

Market Commentary

Second-Quarter 2019



CI International Value Fund

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.

Performance Summary

- Over the second quarter of 2019, Class F of CI International Value Fund (the “Fund”) returned 0.6% while its benchmark, the MSCI EAFE Total Return Index, was up 1.4% (in Canadian-dollar terms) over the same period.
- The Fund underperformed its benchmark due to stock-specific factors in the information technology, communication services and industrials 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.
- Aon PLC is a leading global insurance broker and consultant. The company is showing accelerating growth due to continued market share gains and better service offerings, which helped the company’s shares rally sharply in the quarter.

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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.
- BT Group PLC is the only integrated U.K. fixed-mobile operator. BT Group reported better-than-expected year-end results, but its shares underperformed after the new CEO delivered earnings guidance that was below expectations. In addition, the company did not commit to maintaining the dividend if the conditions to invest in fibre-to-the-home are appropriate. Valuations for BT Group are among the lowest versus its peers. The market underappreciates the new CEO's ability to bring BT Group's cost efficiency up to peer levels and a regulatory environment that is showing tangible signs of improving.

Portfolio Activity

- We initiated three new positions in the Fund during the second quarter. Among these is THK Co., Ltd., 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 company's stock has fallen to a level that provides a compelling risk/reward profile.
- During the quarter, the we exited from five Fund positions. Among them is Hoya Corp., 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 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.

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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 (12/18/2001)
CI International Value Fund	6.8	3.0	9.7	7.8	8.2	5.2

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

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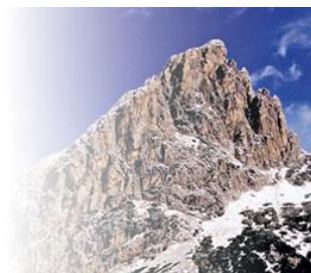
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