Market Commentary
Third Quarter 2019

CI Canadian Small/Mid Cap Fund

The portfolio of CI Canadian Small/Mid Cap Fund (the "Fund") is divided among three sub-advisors: Picton Mahoney Asset Management, Manulife Asset Management Ltd. and QV Investors Inc. The comments below pertain to each sub-advisor's portion of the portfolio.

Class F returns (in %) as at June 30, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (06/29/2005)
CI Canadian Small/Mid Cap Fund	14.9	-2.1	3.5	4.2	8.7	5.9

Sources: Bloomberg Finance L.P., Picton Mahoney Asset Management, Manulife Asset Management Ltd. and QV Investors Inc., as at June 30, 2019.

Over the third quarter of 2019, Class F of CI Canadian Small/Mid Cap Fund (the "Fund") returned 0.7%, outperforming its blended benchmark (50% S&P/TSX Completion Total Return Index and 50% S&P/TSX SmallCap Total Return Index), which returned 0.3% over the same period.

Picton Mahoney Asset Management

An anticipated global growth slowdown is increasingly being factored into bond markets and, as a result, equity investors are anticipating immediate, sizeable monetary stimulus from central banks. Macro risks such as trade tensions, Brexit and upcoming key elections are exacerbating the late-cycle dynamics of more frequent and extreme bouts of volatility. While we have been keenly attuned to indicators of a recession, further market gains may still be in the offing – but this is unlikely to occur unless central banks take decisive action to arrest an economic slowdown.

During the quarter, relative to its benchmark, strong stock selection in the energy sector contributed to Fund performance, as did our underweight exposure to the health care sector.

Our top-performing individual holdings were Cogeco Communications Inc. and Cargojet Inc. Cogeco is a provider of cable network services in Canada and the United States. During the quarter, the Montreal-based company reported strong earnings that exceeded consensus estimates. Internet subscriptions increased substantially in its U.S. segment, which is a key driver of the business. Cogeco also introduced guidance on its 2020 financials, which exceeded consensus estimates on revenue, EBITDA and free-cash-flow growth. We continue to like Cogeco for the growing importance of its U.S. business as it reduces its reliance on Canada, and its mergers-and-acquisitions possibilities, following the divestiture of its PEER1 internet-hosting business earlier this year. Cargojet operates an overnight air-cargo network within Canada. The company has built dominant market share in this time-sensitive market, and as a result now serves most major cargo carriers. During the quarter, Cargojet announced a strategic agreement with Amazon.com Inc., in which Cargojet issued warrants to purchase variable voting shares in multiple tranches that vest over time. The first tranche allows Amazon to acquire up to 9.9% of Cargojet shares. In our view, this is a major validation of Cargojet's importance to key customers in Canada's growing e-commerce market.

The largest individual detractor from performance was Champion Iron Ltd., which had been a strong contributor in the second quarter of 2019.

We initiated investments in Chemtrade Logistics Income Fund and Major Drilling Group International Inc. during the period. Major Drilling Group is a contract driller with operations in North America and abroad. We believe its fortunes are rapidly improving after years of malaise in the drilling market. Chemtrade is a diversified chemicals producer and distributor in North and South America. After several quarters of disappointing results and execution, the company has shown early signs of a turnaround. In addition, Chemtrade has been de-leveraging its balance sheet and is looking to sell assets to expedite this process.

Manulife Asset Management

In the third quarter, two main themes that dominated the equity landscape were the trade war between the U.S. and China and the shift in monetary policy by the U.S. Federal Reserve Board (the "Fed"). The Canadian small-capitalization equity market declined over the quarter, and investor sentiment was decidedly risk averse as the top-performing sectors were the defensive-oriented real estate, financials and materials (the latter as a result of gains in gold companies). Over the quarter, the Fed cut interest rates in both July and September over concerns that growing trade tensions and increasing tariffs were negatively impacting the U.S. economy. Unlike the Fed, the Bank of Canada ("BoC") held interest rates steady at both its meetings over the quarter on healthy economic data.

Over the quarter, sector allocation and security selection contributed to performance on a relative basis. From a sector standpoint, the top contributors to Fund performance were underweight allocations in the energy and health care sectors. On an individual security level, the top contributor to performance was a zero weight in a cannabis company.

