

CI U.S. Equity Private Pool Fourth Quarter 2019 Commentary

Class F returns (in %) as at December 31, 2019	1 year	3 year	5 year	Since inception (10/29/18)
CI U.S. Equity Private Pool Class F	22.9	N/A	N/A	19.94

Sources: Morningstar Research Inc., Bloomberg Finance L.P. and Sentry Investment Management, as at December 31, 2019.

Performance Summary

- In the fourth quarter of 2019, Class F of CI U.S. Equity Private Pool (the “Fund”) returned 7.3% compared with the S&P 500 Total Return Index, which returned 6.8%.

Contributors to Performance

- **Cigna Corp.** is a health service organization that provides insurance and related products and services. The stock performed well as the risks associated with Elizabeth Warren becoming President of the United States and implementing “Medicare for All” policies declined as her polling numbers dropped.
- **JPMorgan Chase & Co.** operates as a financial services company that offers various consumer banking, investment banking, commercial banking and wealth management services. The stock performed well following strong loan demand, the opening of new branches and strength in the company’s credit card business.

Detractors from Performance

- **Expedia Group Inc.** is the world’s largest online travel agency by bookings, lodging options, air fares, rental cars and destinations. The stock was impacted by slow growth in its Trivago business and unfavourable foreign exchange fluctuations. Moreover, a possible shift to pursuing higher-cost marketing methods could hurt the company’s profitability.
- **The Boeing Co.** designs and manufactures commercial jetliners and military aircraft. The company benefits from its competitive position, shared with Airbus Group, that allows both companies to maintain attractive utilization rates and pricing power. While we remain positive on Boeing’s long-term earnings power, we have concerns that the issues with the 737MAX program run deeper than believed when we underwrote the investment. Halting

production of the 737MAX, even temporarily, is an indication of bigger problems at the company and its decision will impact free cash flow through 2021.

Portfolio Activity

- A new position in **Manchester United PLC** was added during the period, which owns and operates a professional sports team in the United Kingdom. The company develops marketing and sponsorship relationships with international and regional companies to leverage its brand, in addition to selling sporting apparel and other team-related products.
- A position in **Penske Automotive Group Inc.**, which owns and operates light vehicle franchises and is the second-largest U.S.-based dealer, was sold during the quarter. Its shares were impacted by pressure on the company's U.K. business, resulting from a weak demand environment and vehicle oversupply.

Market Outlook

- Modest growth continued in the fourth quarter of 2019, particularly compared to the rest of the world. Unemployment remains low and consumer confidence remains at elevated levels. As we finished the quarter, we started to see an improvement in business confidence as a result of a "phase one" U.S.-China trade agreement. We are hopeful that this could result in an acceleration of growth in 2020.
- Our Fund remains fully invested. Cyclical stocks performed very well during the quarter. We continue to hold an underweight exposure to that sector. Instead, we believe that we can benefit from an improving economy as a result of our large holdings in U.S. banks. This segment of the market trades at a significant discount to cyclicals, which we feel is unwarranted.
- Political risk remains elevated with the upcoming U.S. presidential election. We will continue to monitor potential outcomes, and adjust positioning accordingly. Health care is an area in particular that may be impacted. Our current view is this uncertainty is creating some attractive investment opportunities.
- The primary focus of our Fund continues to be on owning companies that may have long-term structural trends in their favour. Many of these holdings happen to be in the information technology and communication services sectors.

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