

CI International Equity Growth Private Pool Second-quarter 2019 Commentary

Market Overview

- Equity markets continued to rally during the second quarter of 2019, adding to the first quarter's strong gains. Risk assets performed well despite minor volatility and a pullback in May 2019, highlighting the ongoing trade tensions between the United States and China. This was supported by a dovish (i.e., cautious) monetary policy backdrop, as central banks around the world continued to signal a shift to a more cautious posture. The strong rally in equities throughout the first half of the year has led to a more balanced risk/reward environment.

Fund Holdings

- During the second quarter of 2019, among the top holdings of CI International Equity Growth Private Pool (the "Fund") were Euronext N.V., Linde PLC, LVMH Moet Hennessy Louis Vuitton SE ("LVMH"), Royal Ahold Delhaize N.V., Chr. Hansen Holding A/S and Bunzl PLC.
- Euronext is the largest stock exchange in continental Europe with 1,300 issuers.
- Linde, an Ireland-domiciled chemical company, is the world's largest industrial gas business by market share and revenue.
- LVMH is a French multinational luxury goods conglomerate headquartered in Paris.
- Netherlands-based Royal Ahold Delhaize manages and operates supermarkets and e-commerce businesses in Europe and throughout the world.
- Denmark-based Chr. Hansen Holding is a global bioscience company that develops natural solutions for the food, beverage, nutritional, pharmaceutical and agricultural industries.
- Bunzl is a multinational distribution and outsourcing company headquartered in London.

Portfolio Activity

- The cash position in the Fund's portfolio increased slightly over the quarter.

- The Fund's weights in the information technology and consumer staples sectors declined while there increases in the consumer discretionary and industrials sectors.

Outlook

- The Fund's strategy during the quarter continued to reflect our belief that global economic growth is slowing. Leading economic indicators across Organisation for Economic Co-operation and Development countries showed signs of continuing deceleration over the quarter. Within the Fund's fixed-income portion, the yield curve is signalling a deteriorating backdrop and has quickly priced in interest-rate cuts. The Government of Canada bond's two-year yield has fallen significantly, to 1.47% at June 30, 2019 from 1.79% at March 31, 2019. Similarly, the U.S. two-year Treasury issue's yield dropped to 1.74% from 2.27% during the quarter. This was a dramatic change in the narrative that only six months ago expected further interest-rate hikes.
- With the slowing macroeconomic backdrop, we continue to implement our bottom-up security selection process for the Fund. Given this environment, it has become more challenging to find attractively valued investment opportunities, and we have been trimming holdings from the Fund as they reach our risk/reward targets. As quality fundamental investors, our focus remains on identifying durable, compounding businesses through our disciplined bottom-up investment process to build resilient portfolios in areas that offer attractive compensation for the risk. Our process has been uncovering opportunities in areas of the market that have been impacted by the negative sentiment and where we believe the weaker macroeconomic environment is priced in.
- At Cambridge Global Asset Management, we will remain disciplined according to our bottom-up, fundamental investment process that targets attractive risk/reward opportunities. When evaluating the merits of a business, we look at a broad range of scenarios to determine the potential upside as well as the downside in making an investment. This evaluation is an integral part of Cambridge's investment approach and helps prepare for possible volatility. We will continue to monitor these market developments, remain patient and be ready to act if compelling risk-adjusted return opportunities presents themselves.

Sources: FactSet Research Systems Inc. and Cambridge Global Asset Management, as at June 30, 2019.

CI PRIVATE POOLS™

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