

## Signature Global Technology Corporate Class Second Quarter 2019 Commentary

### Performance Summary

- Over the second quarter of 2019, Class F of Signature Global Technology Corporate Class (the “Fund”) returned 2.3% compared with the 4.1% return for its benchmark, the MSCI All Country World Information Technology Total Return Index, over the same period.
- The Fund slightly underperformed its benchmark largely as a result of a high weighting in cash held in the Fund during the quarter. This was subsequently reduced.
- Stock selection during the period was a positive contributor to Fund performance, with several Fund holdings having solid returns in the quarter.

### Contributors to Performance

- During the quarter, the Fund had positive contributions from investment in companies in the internet, software and medical technology fields, including Lightspeed POS Inc., Okta Inc., Shopify Inc., SAP AG and Microsoft Corp.
- Chinese consumer-focused companies and semiconductor investments had a challenging quarter due to concerns related to the U.S.-China trade dispute.

### Detractors from Performance

- The Fund’s high level of cash during the quarter was a slight detractor from performance. We had raised cash in advance of a pending trade war between the United States and China, which subsequently happened. This led to a concern on fundamentals as visibility into the technology supply chain became poor and companies subsequently revealed weak outlooks given the uncertainty. In June, we reduced the Fund’s cash weight as we believed the market had priced in the appropriate level of risk post the correction in May.

### Portfolio Activity

- We added several exciting companies that had initial public offerings during the quarter, including Zoom Video Communications, Inc.; PagerDuty, Inc.; and CrowdStrike Holdings, Inc.

on the information technology side and Silk Road Medical, Inc. and Adaptive Biotechnologies Corp. on the medical technology front.

- We also added to the Fund’s exposure to payment-processing firms with investments in Visa Inc., Mastercard Inc., Nexi S.p.A., Lightspeed POS and Galaxy Digital Holdings Ltd. in anticipation of exciting developments in the payment space and new cryptocurrency initiatives. We also added Qualcomm Inc. to the Fund’s portfolio at an attractive level post resolution of the company’s dispute with Apple Inc.
- In a defensive shift away from investments that would be negatively affected by a continuing U.S.-China trade dispute, some Fund holdings in companies in the semiconductor field and China-centric companies were sold.

## Outlook

- Technology equities rebounded in the first quarter of 2019 from a volatile end to 2018. However, during the second quarter of 2019, investors were concerned as trade tensions rose in May. Equities rebounded as a favourable interest rate backdrop led to a market rally in June. Also, by the close of June, trade war concerns subsequently faded given constructive announcements at the G20 Summit in Osaka, Japan. Regardless, fundamentals remain volatile in areas such as semiconductors as they were caught in the middle of the U.S.-China trade dispute and thus will have lower sales forecasts for the back half of the year. Regulatory risks have also risen as politicians react to data privacy and data breaches and are now calling for various antitrust reviews of existing internet giants.
- Despite these concerns, we continue to see many interesting investment opportunities centred around technology. Companies continue to transform into digital businesses on a global basis. While global spending on information technology is slowing slightly from its peak in 2018, it remains elevated on a relative historical basis, and we believe it remains a top priority for companies.

<b>Class F returns (in %) as at June 30, 2019</b>	<b>Year-to-date</b>	<b>1 year</b>	<b>3 year</b>	<b>5 year</b>	<b>10 year</b>	<b>Since inception (08/08/2000)</b>
Signature Global Technology Corporate Class	17.1	5.5	26.2	19.8	19.7	2.5



Sources: Bloomberg L.P.; MSCI Inc.; Sandford C. Bernstein & Co., LLC; and Signature Global Asset Management, as at June 30, 2019.

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