

## CI North American Small/Mid Cap Equity Private Pool First-quarter 2020 Commentary

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Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2018-10-29)
CI North American Small/Mid Cap Equity Private Pool	-24.2	-19.7	-	-	-	-11.9

Source: Picton Mahoney Asset Management, as at March 31, 2020.

### Performance Summary

- Over the first quarter ended March 31, 2020, Class F of CI North American Small/Mid Cap Equity Pool returned -24.2%, compared with -21.8% for its blended benchmark, consisting of 70% S&P/TSX Small Cap Index and 30% Russell 2000 Total Return Index (C\$).
- Our underweight exposure to the energy sector and overweighting in information technology contributed to relative performance, while our underweight positions in health care and consumer staples detracted.

### Contributors to and detractors from performance

- Our top performing holdings were Kinaxis Inc. and Real Matters Inc. The largest individual detractors were Boyd Group Services Inc. and Parkland Fuel Corp.
- Kinaxis is a software company that provides planning and response management solutions. It offers an enterprise cloud solution for supply chain management, sales and operations planning, and other components for enterprise-grade customers. Kinaxis reported strong fourth-quarter results that displayed accelerating growth in its subscription revenues, resulting from addition of new customers through 2019, including Unilever PLC, Honda Motor Co. Ltd., Teva Pharmaceuticals Industries Ltd., among others. COVID-19 is disrupting supply chains worldwide and Kinaxis's software helps companies

deal with these challenges. As a result, we expect Kinaxis to continue to win new customers in 2020 and have a favourable view of the company.

- Real Matters provides property-appraisal, insurance-inspection, title-search and mortgage-closing services to lenders, mortgage insurers and originators in North America. Real Matters reported continued growth in both their appraisal and title-closing segments, as they continue to gain share from other appraisers. This growth boosted the bottom line, accelerating margins. The company remains well positioned to benefit from low interest rates, which will drive strong activity in the mortgage-refinance market over the coming months and years.

## Outlook

- The first quarter of 2020 was one for the history books. The key word was “unprecedented”, referring to the speed at which information traveled over social-media networks, how rapidly a highly contagious virus was conveyed over international air routes to just about every country; and the corresponding speed at which markets reacted to price in the new reality. Investors entered the quarter looking forward to a recovery in manufacturing. They soon were confronted by a deep but transient hiccup in China, followed by a mild and technical recession. As COVID-19 took off, the situation then plunged into a full-blown global economic shutdown the likes of which have not been seen in modern times. Central banks and governments worldwide have reacted with unprecedented levels of stimulus, exceeding even the 2008 playbook for credit-crisis quantitative easing.
- As we peer into the economic abyss that the global shutdown has created in an effort to contain the pandemic, the bottom is hard to see. However, early indications are beyond anything that we could have imagined, punctuated by unemployment claims and an all-time low in Canadian small-business confidence.
- Nonetheless, near the end of the period, the S&P 500 Index had its best three-day run since 1933, buoyed by a huge U.S.-government stimulus plan. The 10.3% one-week gain was the biggest since 2009. This suggested improving confidence (among other market divergences that are also emerging) that the stimulus will help hold things together for a while, and that the eventual recovery will be equally swift as well. For example, the recovery can be seen in China’s purchasing managers’ index (PMI), which bounced back after hitting all-time lows. While this might prove a temporary uptick, given the hit to

economies elsewhere around the world, nonetheless it is encouraging as it shows light at the end of the tunnel.

Source: Bloomberg Finance L.P. and Picton Mahoney Asset Management.

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