

CI Global Equity Momentum Private Pool Fourth Quarter 2019 Commentary

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Class F returns (in %) as at December 31, 2019	Year-to-date	1 year	3 year	5 year	10 year	Since inception (10/29/2018)
CI Global Equity Momentum Private Pool	14.8	14.8	N/A	N/A	N/A	9.7

Sources: Bloomberg Finance L.P. and Picton Mahoney Asset Management, as at December 31, 2019.

Market Overview

) While investors largely focused on a trade agreement between the United States and China during the latter part of 2019, we attributed the year's strong equity performance to overall financial conditions. A very accommodative U.S. Federal Reserve seems willing to embrace a period of inflationary pressure before it raises interest rates, which suggests the bar to raise rates is far higher than it is to lower them. We feel the backdrop for equities remains constructive over the near term, given the reintroduction of what appears to be a quantitative easing program, calming of global trade tensions and potential economic stimulus in China.

Performance Summary

-) Over the fourth quarter ended December 31, 2019, Class F of the CI Global Equity Momentum Private Pool (the Fund) returned 5.5%, compared with a 6.4% return for its benchmark, the MSCI World Index.
-) The Fund's overweight exposure to the consumer discretionary and industrials sectors contributed to its relative underperformance. Our overweight positions in health care and underweighting in energy added to relative performance.

Contributors to Performance

-) During the quarter, the Fund's top-contributing investments included STMicroelectronics NV and D'leteren SA.

-) STMicroelectronics has emerged as a major beneficiary of the move to electric vehicles and a large share gainer in the growth semiconductor industry. Investment in leading technologies including silicon carbide and gallium nitride positioned STM to retake some share from its main European competitor, Infineon Technologies AG, in both electric vehicles and advanced driver assistance systems (ADAS). Given its poor execution track record, the market had been slow to re-rate the stock to peer leverage despite the secular growth opportunity, structural change in its business, near-term demand drivers in wireless (3D imaging in Android, wireless charging, RF power for 5G infrastructure) and industrials (new microprocessors).
-) D'Ieteren SA is a Belgian holding company with a focus on the auto market. Its crown jewel is Belron which is an auto glass and body repair business that operates primarily in Western Europe and North America. The increasing complexity due to ADAS has translated into a higher average price per job. While D'Ieteren owns 54% of Belron, the business is managed by private equity firm, Clayton, Dubilier & Rice, which has refocused the business on cash flow and margins.

Detractors from Performance

-) Our position in Pressance Corp., as well as not owing Apple Inc., detracted from the Fund's relative performance during the quarter.
-) Our absence from Apple was the largest relative individual detractor. We have a focused portfolio of 60 companies and Apple is not among our holdings, given that we have enough exposure to other technology companies, including STMicroelectronics and Advanced Micro Devices, Inc., which both outperformed Apple during the quarter.
-) Pressance shares fell on news that its president had been arrested for misappropriating funds. The stock initially sold off sharply before recovering 15% near the end of December. As more information emerged, the president resigned, and investors gained some comfort about the earnings and cash flow projections for the next few years. Prior to this, Pressance had been making good progress and changing its business mix using artificial intelligence to help potential buyers/investors to better visualize their opportunity.

Outlook

-) We will continue to monitor geopolitical issues as they arise. The situation in Iran needs to be monitored for potential further escalations. A strong response in energy markets could negatively impact strong consumer sentiment and activity, which has held up well in the United States due to low interest rates. Of course, the U.S. election in November will have an impact, particularly if a less market-friendly Democratic candidate unseats Donald Trump.

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