Market Commentary
Second Quarter 2019

EPOCH Investment Partners

CI Global High Dividend Advantage Fund

Market Overview

- Stocks in the U.S. rose as the U.S. Federal Reserve (the "Fed") raised investor hopes for an imminent cut in interest rates. While pointing to continued strength in the labour market and consumer spending, the Fed highlighted concerns about the U.S.-China trade dispute and its potential damage to the global economy. Trade negotiations between the two countries collapsed, leading to the imposition of higher tariffs on US$200 billion of Chinese goods. (U.S. President Donald Trump and China President Xi Jinping declared a truce and a resumption of negotiations after the quarter-end.)

- U.S. gross domestic product grew at a faster-than-expected rate of 3.1% in the first quarter of 2019. The labour market maintained its momentum, with unemployment declining to 3.6%, the lowest rate since 1969.

- While the world's largest economic blocs – the European Union, China and the U.S. – all reported stronger-than-expected first-quarter 2019 growth, investors anticipated a moderation in global growth as the year progressed. The International Monetary Fund (IMF) cut its global growth forecasts for 2019 and 2020, predicting that advanced economies would slow, while emerging markets would become more positive. The IMF also predicted an end to crisis conditions in Turkey and Argentina, and stabilization in China's growth rate.

Performance Summary

- Over the second quarter of 2019, Class F of CI Global High Dividend Advantage Fund (the "Fund") returned -0.3% while its benchmark, the MSCI All Country World Total Return Index, returned 1.4%.

- The Fund underperformed the benchmark during the quarter, as equity markets generally posted gains after the Fed raised hopes for trimming interest rates. More specifically, the Fund performed as expected, as industries and sectors within the portfolio with shareholder yield characteristics, such as tobacco and utilities, lagged the broader market.

Contributors to Performance

- During the quarter, stock selection in the financials sector was the strongest positive contributor to the Fund's relative performance.

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- An underweight position in Japan, as well as positive stock selection and overweight position in Germany, also contributed to returns.

- In terms of individual contributors, AXA SA boosted absolute performance. AXA is a diversified global insurance company engaged in multiple insurance lines including life, health, and property and casualty, as well as asset management services. AXA also successfully completed a secondary offering of shares in minority-owned AXA Equitable Holdings Inc. AXA continues to have a transparent capital allocation policy to pay an attractive, growing dividend that is well-supported by earnings, and the company maintains a strong regulatory capital position.

Detractors from Performance

- The Fund's exposure to tobacco companies was the main detractor from relative performance during the quarter.

- Stock selection in information technology and an underweight allocation to the sector also detracted from relative results, as did an overweight position in utilities.

- Regionally, the Fund's stock selection in the U.S. and the U.K. hindered relative returns.

- In terms of individual detractors, Imperial Brands PLC, a global tobacco manufacturer, diminished returns. The company's shares were pressured, along with tobacco peers, as investors focused on growth prospects in the U.S. While we remain confident in the resilience of the U.S. cigarette profit outlook, a few things caused investors to rethink the growth trajectory this quarter, such as U.S. Food and Drug Administration regulation, growth of next-generation products, and the influence of next-generation products on traditional combustible cigarette volumes. Management remains committed to returning cash to shareholders through an attractive dividend and share repurchases.

Portfolio Activity

- A few positions were initiated in the Fund during the quarter, including Phillips 66 Co. and Tokio Marine Holdings Inc. Phillips 66 is an integrated midstream and downstream energy company that transports, refines and markets crude oil and related products. It also produces petrochemicals through Chevron Phillips Chemical Company LLC, a 50/50 joint venture with Chevron Corp. Cash flows are generated from the market-leading refining, chemicals and marketing businesses, as well as the mostly fee-based midstream operations. Cash flow growth is driven by greenfield and brownfield projects that increase production volumes and by cost controls that improve margins. Phillips 66 returns cash to shareholders through an attractive and growing dividend, and regular share buybacks.

- Tokio Marine Holdings is a Japan-based diversified insurance and asset management company. The company generates growing cash flow from the sale of insurance products spanning property and casualty, life, health, and accident categories to retail and commercial clients globally. As a result of a series of strategic acquisitions over the past few years, the company today is diversified globally, generating significant earnings and cash flow outside of Japan. In addition to paying an attractive, growing dividend, the strong regulatory capital position of Tokio Marine Holdings has allowed periodic share repurchases and special dividends.

- A few Fund positions were exited during the period, including Red Electrica Corp. SA and SSE PLC. Red Electrica is a Spanish regulated utility company that owns and operates the country's electricity transmission network. It also has a small exposure to regulated transmission in Peru and Chile. Red Electrica made a significant dual shift in its strategy and capital allocation during the quarter. First, the company announced a plan to acquire Hispasat SA, a telecommunications company that provides satellite services. Second, the company also announced it would make additional capital investments in the telecommunications unit. We exited the Fund's position as risks to future dividends and dividend growth have increased.

- SSE is a U.K.-based utility company that generates, transmits, distributes and supplies electricity to industrial, commercial and domestic customers in the U.K. and Ireland. It also stores and distributes natural gas. Recently, the company has struggled to exit its unregulated SSE energy services business, lowering our confidence in the sustainability of the dividend. We exited the position to fund other more attractive opportunities.

Outlook

- Economic growth is moderating across the globe as the current cycle matures, trade frictions begin to take hold and, in the U.S., the boost from the *Tax Cuts and Jobs Act* fades. Developed economies continue to suffer from large debt, negligible growth in the workforce and uninspiring productivity gains, although the accuracy with which those gains are measured is open to debate. Trade tensions are likely to remain a market theme and a source of volatility, and we are concerned about a bifurcation in global supply chains and its negative influence on margins.

- On an upbeat note, the digital age and the transition from "atoms to bits" implies a capital-light economy in which technology is being substituted for labour and physical assets. This points to higher returns on equity. In fact, all three components (profit margins, asset utilization and leverage) should

rise. With the pace of technological change advancing at an exponential rate, we believe this transformation has only just begun. The ability of companies to generate free cash flow will become increasingly dependent on how they adapt their business models to the digital age.

Class F returns (in %) as at June 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (02/28/2006)
CI Global High Dividend Advantage Fund	8.1	4.9	4.8	5.7	9.7	5.7

Sources: Bloomberg L.P.; Morningstar Direct; and Epoch Investment Partners, Inc., as at June 30, 2019.

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