An underweight allocation in the materials sector detracted from the strategy's performance. The top individual detractor was a zero weight in a gold company.

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Our overall outlook is cautious as a result of deteriorating global macroeconomic conditions. The U.S. trade dispute with China has acted as a catalyst for a more broad-based global economic slowdown as trade, manufacturing and business confidence have all declined in response. Although global economic growth has slowed, central banks have moved quickly to ease monetary policy, with interest rate cuts in the U.S. and Europe and fiscal stimulus measures in China. These measures may help to temper the slowdown, but we do not expect any notable economic growth catalysts short of the U.S. and China reaching a trade deal.

Although the BoC has become an outlier for not following suit with other central banks' monetary easing policies, if the global economic slowdown becomes more protracted, we expect the BoC to cut interest rates as well. The BoC has to balance future rate cuts with a heavily indebted Canadian consumer and an overvalued real estate market, as further interest rate cuts could exacerbate both problems. From an equity perspective, the global trade wars and economic slowdown have caused investors to become more risk averse and shift assets to defensive and yield-oriented sectors. Slower economic growth and falling interest rates would negatively impact the Canadian equity market as a result of its exposure to cyclical sectors and the financials sector. As a result, we have reduced the Fund's cyclical exposure in favour of defensive growth companies.

At the end of the quarter, the Fund held sector overweight positions in information technology, utilities and real estate, and underweight positions in materials (as a result of an underweight allocation in gold stocks), energy and health care. In addition, cash equivalents were increased to 7.6%.

QV Investors

In Canada, small-cap stocks have underperformed the broader market, primarily due to challenges in the energy and base-metals-related sectors.

Exposure to quality financials holdings that offered value and avoidance of weaker businesses in the health care sector were key contributors to our outperformance. In particular, we benefitted from side-stepping declines from the early-stage cannabis sector in favour of businesses with strong franchises and management teams.

Shares of iA Financial Corp. added value to our portfolio as the company reported healthy operating results and further strengthened its balance sheet.

Commercial lender Canadian Western Bank also contributed positively to performance, as the bank continued to execute on its business diversification plan, while raising its dividend 4% and returning additional capital to shareholders through its buyback program.

Secure Energy Services Inc., despite focusing on its steadier producing assets, detracted from performance in the period, as the energy sector suffered from low commodity prices and slow industry activity.

SNC-Lavalin Group Inc. also detracted, as the company continued to provide unsatisfactory information on its efforts to rebuild its reputation. We finished exiting our position in SNC-Lavalin Group Inc. after its latest quarterly report provided disappointing information, including a lack of meaningful progress on key milestones. SNC-Lavalin continues to work toward rebuilding its reputation after legal issues from pre-2012 issues, but this process is unlikely to conclude anytime soon as the company awaits a trial on federal charges. In addition, its once highly profitable engineering and construction business has been tarnished by several failed fixed-price contracts and the path toward positive cash flow is uncertain.

We initiated an investment in SmartCentres REIT during the quarter, which offers both reasonable growth and defensive attributes. Strong anchor tenants such as Walmart and Canadian Tire are expected to provide stability through periods of economic downturn.

Stella-Jones Inc. was also added to the Fund. The company is a North American producer of treated wood products such as railway ties and utility poles. Stella-Jones provides steady growth and excess cash flow, which it employs to reduce debt, grow dividends or fund opportunistic acquisitions. It is a reasonably priced company of above-average quality and enhances our portfolio's cash-flow stability and return on equity.

Global equity returns have been strong in 2019, but the path to these gains has been volatile. International trade conflicts have increased economic and market uncertainty. Meantime, accommodative central bank policy has supported asset valuations. Domestically, consumer debt levels and the October 21 federal election have been dominating investors' mindsets. The weak fundamentals behind the Canadian market gains, which has been largely unsupported by corporate earnings, is cause for concern. Growth and gold-related equities continue to outperform, while value stocks have lagged.

If this trend persists, our strategy could result in underperformance. However, we remain committed to our investment and risk management process that has historically generated healthy absolute performance over time.

IMPORTANT DISCLAIMERS

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