

Q2-2019 Commentary

CI American Equity Fund

Aubrey Hearn, CFA, *Vice-President and Senior Portfolio Manager*

Jack Hall, CFA, *Portfolio Manager*

PERFORMANCE SUMMARY

- In the second quarter of 2019, Class F of CI American Equity Fund (the “Fund”) returned 2.7% compared with the S&P 500 Total Return Index, which returned 2.0%.
- The Fund outperformed its benchmark largely as a result of security selection within the health care and information technology sectors.

CONTRIBUTORS TO PERFORMANCE

- **Visa Inc.** operates as a payments technology company worldwide. The company facilitates commerce through the transfer of value and information among consumers, merchants, financial institutions, businesses, strategic partners and government entities. The company continued to benefit from its acquisition of Visa Europe, increasing business volumes, investment in digital technology and a solid balance sheet.
- **Mastercard Inc.** is a technology company that provides transaction processing and other payment-related products and services in the United States and internationally. It facilitates the processing of payment transactions, including authorization, clearing and settlement, as well as delivers related products and services. For the past few quarters, Mastercard has gained from higher switched transactions, increase in cross-border and gross dollar volumes, and gains from acquisitions.

DETRACTORS FROM PERFORMANCE

- **Alphabet Inc.** provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada and Latin America. It offers performance and brand advertising services, operating through its Google and Other Bets segments. The company’s diversification strategy has led to higher investments in mobile cloud services. In addition, growing competition and legal problems have negatively impacted its share price.
- **Cognizant Technology Solutions Corp.** is a professional services company that provides consulting, technology and outsourcing services worldwide. The company has exposure to geographic concentration risks and has been impacted by heavy competition.

PORTFOLIO ACTIVITY

- Headquartered in New York City, **JPMorgan Chase & Co.** is the largest banking institution in the United States in terms of assets, with US\$2.7 trillion in assets and operations worldwide. The company operates as a financial services company, providing consumer banking, investment banking, commercial banking and asset management services. It was added to the Fund as its net interest income should continue to rise. Its brand network is also expected to increase following its acquisition of InstaMed Communications, LLC.
- Cinemark Holdings Inc.**, headquartered in Plano, Texas, engages in the motion picture exhibition business. It is also the largest movie theatre chain in Brazil. It was eliminated from the Fund because of a poor outlook on future box office releases and the increasing threat of streaming services.

MARKET OUTLOOK

- We continue to see strong but slowing growth in the United States, particularly in comparison to the rest of the world. Unemployment remains low, and consumer confidence remains at elevated levels, but we have noticed lower business confidence more recently.
- The Fund remains fully invested but with a specific focus on certain sectors. Typically, these sectors are more U.S.-centric and less exposed to trade disputes or a reduction in business capital spending.
- Mortgage rates have declined fairly significantly. We believe this should benefit the U.S. housing market, which was a challenge to growth in 2018. The Fund's bank holdings should benefit from higher levels of loan growth, and we continue to look for other opportunities to invest in this space.
- Political risk remains elevated with the upcoming U.S. elections. We are monitoring potential outcomes and adjusting positioning as we see fit. The health care sector is an area in particular that could be impacted.

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
CI American Equity Fund, Class F	7.9%	9.6%	9.3%	11.4%	1.3%
S&P 500 Total Return Index (C\$)	9.7%	14.7%	15.3%	16.1%	4.9%

* Inception date of CI American Equity Fund, Class F: August 8, 2000.

Sources: Morningstar Research Inc., Bloomberg L.P. and Sentry Investment Management. Data as at June 30, 2019.

All returns are total returns, stated in Canadian dollars. Fund returns are for Class F, net of fees, all distributions reinvested.

The comparison presented is intended to illustrate the Mutual Fund's historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes. There are various important

differences that may exist between the Mutual Fund and the stated indexes that may affect the performance of each. The objectives and strategies of the Mutual Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.

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