



GLOBAL EQUITY AND CUMBERLAND INTERNATIONAL FUND STRATEGIES

Fourth Quarter 2019

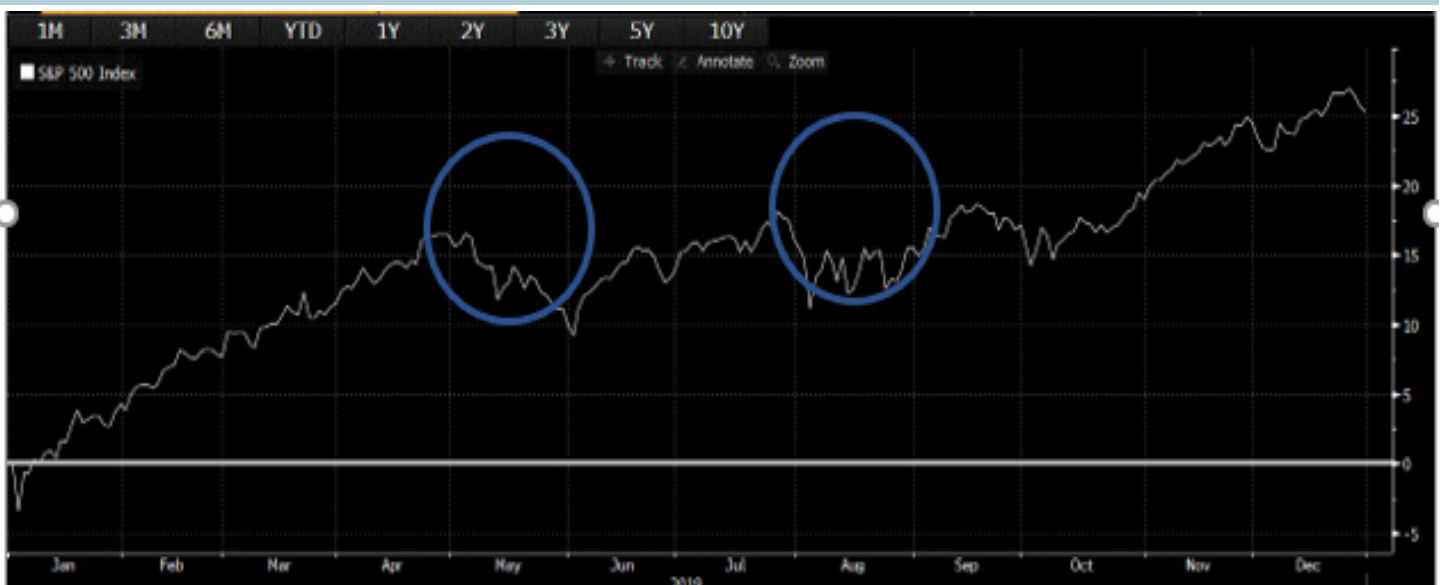
Introduction

Despite several periods of volatility experienced during the year, 2019 was a fantastic year for investors across most asset classes, sectors, and geographies. Our Cumberland Global and Cumberland International strategies performed very well in 2019, producing returns that significantly exceeded their benchmarks.

Market Review

The equity market experienced two short bouts of weakness in May and August in 2019, as you can see in the chart below. But overall, 2019 was a very strong year for global equity investors.

S&P 500 2019 Total Return (Cdn\$)

