surprises. Higher occupancy and rental rates buoyed top-line growth in the quarter, while declines in repairs and maintenance, and turnover costs eased expense growth. Higher portfolio occupancy rates position the company well for continued rental-rate growth momentum going into the peak leasing season.

Detractors from Performance

- Kinder Morgan Canada Ltd., an energy infrastructure company that owns and operates pipelines and terminals in Canada, detracted from Fund performance due to the fall in its share price over the quarter. The decline followed its strategic review, which many market participants expected to end in a sale of the company at a premium price. We exited the

Fund's position in Kinder Morgan Canada as we believe the company's valuation does not reflect its significant challenges and subscale business footprint on its own.

- Tricon Capital Group Inc., an asset management company focused on North American residential real estate, announced in April 2019 its acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, which consists of 23 primarily garden-style apartment complexes located in suburban U.S. Sun Belt neighbourhoods. The acquisition was funded by issuing Tricon Capital Group shares to Starlight unitholders and assuming Starlight's existing debt. While the acquisition aligns with Tricon Capital Group's U.S. middle-market rental focus, it falls outside of the company's single-family rental vertical, results in modestly higher leverage and the potential for shareholder rotation as lock-up periods expire. All these factors detracted from the company's share-price performance despite healthy first-quarter 2019 operating and financial results.

- The Williams Companies, Inc., a U.S. midstream natural gas company, detracted from Fund performance due to larger questions about energy markets and a weakening U.S. natural gas price. There are also concerns that low prices could impact the credit quality of the company's counterparties or the growth trajectory in the company's key northeast U.S. footprint.

Portfolio Activity

- We added a Fund position in Keyera Corp. bonds (6.875% fixed-floating hybrid bonds due 2079), which are rated BB+ by the Standard & Poor's credit rating agency. Keyera is an integrated Canadian midstream energy services company with 70% of its revenues generated on a fee-for-service basis. The company's new bond issue along with internally generated cash flow will fund growth projects already underway.

- We exited from the Fund's position in long-time holding Vail Resorts Inc. as we believe the traditional skier is tapped out on further price increases at ski resorts, and thus the outsized margin improvements of the past should slow.

Outlook

- The pivot by central banks globally to a more accommodative policy on interest rates supports credit creation and, by extension, economic growth, so long as the credit impulse remains positive (i.e., the willingness to borrow to invest has not been neutralized by deteriorating economic fundamentals). While continued trade tensions warrant caution, we

remain confident the carry trade lives globally and in massive size, as savings rates remain high and demand surpasses supply in credit and bond proxies, such as real estate and infrastructure. "Coupon-clipping" returns from here are our base case.

Class F returns (in %) as at June 30, 2019	Year-to-date	1 year	3 year	5 year	Since inception (2/14/2011)
Signature Diversified Yield II Fund	12.1	7.2	6.0	4.7	6.6

Sources: Bloomberg L.P., Morningstar Direct and Signature Global Asset Management as at June 30, 2019.

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