# Market Commentary
# Third Quarter 2019

## CI Global High Dividend Advantage Fund


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| Class F returns (in %) as at September 30, 2019 | Year-to-date | 1 year | 3 year | 5 year | 10 year | Since inception (02/28/2006) |
|---|---|---|---|---|---|---|
| CI Global High Dividend Advantage Fund | 10.5 | 5.4 | 5.3 | 6.1 | 9.4 | 5.8 |

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

### Market Overview

- Equity markets ended the third quarter with small gains in Canadian-dollar terms. Equity investors shifted toward defensive sectors; utilities, real estate and consumer staples provided strong returns, while energy and materials stocks declined. Stock and bond prices were supported by monetary easing from central banks worldwide amid signs of a slowing global economy, an intensifying U.S.-China trade dispute, and a cooling off in manufacturing. Widespread protests in Hong Kong and U.K. Brexit concerns also kept a lid on investor sentiment.

- In the United States, dovish comments from U.S. Federal Reserve Chair Jerome Powell early in the quarter left little doubt that a cut in interest rates was coming. However, investors were disappointed with it, describing the cut as a "mid-cycle adjustment" and not the beginning of a rate-cutting cycle. On the trade front, the Trump administration levied additional tariffs, which now cover virtually all Chinese goods. The White House also stated it was considering limiting U.S. investments in China, highlighting the potential for the trade war to spill into capital markets. The U.S. economy continued to expand, albeit at a more moderate pace. While manufacturing showed signs of slowing, consumers remained confident and kept spending as job growth continued apace and wages ticked up. The yield on the 10-year Treasury note briefly dropped below that of the two-year note, while the 30-year Treasury bond yield fell below 2% for the first time.

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**Performance Summary**

- Over the third quarter of 2019, the CI Global High Dividend Advantage Fund (the "Fund") returned 2.2% while its benchmark, the MSCI All Country World Total Return Index, returned 1.3%.

- The Fund exhibited downside protection during the declining market in August and solidified its outperformance when the market started to shift from favouring momentum-driven companies to more value-driven ones in September.

**Contributors to Performance**

- An overweight to utilities, a defensive sector heavily represented in the Fund, was the strongest contributor to relative performance. This was further helped by stock selection.

- Strong stock selection in industrials, communication services and real estate also contributed to relative results.

- Strong stock selection in energy offset the negative effect of the Fund's overweight in the sector, as energy was the weakest performer in the benchmark.

- The main individual positive contributor to absolute performance was Entergy Corp. Entergy is a U.S. utility company that provides regulated electricity and natural gas services to customers in the states of Arkansas, Louisiana, Alabama and Texas. As investors gained further confidence in its exit of unregulated merchant power generation, businesses shares outperformed along with regulated utility peers, due to increasing market volatility and declining interest rates. Management is focused on growing its regulated rate bases and delivering regulated earnings growth, which gives us confidence in Entergy's ability to sustain and grow its attractive dividend.

**Detractors from Performance**

- The Fund's underweight allocation to information technology and stock selection in certain software and hardware companies detracted from relative performance.

- Stock selection in consumer staples further detracted from relative results.

- From a country perspective, an underweight allocation to Japan slightly detracted.

- The main individual detractors included Pfizer Inc. Pfizer is a global pharmaceutical company that develops and markets drugs and vaccines in several therapeutic areas. The company also owns a minority interest in a consumer healthcare joint venture with GlaxoSmithKline LLC. Shares traded lower on the announcement of the company's plans to combine its off-patent drug business, Upjohn Co., with Mylan N.V., a global generic and specialty pharmaceuticals company. This was after initial guidance for Upjohn's 2020 sales and profits were lower than expected. However, we expect the transaction to complete Pfizer's transformation into a faster-growing, pure-play innovative pharmaceutical company. It is expected to have revenue and cash flow growth fuelled by volume-driven sales growth from new drugs, margin expansion as pipeline investments moderate and an absence of drug patent expiries from 2021 through the second half of the decade. Pfizer has a strong balance sheet, and its free cash flow comfortably covers the attractive, growing dividend and steady share repurchases.

**Portfolio Activity**

- A few positions were initiated during the period, including CenterPoint Energy Inc. CenterPoint Energy is mostly a regulated utility company that offers electric transmission, distribution and power generation services to customers in the Houston metropolitan area and Indiana, and natural gas distribution services to customers in eight Midwest and Southern states. Its non-utility operations provide energy-related services through its energy services, infrastructure services, and Enable Midstream segments. Cash flow is generated from a diverse set of regulated and non-utility business units. Cash flow growth is driven mostly by high-single digit regulated rate base growth, with incremental contributions from non-utility operations. The company returns cash to shareholders with an attractive and growing dividend.

- A few positions were closed during the period, including Singapore Telecommunications Ltd. Singapore Telecommunications is a multinational provider of both wireless and fixed line telecommunications services. Results in its two main markets of Singapore and Australia have come under pressure from the entrance of a fourth competitor. This, combined with weakness in its regional associates, reduced our confidence that the company could grow enough to sustain its dividend within its 60-75% targeted payout ratio. As a result, we exited the position on an expected increased risk to the dividend.

**Outlook**

- Economic growth is moderating worldwide as the economic cycle matures, trade frictions take hold and the manufacturing sector begins to contract. Growth in the U.S., while slowing, remains supported by consumers, backed by a strong job market and incrementally higher wages. Growth in Europe is more tentative, with some countries (notably Germany) appearing on the verge of recession. The Chinese economy has stabilized for the time being, but excess leverage that we expect is higher than official statistics is a concern.

- The economic slowdown, combined with a lack of inflationary pressure, has led the major central banks to lean toward easier monetary policies. Lower policy rates and the resumption of quantitative easing have suppressed bond yields to new lows. In fact, more than half of all global sovereign bonds now trade at negative interest rates.

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