

CI International Equity Value Private Pool Second-quarter 2019 Commentary

Market Overview

- Global stock markets have delivered robust gains thus far in 2019, outperforming all other asset classes. This strength was aided during the second quarter of 2019 by dovish (i.e., cautious) commentary from central banks globally, which 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.

Fund Holdings

- Nintendo Co., Ltd., a pioneer of home video games; Baidu, Inc., a leading internet search provider in China; BT Group PLC, the only fixed-mobile operator based in the U.K.; THK Co., Ltd., the leading provider of linear motion controllers used in factory automation; and Hoya Corp., a global leader in optical glass manufacturing, were among the Fund's holdings during the quarter.

Portfolio Activity

- We initiated three new positions in the Fund during the quarter. Among these is THK, the leading provider of linear motion controllers that are used in factory automation. The company's stock has been hit by a combination of slowing global manufacturing, concerns about the impact of trade wars and worry about capacity additions by the industry. We believe these concerns are largely cyclical, and the THK's stock has fallen to a level that provides a compelling risk/reward profile.
- During the quarter, we exited from five Fund positions. Among them is Hoya, a global leader in optical glass manufacturing. Hoya was sold after exceeding our estimate of intrinsic value. Results in its life-care segment (eyeglass lenses) continue to be solid, while the information technology segment (for use in semiconductor research and development, and

manufacturing) is benefiting from a lack of competition in glass substrates. At these levels, Hoya discounts continued robust growth and above-peak margins.

Outlook

- Despite the decline 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.
- 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 macro complacency.

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

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