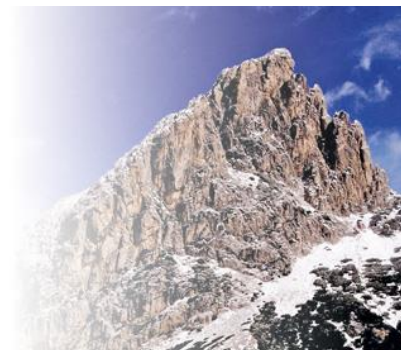


# Market Commentary

## Second Quarter 2019



### CI Global Value Fund

#### Market Overview

- Global stock markets have delivered robust gains thus far in 2019, outperforming all other asset classes. This strength continued during the second quarter of 2019 as dovish (i.e., cautious) commentary from central banks globally outweighed weak economic data and concerns over tariff disputes.
- Key asset-class developments during the quarter included aggressive declines in bond yields, continued yield curve inversion in major markets, rallying equity markets led by U.S. stocks, growth continuing to outperform value, disparate performance among commodities and a reduced pricing of risk as indicated by narrowing credit default swap spreads in most countries.

#### Performance Summary

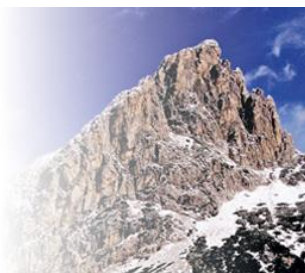
- Over the second quarter of 2019, Class F of CI Global Value Fund (the “Fund”) returned -0.3% while its benchmark, the MSCI World total Return Index, gained 1.7% (in Canadian-dollar terms) over the same period.
- Weighing on the Fund’s relative performance versus the benchmark were stock-specific factors in the health care, consumer discretionary and energy sectors.

#### Contributors to Performance

- Nintendo Co., Ltd. is a pioneer of home video games. Nintendo performed well during the quarter despite a very conservative forecast for operating income for the next fiscal year. Nintendo is expected to release a new version of the Switch portable gaming system later in 2019, which should help to expand its installed base ahead of a strong game-release schedule, which includes Pokémon.
- Qualcomm Inc. is the world’s seventh-largest semiconductor company by revenue. Shares of Qualcomm rose after the company settled its patent dispute with Apple Inc., its largest customer, due to its superior technology.

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### **Detractors from Performance**

- Baidu, Inc., a leading internet search provider in China, underperformed on disappointing quarterly earnings and guided to slowing revenue growth due to structural and cyclical factors. Although the online market is growing, structurally, search is losing share of total online advertising. This is likely to continue. Cyclically, Baidu was affected by slowing macroeconomics, government restrictions and increased advertising inventory that pushed down prices. We see these issues as transitory, and we believe Baidu has multiple, potential sources of value creation.
- Nordstrom, Inc., a luxury U.S.-based department store, continues to be pressured by changing retail dynamics. The company's first-quarter 2019 sales were hurt by an aggressive move to digital promotions, which lacked consumer acceptance. The company's management recalibrated, and results should improve from here on.

### **Portfolio Activity**

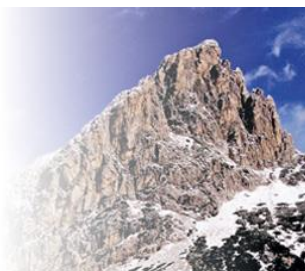
- We initiated eight new positions in the Fund during the quarter. Among them is Berkshire Hathaway Inc. Led by Warren Buffett, Berkshire Hathaway owns a diverse array of businesses in the manufacturing, financial and utilities fields, which generally operate with a combination of industry leadership, solid management and strong returns on invested capital. Despite this, Berkshire Hathaway's stock now trades near a 30% discount to our estimate of the sum of its parts. It is one of the largest discounts in its history. Management succession remains a risk, but Warren Buffett's next generation of leadership is made up of strong operators with excellent industry expertise, and the company's low portfolio turnover reduces the risk of a significant change in direction.
- During the quarter, we exited from four Fund positions. Among them was Qualcomm. This quarter, Qualcomm settled its licensing dispute with Apple Inc., its largest customer. We exited the position in Qualcomm when the company's stock reached our estimate of the company's intrinsic value, as we felt it reflected the company's leading technology position in a now mature smartphone market.

### **Outlook**

- Despite the decline in stock markets during the fourth quarter of 2018, the subsequent market rally has led to significant complacency among investors and market observers. Valuations are elevated, particularly for popular growth stocks.

# Market Commentary

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- Subdued capital expenditures suggest that corporations have been conservative in their outlooks and planning, but their appetite to borrow and increase leverage suggests confidence or complacency regarding macroeconomic indicators.

Class F returns (in %) as at June 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (08/08/2000)
CI Global Value Fund	6.9	3.4	9.0	8.9	9.8	4.4

Sources: Bloomberg L.P.; Morningstar Direct; and Altrinsic Global Advisors, LLC, as at June 30, 2019.

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*Published July 24, 2019.*