CI PRIVATE POOLS™

# CI Global Concentrated Equity Private Pool
# Second-quarter 2019 Commentary

## Fund Holdings

- During the second quarter of 2019, CI Global Concentrated Equity Private Pool (the "Fund") held a number of positions in equities and equity-related securities of large corporations globally.

- U.S.-based The Walt Disney Co. is a major film producer and operator of theme parks globally.

- SPDR Gold Trust ETF is an exchange-trade fund that invests in the gold market.

- Ohio-based Marathon Petroleum Corp. has the largest retail gas-station footprint among independent refiners in the U.S.

- MGM China Holdings Ltd. operates in the Macau, China gaming sector.

## Portfolio Activity

- Boston Scientific Corp. was added to the Fund in late April 2019.

- Also in April, Keyence Co. was sold from the Fund.

## Outlook

- Prolonged U.S.-China trade tensions have destabilized expectations for global economic growth. Corporations are adjusting supply chains, deferring capital investments and reducing inventories to free up working capital, and many are curtailing borrowing arrangements to guard against financial instability. The breadth and depth of the manufacturing downturn is substantial, affecting all geographic regions. The 2017–18 economic upturn can be clearly seen as a cyclical bounce, with 2016 lows now being retested. We doubt that activity will rebound.

- Consumer-driven service sectors have proven more resilient, but it remains to be seen if this will prevail during the third quarter of 2019. The markets – and by extension consumer confidence – will likely dictate this outcome.

- Central banks anticipate economic deceleration and are easing their monetary policies accordingly. However, legitimate questions are being asked about the effectiveness of incremental monetary policy given the low level of initial yields and the repeated quantitative easing by these central banks, which becomes increasingly less effective the more it is used. Markets have hit new highs, and we are skeptical that equities can withstand weaker corporate earnings. However, the credit markets should fare relatively well if the slowdown remains shallow, as we expect.

- In May, the U.S.-China trade impasse re-emerged, pushing us off our previously held view that the economic cycle could extend if the U.S. Federal Reserve adopted a patient approach. The hardening of stances exemplified by the banning of Huawei Technologies Co. Ltd. products speaks to the level of mistrust between Washington and Beijing. An aggressive mood has taken hold in both camps. We expect the next round of trade negotiations in August will fail to overcome past hurdles, such as dropping tariffs and enforcement mechanisms. Escalation would ensue, possibly extending from restrictions of goods and restrictions into capital markets. Confusion and disarray are gaining the upper hand, by design.

- During 2018–19, China has underwritten domestic economic stability with a minimum amount of stimulus. Past credit splurges from 2009 through 2015 continue to plague the country's financial system and discourage large-scale action. This provides a weaker backstop to the global economy.

- The political climate is chilly in developed markets. Centrist governments are disappearing. The next downturn will be chaotic, and the route to bipartisan fiscal support is complicated – even for the likes of incoming European Central Bank President Christine Lagarde.

- Small trading countries are finding themselves caught between the duelling giants. The global-rules-based trading system of the postwar era served them well, but now that they are dependent on foreign markets and unable to influence the agenda bilaterally, their power is minimal.

- Since the 1944 Bretton Woods Conference, the International Monetary Fund (IMF) has become the sole source of financial support for developing countries facing financial crises. In the fall of 2019, the IMF will be on the edge of a funding cliff as large capital commitments mature (to the tune of US$440 billion of bilateral borrowing agreements). The United States, which oversaw the creation of the IMF and headquarters the institution in Washington, D.C.,

may be the decisive player in determining whether the IMF can finance itself to remain relevant.

Sources: Bloomberg L.P. and Signature Global Asset Management, as at June 30, 2019.

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