



Trusted Partner in Wealth™



Munro Partners Update

Summary of an audio recording on March 17, 2020

Speaker:

Nick Griffin, Chief Investment Officer

Munro Overview:

- We believe there are three crises occurring here, and all of them need to be solved with a strong injection of confidence.
- The first crisis is the health crisis. COVID-19 looks likely to be with us for at least the next few months, and the good news is governments are now taking it seriously. Yet by doing so, they're significantly increasing the effects on the global economy due to travel bans and lockdowns. The experience in China and South Korea suggests this could take six weeks to pass through, but this could be conservative.
- We think COVID-19 can be solved with extensive testing; populations need confidence in their governments and the ability of their health care system to cope and assess the risks. Only then will people return to some sense of normality. One should expect testing to go up exponentially because governments know this, which means confirmed cases will also go up exponentially. It's important to remember that many countries are just moving into the apex, so we don't expect news to get better in the short term.
- The second crisis is the economic crisis. Effectively closing the world for two to six weeks is going to have serious economic consequences. Earnings estimates are effectively worthless, and the long-term effects are unknown and probably not fully priced into markets right now.
- If we look at the S&P 500, it's where it was when we thought we were going into recession in 2018, and today may be significantly worse than back then.
- Credit is going to become the next big issue here, as most businesses cannot cope with revenue down 50% plus and still have operational expenses and payroll for a sustained period.
- We expect to see significant government stimulus, and most importantly liquidity and credit injections. Ultimately, however, it is usually equity holders that bear the brunt of any recapitalizations required. Companies coming to the equity market will put pressure on other stocks.
- Governments will need to stand behind small businesses and the economy. Central banks are clearly going to print money to fund this; this needs to be a coordinated global response.



Trusted Partner in Wealth™



- The third crisis is a liquidity crisis for markets, as they are required to function to plug the liquidity gaps being created by the economic issues. Put simply, the equity market is daily priced. If you need money now, and lots of people do, the way to raise it is in the equity market, and that's why you're getting these wild movements that we're seeing in the market, which in turn creates more issues for other participants. So that means things are likely to remain volatile for the next few weeks.
- There will clearly be good buying opportunities ahead, even if one doesn't pick them on market bottom. We have the ammunition available, and we'll act when the time comes.

Munro's Positioning:

- Essentially, net equity exposure for the fund is 30%, and delta-adjusted exposure is 10%. The current fund currently holds 60% long 30% short, and we have three put options on various market indexes as of today. The underlying fund is mostly exposed to ecommerce, software, health care and utilities.
- Overall, we expect the fund to go up or down roughly less than 50% of the market moves. We do not expect to materially change this positioning in the short term, and as an absolute return manager the plan is to be patient, keep risk low, and let the storm pass. We are aware of the risks and are acting accordingly.
- In terms of foreign exchange, the Fund is exposed to 55% of U.S. dollars and 45% Canadian dollars.
- We continue to keep exposure low. We think it's too soon to invest today, but ultimately the key thing we need here is a bit of time to play out to see where this all ends up.

IMPORTANT DISCLAIMERS

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or an offer or a solicitation to buy or sell securities. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.



Trusted Partner in Wealth™



The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

Munro Partners, is portfolio sub-advisor to certain funds offered and managed by CI Investments Inc.

CI Investments® and the CI Investments design are registered trademarks of CI Investments Inc. "Trusted Partner in Wealth™" is a trademark of CI Investments Inc.

©CI Investments Inc. 2020. All rights reserved.

Published March 19, 2020.