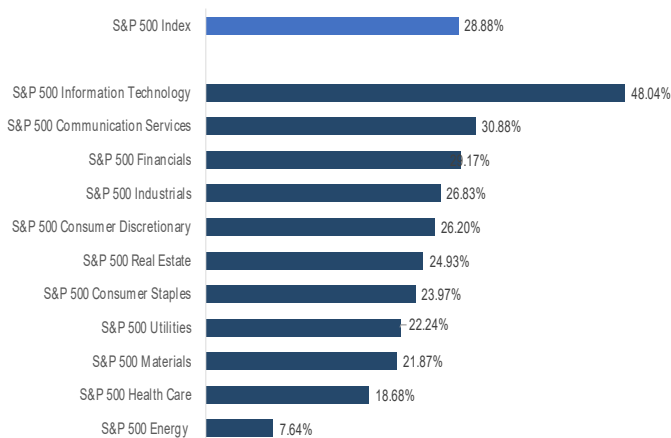


Source: Bloomberg



From a sector standpoint, gains were once again led by the more growth-oriented sectors such as Technology and Communication Services. However, Financial Services shares also performed well in 2019, due to a strong second half of the year, on the back of a steepening yield curve. Banks borrow money at short term interest rates (e.g. through deposits) and lend the money out at longer term interest rates (e.g. through mortgages). Therefore, banks typically become more profitable when longer term rates are higher than shorter term rates, which tends to fuel bank share price appreciation.

S&P 500 Index Sector Performance



Source: Bloomberg

Portfolio Review

The Cumberland Global Equity and Cumberland International Fund strategies performed very well in 2019, finishing the year significantly ahead of their benchmarks.

Investment returns in our portfolios were broadly distributed both by industry and geography in 2019. We enjoyed strong returns from sectors such as Technology (Taiwan Semiconductor, Microsoft), Industrials (DSV Panalpina, Sika), Consumer Discretionary (Louis Vuitton Moet Hennessey, Geberit), Financial Services (S&P Global, J.P. Morgan), and Healthcare (Coloplast). Our best performing stocks in 2019 had headquarters in countries such as the U.S., France, Switzerland, Denmark, and Germany (among others).

Outlook

With the beginning of each new calendar year, investors naturally look towards the year ahead. As good as 2019 was, this performance is now in the history books. We now must focus on the fundamentals for clues as to what might lie ahead in 2020.

After a such a good year in financial markets, investors often worry if the subsequent year will involve some sort of retracement, or weakness. Fortunately, based on historical data, investors may not need to worry. A strong year in the equity markets is often followed by a subsequent strong year. Since 1950, the S&P 500 has had a total annual return above 30% (in U.S. dollar terms) on 13 occasions. On average, the S&P 500 generated a return of 15% in the following year. In fact, there were only two negative years following a total return of over 30%, which were 1981 and 1990. Importantly, these negative years occurred because recessions began at mid-year in both cases.

More Happy Returns US stocks are poised to extend last year's gain

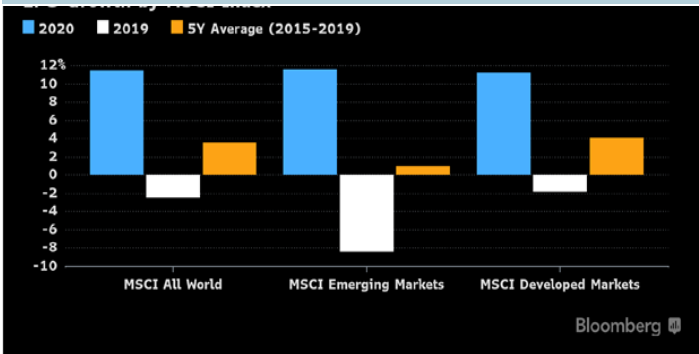


Source: Bloomberg

At this point in our outlook, we do not see strong signs of a recession in the year ahead. In fact, we expect attractive rates of global earnings growth in 2020, with analysts currently estimating over 10% earnings growth year over year in both developed and emerging markets.



EPS Growth by MSCI Index



Source: Bloomberg Intelligence

Global Real GDP growth estimates also look reasonably attractive, at roughly 2.5% for 2020. In addition, given where we are in the economic cycle and the current level of interest rates, we think equity market valuations remain reasonable.

We continue to favour high quality, conservatively managed, growth-oriented businesses that often have structural barriers to entry. We will also continue to emphasize more growth-oriented sectors (such as Technology and Communication Services) and geographic regions (such as the U.S., along with select opportunities in Europe and Asia) in 2020.

Overall, we continue to have a constructive, positive outlook for the global equity markets, and we wish you a very happy, healthy, and prosperous 2020.

Craig Millar

Lead Manager,

Cumberland* Global and International Equities

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